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UNION BUDGET 2020

"India's ambition to develop a defence industrial base was niether a threat nor directed against any country."

Narendra Modi
Prime Minister

"The Union Budgest 2020 is an attempt to endow India with improved health and better access to education"

Rajnish Kumar
Chairman
SBI

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J. Swaminathan
SBI Deputy Managing Director (Strategy)

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From The Desk Of Editor-in-Chief

The Budget for 2020-21 was presented by Finance Minister Nirmala Sitharaman on 1st February 2020. People were expecting some extra ordinary tax concessions to revive the economy but the Finance Minister did not oblige. Some key highlights of the budget were:

- Introduction of New Tax Slabs and tax rates
- Abolishing of Dividend Distribution Tax
- Increase in Bank Deposit Insurance Cover
- 100 New Airports, 5 New Smart Cities, 10,000-Km Gas Grid
- National logistics policy to be released soon
- Vivad Se Vishwas: Amnesty Scheme To Reduce Direct Tax Litigation
- Government's Disinvestment Target Doubled to a Lofty Rs 2.1 Lakh Crore
- LIC Listing Proposed Via An IPO
- Benefits For Buyers And Makers of Affordable Housing

Overall the budget focused overall infrastructure development and creating opportunities in various sectors. It needs to be seen how this budget helps in revival of slowing economy.

Income Tax cases pending under arbitration abroad will be eligible to be taken up under the proposed 'Vivad se Viswas' scheme to settle disputes between the Tax Authorities and the tax payer as per the Budget announcement for 2020-21.

The Geological Survey of India in a notification said one reserve of 160 Kg of Gold has been discovered in a survey in Sonbhadra district of UP. Earlier it was claimed that the gold reserves might be around 3000 tonnes but later on the GSI confirmed that actual reserves were much less.

As per a report introduction of Index funds are more suited for risk averse investors and those expecting predictable return provided these scheme meet the risk profile of the investors. These funds also offer ample scope for diversification to one's equity portfolio.

India may have over 100 new Airports in near future with the Govt. Policy to ease tourism and Business easiness across the country which is a welcome step by the Govt. of India.

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BANKING NEWS

UCO Bank, IDBI Bank, Central Bank approach RBI for permission to exit PCA framework

UCO Bank, IDBI Bank and Central Bank of India have sought permission from the RBI in order to exit the prompt corrective action (PCA) framework, informed sources.

The three banks were placed under the PCA framework, which imposes partial restrictions on loan disbursements, after a huge asset quality deterioration, losses in the books and lower capital levels.

According to the sources, the IDBI Bank has met all but one of the criteria for coming out of PCA. The bank's return on assets (ROA) was negative at -7.63% for the quarter ended December 2019, while the RBI's PCA framework requires the ROA to be above 0.25%. But the bank's net non-performing assets (NPAs) remained at 5.25% in the December quarter – below the 6% threshold set by RBI.

PSBs heads no longer be personally responsible in fraud probes: Fin Min

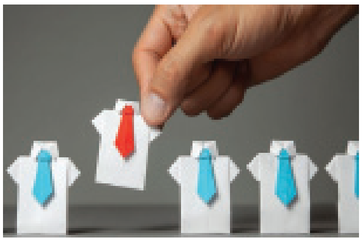
According to the finance ministry's latest announcement, chiefs of public sector banks will no more be personally accountable for compliance with several timelines that have been laid down for large value frauds.

"The government has now modified its 2015 framework on large value frauds doing away with the personal responsibility of the managing directors and chief executive officers of public sector banks (PSBs) for compliance with various prescribed timelines," the ministry said.

Department of Financial Services (DFS) has delegated the powers to the boards of PSBs in order to implement a mechanism successfully for ensuring compliance of the various timelines laid down the RBI and CVC, the ministry further said.

3 PSU banks get new chiefs, SBI gets new MD

Three PSU banks - Canara Bank, Bank of India and Bank of Baroda – now have new directors and CEOs. Beside of appointing CEOs for these three banks, the government has also appointed a new managing director and a deputy managing director for State Bank of India (SBI).



While Punjab National Bank executive director L V Prabhakar has been appointed as the new Canara Bank managing director & chief executive, Atanu Kumar Das has been elevated to the top job in Bank of India, where he was the executive director. State Bank of India deputy managing director has been appointed as the new BoB managing director and CEO. C S Setty has been appointed as the new Managing Director of SBI with an initial tenure of three years.

SBI introduces wealth management business

State Bank of India has recently introduced wealth management business which will primarily aim to offer the best products from fund houses. "The wealth business has been one of the top strategic business priorities of State Bank of India (SBI), as it has numerous high net worth individual clients whose banking needs require highly specialised services" said, SBI Deputy Managing Director (Strategy) J. Swaminathan.

He added, "The new facility will give our elite clients a completely new approach for interacting with the bank."

SBI would give the flexibility to invest and transact to the customers along with the facility to view their portfolio through digital channels such as internet banking, mobile and remote relationship model.

Chief General Manager (Chennai Circle), Vinay M. Tonse and CGM (Wealth) Giridhara Kini stated that SBI planned to launch 62 wealth centres by the end of the financial year.

The SBI Wealth, which was four years old, already had 1.02 lakh clients and looked to significantly increase the base to 1.25 lakh shortly. With the bank having the trust of customers, it would achieve the goal and ensure that customers' wealth too enhanced over the period.

Canara Bank registers net profit growth by 3.8% in Q3

Canara Bank has registered a growth by 3.8% in its net profit to Rs 329.62 crores in the third quarter of the current financial year.

The bank's profit was Rs 317.52 crores during the December 2018 quarter. Its total income stood at Rs 14,001.63 crores during the quarter ended December 2019, up from Rs 13,513.35 crore in the year-ago period, Canara Bank said in a stock exchange filing.

The net non-performing assets (NPAs) as a percentage of total assets stood at 5.05%, down from 6.37% a year ago. The percentage of gross NPAs also narrowed to 8.36% from 10.25%.

Merger with Canara Bank is in process: Syndicate Bank Chief

Mrutyunjay Mahapatra, Managing director and CEO of Syndicate Bank that the bank's integration process with Canara Bank is in the process.

"We have some large non-banking financial companies (NBFC) slippages and as a result of that, the total slippages have been Rs 3,239 crore during December 2019 quarter but the net slippage is negative. In the sense that we had September 2019 total non-performing assets (NPA) figure was Rs 25,382 now it has come down to 25,330," he said.

Mahapatra further said, "Recovery has been almost double. The cash recovery in September 2019 was Rs 1,134 crore and now it is Rs 2,216 crore. Of which National Company Law Tribunal (NCLT) — Ruchi Soya and Essar Steel money came, so Rs 1,066 crore recovery in that. So, all put together it has been very good."

He added, "We are aiming to be in the same range, between 4% and 6.5% kind of a thing. That is what we are seeing also in the first month. So my aim — 7% — is an outlier as compared to many of the public sector banks (PSB) peers. But we have put a large number of initiatives including specialised housing loan vertical and specialised vertical for retail loans. So these are paying dividends to us. I am hoping to continue with the trend."

The public sector lender is set to be merged with Canara Bank. Mahapatra said that the merger process is on track. "[With] Canara Bank we had had a large number of discussions and in fact, the integration process is well on track. If the government notifies April 1 as the effective date then we are in readiness."

Bank of Maharashtra reduces rate of interes by 15 bps

Bank of Maharastra has reduced the rate of interest by 15 bps for the customers who belongs from the salaries class and have better CIBIL score on the eve of 85th Business Commencement Day. The bank has reduced the existing rate of 8.35% to 8.20% and existing 8.45% to 8.30%.

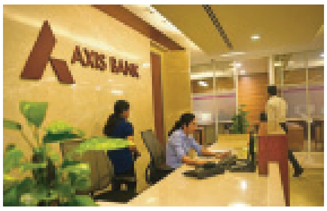
A. S. Rajeev, Managing Director & Chief Executive Officer of BOM, said "The fruits of the seed of solid foundation sown by founders of Mahabank eighty-five years ago had transformed in to today's Bank of Maharashtra which is offering all modern-day banking services to its patrons with full commitment & dedication. The trust shown by more than 2.7 crore of customers is the true strength of the Bank."

A. C Rout, Executive Director, Bank of Maharashtra, said, "This 'Business Commencement Day' should be celebrated as 'Business Commitment Day'. The Bank is marching on the path of progress with safeguarding the interest of the customers and he emphasized that customer service needs to improve with the changing customers' expectations."

The event began with garlanding on the Founder Members Photograph and lightening of lamp. A Product Information Handbook was also released during the function.

Axis Bank signs pact with Max Financial Services to explore partnership with Max Life

Axis Bank has signed an agreement with Max Financial Services Limited with the aim of exploring the opportunities for entering into a long-term strategic partnership with Max Life Company Limited.



Mohit Talwar, vice chairman, Max Group and managing director, Max Financial Services, said, "The proposed long-term partnership between Axis Bank and Max Life is a natural evolution of what has been a highly productive and mutually beneficial affiliation. It will infuse fresh impetus into the teams in both companies and will motivate them to serve customers effectively and efficiently."

RBI gives final nod to Kotak Mahindra Bank for reducing promoters' stake to 26%

Kotak Mahindra Bank has stated that it has received the nod from the RBI for reducing promoters' stake in the bank to 26%.

The bank has been asked by the regulator to reduce promoters' shareholding to 20% of paid-up capital by 31 December, 2018, and 15% by 31 March, 2020

"Further to our intimation dated 30th January 2020,...the Reserve Bank of India has granted its final approval vide its letter dated 18th February 2020 in the matter relating to dilution of promoters' shareholding in the bank," Kotak Mahindra Bank said in a regulatory filing.

"Our board of directors has resolved to abide by the above. The bank is withdrawing writ petition No. 3542 of 2018 filed by it in the High Court of Bombay," Kotak Mahindra Bank had said in another filing.

ICICI Bank's ICICI Appathon launched for the 4th time

ICICI Bank has launched the 4th edition of 'ICICI Appathon', a virtual challenge for startups to create next-generation products and solutions.

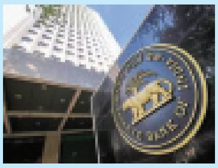
Using over 250 APIs (Application Programming Interfaces) hosted on the Bank's API Banking portal, startups are allowed to develop unique and innovative products.

Anup Bagchi, Executive Director, ICICI Bank said in a statement, "We continue to seek opportunities to collaborate with the wider startup ecosystem which will help foster rapid innovation and bring in value addition for our customers. 'ICICI Appathon' is a great opportunity for all new age companies to partner with us and create solutions by using our APIs."

RESERVE BANK NEWS

RBI to change units to 'crore' from 'billion' in reports

The RBI has taken the decision of changing the units to 'crore' from 'billion' while presenting numbers in its balance sheets, income statements and weekly statements of affairs. The central board of directors has taken the decision during RBI's meeting that was held at Chandigarh.



In order to implement this, the government will need to approve a change in regulations. In the Chandigarh meet, the central board of RBI reviewed macroeconomic developments and a director emphasized on automobiles, real estate, steel power and road transport. He further said that a concerted effort on the part of the government and as various regulators are required to improve the situation.

The board also elaborated on the current state of the financial sector with a special focus on the regulatory and supervisory architecture of commercial and co-operative banks. The fraud at PMC Bank was also discussed in the meeting.

RBI shouldn't forget its role as lender of last resort: SBI Economists

The RBI has been reminded by the economists at the State Bank of India (SBI) that they should not forget their role as the lender of last resort.

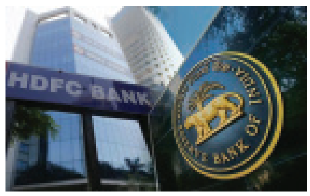
The economists at SBI has asked the central bank to play its role as the lender of last resort keeping the NBFC's continuous state in distress in mind, which the RBI has avoided since the beginning of troubles in 2018.

The economist in its report on Budget expectations said that the RBI should "seriously think" of providing liquidity to NBFCs against the assets held by the lenders.

"Given the crisis of confidence in the financial markets, it is imperative that the the central bank doesn't forget their primary function of being the lender of the last resort," they said.

RBI slaps Rs. 1cr penalty on HDFC Bank

The RBI has levied a penalty of Rs 1 crore on HDFC Bank for violating the KYC norms, according to the information from the central bank. During a supervisory evaluation (2016-17), the bank is to have "failed to exercise ongoing due diligence" in regard with 39 current accounts opened by its customers for bidding in IPO.



"It was observed that the transactions effected in these current accounts were disproportionate to the declared income and profile of the customers," the RBI said. A notice has been issued to HDFC bank by the RBI to show cause as to why HDFC should be penalized for non-compliance with the direction.

"After considering the reply received from the bank and oral submissions made in the personal hearing, the RBI came to the conclusion that imposition of monetary penalty was warranted," the release said.

RBI releases draft framework to authorize NUE for retail payment systems

With the aim of authorizing a pan-India new umbrella entity (NUE) for the purpose of retail payment systems, the RBI has released a draft framework. Presently only NPCI performs this role.

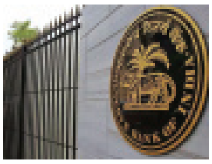
As defined under Section 8 of the Companies Act, the NUE could choose to be a for-profit entity or a not-for-profit as defined under Section 8 of the Companies Act.

"It shall be governed by the provisions of the PSS Act and other relevant statutes and directives, prudential regulations and other guidelines/instructions," the central bank stated in a release.

The entity eligible to apply as promoter or promoter group for the NUE shall be 'owned and controlled by residents' with three years' experience in the payments ecosystem as Payment System Operator (PSO)/Payment Service Provider (PSP)/Technology Service Provider (TSP).

The shareholding pattern shall be diversified. Any entity holding more than 25% of the paid-up capital of the NUE shall be deemed to be a promoter.

RBI puts a cap on easy norms on CRR for five years



The RBI has put a cap on the easy norms on cash reserve requirement (CRR) on consumer lending at a maximum of five years. RBI said that such exemption will begin for the first time in the fortnight ending February 14, which banks can claim from the fortnight beginning January 31, 2020, and up to the fortnight ending July 31, 2020, for a period of five years from the date of origination of the loan or the tenure of the loan, whichever is earlier.

"It will help us reduce our cost on incremental loans. The fourth quarter is generally a good quarter for growth so it will be helpful. This kind of product is a signalling mechanism from the RBI to increase lending," said Rajkiran Rai, CEO, Union Bank of India.

RBI extends deadline for a one-time restructuring scheme of small business

The RBI has issued a notice regarding the extension of the deadline for a one-time restructuring scheme of small business loans up to 31 December.

The central bank has stated that the aggregate exposure, inclusive of non-fund based facilities, of banks and NBFCs to the borrower should not exceed Rs25 crore as on 1 January, 2020. RBI further said that this recast will be applicable if the borrower's account was in default but was a standard asset as on January 1 and continues to be classified as standard till the recast.

"The micro, small and medium enterprises (MSMEs) sector plays an important role in the growth of the Indian economy, contributing over 28% of the gross domestic product (GDP), more than 40% of exports, while creating employment for about 110 million people," RBI had said while announcing the extension of the restructuring window. "It is reemphasized that this is a one-time regulatory dispensation," RBI had said.

RBI makes 2-month extension on Mapusa Co-op bank

The RBI has made a 2-month extension to the financial curbs imposed on the Mapusa Urban Cooperative Bank (MUCB) even as the bank continues to explore its dwindling options to revive its fortunes.

