

BHARAT SCHOOL OF BANKING JUNE MONTH BANKING & ECONOMY - 2017

1. RBI Monetary Policy Rates as on Today (4-July-2017)

- Repo Rate - 6.25 %
- Reverse Repo - 6.00 %
- Bank Rate - 6.50 %
- Marginal Standing Facility (MSF) Rate - 6.50 %
- CRR (Cash Reserve Ratio) - 4 %
- SLR(Statutory Liquidity ratio) - 20 %

Economy

1. Indian Online financial services marketplace BankBazaar begun its operations in Malaysia to strengthen its presence in South East Asia.

2. According to Code Compliance Rating of banks done by Banking Codes and Standards Board of India (BCSBI)

- IDBI Bank is Only Bank out of 26 public sector banks to Get High Rating.
- 8 out of 17 private sector banks got high rating and 3 foreign banks (Citibank, HSBC and Standard Chartered Bank) Received High Rating.
- Code compliance rating is based on 5 parameters - information dissemination, transparency, grievance redressal, customer-centricity, and customer feedback.

3. According to Handbook of Statistics on States 2016-17, gross fiscal deficits of all states has increased to INR 4,93,360 crores in 2016 from INR 18,790 crore in FY1991. This is 2nd edition of RBI's statistical publication.

4. According to Reserve Bank of India (RBI), India's current account deficit (net difference between inflows and outflows of foreign currencies) narrowed during 2016-17 to 0.7% of the GDP, from 1.1% in 2015-16.

- CAD came down due to India's trade deficit narrowing down to \$112.4 billion in 2016-17 from \$130.1 billion in 2015-16.
- Net FDI inflows in 2016-17 also got narrowed to \$35.6 billion from \$36 billion during 2015-16.

5. According to UNCTAD's World Investment Report 2017, US, China and India are top 3 FDI Receiving Destinations. FDI inflows into India remained USD 44 billion.

6. Asian Infrastructure Investment Bank (AIIB) approved \$150 million equity investment loan for India Infrastructure Fund as AIIB's first equity investment to fund private projects. IIF will invest this amount in mid-cap infrastructure companies in India.

7. Axis Bank in association with Kochi Metro Rail Corporation (KMRL) has launched KMRL Axis Bank Kochi1 Card as India's first open loop EMV contactless metro card to make travel a convenient and hassle free.

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8. Bank of India conducted a mass-contact programme Star Mahotsav, to contacting every customer at their doorstep for several activities including recovery of bad loans, disbursement of loans such as housing and vehicle loan, disbursement under MSME and agriculture etc.
9. Cabinet Committee on Economic Affairs approved strategic disinvestment of Air India and five of its subsidiaries.
10. Canara Bank inked Bancassurance pact with the The New India Assurance Company Ltd, to sell NIACL policies through its branches.
11. Employees Provident Fund Organisation (EPFO) signed MoU with Housing and Urban Development Corporation (HUDCO) to enable members of its housing scheme to avail subsidy and interest subvention under Pradhan Mantri Awas Yojana (PMAY). Under housing scheme, EPFO allows its subscribers for withdrawing up to 90 % of their EPF accumulations to buy homes.
12. European Union (EU) released final tranche of Euro 25 million of its euro 80 million grant to the Indian government's Sarva Shiksha Abhiyan and Rashtriya Madhyamik Shiksha Abhiyan (RMSA).
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14. Finance Ministry asked all ministries tasked with clearing foreign direct investment proposals in the 12 sectors that require government's nod to take a decision on such proposals within 60 days. It is being done to speed up the FDI Process.
15. GST Council constituted 18 Sectoral Groups representing various sectors of economy to ensure smooth implementation of GST by timely responding to the issues and problems of the respective Sector. GST Council also reduced the GST Rates of 66 items.
16. GST Council decided to set up a five-member anti-profiteering authority to decide on levying the penalty if businesses do not pass on the benefit of price reduction to consumers under GST regime.
17. Government approved Initial Public Offer of Indian Renewable Energy Development Agency Limited, for issuing 139000000 fresh equity shares of Rs.10 each to The public.
18. Government approved Securities and Exchange Board of India (SEBI) to enter into 2 separate MoUs with Securities market regulators of the European Union and Iran.
19. Government approved introducing Financial Resolution and Deposit Insurance Bill 2017 that will provide resolution framework for financial sector entities to deal with bankruptcy situation in banks, insurance companies, and other entities.
 - It will also result in repealing of the Deposit Insurance and Credit Guarantee Corporation Act, 1961 to transfer the deposit insurance powers and responsibilities to the Resolution Corporation.

