testbook WEEKLY GENERAL KNOWLEDGE BANKING AND FINANCE CAPSULE

3RD JUNE - 9TH JUNE 2018

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WEEKLY GENERAL KNOWLEDGE BANKING & FINANCE CAPSULE (3rd June to 9th June 2018)

Banking News

Bank Merger: Government Planning Another SBI-like Mega Bank Merger

- Government is planning to merge Bank of Baroda, IDBI Bank, Oriental Bank of Commerce and Central Bank of India.
- These four banks had reported a combined loss of Rs 21,646.38 crore in 2017-18.
- If the new plan is implemented, India's second largest bank after State Bank of India with a combined asset of Rs 16.58 trillion, will be created.
- The prime reason for creating large banks is to address the Bad loan issue.

Monetary Policy: RBI Increases Repo Rate by 25 Basis Points

- The Monetary Policy Committee of the Reserve Bank of India has hiked the Repo Rate under Liquidity adjustment Facility (LAF) by 25 basis points to 6.25% in the Second Bimonthly Monetary Policy Statement (2018-19).
- Thus, the reverse repo rate under the LAF has changed to 6.0 percent, and the marginal standing facility (MSF) rate and the Bank Rate to 6.50 percent.

Basis Points or BPS are units of measure used in Finance to describe the percentage change in the value or rate of a Financial Instrument. One Basis Point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form.

RBI Amends Gold Monetization Scheme

- RBI has made changes in the Gold Monetisation Scheme (GMS). These changes are aimed at enabling people to open a hassle-free gold deposit account.
- The short-term deposits should be treated as bank's onbalance sheet liability.
- These deposits will be made with the designated banks for a short period of 1-3 years.
- Deposits can also be allowed for broken periods (e.g.1 year 3 months; 2 years 5 months 6 days; etc.).

Global Economy Is Healthy but Growth Will Slow: World Bank

- The World Bank says that Global economy should remain resilient at least for a couple of years.
- The anti-poverty agency predicts global growth will decelerate slightly from 3.1 per cent this year to 3 per cent next year and 2.9 per cent in 2020.
- According to World Bank, US growth will register 2.7 per cent in 2018, 2.5 per cent next year and 2 per cent in 2020.

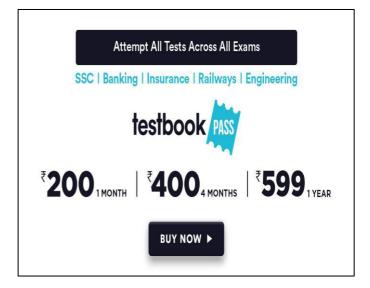
RBI to Set Up Public Credit Registry to Curb Bad Loans

- To check loan defaults, RBI stated that a Public Credit Registry (PCR) will be set up containing information on all borrowers to ensure financial stability.
- A credit repository will help banks differentiate between a bad and a good borrower and accordingly offer attractive interest rates to good borrowers and higher interest rates to bad borrowers.

PCR - An information repository that collects all loan information of individuals and corporate borrowers.

Short-term Subsidised Crop Loan to be Implemented Through DBT Mode

- According to RBI, the interest subsidy scheme on shortterm crop loans of up to three lakh rupees will be implemented through the Direct
- Benefit Transfer (DBT) mode from 2018-19.
- The Centre has put aside 15,000 crore rupees for 2018-19 towards interest subvention for short-term crop loans.



Bank of India to Increase MCLR by 0.10% for Different Tenures

- After RBI's decision to hike Repo rate by 25 basis points, Bank of India has increased Its MCLR by 10 basis points for different tenures, viz.
- The one-month and three-month marginal cost of lending rate (MCLR) are now, 8.20 per cent and 8.30 per cent, respectively.

New Appointments

MD and CEO of IDBI Bank Appointed as 4th Deputy Governor

- MD and CEO of IDBI Bank, Mr. Mukesh Kumar Jain has been appointed as 4th RBI Deputy Governor for a 3 years term.
- He will replace Mr. S.S. Mundra.
- The other three current Deputy Governors are Mr.Viral V Acharya, Mr.N S Vishwanathan and Mr.B P Kanungo.

R Gandhi Appointed as Director of EPS (Electronic Payment System)

- Former RBI deputy governor R Gandhi has been appointed as independent director of board of Electronic Payment Services (EPS).
- Gandhi was deputy governor between 2014 and 2017.

EPS is a retail banking tech-service provider founded in 2011, by renowned people from banking, technology and retail payments industry in India.

Sarita Nayyar Appointed to WEF Managing Board

- The World Economic Forum (WEF) has appointed Sarita Nayyar to its Managing Board.
- In addition to her role as the Chief Operating Officer (COO) for the World Economic Forum LLC, Nayyar will help lead the international expansion of the Forum's centre for the Fourth Industrial Revolution Network.