An embargo on lending and withdrawal has been extended by the apex court for three months, up to February 18. "RBI has not relaxed any conditions. They have extended the restrictions for another two months," general manager of MUCB Sailendra Sawant said.

"Our position is not so bad, asset wise, that the bank needs to be liquidated." Sawant said. Under the Section 35A of the Banking Regulation Act, 1949, the apex bank has directed MUCB not to grant or renew any loans and advances, make any investment or accept fresh deposits.

GST NEWS

10 year imprisonment for hacking into GST database

A person will be imprisoned for a period of 10 year if he or she hacks India's goods and services tax (GST) database and its associated infrastructure dependencies installed at GST Network (GSTN), as under the IT Act, the finance ministry has declared the assets as 'protected system'.

"The Ministry of Finance hereby declares the Goods and Services Tax Database and its associated infrastructure dependencies installed at Goods and Services Tax Network (GSTN), as the protected system for the purpose of said Act," a notification noted.

"Incapacitation of GSTN database would be considered as blow to national security, economy, public health or safety and the person responsible for it would be punishable with imprisonment for a term which may extend to 10 years together with a fine," said Rajat Mohan, senior partner at AMRG Associates.

GSTN committee set up to give feedback on new GST system

A committee has been set up by the GSTN with the aim of providing feedback on new functionalities in the GST system. The committee will give suggestion in relation to the policy and technology. According to the recommendations from the GST Council, member secretary of GSTN, representatives from the Central Board of Indirect Taxes and Customs (CBIC) and independent experts, the committee will include representatives from selected states. Apart from that, the panel will also have representatives from trade and industry bodies such as CII, Ficci and ICAI.

The order states, "It will provide feedback when significant changes are brought in the system, or when changes in business processes are contemplated." It also said, "Provide feedback on procedures and processes from point of view of taxpayers and tax consultants." Before the beginning of its every meeting, the committee will elect its chairman, while the strength of the quorum will be a third of the total number of members.

Tax authorities estimate interest dues of Rs 46,000 crore from GST taxpayers as penalty

Nearly interest dues of Rs 46,000 crore from GST taxpayers have been estimated by the Tax authorities as penalty for delayed payment, opening a fresh front against late and non-filers.

The CBIC has directed top officials all over the country in order to begin recovery proceedings against those who have not cleared their interest liability by 20th of every month. The CBIC has also directed to point out that the systems wing has done a detailed analysis of each GST Identification Number for non-payment of taxes by the same deadline.

In addition to a late payment fee of Rs 100 a day for central GST and a matching amount for state GST, the law also provides for a levy of 18% penal interest. As per the sources, CBIC has clarified that the interest has to be levied on the entire tax liability and not on the cash payment alone.

Fire breaks out at GST Bhavan, important documents damaged

Fire broke out at the GST Bhaban in

Mazgaon causing damage to the several important documents of the Department of Goods and Services Tax and files related to the appellate authority. An investigation into the incident has been ordered by the Deputy Chief Minister Ajit Pawar.

At around 12.35 p.m., the fire broke out on the ninth floor of GST Bhavan at Maharana Pratap Chowk. According to the fire brigade officials, the flames spread to the eighth and part of the 10th floor and it was brought under control by 3.30 p.m. However, the cause of the fire has not been ascertained by the officials.

“People on the ninth floor were evacuated by firefighters and PWD officials. The staircase was clear and therefore, people on the upper floors could climb down as the electricity was cut off,” an employee at GST Bhavan said.

“As soon as the fire broke out, the in-house firemen started evacuating people. By the time, the fire engines had reached the spot, and all the people were evacuated. There was no report of anyone trapped. Around 120 firemen were deployed and no injuries or casualties were reported,” Mr. Rahangdale said.

Additional Chief Secretary (finance), Manoj Sunik, said, “We will probe what led to the fire but at the same time check if permissions for renovations were in place or not. A report on the loss of the documentation will be arrived in the next 48 hours.”

Govt likely to introduce lottery under GST for encouraging customers to ask for bills

With the aim of encouraging customers to take bills during goods purchase, the

government is likely to introduce lottery offers between Rs 10 lakh and Rs 1 crore under the GST.

John Joseph, Central Board of Indirect Taxes and Customs (CBIC) member, said that with every bill under GST, customers can win a lottery. He further said that the lottery would act as an incentive for them.

"We have come with the new lottery system. Every bill under GST is supposed to be a prize-winning lottery ticket. It will go for a draw and price are so high that people will say that by not saving 28 per cent, I have a chance of winning Rs 1 crore or Rs 10 lakh. It is a question of changing the consumer behaviour," Joseph said.

According to the plan, a draw would be conducted automatically upon after the purchase bill is uploaded on a portal and the winners would be informed. The GST Council would be screening the proposed lottery scheme and it would also decide on the minimum threshold for bills that would be included in the lottery.

Central GST authorities detect 634 cases of fraud GST refund claim by exporters: Aurag Thakur

“Central tax authorities have detected 634 cases of fraudulent goods and services tax (GST) refund claim by exporters amounting Rs 1,912 crore between July 2017 and January 2020,” said Anurag Thakur, minister of state for finance said in Rajya Sabha.

Among the total amount, the Central GST authorities had recover Rs 238.97 from the entities which claimed the fraudulent refunds, and they also arrested 35 people by the CGST authorities, as stated by the by him.

Thakur further said that the government had released over Rs 81,000 crore as compensation cess between April and September 2019.

“GST compensation cess collection has shown upward trend since October, 2019,” he added. In January 2020, Rs 8,637 crore was released to states, up from Rs 8331 in December 2019.

“Based on the valuable feedback and suggestions received from multiple stakeholders including state governments, the GST Council makes recommendations and necessary action is taken by the government,” Thakur added.

INDUSTRY NEWS

Dairy sector expects to raise Rs 60,000 cr as new investment in 5 years

The dairy sector of the country expects to experience up to Rs 60,000 crore of new investment and creation of 10 million jobs in five years, at the backdrop of Union Budget proposals.

The finance minister Nirmala Sitharaman in her budget proposal, had announced a target of doubling the annual milk processing capacity to 106 million tonnes, from the existing 53 million tonnes (or from 140 million litres a day to 300 million) in five years.

“To process this massive capacity, the industry requires between Rs 20 and 40 crore investment for every 100,000 litres of processing. Thus, the sector would attract a fresh investment of at least Rs 60,000 crore. As every 100,000 litres of milk production creates 6,000 new jobs, the sector will see 10 million new jobs by 2025,” said R S Sodhi, Managing Director, Gujarat Co-operative Milk Marketing Federation, holder of the Amul brand.

India emerges as 5th largest economy in the world, says report

A US-based think tank World Population Review in its report said that the country emerged as the 5th largest economy in the world by overtaking the UK and France in 2019.

The report said, "India's economy is the fifth largest in the world with a GDP of $2.94 trillion, overtaking the UK and France in 2019 to take the fifth spot.” The size of the UK economy is $2.83 trillion and that of France is $2.71 trillion.

India's GDP per capita is $2,170 (for comparison, the US is $62,794). The report observed that India's economic liberalisation began in the early 1990s and included industrial deregulation, reduced control on foreign trade and investment, and privatisation of state-owned enterprises.

"These measures have helped India accelerate economic growth," it said.

Form 10-IC & 10-ID notified by CBDT to avail reduced corporate taxes

The Income Tax (I-T) Department has recently announced the reduced corporate tax for which it had recently notified forms for companies to avail the lower corporate taxes.

Forms 10-IC and 10 –ID have been notified by the Central Board of Direct Taxes (CBDT) for existing companies willing to avail lower I-T rate and new manufacturing firms, respectively.

Form 10-IC will have to be filed by the companies that wish to avail the beneficial rate of 22% upon relinquishment of the exemptions/incentives offered under the Income Tax Act. The e-Form 10-IC, which has to be furnished either under digital signature or electronic verification code (EVC), seeks general details of the company like name, PAN, registered address, date of incorporation and nature of business activities.

NPR updating process will begin on April 1

The updating process of the National Population Register (NPR) will begin on April 1 in the New Delhi Municipal Corporation (NDMC) area and President Ram Nath Kovind will be enrolled as the first resident.

Prime Minister Narendra Modi and Vice-President Venkaiah Naidu are likely to be enrolled on the same day. "Office of the Registrar General of India (ORGI) hopes to cover the top three functionaries of the government on the very first day of NPR enrolment in the country. The President's enumeration is likely to done in the presence of the home minister, the RGI and census commissioner and the director of census operations, Delhi. The same team may also witness the enumeration of the PM and the V-P," an officer said.

ISRO likely to launch GSLV-F10 geo imaging satellite GISAT-1 soon

The Indian Space Research Organisation (ISRO) that it will launch the GSLV-F10 geo imaging satellite, GISAT-1, from Satish Dhawan Space Centre in Sriharikota on March 5 at around 5.43 pm.

"Geosynchronous Satellite Launch Vehicle (GSLV-F10) will launch geo imaging satellite (GISAT-1) from the second launch pad of the SDSC SHAR, Sriharikota. The launch is tentatively scheduled at 1743 Hrs IST on March 05, 2020, subject to weather conditions," ISRO said.

Weighing about 2,275 kg, GISAT-1 is a state-of-the-art agile Earth observation satellite that will be placed in a 'geosynchronous transfer orbit' by GSLV-F10.

Modi aims to achieve $5 billion in defence exports in next five years

Inviting private businesses to invest in the country, the Prime Minister Narendra Modi aims to achieve $5 billion in defence exports in next five years for India. During the inaugaural speech of the 11th Defence Expo in Lucknow, Modi said, "India's ambition to develop a defence industrial base was neither a threat nor directed against any country."

The five-day DefExpo 2020 saw The Uttar Pradesh government has signed 23 preliminary pacts during the five-day Expo. These pacts will bring Rs. 50,000 crore investment and create more than 300,000 jobs, said defence minister Rajnath Singh said. Several policy changes have been highlighted by Modi and Singh, which was introduced by the government 2014 in order to transform India into a defence manufacturing hub.

"India has limitless possibilities in defence manufacturing. India has talent and technology, innovation and infrastructure, a favourable policy framework as well as a guarantee on investment, demand, democracy and decisiveness (in decision making)" Modi said. "I invite all of you, the defence investors and entrepreneurs of the world. Your investment in India will give you big returns as well as help India to become self reliant," he said.

"Our mantra is Make in India, for India, for the world. In 2014, the export of defence equipment from India was about Rs. 2,000 crore. In the last two years, it has gone up to Rs. 17,000 crore. In the next five years, our target is export of $5 billion, which is about Rs. 35,000 crore," Modi said.

Growth target of 6% to 6.5% in 2021 is realistic: Nirmala Sitharaman

The Finance Minister Nirmala Sitharaman has said that the government's growth targets for 2021 are within reach.

"I say it is realistic because we've taken various factors on board, and expect the (government's) revenue generation to improve, which it's already showing signs of," said Nirmala Sitharaman.

The economic survey projected the economy will grow in the range of 6% to 6.5% in the new fiscal year that begins on Apr. 1. For those numbers to be realized, the economic output needs to see a sharp rebound after the pace of expansion slowed to a six-year low in the three months ending in September.

Sitharaman said that an improvement in the government's revenue generation would is beneficial in investing infrastructure projects through which some gains are likely to be observed as it "puts money in the hands of the people (and) core industries revive because of the demand."

HOUSING NEWS

Akme Star HFC opens branch in Chennai, targets low-income home buyers

Akme Star Housing Finance Limited (Akme Star HFC) has recently opened a branch in Chennai in order to give loans up to Rs 25 lakh to the low income home buyers.

Akme Star HFC has also expanded in Maharashtra and Madhya Pradesh. Ashish Jain, Chairman and Managing Director, Akme Star HFC, said, "Akme Star HFC has expanded to newer geographies in the last couple of quarters. Tamil Nadu, being one of the biggest affordable housing finance markets in India, becomes a natural choice for establishing our presence."

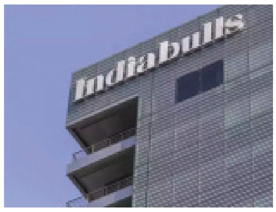
He further added, "With a projected housing demand of more than five million units over the next decade, more than 90% of which would be in the low-cost housing segment. We aim to play a meaningful role in providing housing finance assistance to the first-time home-owning families. We intend to open more physical branches in Tamil Nadu over the next 2-3 years as a part of our scale-up programme."

Fin Min announces LIC IPO, LIC Housing Finance shares gain 3%

After Finance Minister Nirmala Sitharaman in her Budget speech proposed to float the IPO of Life Insurance Corporation (LIC), LIC Housing Finance' shares is observed with a gain over 3%. Amar Ambani of YES Securities said the government divestment was based largely on the back of LIC IPO. It is much higher than our target of Rs 1.35 lakh crore, he said. "IPO of LIC will bring transparency in its functioning," said Anil Rego, Founder & CEO, Right Horizons. LIC IPO will bring more effectiveness and good governance practice in LIC, said Pavan Kumar Vijay, founder at Corporate Professional Group.

Indiabulls Housing Finance's net profit drops by 44% in Q3

Indiabulls Housing Finance has registered a decline of 44.02% in its consolidated net profit to Rs551.70 crore in the second quarter ended December 31 on lower income. A net profit of Rs985.51 crore has been posted by the company during the corresponding quarter of the previous financial year. The total income of the company during the October-December 2019 also dropped by 24.75% to Rs3,369.76 crore, which was Rs4,477.97 crore in the previous year.



On a standalone basis, the net profit dropped by 60.40% at Rs377.23 crore during the quarter from Rs952.66 crore a year ago. Income down to Rs2,976.14 crore from Rs4,045.69 crore.

Further, the board has also considered and approved the proposal of issuing secured non-convertible debentures and unsecured, redeemable, non-convertible subordinate debt in the nature of debentures (NCDs) up to Rs5,000 crore, on a private placement basis, in one or more tranches, from time to time, it said in the filing.

Ummeed Housing Finance raises Rs 164 in a fund led by Morgan Stanley PE

Rs 164 crore has been raised by Ummeed Housing Finance Pvt. Ltd in a Series D equity round led by a fund managed by Morgan Stanley Private Equity Asia.

"This round of fund-raising gives us clear visibility on the equity front before entering the next financial year. We will use these proceeds to expand in new geographies and continue to strengthen our technology platform, with a focus on building strong underwriting practices. We are moving into the growth stage," said Ashutosh Sharma, Founder and Managing Director, Ummeed Housing Finance.

Indiabulls Housing Finance gets revised credit ratings from ICRA

Indiabulls Housing Finance has said that rating agency ICRA has revised the long-term rating of the company to ICRA AA with Stable outlook. The short-term rating has been reaffirmed at ICRA A1+.

While revising the ratings, ICRA cited challenges faced by the company in mobilizing long term resources following the situation for non-banks since September, 2018, and the resulting weakening of its market position as a leading financier to the housing sector on an incremental disbursement basis.

Indiabulls Housing Finance registers PAT at Rs552cr for Q3

Indiabulls Housing Finance registers PAT for 9MFY20 is Rs 2,063cr and for Q3FY20 is Rs 552cr. Net worth stands at Rs 19,019cr. Gross NPA at end of Q3FY20 stood at 1.94% of total loan assets. Net NPA stood at 1.39%, Capital adequacy stands at 28.98%. Liquidity is at Rs 16,567cr at the end of Dec 2019.