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20. Government approved recommendations of 7th Central Pay Commission (CPC) on allowances -

- After examining total 197 allowances, 7th CPC recommended that 53 allowances be abolished and 37 be subsumed in an existing or a newly proposed allowance. Government decided not to abolish 12 of 53 allowances which were recommended to be abolished by 7th CPC. It has also been decided that 3 of 37 allowances recommended to be subsumed by 7th CPC will continue as separate identities.
- House Rent Allowance - Currently paid @ 30% for X (population of Over 50 lakh), 20% for Y (5 - 50 lakh) and 10% for Z (below 5 lakh) category of cities. 7th CPC recommended reduction in existing rates to 24% for X, 16% for Y and 8% for Z category of cities.

Other Allowances Include -

- Siachen Allowance - Over 200 % Increase.
- Dress Allowance - To be paid annually in four slabs @ Rs 5000, Rs 10,000, Rs 15,000 and Rs 20,000.
- Tough Location Allowance - To be in the ranges of Rs 1000 - Rs 5300 per month.
- Allowances paid to D/o Posts (Postmen / Trackmen) were recommended to be abolished by 7th CPC. However, These have been continued and Rates increased INR 90 to 180 per month.
- Recommendations of 7th CPC to abolish Launch Campaign Allowance and Space Technology Allowance have not been accepted. Rate of Launch Campaign and Space Technology Allowance has been increased from Rs 7500 to 11250 per annum.
- Fixed Medical Allowance (FMA) for Pensioners has been increased from Rs 500 per month to Rs 1000 per month.

Railways -

- Rates of Additional Allowance have been increased from Rs 500 / 1000 per month to Rs 1125 / 2250 per month. This has also been extended to Loco Pilot Goods and Senior Passenger Guards also @Rs 750 per month.
- New Allowance namely Special Train Controller's Allowance @5000 per month for Train Controllers of Railways has been introduced.
- Recommendations in respect of some important allowances paid to Nurses & Ministerial Staffs of Hospital - Nursing Allowance increased from 4800 to 7200 per month. Operation Theatre Allowance increased from 360 to 540 per month.

Uniformed Services (Defence, CAPFs, Police, Indian Coast Guard and Security Agencies) -

- 7th CPC had recommended abolition of Ration Money Allowance (RMA) and free ration to Defence officers posted in peace areas. However, this recommendation has not been accepted and Ration Money Allowance will continue to be paid.
- Most Other allowances have also seen considerable hike.

Other Misc Allowances -

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- Children Education Allowance (CEA) increased from Rs 1500 per month / child (max 2) to Rs 2250 per month / child (max 2). Hostel Subsidy gone up from Rs 4500 to 6750 per month.
- Special Allowance for Child Care for Women with Disabilities has been doubled from 1500 to 3000 per month.
- Higher Qualification Incentive for Civilians increased from Rs 2000 - 10000 to 10000 - Rs 30000.

21. Government has cut interest rates on farmers' loans by 5 % (earlier 9% to now 4%), on loan up to Rs 3 lakh. Farmers who do not pay interest in time, will have to pay interest at rate of 7 %.

22. Government has made Aadhaar card mandatory for government subsidy on purchase of kerosene and benefits of Atal Pension Yojana.

23. Government made Aadhaar mandatory for Opening bank accounts and Carrying out financial transactions above of Rs 50,000. All existing Bank accounts are to be linked to Aadhaar numbers by December 31, 2017.

24. HDFC Bank will impose new transaction charges on all outward UPI transactions from July 10, 2017. Transactions from Rs 1 - 25000 will be charged Rs 3 and transactions above Rs 25,000 to 1 lakh will be charged Rs 5.

25. HSBC (Hongkong and Shanghai Banking Corporation) Predicted India's GDP Growth To Remain 7.1 % In 2017-18. As per Official Data, India's GDP grew 6.1 % during January-March Quarter (Q4 2017) and GDP growth rate for full year (2016-17) remained 7.1 %.

26. India signed \$275 Million Loan agreement with Manila (Philippines) based Asian Development Bank (ADB) for improving urban services in 64 small towns in State of Madhya Pradesh.

