

Banking & Economy Affairs

Weekly One-Liner
(8th-14th March 2019)



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Dear readers,

Weekly One Liner is a collection of important Banking & Economy Affairs news and events that occurred in the second week (8-14th) of March 2019. This file is important for all upcoming Banking & Insurance exams.

RBI related news

1. RBI categorises IDBI Bank as private sector lender

- According to the RBI, IDBI Bank has been categorised as a private sector lender following acquisition of majority stake by Life Insurance Corporation.
- In January, LIC completed the process of picking up a controlling 51 per cent stake in the nearly crippled IDBI Bank.
- **RBI said in a statement that** - "IDBI Bank has been categorised as a 'private sector bank' for regulatory purposes by Reserve Bank of India with effect from January 21, 2019 consequent upon LIC acquiring 51 per cent of the total paid-up equity share capital of the bank.

2. SBI, ICICI & HDFC Bank to comply with additional capital norms by Apr 1: RBI

- The Reserve Bank said that; SBI, ICICI Bank and HDFC Bank will have to comply with additional capital requirement norms by April 1 as the banks continue to remain 'too big to fail' lenders, referred to as D-SIB or domestic systemically important bank.
- SIBs are subjected to higher levels of supervision so as to prevent disruption in financial services in the event of any failure.
- "The additional Common Equity Tier 1 (CET1) requirement for D-SIBs has already been phased-in from April 1, 2016 and will become fully effective from April 1, 2019.
- The additional CET1 core capital requirement in case of the State Bank of India applicable from April 1 has been prescribed at 0.6 per cent of Risk Weighted Assets (RWAs) while for the other two banks it is 0.4 per cent.

Note:

- The Reserve Bank had issued the Framework for dealing with D-SIBs in July 22, 2014.
- The D-SIB framework requires the RBI to disclose the names of banks designated as D-SIBs starting from 2015 and place these banks in appropriate buckets depending upon their Systemic Importance Scores (SISs).
- Based on the bucket in which a D-SIB is placed, an additional common equity requirement has to be applied to it.

About SIB: Systematically Important Bank

- RBI evaluates some banks on the basis of Size, Interconnectedness, Lack of readily available substitutes or financial institution infrastructure and Complexity.
- RBI has given different weightage for different parameters and there is a bucket for each indicator. Hence, if a bank achieves all these parameters is known as Systematically Important Bank.

3. RBI to inject liquidity via forex swaps

- The Reserve Bank of India (RBI) has decided to inject rupee liquidity into the system through long-term foreign exchange buy/sell swap — a first-of-its-kind instrument used for liquidity management.
- The RBI would conduct dollar-rupee buy/sell swap auction of **\$5 billion** for a three-year tenor on March 26.
- This is the first time the central bank is using a foreign exchange auction to augment banking liquidity after generally using bond purchases for the same all these years. RBI has infused more than Rs 2.36 lakh crore through such purchases so far this fiscal.

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- The US dollar amount mobilized through this auction would also reflect in RBI's foreign exchange reserves for the tenor of the swap while also reflecting in RBI's forward liabilities," RBI said.
- The swap will be a simple buy/sell trade in which banks can place bids to sell their excess dollars to the RBI in and simultaneously agree to buy the same amount at the end of the swap period.
- This scheme is through an auction and is open to all banks which want to swap their dollars for rupees.
- Minimum bid size for the auction is set at \$25 million and banks will be allowed to submit multiple bids.

4. RBI relaxes norms for trade credit

- The Reserve Bank of India (RBI) relaxed norms for imports of capital and non-capital goods by raising the trade credit limit to \$150 million under the automatic route.
- For others, the limit is up to \$50 million or equivalent per import transaction.
- Trade credits (TCs) refer to the credits extended by the overseas supplier, bank, financial institution and other permitted recognised lenders for maturity for imports of capital and non-capital goods permissible.
- Earlier, under the automatic route, banks were permitted to approve trade credit up to \$20 million. TCs beyond \$20 million were required approval from the RBI.

Banking & Insurance

5. HDFC Bank becomes 3rd company to cross Rs 6 lakh crore m-cap

- HDFC Bank has become the third listed entity to achieve a market cap of Rs 6 lakh crore after Reliance Industries and TCS.
- On 13th March 2019, shares of the country's largest private bank gained 2.6% to hit an all-time high of Rs 2,226.
- This resulted in the market capitalisation of the bank reaching nearly Rs 6.1 lakh crore for the first time, which makes it more valuable than all the listed public sector banks put together.