In Q3FY20, the company received sanctions to the tune of Rs 16,540cr across instruments, of which it drew down Rs 8,040cr and has undrawn available sanctions of Rs 8,500cr. The company has further proposals of Rs 2,650cr in the pipeline. Drawdown under the PCG scheme of the Government too has taken place. In Q3FY20, the company sold down loans of Rs 1,995cr compared to Rs 750cr in Q2FY20.

Morgan Stanley unit to infuse Rs 190 crore in Centrum Housing Finance

Centrum Housing Finance Ltd has said a fund managed by Morgan Stanley Private Equity Asia has agreed to infuse Rs 190 crore with the aim of acquiring a significant minority stake in the affordable housing finance company.

Sanjay Shukla, Managing Director and Chief Executive of Centrum Housing, said, "The fact that we have been able to attract investment from a fund of the calibre of Morgan Stanley Private Equity Asia at this early growth stage of the company, is a testament to the strength of the company's business model and a source of great pride for all of us." The investment is the first such external institutional funding in the Mumbai-based lender.

"This investment will further help us take the company to the next level as we increase penetration across chosen geographies without compromising on credit quality," he added.

Dewan Housing Chairman Kapil Wadhawan granted bail by special court

Kapil Wadhawan, chairman and MD of Dewan Housing Finance (DHFL) has been granted bail by a special court. Wadhawan was held in relation with a money laundering case involving the late gangster Iqbal Mirchi.

Wadhawan (46) was arrested on January 27 by the Enforcement Directorate under the Prevention of Money Laundering Act (PMLA). According to the ED, Wadhawan was instrumental in laundering of huge amounts of money as part of an illegal deal with Mirchi, who died in 2013 in London.

MUTUAL FUND NEWS

Sundaram Mutual Fund launches Balanced Advantage Fund

Sundaram Mutual Fund launched a dynamic asset allocation fund called Sundaram Balanced Advantage Fund on February 14, which remained open for subscription until February 28.

The open-ended fund scheme was launched with the aim of providing accrual income and capital appreciation by dynamically managing the asset allocation between equity, fixed income, REITs, InvITs and equity derivatives.

S Krishnakumar, Chief Investment Officer-Equity, Sundaram Mutual Fund, said "Depending on prevailing market and economic conditions, the fund manager will decide asset allocation across these asset classes without giving up tax-efficiency."

"The investment strategy of the fund will be to build a multi-cap portfolio and allocation will be based on valuation differentials in price to equity ratio across market cap and sectors," said Krishnakumar.

IDFC Mutual Fund launches IDFC Emerging Businesses Fund

IDFC Asset Management Company (AMC) has announced the launch of IDFC Emerging Businesses Fund, which is an open-ended equity fund. The new fund is focused on the Growth opportunities in the Small Cap space while applying quality filters. Further, the fund is mandated to infuse at least 65% in Small Cap segment.

The fund will be managed by Mr. Anoop Bhaskar, Head – Equity, IDFC AMC. Anoop Bhaskar, Head – Equity, IDFC AMC, said that, "While not all the companies in the Small Cap space would move up the market cap curve, we believe it is important that we are cognizant of the market phase (pricing/valuation) when we enter into this space. The three main reasons to consider investing in Small Caps now are based on these factors - Price, Valuation and Volumes."

UTI, Nippon India Mutual Fund decides to create segregated portfolio

UTI Mutual Fund and Nippon India Mutual Fund have taken the decision to develop a segregated portfolio. Net debt at Vodafone Idea, at the end of the December quarter, is about Rs 1.03 lakh crore, a level analysts believe is unsustainable for a company that is losing subscribers and can't generate enough funds internally if it were to pay the demanded dues to the state.

UTI MF said, "As of February 14, UTI Credit Risk Fund, UTI Bond Fund, UTI Regular Savings Fund, UTI Dynamic Bond Fund and UTI Medium Term Fund have exposures to the debt securities of Vodafone Idea, the market value of the investment being Rs 186 crore." Nippon India Mutual Fund stated, "In light of no further relief and the Supreme Court's re-iteration of the requirement to make the payment, the company's operations are likely to become unviable, unless there is significant equity infusion.

Kotak World Gold Fund & Kotak US Equity Fund merge into Emerging Markets fund

While investing in Emerging Markets, Kotak Mutual Fund has made announcement of a merger between Kotak World Gold Fund and Kotak US Equity Fund into a third scheme.

Launched in June 2008, Kotak World Gold Fund invests in gold mining industry all over the world, whereas Kotak US Equity Fund invests in the US market after it launched in 2013. The two will be merged into Kotak Global Emerging Market Fund with effect from 26th February.

Kotak World Gold Fund has delivered a CAGR return of just 0.44% since inception and has seen its AUM dwindle to Rs 50 crore. Kotak US Equity Fund, on the other hand, has delivered a healthy 10.91% since inception. However, its AUM is also extremely low at just Rs 13 crore.

Kotak Global Emerging Market Fund was launched in September 2007 and has a return since the launch of 4.43%. However, all three schemes have rallied strongly over the past year. The 1-year returns of the Gold, US Equity and Emerging Markets funds stand at 27.21%, 17.22% and 13.32% respectively.

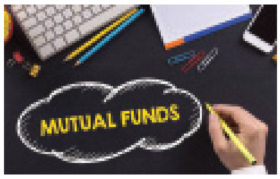
In accordance with the notice issued by Kotak Mutual Fund, investors are allowed to exit from the scheme without paying exit load by 25th February. "The Gold and US equity funds are feeder funds into global funds.

PPFAS Mutual Fund opens new branches in Bengaluru & Pune

PPFAS Mutual Fund has recently opened two new branches in Bengaluru and Pune. Overall, the Fund has now three branches in total along with the head office in Mumbai. Neil Parag Parikh, Chairman and CEO, PPFAS Mutual Fund said, "It is extremely heartening to see our fund came a long way since we began operations in 2013, in terms of the number of investors as well as the number of advisors. As such, it is imperative that we plan out this growth in a structured and sustainable way. From a single office in Mumbai, we have expanded our branch presence in three additional cities- New Delhi, Bengaluru and Pune in the last 6 months."

"It was important that we had ''feet on the street'' in these growing markets for us, in order to serve our investors and partners more effectively and promptly. Going forward, in the coming year we hope to start operations in at least four more cities which are showing good traction for us- Chennai, Ahmedabad Hyderabad and Kolkata. I hope this positive momentum continues for us and we can further expand our reach, to welcome more investors and partners to the PPFAS family," Mr. Parikh further added.

Tata Mutual Fund introduces new scheme, 'Tata Multi Asset Opportunities Fund'



Tata Mutual Fund has recently introduced 'Tata Multi Asset Opportunities Fund', which will invest in exchange traded commodity derivatives. The first of its kind scheme in the mutual fund industry, investing broadly in the three asset classes – equity, commodity derivatives and debt. The fund will be managed by Rahul Singh, Chief Investment Officer - Equities, Murthy Nagarajan, Head - Fixed Income, Aurobinda Prasad Gayan, Head- Commodities Strategy, and Sailesh Jain, Fund Manager at Tata Asset Management.

"The launch of Tata Multi Asset Opportunities fund, introduces one more product to our strong and growing industry. It is a small step that will add up to the Rs. 100 Trillion Opportunity, all of us are trying to tap into. We are sure that this product will generate interest from existing investors and distribution partners, as well as bring in newer investors ," said Prathit Bhobe, CEO & MD, Tata Asset Management.

SBI Mutual Fund nudges ahead of HDFC Mutual Fund

With total assets under management (AUM) of Rs 3.82 lakh crore, SBI Mutual Fund topped HDFC Asset Management in January 2020. HDFC AMC is now the second biggest, with Rs 3.79 lakh crore of AUM. ICICI Prudential AMC is the third largest, with AUM of Rs 3.68 lakh crore.

"A combination of process-driven fund management, consistency in performance, flows from EPFO, and a strong distribution network has helped the fund house reach the top position," said Kaustubh Belapurkar, director (fund research), Morningstar India.

CO-OPERATIVE BANK NEWS

R'sthan co-op banks to give Rs 500 cr loans to set up agri-processing, cold storage units

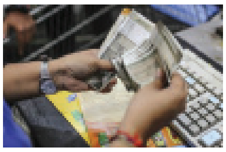
With an aim of establishing agri-processing, storage and warehouse units in Rajasthan, two cooperative lenders will provide loans of Rs 500 crore. Cooperative Minister Udailal Anjana said that a plan in this regard has been released by the Department of Cooperatives to agri-processing, warehouse, cold storage units to promote agro-processing, agribusiness and agri-exports.

Financing from Apex Bank and Central Cooperative Banks has been implemented for setting up these units and loans of Rs 500 crore will be made available to farmers and entrepreneurs setting up units.

He further informed that Chief Minister Ashok Gehlot intended to ensure that farmers' income is doubled and they get full value of their products. Principal Secretary of Cooperative Department Naresh Pal Gangwar said, "Loans of up to 75% will be given for setting up units by cooperative banks at the interest rate of 10 per cent. "

Urban cooperative banks reported nearly 1,000 frauds in five years: RBI

Around 1000 fraud cases worth over Rs 220 crore have been reported by Urban cooperative banks (UCBs) in the last five fiscals, according to the information from RBI. A total of 99 and 27 such cases involving Rs 46.9 crore and Rs 9.3 crore were reported during 2017-18 and 2016-17 respectively, it said.



On the other hand, nearly 187 cases of fraud worth Rs17.3 crore were reported in 2015-16 as against 478 such cases involving Rs 19.8 crore during 2014-15, the RBI data reveals. Thus, in five years, a total of 972 cases of bank fraud worth Rs 221 crore were reported by the UCBs, it further said.

"Cases of frauds reported to RBI are required to be filed by banks as criminal complaints with law enforcement agencies. Banks are required to look into aspects of staff accountability and punish the guilty through internal proceedings," the central bank said.

FIR lodged against 76 persons in Rs 513 crore Karnala cooperative bank scam

A complaint has been lodged against 76 persons, inclusive of 12 office-bearers of the Panvel-based Karnala Nagari Sahakari Bank, for allegedly emblezzing Rs 512.5 crore of the cooperative bank funds for the purpose of loan disbursement.

Former Peasants and Workers Party (PWP) MLA and bank founder chairman Vivekanand Patil was named as the key accused by Umesh Tupe, the Raigad district special auditor of the cooperation department. Tupe said he found loans were disbursed without collateral and diverted to the accounts of trusts controlled by Patil.

"During auditing of the bank's financial transactions, it was found that the office-bearers disbursed loans without security or property mortgage. Business loans were disbursed to applicants who did not have any business. Moreover, the loanees were unaware that business loans were disbursed in their name and later diverted to accounts of trusts run by bank chairman Vivekanand Patil," Tupe added.

MSC Bank sends proposals to RBI for merging with City Co-op & Rupee Co-op

The Maharashtra State Cooperative Bank (MSC) has announced that for the purpose of merging City Co-operative Bank and Pune-based Rupee Co-operative Bank with itself, it has sent two separate proposals to RBI. The merger will require nearly Rs 1,300 crore of capital.

"The genesis of the proposals is the bank's desire to de-risk beyond the agricultural industry by serving the retail segment," said Vidyadhar Anaskar, chairperson of MSC Bank. A merger with the two cooperative banks will give MSC Bank a retail heft both in distribution and assets, he said.

"MSC Bank is confident that the RBI will give it the go-ahead on both the mergers in about four months," Anaskar said.

"Those with up to Rs 1 lakh in City can withdraw 20 per cent of these deposits once every two months. These depositors will get their entire money back in five instalments in the first year. They will get interest of 6.50 per cent from the date of the merger or the applicable rate of interest for oneyear deposit, whichever is higher. Depositors above Rs 1 lakh will get their money in the next five years, in instalments, but they can avail loan facilities against their deposits. After maintaining sufficient margin as per the guidelines of the MSC Bank, this facility will be made available to the depositors," Anaskar said.

Punjab minister assures assembly of an investigation into Hindu Cooperative Bank fraud

Punjab Cabinet Minister Sukhjinder Singh Randhawa has given the assurance to the assembly regarding a investigation into the fraud in Hindu Cooperative Bank, Pathankot.

"The bank has turned into a non performing asset (NPA) and an FIR has been lodged against its managing director," Randhawa said during the Question Hour.

The minister had further stated that the Hindu Cooperative Bank in Pathankot received the initial six month cash withdrawal limit enhanced from Rs 4,000 to Rs 10,000 on September 24, 2019, and Rs 15,000 on January 13, 2020, by its improved performance.

"It has been successful in making loan recovery of Rs 38 crore by following RBI guidelines," Randhawa said.

The chief minister Amarinder Singh also assured the House that his government would soon introduce a policy to compensate farmers whose lands are used by the Punjab State Transmission Corporation Limited for installation of towers.

Cooperative bank branch manager, cashier held for Rs. 3 cr embezzlement in Amritsar

Rakesh Kumar, the branch manager and Ram Kishore, cashier of Amritsar Central Cooperative Bank Ltd, Tarsika, have been held for siphoning off Rs 3 crore, informed police officials. Another two accused secretaries of the cooperative society of the bank Sukhdev Singh and Sukhbir Singh are still absconding.

While lodging a complaint, Anritsar Central Cooperative Bank Limited manager said, "The bank conducted an investigation after suspicious transactions were reported in which large sums of money were being transferred into private accounts from a company's account. Rakesh Kumar, Ram Kishore, Sukhdev Singh and Sukhbir Singh were fraudulently transferring this money and these private accounts were opened by them."

"Since the bank manager and the other three accused were employees of the bank, they used internal information about bank accounts to commit this fraud. To date, over Rs 2.82 crore had been embezzled and we expect the fraud amount to go up," Kulbir added.

"To date, bank managers have recovered Rs 68 lakh from bank accounts where these accused had fraudulently transferred this money. Police are investigating to zero in on details of other accounts in which money was transferred," said investigating officer sub-inspector Manjit Singh of Tarsika police station.

LEGAL CASES

State can charge fee on telecom towers

The Chhattisgarh High Court last week dismissed a large number of writ petitions of telecom companies, led by Reliance Infratel, challenging various levies on mobile towers. They had argued that the tax, initial permit fee, renewal fee and compounding fees were hiked exorbitantly.

They contended that the state and local authorities like gram panchayats had no power to do so as the subject belonged to the central government under the Constitution. The constitution, in the Seventh schedule, has listed the powers of the Centre and states on various subjects. In this context, the companies also pointed out the Indian Telegraph Right of Way Rules, 2016.

Rebutting the arguments, the state government contended it had the power under the Seventh Schedule to deal with land and building. Rejecting the arguments of the telecos, the court stressed the state has the power to levy charges on the occupier of the land and the court could not go into the rate of the charges fixed by the local authorities as they were dependent on various factors.

Bank of Baroda vs IOCL

The Calcutta High Court has directed the Reserve Bank of India (RBI) to contemplate taking suitable steps against the Bank of Baroda (BoB) such as cancelling its license for failing to honour a bank guarantee furnished by a third party to Indian Oil Corporation Ltd (IOCL).

The two-judge division bench of Justice Sanjib Banerjee and Justice Kausik Chanda in the order on February 10 instructed the RBI to "consider the conduct of the appellants" and take into account "appropriate steps" that can be considered against the bank "including revoking its license or the authority to carry on banking business, if necessary."