27. India signed loan agreement of USD 35 million with World Bank for Assam State Public Financial Institutional Reforms Project.

28. Indian Overseas Bank (Lead Bank for Thiruvananthapuram district of Kerala) has launched Retail Mart as a retail lending concept in Thiruvananthapuram.

29. Insurance Regulatory and Development Authority of India (IRDAI) took over management of Sahara India Life Insurance Company as it was not acting in customer friendly manner. IRDAI appointed RK Sharma as administrator of Sahara India Life Insurance Company.

30. Kerala Passed State Goods and Services Tax (SGST) Act, leaving J & K as only remaining state to not have passed State GST, which is to be implemented from July 01, 2017.

- Telangana was first state to Pass State GST (on 9th April 2017).

31. Largest Indian Bank State Bank of India has cut interest rate on home loans above Rs 75 lakh by 10 basis points (bps) to 8.60 percent (8.55 % For salaried women borrowers).

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32. Leading bourse National Stock Exchange (NSE) launched its international exchange in the Gujarat International Finance TecCity (GIFT City). NSE IFSC Ltd (global exchange promoted by NSE) will remain operational for a longer period than NSE during a trading day.

33. Markets regulator SEBI has barred USA Firm Cypress Money from acting as Investment Advisor as it was found guilty of providing unauthorized trading tips to investors.

34. NHB (National Housing Bank) approved merger of Wadhawan Family Owned Entities Aadhar Housing Finance and DHFL Vysya Housing Finance.

35. National Sample Survey Office (NSSO) under Union Ministry of Statistics and Programme Implementation released report Key Indicators of Unincorporated Non-Agricultural Enterprises (Excluding Construction) in India -

- Survey covers non-agricultural enterprises which are not incorporated or not registered under Companies Act, 1956. It Includes, proprietary and partnership enterprises (excluding limited liability partnerships), Self Help Groups (SHGs), NonProfit Institutions (NPIs) and Trusts etc.
- Results are based on sample consisting of 8484 villages and 7839 urban blocks spread over all States and Union Territories.
- During 2015-16, 6.34 crore unincorporated non-agricultural enterprises (excluding construction) were estimated at all India
- level with 11.13 crore workers. Out of These -
- 31 % are engaged in manufacturing, 36.3 % were in trading and 32.6 % in other services.
- Approx about 51.5 % are in rural areas and 49 % in urban areas.
- Own Account Enterprises (OAEs) have a dominant share of 84.2 %.
- Pradesh has highest share of 14.20 % in total number of unincorporated non-agricultural enterprises (and workers), followed by West Bengal (13.99 % cent), Tamil Nadu (7.80 %), Maharashtra (7.54 %) and Karnataka (6.05 %).

Operational Characteristics

- Proprietary enterprises had the highest share (96 %), Followed by Partnership enterprises (2 %), Self Help Groups (1.8 %).
- During 2015-16, aggregate GVA by the unincorporated non-agricultural enterprises engaged in market production was estimated at Rs 1152338 crores. Delhi reported the highest annual GVA per enterprise of Rs 497524 and West Bengal had the lowest GVA per enterprise of Rs 96686.
- Emoluments per hired worker stayed approx Rs 87544 annually. Kerala (Rs 125616) and Assam (Rs 53726) reported highest and lowest value of average annual emoluments per hired worker.

36. Pension Fund Regulatory and Development Authority (PFRDA) introduced “APY@eNPS” as a digital enrolment process for Atal Pension Yojana (APY).

37. Private Bank DCB launched new services – India’s first Aadhaar based iris eye scan customer verification and fingerprint operated ATM in Telangana.

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38. Private sector's Yes Bank partnered with mobile payments switch TerraPay to enable real-time money transfer to bank accounts in India. Yes Bank also tied up with messaging app Hike for Launching In-app Wallet.

39. RBI extended scope of Banking Ombudsman Scheme by enabling customers to lodge a complaint against defaulting bank for its non-adherence to RBI instructions with regard to mobile banking/ electronic banking services. Pecuniary jurisdiction of Banking Ombudsman to pass an award has been also doubled to 20 lakh rupees.

40. RBI has placed Central Bank of India and Bank of Maharashtra under prompt corrective action (PCA) which puts restricts on banking activities such as from lending, hiring and expanding branches. RBI has so far triggered PCA for 6 banks – IDBI Bank, UCO Bank, Dena Bank, Indian Overseas Bank, Central Bank of India and Bank of Maharashtra.