Note:

- Reliance Industries, the most valuable company, has a market cap of Rs 8.5 lakh crore while TCS is slightly behind at Rs 7.5 lakh crore.
- The value of HDFC Bank is 80% more than HDFC — its parent, which promoted the bank 25 years ago.
- According to analysts, a large part of HDFC's valuation is derived from its holding of the banks shares.

6. India ranks 11th in gold holding: World Gold Council

- India, which is the world's largest consumer of gold, has the 11th largest gold reserve, with the current holding pegged at 607 tonnes, as per the latest report by the World Gold Council (WGC).
- The International Monetary Fund (IMF) is included and is third on the list with total gold reserves of 2,814 tonnes.
- The list is topped by the U.S., which claims of gold reserves of 8,133.5 tonnes, followed by Germany with 3,369.7 tonnes.
- Italy and France complete the top five list with reserves of a little over 2,400 tonnes each.
- Meanwhile, among Asian countries, China and Japan have more reserves of the precious metal when compared to India. China – WGC takes into account only 'Mainland China' – has reserves of 1,864.3 tonnes, while Japan has gold reserves of 765.2 tonnes

7. SBI launches doorstep banking service for senior citizens over 70 & differently-abled

- State Bank of India (SBI) has launched doorstep banking service for senior citizens over 70 years of age and differently-abled customers.
- Eligible customers can avail this service at a nominal fee of ₹100 per transaction for financial transactions and ₹60 for non-financial transactions.

- According to a statement, doorstep banking services are available to KYC- compliant account holders, with a valid mobile number registered with the bank and residing within 5 kilometres radius from their home branch.
- This service will not be available for accounts operated jointly, minor accounts, and accounts of non-personal nature.
- Cash pickup and deliver, check pickup, check-book slip, life certificate and form 15 pickup are some of the services that will be provided.

8. PNB sanctions debt worth Rs 689 cr to 1,600 MSMEs via 59minute loan portal

- The Punjab National Bank (PNB) has sanctioned loans worth Rs 689 crore to over 1,600 Micro, Small and Medium Enterprises (MSMEs) through the portal psbloansin59minutes.com as part of its effort to promote such industries.
- Under the Mudra Yojana, the bank has offered loan to over 2.69 lakh small entrepreneurs this fiscal (till February 14, 2019).

Note:

- **psbloansin59minutes.com** portal was launched by PM Narendra Modi in November 2018 to provide easy access to credit for MSMEs.
- MSMEs through this portal can avail loans of up to Rs 1 crore in 59 minutes or less than an hour.
- It is a strategic initiative of Small Industries Development Bank of India (SIDBI) led PSB consortium incubated under the Department of Financial Services (DFS), Ministry of Finance.
- Other partner banks are the State Bank of India (SBI), Bank of Baroda, PNB, Vijaya and Indian Bank.

9. SBI first bank to link savings bank interest to RBI repo rate

- In a first, State Bank of India has decided to link interest rates on savings bank account to an external benchmark from May 1, 2019.
- With this SBI becomes the first Indian bank to link both deposit rate and lending rate to an external benchmark.

Key points:

- SBI said for savings bank account having an average balance of more than Rs 1 lakh, the effective interest rate will be 2.75% less than the repo rate (which is 6.25% currently) from May 1.
- Assuming that RBI keeps the repo rate unchanged in its next credit policy in April, the interest rate on savings accounts from May 1 will be 3.5% (6.25-2.75%).
- However, if RBI reduces report rate by another 25 basis points in its next meeting, then SBI savings bank interest rate will come down to 3.25% from May 1.
- For all cash credit accounts and overdraft accounts above Rs 1 lakh, floor rate will be 2.25% above the repo rate, SBI said. On this floor rate, SBI will charge a risk premium based on the risk profile of the borrower. So from May 1, the base rate for these accounts will be 8.5%.
- For savings account holders with balances up to Rs 1 lakh and borrowers with cash credit and overdraft limits up to Rs 1 lakh, interest rates will remain fixed.

10. Bank of Baroda launches child daycare facility at HQ

- Bank of Baroda has launched **Crèche – Child Daycare** facility within its Mumbai Corporate Office premises.
- The public sector bank said it will bear 60% of costs for each child, the rest to be borne by parent.