The court was hearing a case filed by IOCL against the BoB as the bank did not release the payment with regards to a bank guarantee worth Rs 6.97 crore provided to it (IOCL) by Simplex Projects Ltd.

SC to review law on temporary workers

The Supreme Court has decided to revisit the law on regularisation of temporary and daily workers as its earlier judgments are not harmonious regarding the power of labour and industrial courts. The order was passed in five appeals against judgments delivered by the high courts of Delhi, Andhra Pradesh, Madras and Uttarakhand. The high courts were ordering regularization following the Supreme Court judgment in the 2015 case, Oil and Natural Gas Corporation v Petroleum Coal Labour Union.

However, in the new set of appeals, ONGC vs Krishan Gopal, a two-judge Bench doubted the correctness of the 2015 judgment and referred three questions to a larger Bench. The questions involve the power of labour and industrial courts to order regularization. Sometimes, there might not be any vacancy, still by judicial order workers have to be reinstated. The employes might have indulged in unfair trade practices and then the regularization would take another colour. If the employer appoints workers after terminating temporary hands, it would raise questions of equality under the Constitution. Another question is whether employees can move a high court bypassing the industrial court.

Gujarat HC stays Recovery of Interest from Delayed GST Payment

The Gujarat High Court has stayed

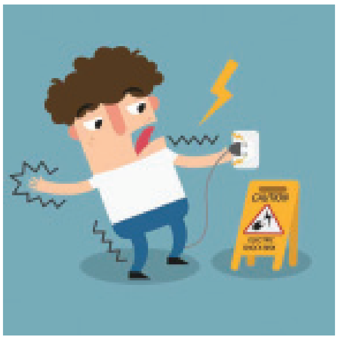
the recovery of interest on the delayed GST payment from taxpayers who have filed their returns in GSTR-3B Form TaxScan had reported earlier about the CBIC issuing a notice after doubts were raised by field formations, whether the interest has to be paid on gross tax liability or on the net cash liability,delayed GST payment.

The Board had then requested all Principal Chief Commissioners and Chief Commissioners of Central Tax to look into the issue personally and to urge the field formations under their jurisdiction for making recovery of applicable interest from the identified taxpayers and to furnish a weekly report of GSTIN wise recovery of interest made in this regard.

The estimated amount of recovery from such a process is said to be around Rs 46,000 crore. A division bench consisting of Justice J B Pardiwala and Justice Bhargav D Karia said while hearing a petition filed by Amar Cars Private Limited, "We direct the respondents not to take any coercive steps for the purpose of recovery of the interest," The court has also issued a notice to Centre, Gujarat Government, and the GST Council. Respondents including Central and State Government and three others have to reply to notice by March 11.

Company liable for electrocution

C. J. Krishna was travelling to work on a moped to attend duty at Tirupathi. He



reached Manglampet Road at 5.30 am on April 22, 2011 when he came into contact with a live 11 kilovolt (KV) electrical wire and died due to electrocution.

His widow, Vijaya Kumari, and three minor children filed a complaint before the State Consumer Commission of Andhra Pradesh alleging deficiency on the part of the Andhra Pradesh Southern Power Distribution Company Ltd. (APSPDCL). The case was defended by APSPDCL, which claimed that heavy rains and thunderstorm had caused the wire to get detached and fall on the ground. It argued Krishna had come into contact with the wire because he had failed to exercise proper care and caution.

The State Commission held that the electric company had been negligent in performing its public duty. It also held Krishna responsible for contributory negligence. So, it adjusted Rs. 5,14,80 towards contributory negligence and ordered APSPDCL to pa Rs. 10,30,000. Additionally, Rs. 5,000 was awarded for costs.

Both the parties appealed against the order. While Krishna's family wanted the compensation to be enhanced, the electric company wanted to be exonerated from liability for negligence. APSPDCL argued that Krishna could not be considered a consumer and that the complaint was not maintainable. The National Commission pointed out that APSPDCL was the electricity supplier in Tirupathi. So, even though street lighting was not paid for, Krishna could still be considered a consumer of the street lighting services provided by the electric company.

The National Commission observed that no expert evidence had been produced by APSPDCL to substantiate how a 11 KV wire could get detached due to rain and thunderstorm. the Commission conclude that the wire had got separated due to lack of proper maintenance, supervision, and adoption of safety measures. It also observed that a higher duty of care is required for maintenance and monitoring of high voltage lines to keep them in good condition and prevent mishaps due to thunderstorms, a standard feature. This duty becomes more onerous when a high voltage line passes over a main road since it would endanger traffic, as held by the Supreme Court in M.P. electricity Board vs. Shail Kumar.

The National Commission disagreed that Krishna could be held responsible for contributory negligence, considering the poor visibility at 5.30 am and the adverse weather conditions on the day when the incident occurred.

Accordingly, by its order of January 27, 2020, delivered by Justice V. K. Jain, the National Commission dismissed the electric company's appeal. The appeal filed by Krishna's family was allowed, and compensation was enhanced to Rs. 15,43,740 to be paid along with 8 per cent interest from the date of the complaint.

ICICI Bank inaugurates the first 'Wealth Management' branch for HNIs in Odisha

ICICI Bank inaugurated a new 'Wealth Management' branch at Saheed Nagar in Bhubaneswar. It is the first 'Wealth Management' branch by a private sector bank in the state that caters exclusively to the high-net-worth (HNI) customers. The branch has been designed to offer priority service to the HNI customers and is a one-stop-shop for all their banking, financial and investment needs. It houses an ATM which is available 24x7 and also offers locker facility. The branch is part of the 16 new branches that the Bank has opened in the state this fiscal.

The branch was inaugurated by Shri Sridhar Patra, Chairman-cum-Managing Director, NALCO.

Mr. Sidharatha Mishra, Retail Business Head, East, Andhra Pradesh & Telangana, ICICI Bank said, "ICICI Bank believes in customising its products and services to match the needs of its diverse customer base. In line with this belief, we are delighted to introduce a 'Wealth Management' branch, which is also the first such branch in the state. The branch has been designed exclusively for the HNI customers and will offer them, tailor-made banking services, customised investments and other financial services-- all in an upscale environment. The branch will also extend the services of experienced relationship managers to the customers to further make their experience hassle-free and seamless."

The branch will have a dedicated team of a Branch Manager, Relationship Managers, Client Service Managers and specialists in investment and Business Banking. This team will assist the customers in their day to day banking operations as well as investment needs.

Signzy wins IAMAI's Most Innovative Fintech Data Solution Provider Award 2020 for VideoKYC

Leading RegTech startup, Signzy announced that it won IAMAI's (Internet and Mobile Association of India) 'Most Innovative Fintech Data Solution Provider' at the 10th India Digital Awards 2020. Signzy wins this award for the third time in a row, leaving behind prominent Government-backed institutions like the National Informatics Centre, MeitY & OnlinePSBLoans.

IAMAI's India Digital Awards aims to recognize and reward entities and individuals who achieve successful business outcomes using digital as a medium. Signzy won this award for its product "Real Time Digital Onboarding for Current Account Customers". This is a Video KYC solution, which enables real-time Customer Onboarding, Verification and Fraud Detection for banking and financial institutions. Signzy, through its AI-based decision engines and back office automation solutions, enables account opening in real-time.

"As Signzy wins for the third consecutive year (2018-2020), we are humbled by the achievement and look towards contributing to the future of Digital Banking with more innovative and AI-enabled solutions. We dedicate this achievement to all our customers, who presented us with opportunities, our investors for their constant support and confidence and our employees, who have been a pillar of strength", says Ankit Ratan, Co-founder at Signzy.

Founded in 2015, Signzy has offices in Mumbai, Bangalore, Dubai and New York. Today, it works with over 90 banks, NBFCs and FinTech companies globally, including Mastercard, SBI Bank, ICICI Bank, HDFC Bank and RBL Bank, among others. It has completed 5 million new customer onboarding transactions in the last two years.

Signzy's technological innovations have been recognised by banking regulators in India (RBI) and Singapore (MAS), for making the financial industry's digital regulatory processes simple, secure and compliant.

IDBI Bank raises capital funds through Issue of Basel III Compliant Tier 2 bonds

IDBI Bank Limited raised capital funds of Rs.745 crore through issue of Basel III compliant Tier 2 bonds. The issue was open for bidding in Electronic Bidding Platform of BSE on January 31, 2020 and allotment to successful bidders closed on February 3, 2020. The issue was competitively priced at a coupon of 9.50% p.a. payable annually. The issued bonds have maturity of 10 years with call option after the instrument has run for 5 years and every year thereafter. The amount mobilised would be counted as part of Tier 2 capital and enhance the capital adequacy of the Bank. The bonds are rated A+ with Stable outlook by CRISIL and CARE Rating.

State Bank of India Financial Results for the Quarter ended 31st December 2019

Highlights

- The Bank registered a Net Profit of Rs. 5,583 Cr during Q3FY20, a YoY increase of 41.18%. This is also the Highest ever quarterly Net Profit recorded by the Bank.
- During the quarter, Bank exercised the option of lower tax rate taking a Onetime hit of Rs. 1,333 Cr. Excluding the impact of this one-time additional hit, Net profit in Q3FY20 would have been Rs. 6,916 Cr against Rs. 3,955 Cr in Q3FY19.
- Profit Before Tax (PBT) for Q3FY20 at Rs 10,970 Crores increased by 65.74% YoY and 116.80% QoQ.
- Net Interest Income grew by 22.42% YoY and 12.92% QoQ.
- Domestic Net Interest Margin (NIM) improved to 3.59% in Q3FY20, registering an increase of 62 bps YoY and 37 bps sequentially.
- Fee income for Q3FY20 at Rs. 5,635 Cr is up by 19.30% YoY.
- Operating Profit increased to Rs. 18,223 Crores in Q3FY20 from Rs. 12,625 Crores in Q3FY19, an increase of 44.34% YoY.
- 9.92% YoY growth in Deposits; Current Account Deposit grew by 9.27% YoY, while Saving Bank Deposits grew by 8.19% YoY.
- Credit Growth at 6.79% YoY - mainly driven by Retail-Personal Advances (17.49% YoY).
- Net NPA ratio at 2.65% is down 130 bps YoY and 14 bps QoQ.
- Gross NPA ratio at 6.94% is down 177 bps YoY and 25 bps QoQ.
- Provision Coverage Ratio (PCR) has improved to 81.73%, up 710 bps YoY and 50 bps QoQ.
- Slippages of Rs 16,525 Crs includes exposure to a large Housing Finance Company (Approx. Rs.7000 Crs).
- Credit Cost as at the end of Q3FY20 has declined 62 bps YoY to 1.80%.
- Cost to Income Ratio has improved from 56.97% in Q3FY19 to 52.45% in Q3FY20.
- Capital Adequacy Ratio (CAR) has improved to 13.73% as on Dec 2019, an increase of 96 bps YoY and 14 bps sequentially.

Canara Bank Financial Results for the Quarter ended 31st December 2019

The Board of Directors of Canara Bank approved the reviewed financial results of the Bank for the quarter ended 31st December 2019.

Q3FY - 2020 Highlights (Y-o-Y)

- ❖ Total Business up by 5.19% at Rs.1063450 Cr
- ❖ Gross Deposits up by 8.64% at Rs.625240 Cr
- ❖ Gross Advances up by 0.64% at Rs.438210 Cr
- ❖ Net Profit up by 3.77% to Rs.330 Cr
- ❖ Operating Profit stood at Rs.2334 Cr
- ❖ Gross NPA down from 10.25% to 8.36%
- ❖ Net NPA down from 6.37% to 5.05%
- ❖ Provision Coverage Ratio improved from 62.54% to 70.97%
- ❖ CRAR (Basel III) improved from 12.21% to 13.86%

RBI'S PRUDENTIAL FRAMEWORK - A NEW DIMENSION TOWARDS RESOLUTION OF STRESSED ASSETS

Introduction:

Asset quality is the most important indicator of a Bank's overall condition and thus, at aggregate level, asset quality of Banks explains the performance of the Banking system at Macro level. It also reflects the efficacy of Bank's Credit Risk Management and the Recovery environment. Therefore, at the aggregate level, deterioration in asset quality leads to high level of NPAs which not only impacts the functional efficiency but also the ability of the Banks and Financial Institutions to recycle the available resources.

In order to address the problem of stressed assets in the Banking Sector, Reserve Bank of India (RBI), as a regulator of the Banking Sector in India, has over the years, provided the Banks as well as Corporate Sector with several schemes as mentioned belowfor timely resolution of stressed assets as well as cleaning the balance sheets of the Banks.

- ❖ Corporate Debt Restructuring (2001) {CDR}
- ❖ Framework for Revitalizing Distressed Assets in the Economy (2014)
- ❖ Flexible Structuring of Long Term Project Loans to Infrastructure and Core Industries (2014) also known as 5:25 Scheme
- ❖ Strategic Debt Restructuring {SDR} (2015)
- ❖ Scheme for Sustainable Structuring of Stressed Assets (2016) also known as S4A.

Despite concerted efforts by the Banks to revive the stressed assets and keep them performing through the above mentioned schemes, the desired results in terms of smooth resolution were not achieved. Reserve Bank of India (RBI), has therefore, vide Circular No: DBR.No.BP.BC.101/ 21.04.048/2017-18 dated 12.02.2018,issued fresh guidelines titled" Resolution of Stressed Assets - Revised Framework" and has withdrawn all the schemes announced earlier for resolution of stressed assets.

About the author

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The extant guidelines, laid emphasis on:

a. Early Identification and reporting of stress on standardized basis

b. Implementation of Resolution Plan (RP) at trigger points

c. Implementation Conditions for Resolution Plan (RP)

d. Timelines for Large Accounts to be referred under IBC

The objective of framework was to ensure that there is timely resolution of stress in Borrowal/loan accounts, Resolution Committees (RCs) were formed at all the Regional Offices. In order to ensure that a Standard Operating Procedure (SOP), for implementation of resolution procedures, is adopted uniformly at all levels across the Bank, it is felt that the SOPsshould be clearly defined and circulated by the Bank.

Need & origin of RBI's prudential framework for resolution of stressed assets:

Based upon various representations Honorable Supreme Court pronounced the judgment on 04.04.2019, declared the circular "Resolution of Stressed Assets - Revised Framework" (RBI's 12th February 2018) ultra vires as a whole and has no effect in law. We are highlighting the statement of Honorable Governor, Reserve Bank of India as under:

"Hon'ble Supreme Court has held the RBI circular dated February 12, 2018 on Resolution of Stressed Assets as ultra vires. The Court has held that RBI's directions under Section 35AA of the Banking Regulation Act, 1949 "which are in respect of debtors generally" would be ultra vires of that section. Thus, the order of the Supreme Court mandates RBI to exercise its powers under Section 35AA "in respect of specific defaults by specific debtors". The powers of RBI under Section 35AA and other sections of the Banking Regulation Act, 1949 are, therefore, not under doubt.

In light of Hon'ble Supreme Court order, the Reserve Bank of India will take necessary steps, including issuance of a revised circular, as may be necessary, for expeditious and effective resolution of stressed assets. The RBI stands committed to maintain and enhance the momentum of resolution".

With above background, Reserve Bank of India, released its Revised Circular of 7th June 2019 on "Prudential Framework for Resolution of Stressed Assets" Directions 2019.

Objective of prudential framework:

These directions are issued with a view to provide a framework for:

- ❖ Early recognition of stressed assets
- ❖ Reporting of stressed assets
- ❖ Time bound resolution of stressed assets.