41. RBI identified 12 bank accounts constituting nearly 25% of gross bad loans for immediate referral and resolution under the bankruptcy law. Each of 12 identified accounts was having more than 5,000 crore rupees of outstanding loans.

42. RBI second bi-monthly monetary policy review of 2017 –

- Only change in Monetary Policy is that RBI has cut Statutory Liquidity Ratio (SLR) by 50 basis points to 20% (To be applicable from June 24, 2017). RBI reduced growth projection for the current fiscal to 7.3% from 7.4%.
- Monetary policy decision has been taken by the 6 member monetary policy committee headed by RBI Governor (Currently Urjit Patel).

43. Reliance Communications (RCom) and Aircel's Merged entity will be called Aircom. R-Com will demerge its wireless business and transfer it to the new entity Aircom. Merged company will be one of India's largest private sector companies with asset base of 65000 crores and net worth of 35000 crores.

44. Reserve Bank of India identified 12 non-performing accounts representing 25% of gross NPAs in Indian banking system, which will be immediately taken up under the Insolvency and Bankruptcy Code (IBC).

45. Reserve Bank of India initiated prompt corrective action (PCA) for Dena Bank in view of high net non-performing assets. In May 2017, RBI initiated PCA for IDBI Bank and UCO Bank for similar reasons.

46. Reserve Bank of India will release new batch of Rs 500 currency notes whose design will be similar to Rs 500 rupee banknotes of the Mahatma Gandhi (New) Series which were released post demonetisation. New batch of Rs 500 banknotes will have inset letter "A" in both the number panels.

47. SEBI allowed options trading on futures contract of commodities. However, capital market regulator allowed commodity derivatives exchanges to initially launch options on futures of only one commodity. Eligibility criteria for commodity exchanges to start trading in options contract of commodities -

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- Only top 5 commodities in terms of total trading turnover value of previous 12 months will be allowed.
- Average daily turnover of underlying futures contract of such commodities over past 12 months should be minimum 200 crores for agricultural and agri-processed commodities, and 1,000 crore for other commodities.

48. SEBI asked Commodity derivatives exchanges to compulsorily set up investor protection and service funds, along with separate bank accounts for maintaining corpus of IPF and the ISF.

- Investor Service Fund (ISF) - It is aimed at providing minimum facilities at various investor service centres. Initially, commodity exchange has to contribute at least Rs 10 lakh towards ISF. Subsequently, commodity exchanges will be required to transfer 1% of turnover fees charged from its members on monthly basis towards the ISF.
- Investor Protection Fund (IPF) - It must have maximum 5 trustees. IPF will comprise of all penalties levied and collected by the commodity exchanges except for the settlement related penalties.

49. Securities and Exchange Board of India (SEBI) approved Telenor India's Merger with Bharti Airtel. The deal is now pending final approval by other authorities such as CCI (Competition Commission of India).

50. Software Firm Tata Consultancy Services (TCS) launched BaNCS App Development Kit (ADK), to enable banks to fast design and build their own apps and install it across devices and desktops. Vision for 'BaNCS ADK' is to transfer flexibility and increase speed of development in Banking.

51. State Bank of India (SBI) announced financing of solar rooftop projects worth 400 crores, adding over 100 MW of solar rooftop capacity. It is a significant step towards meeting India's target for 40 GW of solar rooftop installations.

- SBI had earlier availed loan of USD 625 million from World Bank for lending to Grid-Connected Rooftop Solar PV (GRP) projects.

52. Uttar Pradesh Government signed agreement with Asian Development Bank (ADB) for loan of 1950 crore rupees for strengthening of roads in different districts.

53. Vijaya bank developed 5 villages into Digital Villages and plans to develop as many as 100 digital villages in various States.

54. World Bank approved USD 250-million loan for Skill India mission, aimed at making Indian youth more employable through

reskilling. SIMO is a 6 year programme in support of National Policy for Skill Development and Entrepreneurship (2017-23). Under this, persons in age group of 15-59 will acquire skill training irrespective of their employment status.

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55. World Bank's Global Economic Prospects (GEP) projected GDP growth rate of 7.2% for India in 2017-18 as against 6.8% growth

in 2016-2017. World bank also expects India's growth rate to remain at 7.5% in 2018 and 7.7% in 2019. Global growth forecast in

2017 and 2018 at 2.7% and 2.9% respectively.

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