Appointment

11. MR Kumar appointed LIC Chairman

- The government appointed MR Kumar as the Chairman of Life Insurance Corporation (LIC).
- He will succeed MD Hemant Bhargava who had been named interim chairman after VK Sharma's retirement on December 31, 2018.

- T C Suseel Kumar and Vipin Anand have been appointed as Managing Directors of the LIC for five years.
- MR Kumar is currently the Zonal Manager, Delhi at LIC while TC Suseel Kumar is Zonal

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Manager, Hyderabad. Vipin Anand is Zonal Manager of the Western zone.

12. Rakesh Makhija became new Chairman of Axis Bank

- Axis Bank has appointed Rakesh Makhija as its non-executive chairman for a term of 3 years, with effect from July 18.
- He will replace Sanjiv Misra, whose term as the bank's non-executive (part-time) chairman expires on July 17.

13. Subhash Chandra Garg named as Finance Secretary

- Economic Affairs Secretary Subhash Chandra Garg named as the Finance Secretary, according to a Personnel Ministry order.
- The Appointments Committee of the Cabinet headed by Prime Minister Narendra Modi has approved designating Garg as the Finance Secretary.

Economy News

14. Wholesale inflation increases to 2.93% in February

- According to the data released by commerce and industry ministry, India's wholesale inflation rate inched up to 2.93 percent in February, compared to 2.6 percent in January.
- Latest price data released on March 14 showed that wholesale vegetable prices grew 6.82 percent in February compared to a fall of (-) 4.21 percent in January and the 15.26 percent in February 2018.
- Overall wholesale inflation rate was 2.74 percent in February 2018.

15. Industrial production growth slows to 1.7% in January 2019

- The Central Statistics Office (CSO) has released the data for the Index of Industrial Production (IIP) for the month of January.
- The IIP data shows that: - Industrial output growth stood at 1.7 per cent in January against the 2.6% growth recorded in December 2018.
- The CSO has revised the industrial production growth for December 2018 has been revised upwards from 2.4% to 2.6%.

Note:

- Index of Industrial Production (IIP) is a composite indicator that measures the changes in the volume of production of a basket of industrial products during a given period with respect to the volume of production in a chosen base period.
- The base year for the IIP is 2011-12.

16. Infosys to open innovation hub in Romania

- Infosys will be opening a new digital innovation centre in Bucharest, Romania, that would focus on developing offerings for clients

based on cutting-edge digital technologies including cloud, big data, artificial intelligence and machine learning.

- Infosys plans to open a new cyber defence centre in Bucharest this summer.
- The centre will provide end-to end 24/7 cybersecurity services to help European and global clients progress on their digital transformation journey.

17. Income tax exemption limit on gratuity doubled to Rs 20 lakh

- According to the labour ministry the income tax exemption limit on gratuity has been doubled to Rs 20 lakh from the existing Rs 10 lakh, a move that will benefit employees who are not covered by the Payment of Gratuity Act, 1972.
- "Ministry of Finance has enhanced the income tax exemption for **gratuity under Section 10 (10) (iii)** of the Income Tax Act, 1961 to Rs 20 lakhs.
- The Payment of Gratuity Act 1972 makes it mandatory for the employers to pay their employees gratuity at the time of quitting, provided certain conditions were met.

18. NHPC to acquire Lanco Teesta Hydro Power Ltd (LTHPL)

- The Cabinet Committee on Economic Affairs (CCEA) has approved the acquisition of debt-laden Lanco's 500 MW Teesta hydro-electric power project in Sikkim by state-owned NHPC.
- NHPC will take over debt-laden Lanco's 500 MW Teesta hydro-electric power project for Rs 907 crore in Sikkim.

Note:

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- Teesta Stage-VI Hydro Electric Project is a Run of River (RoR) project in Sirwani Village of Sikkim to utilize the power potential of Teesta River Basin in a cascade manner.

About NHPC

- NHPC Limited, formerly known as National Hydroelectric Power Corp. was incorporated as

Central Govt. Enterprise for development of Hydro Power in Central Sector on 7th November 1975.

- Over the years NHPC has evolved as the largest central utility for hydropower development in India.

Agreement

19. India and ADB sign \$26 Million Loan Agreement for Additional Financing to Assam Urban Project

- The Government of India and the Asian Development Bank (ADB) signed a \$26 Million Loan Agreement to provide additional financing for improving drainage infrastructure in Dibrugarh town of Assam under the ongoing Assam Urban Infrastructure Investment Program.