These directions are issued without prejudice to issuance of specific directions, from time to time, by the Reserve Bank to banks, in terms of the provisions of Section 35AA of the Banking Regulation Act, 1949, for initiation of insolvency proceedings against specific borrowers under the Insolvency and Bankruptcy Code, 2016 (IBC).

The intent / purpose of this Framework is identification of weak / stressed accounts and speedy but viable resolution of the stressed assets.

Applicability:

The provisions of these directions shall apply to the following entities:

(a) Scheduled Commercial Banks (excluding Regional Rural Banks);

(b) All India Term Financial Institutions (NABARD, NHB, EXIM Bank, and SIDBI);

(c) Small Finance Banks; and,

(d) Systemically Important Non-Deposit taking Non-Banking Financial Companies (NBFC-ND-SI) and Deposit taking Non-Banking Financial Companies (NBFC-D).

Pillars of framework for resolution of stressed assets:

A. Early identification and reporting of stress

B. Implementation of Resolution Plan

C. Implementation Conditions for RP

D. Delayed Implementation of Resolution Plan

A. Early identification and reporting of stress:

a. Identification of stress in the borrowal/loan account can be achieved by categorizing all the stressed accounts in the Special Mention Account (SMA) category as defined by RBI based on the default observed in each of the accounts.

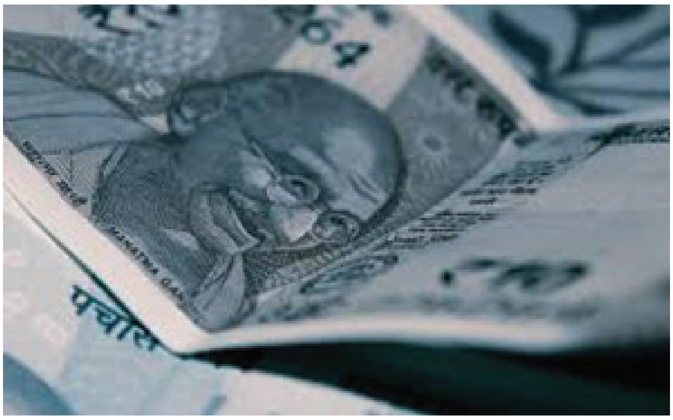
b. Stressed accounts are defined by RBI under the guidelines on "Resolution of Stressed Assets - Revised Framework" as under:

SMA Sub-Categories	Basis for classification - Principal or interest payment or any other amount wholly or partly overdue between
SMA - 0	1 - 30 days
SMA - 1	31 - 60 days
SMA - 2	61 - 90 days

Further, the latest RBI Guidelines also clarifies that in the case of revolving credit facilities like cash credit, the SMA sub-categories will be as follows:

SMA Sub Categories	Basis for classification - Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:
SMA-1	31-60 days
SMA-2	61-90 days

c. Reporting of Stress to RBI on CRILC Platform by Lenders: As per the guidelines, the Credit Information, including classification of an account as Special Mention Account (SMA)is to be reported by the Banks / Lenders to Central Repository of Information on Large Credits (CRILC), on all borrower entities having Aggregate Exposure (AE) of Rs. 5.00 crore and above.



Monthly Report: The frequency of reporting to CRILC will be as under:

The CRILC - Main Report is to be submitted, by the Bank, on a monthly basis to RBI effective from 01.04.2018. This is being adhered to by the Bank. The report is to be submitted by the 15th of the succeeding month or as specified by the regulator time to time.

Weekly Report: In addition, the Bank is required to report to CRILC, information of all borrower entities (with AE of ˆ 5.00 crore and above) which are in default, on a weekly basis at the close of business hours on every Friday. If in case, Friday happens to be a holiday, then the reporting should be done on the preceding working day. This is being adhered to by the Bank.

B. Implementation of Resolution Plan:

As per the RBI directives, all lenders must put in place Board-approved policies for resolution of stressed assets, including the timelines for resolution. Since default with any lender is a lagging indicator of financial stress faced by the borrower, it is expected that the lenders initiate the process of implementing a resolution plan (RP) even before a default.

In any case, once a borrower is reported to be in default by any of the lenders,then lenders shall undertake a prima facie review of the borrower account within thirty days from such default ("Review Period"). During this Review Period of thirty days, lenders may decide on the resolution strategy, including the nature of the RP, the approach for implementation of the RP, etc. The lenders may also choose to initiate legal proceedings for insolvency or recovery.

❖ In cases where RP is to be implemented, all lenders shall enter into an inter-creditor agreement (ICA), during the above-said Review Period, to provide for ground rules for finalisation and implementation of the RP in respect of borrowers with credit facilities from more than one lender. The ICA shall provide that any decision agreed by lenders representing 75 per cent by value of total outstandingcredit facilities (fund based as well non-fund based) and 60 per cent of lenders by number shall be binding upon all the lenders.

❖ The ICA may, inter alia, provide for rights and duties of majority lenders, duties and protection of rights of dissenting lenders, treatment of lenders with priority in cash flows/differential security interest, etc.In particular, the RPs shall provide for payment not less than the liquidation value due to the dissenting lenders.

❖ Concept of Reference Dates: The reference dates, for the purpose of the policy shall be as under:

S N	Type of Advance	Aggregate Exposure (AE)	Reference Date
1	All Advances	ˆ 2000 crore & above	7th June 2019
2	All Advances	ˆ 1500 crore & but below ˆ 2000 crore	1st January 2020
3	All Advances	Less than ˆ1500 crore	To be announced in due course.

❖ It is to be noted that in cases where Asset Reconstruction Companies (ARCs), have exposures to the concerned borrower, then they shall also execute / sign the ICA and adhere to all its provisions.

C. Implementation Conditions for RP:

❖ RPs involving restructuring / change in ownership in respect of accounts where the aggregate exposure of lenders is (Rs.100 crore and above) ` 1 billion and above, shall require independent credit evaluation (ICE) of the residual debt. Further, ICEs shall be subject to the following: by credit rating agencies (CRAs) specifically authorised by the Reserve Bank for this purpose. While accounts with aggregate exposure of(Rs.500 crore and above) `5 billion and above shall require two such ICEs, others shall require one ICE. Only such RPs which receives a credit opinion of RP4or better for the residual debt from one or two CRAs, as the case may be, shall be considered for implementation.

❖ The CRAs shall be directly engaged by the lenders and the payment of fee for such assignments shall be made by the lenders.

❖ If lenders obtain ICE from more than the required number of CRAs, all such ICE opinions shall be RP4 or better for the RP to be considered for implementation.

❖ A RP in respect of borrowers to whom the lenders continue to have credit exposure, shall be deemed to be 'implemented' only if the following conditions are met:

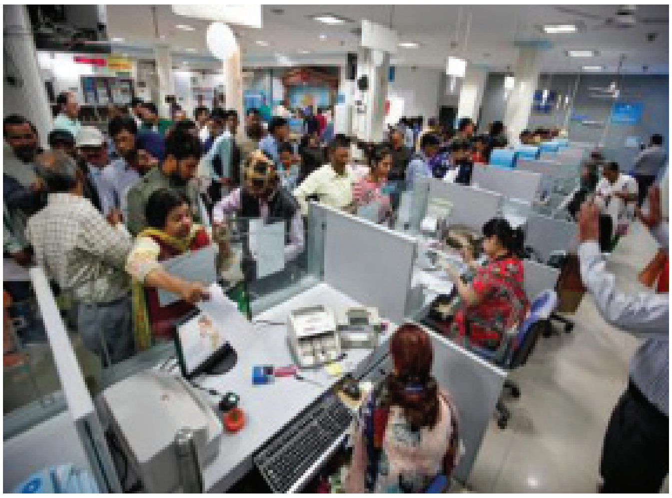
(a) A RP which does not involve restructuring/change in ownership shall be deemed to be implemented only if the borrower is not in default with any of the lenders as on 180th day from the end of the Review Period. Any subsequent default after the 180 day period shall be treated as a fresh default, triggering a fresh review.

(b) A RP which involves restructuring/change in ownership shall be deemed to be implemented only if all of the following conditions are met:

i. All related documentation, including execution of necessary agreements between lenders and borrower / creation of security charge / perfection of securities, is completed by the lenders concerned in consonance with the RP being implemented.

ii. The new capital structure and/orchanges in the terms ofconditionsof the existing loans get duly reflected in the books of all the lenders and the borrower

iii. Borrower is not in default with any of the lenders.



(c) A RP which involves lenders exiting the exposure by assigning the exposures to third party or a RP involving recovery action shall be deemed to be implemented only if the exposure to the borrower is fully extinguished.

D. Delayed Implementation of Resolution Plan:

Where a viable RP in respect of a borrower is not implemented within the timelines given below, all lenders shall make additional provisions as under:

Timeline for implementation of viable RP	Additional provisions to be made as a % of total outstanding, if RP not implemented within thetimeline
180 daysfromthe end of Review Period	20%
365 days from the commencement of Review Period	15% (i.e. totaladditional provisioning of 35%)

❖ The additional provisions shall be made over and above the higher of the following, subject to the total provisions held being capped at 100% of total outstanding:

(a) The provisions already held; or,

(b) The provisions required to be made as per the asset classification status of the borrower account.

❖ The additional provisions shall be made by all the lenders with exposure to such borrower. The additional provisions shall also be required to be made in cases where the lenders have initiated recovery proceedings, unless the recovery proceedings are fully completed. The above additional provisions may be reversed as under:

(a) Where the RP involves only payment of overdues by the borrower - the additional provisions may be reversed only if the borrower is not in default for a period of 6 months from the date of clearing of the overdues with all the lenders;

(b) Where RP involves restructuring/change in ownership outside IBC - the additional provisions may be reversed upon implementation of the RP;

(c) Where resolution is pursued under IBC - half of the additional provisions made may be reversed on filing of insolvency application and the remaining additional provisions may be reversed upon admission of the borrower into the insolvency resolution process under IBC; or,

(d) Where assignment of debt/recovery proceedings are initiated - the additional provisions may be reversed upon completion of the assignment of debt/recovery

Conclusion:

The framework shall not be available for borrower entities in respect of which specific instructions have already been issued or are issued by the Reserve Bank to the banks for initiation of insolvency proceedings under the IBC. Lenders shall pursue such cases as per the specific instructions issued to them.

Any action by lenders with an intent to conceal the actual status of accounts or evergreen the stressed accounts, will be subjected to stringent supervisory / enforcement actions as deemed appropriate by the Reserve Bank, including, but not limited to, higher provisioning on such accounts and monetary penalties.

This revised framework will help lending institutions and corporate debtors in reducing their stress burdens which will be a trigger point for boosting the economy of our country. This will create growth environment in the country where there will be win -win situation for the Lenders and corporate debtors. ❑

SUBSIDY IN RETAIL LOANS

What is Subsidy?

A subsidy or government incentive is a form of financial aid or support extended to an economic sector (or institution, business, or individual) generally with the aim of promoting economic and social policy.

What is Retail Loan?

Structured products packaged to meet the specific needs of individual customers. Loan given to ultimate consumer is Retail Loan. Housing Loans, Vehicle Loans, Education Loans, Mortgage Loans, Personal Loans etc. are few examples of Retail Loans.

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Which Retail Loan Schemes are eligible for Subsidies?

Among the various Retail Loan Schemes, two Retail Loan Schemes are eligible for the Subsidies they are Education Loan & Housing Loan. The Subsidies in these two Retail Loans are as follows:

Central Sector Interest Subsidy Scheme, 2009 on Education Loan

One of the major objectives of the Government is to ensure that no student is denied the opportunity to pursue higher education because he or she is poor. To achieve this objective, Ministry of Human Resource Development (MHRD) launched a Scheme titled "Central Sector Interest Subsidy Scheme" (CSIS) in 2009. Under this Scheme Interest Subsidy is given for the Course period + Moratorium period i.e. Course period plus one year or six months after getting job, whichever is earlier on Education Loan taken from the Scheduled Banks under the Model Education Loan Scheme of Indian Banks Association to students belonging to economically weaker sections whose annual parental income is up to Rs. 4.5 Lakh from all sources. The subsidy is allowed for undergoing recognised Professional/ Technical courses only from NAAC accredited Institutions or professional/ technical programmes accredited by NBA or Institutions of National Importance or Central Funded Technical Institutions (CFTIs).

Those Professional Institutions/programmes, which do not come under the ambit of NAAC or NBA, would require approval of the respective regulatory body viz, approval of Medical Council of India for Medical courses, Nursing Council of India for Nursing courses, Bar Council of India for Law etc. This subsidy is allowed only once either for undergraduate or post graduate or integrated course. The Nodal Bank is Canara Bank.

The Scheme started from the academic year 2009-10 starting 1st April, 2009. The loan amount taken starting from the Academic Year 2009-10 (irrespective of the date of sanction) were only be covered under the scheme of interest subsidy. Interest on any amount disbursed for courses starting before the academic year 2009-10 had not being considered for subsidy. The Modified Scheme is applicable from the academic year 2018-19, starting 1st April, 2018.

The disbursement of interest subsidy claims to the Banks is done on half-yearly or yearly basis. RRBS should submit their claim directly to Canara Bank, the nodal bank and not to route it through the sponsor bank.

Under the IBA Scheme, 1% interest concession is provided for the loanees if the interest is serviced during the period when repayment holiday is specified for interest repayment under the scheme. This 1% interest concession would be extended under the Central Scheme of Interest Subsidy, provided the Government of India disburses interest subsidy claims to the Banks on half-yearly or yearly basis.

Pradhan Mantri Awas Yojana-Housing for All (Urban)

The Mission will be implemented during 2015-2022 and will provide central assistance to Urban Local Bodies (ULBs) and other implementing agencies through States/UTs for:

1. Rehabilitation of existing slum dwellers.
2. Credit Linked Subsidy
3. Affordable Housing in Partnership
4. Subsidy for Beneficiary-led individual house construction/ enhancement.

Credit linked subsidy component will be implemented as a Central Sector Scheme while other three components will be implemented as Centrally Sponsored Scheme (CSS). The government has been trying to support the cause of housing, through its 'Housing for All by 2022' mission. Under this mission, the government has come out with two schemes, to partly fund the interest of the borrowers in urban areas. The first scheme, which is very liberal in terms of the interest rate subsidy, is applicable to the Economically Weaker Sections (EWS) and those under the Low-Income Group (LIG). The other scheme covers the Middle-Income Group (MIG).

Eligibility criteria in PMAY, for availing of the subsidy on interest on home loans

The eligible category is divided into three parts - the first category is EWS the second category is LIG and the third category is MIG. This scheme is available for acquiring or constructing residential units in the 4,041 statutory towns as per the 2011 census and 274 additional towns, which have separately been notified by the state government. The details of such towns can be downloaded from http://nhb.org.in/government-scheme/pradhan-mantri-awas-yojana-credit-linked-subsidy-scheme/statutory-towns.

In order to qualify for the subsidy, the individual or spouse should not own an all-weather pucca house, either in his/ her name or in the name of any unmarried child of the couple, in any part of India. In addition to acquisition or construction of a new house, a borrower can also avail of this facility for extension of his existing house, whether self-acquired or inherited. If the borrower wants to avail of the benefits, for extension or enhancement of his existing house for addition of rooms, kitchen, toilet, etc., then, the condition of pre-existence of a pucca house, shall not apply.

