



Financial Awareness Capsule June 2016

Financial Awareness has become an important section of Bank PO and Bank Clerk exams like SBI Clerk and SBI PO. If you haven't already been following Financial Awareness Capsule, then now is the time.

Now let us take a look at the Financial Awareness Capsule June 2016! This is the most comprehensive Financial Awareness Capsule June 2016. It covers everything important you need to know for your Financial Awareness/General Awareness/Banking Awareness section of SBI PO & SBI Clerk. Before we dig into Financial Awareness Capsule June 2016, take a look at:

General Awareness & Financial Awareness for SBI

Clerk – Preparation Tips

Notes from Financial Awareness Capsule June 2016

Let us take a look at some of the important happenings from the financial world in June 2016.

RBI Governor calls it quits

Raghuram Rajan, the current Reserve Bank of India (RBI) Governor has not been offered a second term by the Government of India. Raghuram Rajan has decided to return to academia after his tenure as RBI Governor Ends. It has been revealed that the decision was mutual. According to Government sources, Arundhati Bhattacharya, the current SBI chairperson and RBI Deputy Governor Urjit Patel are frontrunners to replace Raghuram Rajan as the RBI Governor. Raghuram Rajan is set to vacate his office on 4th September 2016.









Union Government approves 100% FDI

The Union Government has eased foreign direct investment (FDI) norms for nine sectors to give a push for job creation and ease of doing business in the country. Decision in this regard was taken at a high-level meeting chaired by Prime Minister Narendra Modi. With these changes, India becomes the most open economy in the world for FDI. Some of these sectors are

- Food products: In this sector, 100% FDI under government approval route has been approved. It will include trading in food products including through e-commerce, in respect of food products manufactured or produced in India.
- Defence Sector: Present FDI regime in this sector permits 49% FDI participation in the equity of a company. Now, FDI beyond 49% has now been permitted through government approval route, in cases resulting in access to modern technology in the country or for other reasons. FDI limit also has been made applicable to Manufacturing of Small Arms and Ammunitions covered under Arms Act, 1959.
- Pharmaceutical Sector: In this sector, 100% FDI under automatic route in Greenfield pharma as well as in brownfield pharma has been approved.
- Aviation Sector: 100% FDI under automatic route in Greenfield and Brownfield Airport Projects to aid in modernization of the existing airports to establish a high standard.
- Animal Husbandry: 100% FDI allowed in Animal Husbandry (including breeding of dogs), Aquaculture, Pisciculture and Apiculture under Automatic Route without requirement of controlled conditions.

SBI Launches IT Innovation start-up to assist start-ups

India's largest lender State Bank of India (SBI) has launched IT Innovation Start-up Fund to support start-ups in the financial technology space. The total fund is 200 crore rupees. It will provide assistance of up to 3 crore rupees to a company registered in India for promoting their business innovations using information







technology for banking and related activities. SBI also has formed a mentoring team to assist start-ups which will facilitate and guide business, extending help in various areas including additional funding requirement The team will also monitor and make a report on the progress and the utilisation of the funds by the start-ups. Besides, it will also give financial and external legal assistance to start-ups as and when required. SBI already has launched InCube, a single window banking relationship support for start-ups to provide financial advisory through their dedicated branch in Bengaluru.

<u>India, South Korea launch Korea Plus to promote</u> investments

India and South Korea have launched a platform Korea Plus to promote and facilitate Korean Investments in India. It was launched by the Union Commerce and Industry Minister- Nirmala Sitharaman and her South Korean counterpart Joo Hyunghwan in New Delhi.

Key Facts: The Korea Plus platform covers the entire investment spectrum including supporting Korean enterprises entering the Indian market for the first time. It will be also looking into issues faced by Korean companies doing business in India and policy advocacy to the Indian Government on their behalf. It shall comprise a representative each from the South Korean Ministry of Industry, Trade and Energy (MoITE) and Korea Trade Investment and Promotion Agency (KOTRA). Besides, it also includes three officials from Invest India.

Background: A Memorandum of Understanding (MoU) for establishing Korea Plus was signed between two countries in January 2016. The MoU was an outcome of the official state visit of Indian Prime Minister Narendra Modi to South Korea in May 2015.











Union Cabinet approves merger of 5 associate banks with SBI

The Union Cabinet has approved merger of country's largest lender State Bank of India (SBI) and its associate banks in order to bring the state-owned entity on a par with global lenders. 5 associate banks of SBI are: (i) State Bank of Bikaner and Jaipur, (ii) State Bank of Hyderabad, (iii) State Bank of Mysore, (iv) State Bank of Patiala and (v) State Bank of Travancore. Apart from these 5 associate banks, the Bharatiya Mahila Bank (BMM) will also be merged with the SBI.