20. IBBI Signs Cooperation Agreement with IFC

- The Insolvency and Bankruptcy Board of India (IBBI) has signed a Cooperation Agreement with the International Finance Corporation (IFC), a member of the World Bank Group (WBG).
- The agreement will enable IFC to assist IBBI to further build the capacity of insolvency professionals, and insolvency professional agencies for the purposes of the Code.

21. Korea Exim Bank Extends Rs 4,100 crore Loan for Vizag Metro

- Korea Exim Bank has come forward to extend a Rs 4,100 crore loan for Visakhapatnam Metro Rail project.
- The Export-Import Bank of Korea, also commonly known as the Korea Exim bank, is the official export credit agency of South Korea.
- The bank headquarters is located in Seoul, South Korea.

24. Raghuram Rajan awarded with Yashwantrao Chavan award

- Former RBI Governor Raghuram Rajan has been awarded with the 'Yashwantrao Chavan National Award 2018' for his contribution to economic development.

22. India Extends USD 250 million To Nepal for Reconstruction of Infrastructures

- India has extended a grant assistance of up to **USD 250 million** to Nepal for the reconstruction of infrastructures in the areas of housing, education, health and cultural heritage that was destroyed during the devastating April 2015 earthquake which saw the death of over 9,000 people.
- Earlier this month, India said that it will reconstruct 72 education facilities in Nepal that were damaged during the earthquake.

23. India, World Bank and Representatives of 5 States signed loan agreement for DRIP

- The Government of India, the World Bank and the representatives of Five States sign the Loan Agreement for Additional Financing of \$137 Million for the Dam Rehabilitation and Improvement Project (DRIP).
- This agreement will help rehabilitate and modernize over 220 selected large dams in the States of Karnataka, Kerala, Madhya Pradesh, Odisha, Tamil Nadu and Uttarakhand.
- The \$137 Million Loan from the International Bank for Reconstruction and Development (IBRD), has a 3-year grace period, and a final maturity of 16 years.

Awards

- The award was presented on March 12 on the occasion of the 106th birth anniversary of Yashwantrao Chavan, who was the first chief minister of Maharashtra.

25. Bharti Axa General Insurance won the 'Non-Life Insurer of The Year Award 2019'

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- Bharti AXA General Insurance has been conferred with the 'Non-Life Insurer of The Year Award 2019 by the Assocham, one of the apex trade associations of India.
- The Associated Chambers of Commerce and Industry of India (Assocham) honored Bharti AXA General Insurance with this recognition

for its excellence and contribution to the non-life insurance sector.

Note:

- Bharti AXA General Insurance, a joint venture between Bharti Enterprises and French insurance giant AXA.

Survey & Reports

26. MSME sector created most jobs in last four years: Survey

- According to a survey by the Confederation of Indian Industry (CII), among all the sectors, micro, small and medium enterprises (MSMEs) was the largest job creator in the last four years – with growth of 13.9 per cent.
- The report titled 'Survey on Jobs Creation and Outlook in MSME Sector' said hospitality and tourism, followed by textiles and apparel, and metal products were the other top job-creating sectors in this period.
- Top States - Maharashtra, Gujarat and Telangana were the largest job generators.
- The survey focussed on jobs creation, ease of filling up vacancies, and impact of government initiatives on jobs creation in the report.

27. Life insurers register 33% growth in new premium income at Rs 18,209 cr in February, IRDAI data shows

- According to Insurance Regulatory and Development Authority of India (IRDAI) data, India's life insurance industry witnessed a rise of 32.7 percent in its collective new premium income at Rs 18,209.50 crore during February 2019.
- The life insurers had collected first-time premium worth Rs 13,724.96 crore in same month a year ago.
- LIC, which has the largest market share of 66.26 percent, registered a growth of 42.2 percent in its new year premium at Rs 12,055.81 crore during the month.

Banking & Economy Terminology

28. DSIB – Domestically Systematically Important Bank

29. RWAs - Risk Weighted Assets

30. TCs - Trade credits

31. CSO - Central Statistics Office

32. IIP - Index of Industrial Production

33. IBBI - Insolvency and Bankruptcy Board of India

34. IFC - International Finance Corporation

35. ASSOCHAM - Associated Chambers of Commerce and Industry of India

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