Moreover, the income for the purpose of qualifying under the scheme is the income of the whole family as a unit and not of the head of the family only. For availing of the subsidy, the borrower has to submit a self-declaration, about the income and title of the property to be acquired, to the lender. As the government does not underwrite any part of the loan given under this scheme, lenders will have to follow their own due diligence process, for income and title of the property. The lender has to monitor the construction of the dwelling units financed under the scheme, like approvals for the building design, infrastructure facilities, the quality of construction, etc. The lender also has to verify the expenditure incurred up to different stages of construction, through site visits, etc.

So, the government will only provide the subsidy for such loans but the lender has to take all the other precautions, which it takes for any other regular home loan, as any non-payment or the loan becoming a non-performing asset; will be on the bank's books. The house which qualifies for the interest subsidy can either be a single unit or a unit under any multistoried building. The eligible unit needs to have basic facilities and infrastructure like toilet, water, sewerage, road, electricity, etc.

The area of the house will only include the area on which a carpet can be laid, meaning that it will not include the walls in the house or the outer wall of the house. The house to be constructed or acquired under this scheme, should be in the name of the female head of the household or alternatively, in the joint name of the male head of the household and his wife. However, if there is no adult female member in the family, the house can be acquired in the name of the male member of the family.

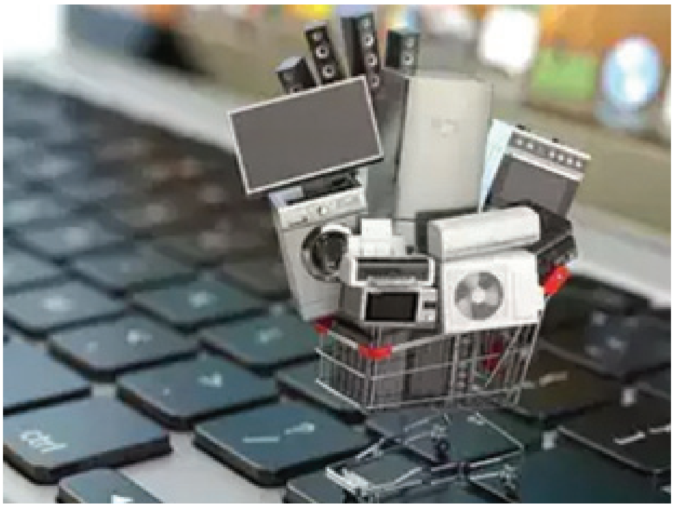
The income eligibility and rate of interest subsidy available and the exact quantum of benefits is tabulated as under:

Particulars	EWS	LIG	MIG I	MIG II
Annual family income	Upto Rs 3 lakhs	Above Rs 3 lakhs and upto Rs 6 lakhs	Above Rs 6 lakhs and upto Rs 12 lakhs	Above Rs 12 lakhs and upto Rs 18 lakhs
House area (Carpet Area)	Upto 30 sq metres	Upto 60 sq metres	Upto 160 sq metres	Upto 200 sq metres
Rate of interest subsidy	6.50%	6.50%	4%	3%
Maximum loan eligible for subsidy	Rs 6 lakhs	Rs 6 lakhs	Rs 9 lakhs	Rs 12 lakhs
Subvention Amount	Rs. 2.67 Lakhs	Rs. 2.67 Lakhs	Rs. 2.35 Lakhs	Rs. 2.30 Lakhs
Net Present Value	9%	9%	9%	9%
Maximum loan tenure	20 years	20 years	20 years	20 years

The maximum subsidy under this scheme can be Rs 2,67,280. The amount of subsidy will be reduced proportionately, if the loan amount is lower than Rs 6 lakhs. The subsidy benefit is only available for loans that are disbursed on or after June 17, 2015.

How is the subsidy under PMAY given?

The subsidy under this scheme is given as upfront relief, in the form of a reduction in the overall loan liability. The present value of the interest subsidy is calculated at 6.50%, for a maximum tenure period of 20 years, on the maximum loan amount of Rs 6 lakhs. The future outflow of interest at 6.50% is discounted at 9% and the present value so arrived, is reduced from the actual loan amount taken by the borrower. The amount of original loan reduced by the net present value of the subsidy benefit is the liability of the borrower and the EMI is computed accordingly, based on the agreed rate of interest. In case the borrower borrows more than Rs 6 lakhs, the amount of subsidy shall be restricted to an amount of Rs 6 lakhs and the additional loan shall be charged regular interest rates of the bank. Although



the lender has to give the credit for the subsidy to the borrower immediately, the lender gets the amount of interest subsidy, only after the claim made by it is processed by the nodal agency with which it is registered. This is the main reason why lenders are not keen to promote this beneficial scheme of the government.

Under the scheme, the lenders have to register themselves with one of the nodal agencies - NHB or HUDCO. The lender institutions include various entities engaged in the business of providing home finance, such as scheduled banks, housing finance companies, regional rural banks (RRBs), state cooperative banks and urban cooperative banks. It will also include small finance banks and NBFC- micro finance institutions. Additionally, the government can notify other institutions, to be eligible to provide finance under this scheme.

Processing fee for loan applications, under PMAY

Under the scheme, the lender is not allowed to recover any processing fee from the borrower. So, in addition to reimbursement of the subsidy amount, the lender will also be given a lump sum of Rs 3,000, to cover their cost of processing the loan application for an amount upto Rs 6 lakhs. For additional loan beyond Rs 6 lakhs, the lenders are allowed to recover normal processing fees.

Source:

http://www.unionbankofindia.co.in

http://mhrd.gov.in

https://www.vidyalakshmi.co.in

https://pmaymis.gov.in/

https://housing.com ❑

Budget 2020 makes fake invoicing under GST a non-bailable offence

In a bid to mitigate the issue of fake invoicing and fraudulent input tax credit (ITC) refunds under the GST, the Union Budget 2020 has introduced penal provisions under the GST legislation and made it a non-bailable offence. The GST council has also given its approval to the move.

Meanwhile, Finance Minister Sitharaman has announced that from the April 1, implementation of the new GST return framework and e-invoicing would take place in order to improve compliance and address the tax revenue leakages.

According to the changes in the law, those availing ITC without invoice or bill in cases where the amount of tax evaded or the amount of ITC wrongly availed or utilised or refund claimed worth over Rs 5 crore will fall under punishable offence with imprisonment for a term upto five years and with fine and shall be cognizable and non-bailable.

“Further, the scope of Section 132 has been expanded by extending the provisions to a person who causes to commit and retains the benefits arising out of different offences,” said Abhishek A Rastogi, Partner at Khaitan & Co.

“With an eye on the future of Indirect tax regime in India, this year’s Budget has aimed at simplification of tax compliances. New GST return framework and E-invoicing would be implemented from April 1, 2020, primarily in an attempt to plug the tax revenue leakage on account of fake invoicing and fraudulent claims of input tax credit,” said Anita Rastogi - Partner, Indirect Tax & GST, PwC India.

28% GST to be imposed on state-run, authorized lotteries from March 1

In a notification, the government has announced that that from March 1, a 28% GST will be imposed on lotteries from March 1. A single rate of 28% will be levied on state-run and authorised lotteries. The revenue department notified the GST rate on supply of lotteries and amended its earlier Central Tax (Rate) notification.

According to the revenue department’s notification, "This notification shall come into force on the 1st day of March, 2020." Presently, 12% GST is attracted by a state-run lottery, while a state-authorised lottery attracts 28% tax.

As per an industry expert, "Gambling in the form of Lottery has been allowed in a few states, where it has penetrated at grass root levels, now changing the tax rate from a prospective date would help the dealers in effectively implementing the new tax rate".

WHAT NEXT FOR CREDIT RATING AGENCIES?

What is credit rating?

Credit rating is a process by which, the riskiness of a credit instrument is assessed and evaluated. This risk assessment is only one of the parameters that is taken into cognizance before investing. Other parameters like price of the security, tenure, options available with the security, tax considerations etc. are also looked into, before making an investment. In short the credit rating is measuring the credit risk associated with a security.

According to S&P- "Credit ratings are judgements of borrowers' credit worthiness based on relevant risk factors, expressed by a letter grade rating symbol." Care rating agency states that "Credit rating is essentially the opinion of the rating agency, on the relative ability and willingness of the issuer of a credit instrument, to meet debt service obligation as and when they arise."

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What is the need for a credit rating?

Credit ratings pre warn and caution investors about strengths and weaknesses of a credit instrument. This is becoming more and more important because of the fact that a number of debt issuers are defaulting. A layman investor may not be aware of the risks associated with a credit instrument. He needs some hand holding, some guidance with regards to investment in a particular issue. Credit rating helps this kind of investor with objective assessment of risk linked to that issue.

The credit rating provides a simple comparable string ("AAA", "AA", "D" etc) which can be used to make an informed judgement about an issue. The investor himself / herself may not be that much financially literate, so as to analyse the numbers of a company. Individual investor may not have access to all the information that is available with credit rating agencies. This is where credit rating comes into picture. The credit rating helps investors to know the issuer credibility.

Better credit rating means that brokers, financial advisors need to work less to make their clients understand the credibility of the issuer. For the issuer, a good credit rating means that the perceived risk is less in the company and can command a better pricing for its borrowings (This means it can avail loan at lower interest rates). Good rating can also be a marketing tool for the issuer as it can claim about its credibility in front of its prospective investors. It can also significantly reduce the cost of raising money as the marketing and associated costs will be less. Better rated issuers have more confidence and can look for future growth also through expansion. They can easily get funds to achieve this growth. An unknown but better rated issue can also attract enough attention to raise funds.

Credit rating in context of countries also is very important. It helps to know which countries are safer from investment point of view. Many countries want to access funds from international markets, which at times are cheaper. In such a case the country rating again plays an important role. The interest rate that the country may have to pay is at times linked to country rating.

Worsening of credit rating can severely mar the prospect of a company or country to raise funds. The lenders at time find it easier to refer to the credit ratings rather than doing a detailed credit appraisal of the country or company.

Credit ratings also provide a feedback to the issuer about their state of affairs and prompt them to change their behaviour accordingly. A debt laden company with lower rating may be motivated to bring down the overall debt level to a more manageable level.

Why the Credit Rating Agencies are at the centre of the storm?

The credit rating agencies have been the main talking point since the financial market collapse of New York in Mid 1970s, the Asian Crisis of 1997-98, Enron scandal of 2001, Subprime crisis of 2008, collapse of Satyam, PNB Crisis and during Indian NBFC crisis in 2018. The rating agencies have been accused of providing favourable ratings to certain companies which in a matter of few months defaulted in repaying their debt obligations. Some of the international rating agencies and few Indian rating agencies have been accused on many accounts like:

1) False rating
2) Political Bias
3) Rating shopping
4) Flawed methodology etc.

IL&FS instruments were rated very highly however the company went to NCLT. Similarly the DHFL was rated a very safe issue however it also defaulted on repayment obligations.

Where does the problem lie?

Throughout the world the rated pays the rater and this is one of the biggest problems with the Credit rating agencies. In actuality the rater should be free from any bias in rating but the emolument structure is such that they bias creeps in.

There is oligopoly in credit rating industry and only three rating agencies like- Moodys, Standard & Poors and Fitch command 95% of the market share. There is intense competition in these three rating agencies and to garner more business they may overlook objectivity in the process of rating.

Sometimes the rated companies themselves do not provide data or provide fraudulent data to the rater leading to wrong ratings. In such cases the rating agency may have to depend on public information.

In case of IL&FS the forensic audit was carried out by Grant and Thornton. This audit disclosed a nexus between the key officials of IL&FS and Rating agencies. They have recorded the fact that undue favours and gifts were provided to the rating agencies, to put the skeletons under wrap. They were aware of the issues with the company since 2012 but however decided to keep mum and kept continuously providing good ratings to the company.

As of now there is no dedicated regulator of the rating agencies, which gives them a free hand. A regulatory authority at the helm will help instil a sense of fear and responsibility in minds of rating agencies.

Rating shopping, the rated company shops for the best rating and whosoever promises a more favourable rating at lowest price is given the business. Rating helps the issuer of debt instrument get a cheaper rate of interest for its borrowings. This is substantial over a period of time and the issuer has an inherent incentive to get the maximum possible favourable rating.

There are non disclosure agreements signed by the rating agencies with the issuer which bars them from disclosing all the available information with the public.

How to tackle the problems with Credit rating agencies?

First of all, there has to be a mechanism by which, the credit rating agencies are held liable, for failure to disclose risk of default, in credit instruments of the corporate. This civil liability framework is what is practiced in countries like UK.

There has to be a periodical revision of ratings by rating agencies. Failure to do so will result in lag between the actual credit profile and the last rating. Something similar to this happened in case of IL&FS and Amtek Auto where just before default the companies had very high ratings.

Monetarily the investors should be able to sue the credit rating agencies and they should be in a position to demand the compensation for their losses. This should instil a sense of fear and accountability in minds of credit rating agencies.

As seen recently the ratings are changed in reaction to a certain event. Rather than this, there has to be a predictive power in ratings, which predict the weakness in financial position in advance.

The rating agencies themselves or through their subsidiaries should be refrained from providing advisory services to the rated companies. There could be an inherent conflict of interest in such cases.

The rating agencies should have enough spine, to not rate an instrument, if the rated company does not share enough material information, with the rating agency.

The assumptions made by the rating agency, in arriving at the rating, should be disclosed to the investors, so that they can make a correct assessment, of the risk involved in the issue.

The fee structure of the rating agencies should be fixed and they should compete on basis of quality rather than pricing. Rating models should be made more and more objective and there should be very less subjectivity involved in these models.

There can be an "investor pays" model, where the fees of the rating done, is borne by the investors, in the issue on pro rata basis.

Investors should be made aware of the rating process and should not be overtly reliant on ratings per se. They should do their own assessment of companies before investing.

There are some expectations from regulator also like:

There has to be a provision of peer review of ratings, if there is disagreement between the ratings of a company by two rating agencies.

Even without getting paid for them, a minimum number of ratings, of large corporates, should be published by the rating agencies.

Increase the accountability in credit rating agencies so that consumer interests are protected. This will ensure health of the financial system in long run. There has to be monetary and business implications for improper ratings by the rating agencies.

More players should be allowed to enter in the rating industry. The competition and oversight of regulator together will ensure betterment of industry.

There have been cases of Credit rating agencies being sued by the rated company, for downgrading there ratings. There has to be a law which protects the credit rating agencies in such cases.

There can be mandatory rotation of rating agencies of corporate after a period of time like the auditors are rotated after a given time.

Conclusion:

The credit rating agencies have an important role to play in maintaining the health of the financial sector. It is very rightly expected from them to present the fair view of the issue to the investor. If the tacit trust between the rating agency and investor is broken, it will wreak havoc in financial sector. Hence for betterment of all, the credit rating agencies themselves and the regulator should immediately take steps to restore the trust in the credit rating agencies.

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THE KEY HIGHLIGHTS OF THE UNION BUDGET 2020-21

Three prominent themes of the Budget

- **Aspirational India -** better standards of living with access to health, education and better jobs for all sections of the society
- **Economic Development for all -** "Sabka Saath, Sabka Vikas, Sabka Vishwas".
- **Caring Society -** both humane and compassionate; Antyodaya as an article of faith.
- Three broad themes are held together by:
  - Corruption free, policy-driven Good Governance.
  - Clean and sound financial sector.
- **Ease of Living** underlined by the three themes of Union Budget 2020-21.