Key Facts: The merged entity will increase SBI's market share from present 17% to 22.5-23% with total business of over 37 lakh crore rupees. It will have one-fourth of the deposit and loan market in the country and SBI's staff strength will increase by 35-49%. The merged entity will have nearly 24,000 branches and increase SBI's network by 6,000 branches. It will also have strong network of about 58,700 ATMs across the country as of March 2016-end and shall employ around 2.85 lakh people in 2014-15.

Background: The merger move of SBI and its associate banks comes after the Union Government had announced a road map for bank consolidation during Union Budget of year 2016-17. This was seen as necessary to meet the huge infrastructure financing needs of the country. This merger also seeks to feature Indian Bank in the top 50 banks of the world in terms of size as currently no bank in the country features in it.

RBI introduces Scheme for Sustainable Structuring of Stressed Assets

The Reserve Bank of India (RBI) has issued guidelines called Scheme for Sustainable Structuring of Stressed Assets (S4A). The main aim of these guidelines is to

- (i) Strengthen the lenders' ability to deal with stressed assets and
- (ii) Put real assets back on track of entities facing genuine difficulties by providing an avenue for reworking financial structure.







Key Facts: The RBI has formulated the S4A as a framework for the resolution of large stressed accounts. The S4A determines sustainable debt level of a stressed borrower by dividing the outstanding debt into sustainable debt and equity instruments. The sustainable debt and equity instruments are expected to provide upside to the lenders when the borrower turns around. The resolution plan will be prepared by credible professional agencies in order to make sure that entire exercise is carried out in a transparent manner. Besides, an Overseeing Committee comprising of eminent experts will be set up by the Indian Banks Association (IBA) in consultation with the RBI. The committee will independently review the processes involved in preparation of the resolution plan under the S4A.

Axis Bank launches India's first certified green bond

Axis Bank has launched India's first internationally-listed certified green bond to finance climate change solutions around the world at London Stock Exchange (LSE). The proceeds of the bond will be invested by Axis Bank in green energy, transportation and infrastructure projects. It will play important role in reinforcing India's commitment to produce 175,000 MW of renewable power by 2022. The green bonds of Axis Bank were certified by the Climate Bonds Standards Board. It has raised 500 million dollars at the LSE after it launched.

What are Green Bonds? Bonds basically are debt instruments which help issuer to get capital while the investors receive fixed income in the form of interest. In case of Green Bonds, the issuer gets capital from the investors only if the investment (capital) is being raised to fund green projects relating to renewable energy or emission reductions etc.

RBI Rates unchanged

The Reserve Bank of India (RBI) in its second bi-monthly monetary policy review for year 2016-17 has maintained status quo in key policy interest rate. The key policy interest rates were kept unchanged on the basis of an assessment of the current and











evolving macroeconomic situation in the country. RBI has kept its stance on the credit policy accommodative.

Key Rates are Policy Rates Repo rate under the liquidity adjustment facility (LAF): unchanged at 6.50 per cent.

Reverse repo rate under the LAF: unchanged at 6.0 per cent.

Marginal standing facility (MSF) rate: 7.00 per cent.

Reserve Ratios Cash Reserve Ratio (CRR) of scheduled banks: Unchanged at 4.0 per cent of net demand and time liability (NDTL).

Statutory Liquidity Ratio (SLR): Unchanged at 21.25 per cent.

Other forecast: Growth forecast: 7.6% for the current fiscal.

Inflation target: Unchanged at 5% for January 2017 with upward bias.

Public investment: It is gaining strength and continuing weakness in private investment is a concern.

BRICS Bank to issue first Yuan dominated bonds

The New Development Bank (NDB) of the BRICS countries is set to issue its first yuan-denominated bonds to finance sustainable development projects. The NDB's first five-year yuan-denominated bonds (or green bonds) will be issued after receiving a rating from international ratings agencies as well as getting authorities' approval. Further, the NDB plans to release more bonds in local currencies including in Indian Rupee if the bank's board and local authorities endorse the project plans The Shanghai-based New Development Bank (NDB) has been founded by Brazil, Russia, India, China and South Africa (BRICS). It is headed by eminent Indian banker K V Kamath. The bank plans to finance sustainable development projects in the emerging markets and developing countries. It announced its first batch of loans on April 2016, providing \$300 million to Brazil, \$81 million to China, \$250 million







to India and \$180 million to South Africa.

India Ranked 2nd on GRD Index

India has been ranked second as per 2016 Global Retail Development (GRD) Index. India has jumped 13 positions from last year (2015) to rank second among 30 developing countries on ease of doing business.

Key Highlights of 2016 GRD: The sharp pick up in GDP growth and better clarity regarding FDI regulations have helped India achieve a second ranking. India's retail sector has expanded at a compound annual growth rate of 8.8% between 2013 and 2015, with annual sales crossing the US 1 trillion dollars mark. India has also become the world's fastest growing economy and more attractive market due to its large population base and easing of FDI regulations in retail sector. India's retail sector has also benefited from the rapid growth in e-commerce. Being world's second largest internet market and increasing smartphone and internet penetration has contributed to the expansion of e-commerce.

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