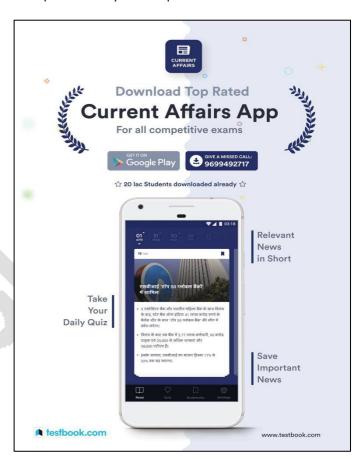
Financial Schemes & MoUs

Govt Launches 'Krishi Kalyan Abhiyan' to Help Farmers in Aspirational Districts to Raise their Income

- The government has launched 'Krishi Kalyan Abhiyan' scheme from 1st June to 31st July 2018.
- Under this scheme, farmers in some chosen villages will be advised and given assistance to improve farming techniques and raise their income.
- This venture is in line with the Prime Minister Narendra Modi's vision of doubling farmers' income by 2022.
- Through this scheme, farmers in 25 villages with more than 1,000 population each in 111 Aspirational Districts will be assisted.

Maharashtra Announces Financial Aid for Tur Farmers

- According to Chief Minister Devendra Fadnavis, the Maharashtra government would provide financial aid of Rs 1,000 per quintal to those farmers whose tur and gram could not be purchased by it before the May 31 deadline.
- The Maharashtra government had set up tur procurement target of 44.6 lakh quintal, which could not be met due to shortage of storage space.
- The government would also provide Rs 160 crore to farmers whose crops got damaged due to unseasonal rains or hailstorms.
- A special subsidy for milk producers was also announced.



Govt Announces Rs. 8,000-Crore Relief Package for Sugarcane Farmers

- The Union government has announced a relief package of about Rs 8,000 crore to provide relief to sugarcane farmers and to clear their dues.
- A buffer stock of 30 LMT (lakh metric tonnes) of sugar will be created with Rs 1,200 crore.
- This money will be directly transferred to accounts of sugarcane farmers.
- Rs 4,400 crore will be used to increase ethanol production.
- A minimum sale price of Rs 29/kg for sugar, has also been decided.

2% DA Hike for State Govt Employees by Haryana Government

- The state government of Haryana has announced a hike of 2% on the Dearness Allowance (DA) of its employees, effective January 1, 2018.
- This hike would increase the DA from 5% to 7%.

Business & Finance

Financial Literacy Week to be Held from June 4 - June 8, 2018

- The Financial Literacy Week is to be held from June 4 June 8, 2018.
- This year's theme is "Consumer Protection", chosen by RBI.
- The week will focus on 4 consumer protection messages like 'know your liability' for unauthorised electronic banking transaction, and 'Good practices for a safe digital banking experience'.
- Awareness About Banking Ombudsman Scheme of the RBI is to be Created during the Week.

India to be a Leader in Shared Mobility by 2030: Morgan Stanley Report

- According to Morgan Stanley's Report, India would become a leader in shared mobility by 2030, due to a rise in Electric and Autonomous vehicles.
- By 2030, shared miles are expected to reach 35 percent of all the miles travelled in India which will further increase to 50 per cent by 2040.

India Received its First-ever LNG Shipment from Russia through GAIL

- India received its first ever cargo of LNG from Russia on June 4, 2018 under a long-term deal as the world's fourthlargest buyer of liquefied natural gas.
- GAIL India Ltd will import the LNG from Gazprom at Petronet LNG Ltd import terminal.
- GAIL has made a deal with Gazprom to import 2.5 million tonnes a year of LNG for 20 years.
- Earlier LNG was imported at Dabhol port of Mumbai From US for the first time.

FDI Inflows to India Fall by \$4 Billion in 2017: UN Report

- According to the World Investment Report 2018 by the UN Conference on Trade and Development (UNCTAD), Foreign Direct Investment to India declined by 40 billion dollars in 2017 from 44 billion dollars in 2016 while outflows from India, more than doubled.
- Global FDI flows decreased by 23 per cent, i.e. from USD 1.87 trillion in 2016 to USD 1.43 trillion in 2017.



IMPORTANT TERMS IN NEWS THIS WEEK

Repo Rate

The Rate at which RBI lends loan to other banks is called the Repo Rate. Further, these banks lend money to their customers at this rate. Reduction in repo rate means that taking Loans like Home Loans, Vehicle Loans, Education Loans, etc. from banks will become cheaper.

So, Repo rate is the 'Rate' at which RBI Lends to Banks.

Reverse Repo Rate

Reverse Repo rate helps in maintaining 'cash flow or liquidity' in the markets of economy. Whenever the liquidity is high, the RBI increases the Repo Rate so that the banks decide to deposit even more of their cash with the RBI to earn more interest. This results in maintenance of cash flow in the economy.

Cash Reserve Ratio (CRR)

Cash Reserve Ratio (CRR) is a certain minimum amount of deposit that the commercial banks must hold as reserves with the central bank. CRR is set according to the guidelines of the central bank of a country.