Three components of Aspirational India

- Agriculture, Irrigation, and Rural Development
- Wellness, Water, and Sanitation
- Education and Skills

Sixteen Action Points for Agriculture, Irrigation and Rural Development

- Rs. 2.83 lakh crore to be allocated for the following 16 Action Points:
  - Rs. 1.60 lakh crore for Agriculture, Irrigation & allied activities.
  - Rs. 1.23 lakh crore for Rural development & Panchayati Raj.
- Agriculture credit:
  - Rs. 15 lakh crore target set for the year 2020-21.
  - PM-KISAN beneficiaries to be covered under the KCC scheme.
  - NABARD Re-finance Scheme to be further expanded.
- Comprehensive measures for 100 water-stressed districts proposed.
- **Blue Economy:**
  - Rs. 1 lakh crore fisheries' exports to be achieved by 2024-25.
  - 200 lakh tonnes fish production targeted by 2022-23.
  - 3477 Sagar Mitras and 500 Fish Farmer Producer Organisations to involve youth in fisheries extension.
  - Growing of algae, sea-weed and cage culture to be promoted.
  - Framework for development, management and conservation of marine fishery resources.
- **Kisan Rail** to be setup by Indian Railways through PPP:
  - To build a seamless national cold supply chain for perishables (milk, meat, fish, etc.
  - Express and Freight trains to have refrigerated coaches.
- **Krishi Udaan** to be launched by the Ministry of Civil Aviation:
  - Both international and national routes to be covered.
  - North-East and tribal districts to realize Improved value of agri-products.
- One-Product One-District for better marketing and export in the Horticulture sector.
- Balanced use of all kinds of fertilizers - traditional organic and innovative fertilizers.

- Measures for organic, natural, and integrated farming:
  - Jaivik Kheti Portal – online national organic products market to be strengthened.
  - Zero-Budget Natural Farming (mentioned in July 2019 Budget) to be included.
    - Integrated Farming Systems in rain-fed areas to be expanded.
    - Multi-tier cropping, bee-keeping, solar pumps, solar energy production in non-cropping season to be added.
- **PM-KUSUM** to be expanded:
  - 20 lakh farmers to be provided for setting up standalone solar pumps.
  - Another 15 lakh farmers to be helped to solarise their grid-connected pump sets.
  - Scheme to enable farmers to set up solar power generation capacity on their fallow/barren lands and to sell it to the grid.
- **Village Storage Scheme:**
  - To be run by the SHGs to provide farmers a good holding capacity and reduce their logistics cost.
  - Women, SHGs to regain their position as Dhaanya Lakshmi.
- NABARD to map and geo-tag agri-warehouses, cold storages, reefer van facilities, etc.
- Warehousing in line with Warehouse Development and Regulatory Authority (WDRA) norms:
  - Viability Gap Funding for setting up such efficient warehouses at the block/taluk level.
  - Food Corporation of India (FCI) and Central Warehousing Corporation (CWC) to undertake such warehouse building.
- Financing on Negotiable Warehousing Receipts (e-NWR) to be integrated with e-NAM.
- State governments who undertake implementation of model laws (issued by the Central government) to be encouraged.
- **Livestock:**
  - Doubling of milk processing capacity to 108 million MT from 53.5 million MT by 2025.
  - Artificial insemination to be increased to 70% from the present 30%.
  - MNREGS to be dovetailed to develop fodder farms.
  - Foot and Mouth Disease, Brucellosis in cattle and Peste Des Petits ruminants (PPR) in sheep and goat to be eliminated by 2025.
- **Deen Dayal Antyodaya Yojana –** 0.5 crore households mobilized with 58 lakh SHGs for poverty alleviation.

Wellness, Water and Sanitation

- Rs. 69,000 crore allocated for overall Healthcare sector.
- Rs. 6400 crore (out of Rs. 69,000 crore) for **PM Jan Arogya Yojana (PMJAY)**:
  - More than 20,000 hospitals already empanelled under PM Jan Arogya Yojana (PMJAY).
  - Viability Gap Funding window proposed for setting up hospitals in the PPP mode.
  - Aspirational Districts with no Ayushman empanelled hospitals to be covered in the first phase.
  - Targeting diseases with an appropriately designed preventive regime using Machine Learning and AI.
- **Jan Aushadhi Kendra Scheme** to offer 2000 medicines and 300 surgicals in all districts by 2024.
- **TB Harega Desh Jeetega** campaign launched - commitment to end Tuberculosis by 2025.
- Rs. 3.60 lakh crore approved for **Jal Jeevan Mission:**
  - Rs. 11,500 crore for the year 2020-21.
  - Augmenting local water sources, recharging existing sources, and promoting water harvesting and de-salination.
  - Cities with million-plus population to be encouraged to achieve the objective during the current year itself.
- Rs.12, 300 crore allocation for Swachh Bharat Mission in 2020-21:
  - Committment to ODF-Plus in order to sustain ODF behaviour.
  - Emphasis on liquid and grey water management.
    - Focus also on Solid-waste collection, source segregation, and processing.

Education and Skills

- Rs. 99,300 crore for education sector and Rs. 3000 crore for skill development in 2020-21.
- New Education Policy to be announced soon.
- National Police University and National Forensic Science

University proposed for policing science, forensic science, and cyber-forensics.

- Degree level full-fledged online education program by Top-100 institutions in the National Institutional Ranking Framework.
- Up to 1-year internship to fresh engineers to be provided by Urban Local Bodies.
- Budget proposes to attach a medical college to an existing district hospital in PPP mode.
- Special bridge courses to be designed by the Ministries of Health, and Skill Development:
  - To fulfill the demand for teachers, nurses, paramedical staff and care-givers abroad.
  - To bring in equivalence in the skill sets of the workforce and employers' standards.
- 150 higher educational institutions to start apprenticeship embedded degree/diploma courses by March 2021.
- External Commercial Borrowings and FDI to be enabled for education sector.
- Ind-SAT proposed for Asian and African countries as a part of Study in India program.

Economic Development

Industry, Commerce and Investment

- Rs. 27,300 crore allocated for 2020-21 for development and promotion of Industry and Commerce.
- Investment Clearance Cell proposed to be set up:
  - To provide "end to end" facilitation and support.
  - To work through a portal.
- Five new smart cities proposed to be developed.
- Scheme to encourage manufacture of mobile phones, electronic equipment and semi-conductor packaging proposed.
- National Technical Textiles Mission to be set up:
  - With four-year implementation period from 2020-21 to 2023-24.
  - At an estimated outlay of Rs 1480 crore.
  - To position India as a global leader in Technical Textiles.
- New scheme NIRVIK to be launched to achieve higher export credit disbursement, which provides for:
  - Higher insurance coverage
  - Reduction in premium for small exporters
  - Simplified procedure for claim settlements.
- Turnover of Government e-Marketplace (GeM) proposed to be taken to Rs 3 lakh crore.
- Scheme for Revision of duties and taxes on exported products to be launched.
  - Exporters to be digitally refunded duties and taxes levied at the Central, State and local levels, which are otherwise not exempted or refunded.
- All Ministries to issue quality standard orders as per PM's vision of **"Zero Defect-Zero Effect"** manufacturing.

Infrastructure

- Rs.100 lakh crore to be invested on infrastructure over the next 5 years.
- National Infrastructure Pipeline:
  - Rs. 103 lakh crore worth projects; launched on 31st December 2019.
  - More than 6500 projects across sectors, to be classified as per their size and stage of development.
- A National Logistics Policy to be released soon:
  - To clarify roles of the Union Government, State Governments and key regulators.
  - A single window e-logistics market to be created
  - Focus to be on generation of employment, skills and making MSMEs competitive.
- National Skill Development Agency to give special thrust to infrastructure-focused skill development opportunities.
- Project preparation facility for infrastructure projects proposed.
  - To actively involve young engineers, management graduates and economists from Universities.
- Infrastructure agencies of the government to involve youth-power in start-ups.
- Rs.1.7 lakh crore proposed for transport infrastructure in 2020-21.

Highways:

- Accelerated development of highways to be undertaken, including:
  - 2500 Km access control highways.
  - 9000 Km of economic corridors.
  - 2000 Km of coastal and land port roads.

- 2000 Km of strategic highways.

- Delhi-Mumbai Expressway and two other packages to be completed by 2023.
- Chennai-Bengaluru Expressway to be started.
- Proposed to monetise at least 12 lots of highway bundles of over 6000 Km before 2024.

Indian Railways:

- Five measures:
  - Large solar power capacity to be set up alongside rail tracks, on land owned by railways.
  - Four station re-development projects and operation of 150 passenger trains through PPP.
  - More Tejas type trains to connect iconic tourist destinations.
  - High speed train between Mumbai and Ahmedabad to be actively pursued.
  - 148 km long Bengaluru Suburban transport project at a cost of Rs 18600 crore, to have fares on metro model. Central Government to provide 20% of equity and facilitate external assistance up to 60% of the project cost.
- Indian Railways' achievements:
  - 550 Wi-fi facilities commissioned in as many stations.
  - Zero unmanned crossings.
  - 27000 Km of tracks to be electrified.

Ports & Water-ways:

- Corporatizing at least one major port and its listing on stock exchanges to be considered.
- Governance framework keeping with global benchmarks needed for more efficient sea-ports.
- Economic activity along river banks to be energised as per Prime Minister's Arth Ganga concept.

Airports:

- 100 more airports to be developed by 2024 to support Udaan scheme.
- Air fleet number expected to go up from present 600 to 1200 during this time.

Electricity:

- "Smart" metering to be promoted.
- More measures to reform DISCOMs to be taken.

Power:

- Rs.22, 000 crore proposed for power and renewable energy sector in 2020-21.
- Expansion of national gas grid from the present 16200 km to 27000 km proposed.
- Further reforms to facilitate transparent price discovery and ease of transactions.

New Economy

- To take advantage of new technologies:
  - Policy to enable private sector to build Data Centre parks throughout the country to be brought out soon.
  - Fibre to the Home (FTTH) connections through Bharatnet to link 100,000 gram panchayats this year.
  - Rs.6000 crore proposed for Bharatnet programme in 2020-21.
- Measures proposed to benefit Start-ups:
  - A digital platform to be promoted to facilitate seamless application and capture of IPRs.
  - Knowledge Translation Clusters to be set up across different technology sectors including new and emerging areas.
  - For designing, fabrication and validation of proof of concept, and further scaling up Technology Clusters, harbouring test beds and small scale manufacturing facilities to be established.
  - Mapping of India's genetic landscape- Two new national level Science Schemes to be initiated to create a comprehensive database.
  - Early life funding proposed, including a seed fund to support ideation and development of early stage Start-ups.
- Rs.8000 crore proposed over five years for National Mission on Quantum Technologies and Applications.

Caring Society

- Focus on:
  - Women & child,
  - Social Welfare;
  - Culture and Tourism
- Allocation of Rs. 35,600 crore for nutrition-related programmes proposed for the FY2020-21.

- Rs.28, 600 crore proposed for women specific programs.
- Issue about age of a girl entering motherhood - proposed to appoint a task force to present its recommendations in six months' time.
- Financial support for wider acceptance of technologies, identified by Ministry of Housing and Urban Affairs to ensure no manual cleaning of sewer systems or septic tanks, to be provided.
- Rs. 85, 000 crore proposed for 2020-21 for welfare of Scheduled Castes and Other Backward Classes.
- Rs. 53, 700 crore provided to further development and welfare of Scheduled Tribes.
- Enhanced allocation of Rs. 9,500 crore provided for 2020-21 for senior citizens and Divyang.

Culture & Tourism

- Allocation of Rs. 2500 crore for 2020-21 for tourism promotion.
- Rs.3150 crore proposed for Ministry of Culture for 2020-21.
- An Indian Institute of Heritage and Conservation under Ministry of Culture proposed; with the status of a deemed University.
- 5 archaeological sites to be developed as iconic sites with on-site Museums:
  - Rakhigarhi (Haryana)
  - Hastinapur (Uttar Pradesh)
  - Shivsagar (Assam)
  - Dholavira (Gujarat)
  - Adichanallur (Tamil Nadu)
- Re-curation of the Indian Museum in Kolkata, announced by Prime Minister in January 2020.
- Museum on Numismatics and Trade to be located in the historic Old Mint building in Kolkata.
- 4 more museums from across the country to be taken up for renovation and re-curation.
- Support for setting up of a Tribal Museum in Ranchi (Jharkhand).
- Maritime museum to be set up at Lothal- the Harrapan age maritime site near Ahmedabad, by Ministry of Shipping.
- State governments expected to develop a roadmap for certain identified destinations and formulate financial plans during 2021 against which specified grants to be made available to the States in 2020-21.

Environment & Climate Change

- Allocation for this purpose to be Rs.4400 crore for 2020-21.
- Proposed to advise the utilities to close the running old thermal power plants with carbon emission above the pre-set norms.
- States that are formulating and implementing plans for ensuring cleaner air in cities above one million to be encouraged.
- PM launched Coalition for Disaster Resilient Infrastructure (CDRI) with Secretariat in Delhi. Second such international initiative after International Solar Alliance.

Governance

- Clean, corruption-free, policy driven, good in intent and most importantly trusting in faith.
- Taxpayer Charter to be enshrined in the Statute will bring fairness and efficiency in tax administration.
- Companies Act to be amended to build into statues, criminal liability for certain acts that are civil in nature.
  - Other laws with such provisions are to be corrected after examination.
- Major reforms in recruitment to Non-Gazetted posts in Government and Public sector banks:
  - An independent, professional and specialist National Recruitment Agency (NRA) for conducting a computer-based online Common Eligibility Test for recruitment.
  - A test-centre in every district, particularly in the Aspirational Districts.
- A robust mechanism to be evolved for appointment including direct recruitment to various Tribunals and specialised bodies to attract best talents and professional experts.
- Contract Act to be strengthened.
- New National Policy on Official Statistics to:
  - Promote use of latest technologies including AI.
  - Lay down a road-map towards modernised data collection, integrated information portal and timely dissemination of information.
- A sum of Rs. 100 crore allocated to begin the preparations for G20 presidency to be hosted in India in the year 2022.

- Development of North East region:
  - Improved flow of funds using online portal by the Government.
  - Greater access to financial assistance of Multilateral and Bilateral funding agencies.
- Development of Union Territories of J&K and Ladakh:
  - An amount of Rs. 30,757 crore provided for the financial year 2020-21.
  - The Union Territory of Ladakh has been provided with Rs. 5,958.

Financial Sector

- Reforms accomplished in PSBs :
  - 10 banks consolidated into 4.
  - Rs. 3,50,000 crore capital infused.
- Governance reforms to be carried out to bring in transparency and greater professionalism in PSBs.
- Few PSBs to be encouraged to approach the capital market to raise additional capital
- Deposit Insurance and Credit Guarantee Corporation (DICGC) permitted to increase Deposit Insurance Coverage to Rs. 5 lakh from Rs.1 lakh per depositor.
- Scheduled Commercial Bank's health under monitoring through a robust mechanism, keeping depositors' money safe.
- Cooperative Banks to be strengthen by amending Banking Regulation Act for:
  - Increasing professionalism.
  - Enabling access to capital.
  - Improving governance and oversight for sound banking through the RBI.
- NBFCs eligibility limit for debt recovery reduced from:
  - Rs. 500 crore to Rs 100 crore asset size.
  - Rs 1 crore to Rs 50 lakh loan size.
- Private capital in Banking system:
  - Government to sell its balance holding in IDBI Bank to private, retail and institutional investors through the stock exchange.
- Easier mobility in jobs:
  - Auto-enrolment in Universal Pension coverage.
  - Inter-operability mechanism to safeguard the accumulated corpus.
- Pension Fund Regulatory Development Authority of India Act to be amended to:
  - Strengthen regulating role of PFRDAI.
  - Facilitate separation of NPS trust for government employees from PFRDAI.
  - Enable establishment of a Pension Trust by the employees other than Government.
- Factor Regulation Act 2011 to be amended to:
  - Enable NBFCs to extend invoice financing to the MSMEs through TReDS
- New scheme to provide subordinate debt for entrepreneurs of MSMEs by the banks
  - Would be counted as quasi-equity.
  - Would be fully guaranteed through the Credit Guarantee Trust for Medium and Small Entrepreneurs (CGTMSE).
  - The corpus of the CGTMSE would accordingly be augmented by the government.
- Window for MSME's debt restructuring by RBI to be extended by one year till March 31, 2021.
  - More than five lakh MSMEs have already been benefitted.
- An app-based invoice financing loans product for MSMEs to be launched.
  - To prevent the problem of delayed payments and consequential cash flows mismatches.
- Export promotion of MSMEs:
  - For selected sector such as pharmaceuticals, auto components and others.
  - An Rs 1000 crore scheme anchored by EXIM Bank together with SIDBI.
  - Hand holding support for technology upgradations, R&D, business strategy etc.

Financial Market

- Deepening Bond Market.
  - Certain specified categories of Government securities to be opened fully for non -resident investors also.
  - FPI limit in corporate bonds increased to 15% from 9% of its outstanding stock.
- New legislation to be formulated for laying down a mechanism for netting of financial contracts.
  - Scope of credit default swaps to expand.

- Debt Based Exchange Traded Fund expanded by a new Debt-ETF consisting primarily of Government Securities.
  - To give attractive access to retail investors, pension funds and long-term investors.
- A Partial Credit Guarantee scheme for the NBFCs formulated post the Union budget 2019-20 to address their liquidity constraints.
  - New mechanism to be devised to further this.
  - Government support to securities so floated.

Infrastructure Financing

- Rs.103 lakh crore National Infrastructure Pipeline projects earlier announced.
- Rs 22,000 crore to cater to the equity support to Infrastructure Finance Companies such as IIFCL and a subsidiary of NIIF.
- IFSC, GIFT city: full of potential to become a centre of international finance as well as a centre for high end data processing:
  - An International Bullion exchange(s) to be set up as an additional option for trade by global market participants with the approval of regulator.

Disinvestment

- Government to sell a part of its holding in LIC by way of Initial Public Offer (IPO).

Fiscal Management

- XV Finance Commission (FC):
  - XV Finance Commission has given its first report for FY2020-21
  - Recommendations accepted in substantial measure
  - Its final report for five years beginning 2021-22 to be submitted during the latter part of the year.
- GST Compensation Fund:
  - Balances due out of collection of the years 2016-17 and 2017-18 to be transferred to the Fund, in two instalments.
  - Hereinafter, transfers to the fund to be limited only to collection by way of GST compensation cess.
- Overhaul of Centrally Sponsored Schemes and Central Sector Schemes necessary:
  - To align them with emerging social and economic needs of tomorrow
  - To ensure that scarce public resources are spent optimally
- On the recent debate over transparency and credibility of projected fiscal numbers, it is assured that procedure adopted is compliant with the FRBM Act.
- For the FY 2019-20:
  - Revised Estimates of Expenditure: at Rs.26.99 lakh crore
  - Revised Estimates of Receipts: estimated at Rs.19.32 lakh crore.
- For year 2020-21:
  - Nominal growth of GDP estimated at 10%.
  - Receipts: estimated at Rs.22.46 lakh cr
  - Expenditure: at Rs.30.42 lakh cr.
- Significant tax reforms for boosting investments recently undertaken. However, expected tax buoyancy expected to take time.
- Fiscal deficit of 3.8% estimated in RE 2019-20 and 3.5% for BE 2020-21. It comprises two ingredients;
  - 3.3% for year 2019-20 and 3% for the 2020-21 budget estimate.
  - Deviation of 0.5%, consistent with Section 4(3) of FRBM Act, both for RE 2019-20 and BE 2020-21. (Section 4 (2) of the FRBM Act provides for a trigger mechanism for a deviation from the estimated fiscal deficit on account of structural reforms in the economy with unanticipated fiscal implications.)
  - Return path, committing to fiscal consolidation without compromising needs of investment out of public funds, is laid in Medium Term Fiscal Policy cum Strategy Statement.
  - Market borrowings: Net market borrowings: Rs.4.99 lakh crore for 2019-20 and Rs.5.36 lakh crore for 2020-21.
- A good part of the borrowings for the financial year 2020-21 to go towards Capital expenditure that has been scaled up by more than 21%.

Direct Tax

- Direct Tax Proposals - To stimulate growth, simplify tax structure, bring ease of compliance, and reduce litigations.
- Personal Income Tax:
  - Significant relief to middle class taxpayers.
  - New and simplified personal income tax regime proposed:

Taxable Income Slab (Rs.)	Existing tax rates	New tax rates
0-2.5 Lakh	Exempt	Exempt
2.5-5 Lakh	5%	5%
5-7.5 Lakh	20%	10%
7.5-10 Lakh	20%	15%
10-12.5 Lakh	30%	20%
12.5-15 Lakh	30%	25%
Above 15 Lakh	30%	30%

- Around 70 of the existing exemptions and deductions (more than 100) to be removed in the new simplified regime.
- Remaining exemptions and deductions to be reviewed and rationalised in coming years.
- New tax regime to be optional - an individual may continue to pay tax as per the old regime and avail deductions and exemptions.
- Measures to pre-fill the income tax return initiated so that an individual who opts for the new regime gets pre-filled income tax returns and would need no assistance from an expert to pay income tax.
- New regime to entail estimated revenue forgone of Rs. 40,000 crore per year.

- Corporate Tax:
  - Tax rate of 15% extended to new electricity generation companies.
  - Indian corporate tax rates now amongst the lowest in the world.
- Dividend Distribution Tax (DDT):
  - DDT removed making India a more attractive investment destination.
  - Deduction to be allowed for dividend received by holding company from its subsidiary.
  - Rs. 25,000 crore estimated annual revenue forgone.
- Start-ups:
  - Start-ups with turnover up to Rs. 100 crore to enjoy 100% deduction for 3 consecutive assessment years out of 10 years.
  - Tax payment on ESOPs deferred.
- MSMEs to boost less-cash economy:
  - Turnover threshold for audit increased to Rs. 5 crore from Rs. 1 crore for businesses carrying out less than 5% business transactions in cash.
- Cooperatives:
  - Parity brought between cooperatives and corporate sector.
  - Option to cooperative societies to be taxed at 22% + 10% surcharge and 4% cess with no exemption/deductions.
  - Cooperative societies exempted from Alternate Minimum Tax (AMT) just like Companies are exempted from the Minimum Alternate Tax (MAT).
- Tax concession for foreign investments:
  - 100% tax exemption to the interest, dividend and capital gains income on investment made in infrastructure and priority sectors before 31st March, 2024 with a minimum lock-in period of 3 years by the Sovereign Wealth Fund of foreign governments.
- Affordable housing:
  - Additional deduction up to Rs. 1.5 lakhs for interest paid on loans taken for an affordable house extended till 31st March, 2021.
  - Date of approval of affordable housing projects for availing tax holiday on profits earned by developers extended till 31st March, 2021.

Tax Facilitation Measures

- Instant PAN to be allotted online through Aadhaar.
- 'Vivad Se Vishwas' scheme, with a deadline of 30th June, 2020, to reduce litigations in direct taxes:
  - Waiver of interest and penalty - only disputed taxes to be paid for payments till 31st March, 2020.
  - Additional amount to be paid if availed after 31st March, 2020.
  - Benefits to taxpayers in whose cases appeals are pending at any level.
- Faceless appeals to be enabled by amending the Income Tax Act.
- For charity institutions:
  - Pre-filling in return through information of donations furnished by the done.
  - Process of registration to be made completely electronic.

- Unique registration number (URN) to be issued to all new and existing charity institutions.
- Provisional registration to be allowed for new charity institutions for three years.
- CBDT to adopt a Taxpayers' Charter.

❖ Losses of merged banks:
- Amendments proposed to the Income-tax Act to ensure that entities benefit from unabsorbed losses and depreciation of the amalgamating entities.

Indirect Tax

❖ **GST:**
- Cash reward system envisaged to incentivise customers to seek invoice.
- Simplified return with features like SMS based filing for nil return and improved input tax credit flow to be implemented from 1st April, 2020 as a pilot run.
- Dynamic QR-code capturing GST parameters proposed for consumer invoices.
- Electronic invoice to capture critical information in a centralized system to be implemented in a phased manner.
- Aadhaar based verification of taxpayers being introduced to weed out dummy or non-existent units.
- GST rate structure being deliberated to address inverted duty structure.

❖ Customs Duties:
- Customs duty raised on footwear to 35% from 25% and on furniture goods to 25% from 20%.
- Basic customs duty on imports of news print and light-weight coated paper reduced from 10% to 5%.
- Customs duty rates revised on electric vehicles and parts of mobiles.
- 5% health cess to be imposed on the imports of medical devices, except those exempt from BCD.
- Lower customs duty on certain inputs and raw materials like fuse, chemicals, and plastics.
- Higher customs duty on certain goods like auto-parts, chemicals, etc. which are also being made domestically.

❖ Trade Policy Measures
- Customs Act being amended to enable proper checks of imports under FTAs.
- Rules of Origin requirements to be reviewed for certain sensitive items.
- Provisions relating to safeguard duties to be strengthened to enable regulating such surge in imports in a systematic way.
- Provisions for checking dumping of goods and imports of subsidized goods being strengthened.
- Suggestions for reviews of exemptions from customs duty to be crowd-sourced.

❖ Excise duty proposed to be raised on Cigarettes and other tobacco products, no change made in the duty rates of bidis.

❖ Anti-dumping duty on PTA abolished to benefit the textile sector.

Unprecedented Milestones and Achievements of Indian Economy

❖ India now the fifth largest economy of the world.

❖ 7.4% average growth clocked during 2014-19 with inflation averaging around 4.5%.

❖ 271 million people raised out of poverty during 2006-16.

❖ India's Foreign Direct Investment elevated to US$ 284 billion during 2014-19 from US$ 190 billion during 2009-14.

❖ Central Government debt reduced to 48.7% of GDP (March 2019) from 52.2% (March 2014).

❖ Two cross-cutting developments:
- Proliferation of technologies (Analytics, Machine Learning, robotics, Bio-informatics and Artificial Intelligence).
- Highest ever number of people in the productive age group (15-65 years) in India.

❖ GST removed many bottlenecks in the system.

Future Aim for sustaining India's unique global leadership, driven by Digital Revolution

❖ Seamless delivery of services through Digital Governance.

❖ Improvement in physical quality of life through National Infrastructure Pipeline.

❖ Risk mitigation through Disaster Resilience.

❖ Social security through Pension and Insurance penetration. ❑

POLICY IMPLICATIONS FOR FAST-TRACKING ENTREPRENEURSHIP AND WEALTH CREATION

(Exerpts from Chapter 2 of Economic Survey 2019-20 Volume 1)

Despite being the 3rd largest ecosystem for entrepreneurship in the world, India appears to have lower rates of formal entrepreneurship on a per-capita basis when compared to other countries. Consistent with the prevailing wisdom, a significant association between the count of new firms born in a district and the GDDP of that district is found – a 10 per cent increase in registration of new firms is associated with a 1.8 per cent increase in GDDP. This contribution of entrepreneurial activity to GDDP is strongest for the Manufacturing and Services sectors. Further, significant heterogeneity in entrepreneurial activity across districts demonstrates the critical role played by social and physical infrastructure in determining such heterogeneity. For instance, the eastern part of India has the lowest literacy rate of about 59.6 per cent according to the census of 2011. This is also the region in which formal entrepreneurial activity is the lowest. The analysis in this chapter, therefore, suggests the following policy implications.

First, measures to increase the literacy levels rapidly through the institution of more schools and colleges will spur entrepreneurship and consequently local wealth creation. Following the successful contribution of privatization of engineering colleges to India's software exports (Arora et.al., 2011), governments could also explore the privatization of education to augment education capacity at all levels of education.

Second, better connectivity of villages through tar roads will likely improve access to local markets and improve entrepreneurial activity. However, in terms of prioritization, this may not be as crucial as investments in education. Moreover, increasing the access to local markets might create other types of opportunities which might discourage entrepreneurship. Hence investments in infrastructure especially those undertaken to increase entrepreneurial activity should be weighed against how improved infrastructure creates other kinds of opportunities that might be consequential to a district's GDDP.

Third, policies that foster ease of doing business and flexible labour regulation foster entrepreneurial activity, especially in the manufacturing sector. As the manufacturing sector has the potential to create the maximum jobs, states must focus on enabling ease of doing business and flexible labour regulation to foster job creation.

Chapter 2 at a Glance

- This chapter examines the content and drivers of entrepreneurial activity at the bottom of the administrative pyramid – over 500 districts in India. The analysis employs comprehensive data on new firm creation in the formal sector across all these districts from the Ministry of Corporate Affairs (MCA)-21 database.
- First, using the World Bank's Data on Entrepreneurship, this chapter confirms that India ranks third in number of new firms created. The same data shows that new firm creation has gone up dramatically in India since 2014. While the number of new firms in the formal sector grew at a cumulative annual growth rate of 3.8 per cent from 2006-2014, the growth rate from 2014 to 2018 has been 12.2 per cent. As a result, from about 70,000 new firms created in 2014, the number has grown by about 80 per cent to about 1,24,000 new firms in 2018.
- Second, reflecting India's new economic structure, i.e. comparative advantage in the Services sector, new firm creation in services is significantly higher than that in manufacturing, infrastructure or agriculture.

- Third, grassroots entrepreneurship is not just driven by necessity as a 10 percent increase in registration of new firms in a district yields a 1.8 percent increase in GDDP. Thus, entrepreneurship at the bottom of the administrative pyramid – a district – has a significant impact on wealth creation at the grassroot level. This impact of entrepreneurial activity on GDDP is maximal for the manufacturing and services sectors.
- Fourth, birth of new firms is very heterogeneous across Indian districts and across sectors. Moreover, it is dispersed across India and is not restricted to just a few cities.
- Fifth, literacy and education in the district foster local entrepreneurship significantly. For instance, the eastern part of India has the lowest literacy rate of about 59.6 per cent according to the census of 2011. This is also the region in which new firm formation is the lowest. In fact, the impact of literacy on entrepreneurship is most pronounced when it is above 70 per cent.
- Sixth, the level of local education and the quality of physical infrastructure in the district influence new firm creation significantly.
- Finally, policies that enable ease of doing business and flexible labour regulation enable new firm creation, especially in the manufacturing sector. As the manufacturing sector has the greatest potential to create jobs for our youth, enhancing ease of doing business and implementing flexible labour laws can create the maximum jobs in districts and thereby in the states.
- Literacy, education and physical infrastructure are the other policy levers that district and state administrations must focus on foster entrepreneurship.

It is not mandatory for states to give quota in govt jobs, promotion: SC

The Supreme Court has recently said that it is not mandatory for states to provide quotas for SCs, STs or OBCs in government jobs. The apex court further said that under no fundamental right, reservation can claimed to get promoted.

“There is no doubt that the state government is not bound to make reservations. There is no fundamental right which inheres in an individual to claim reservation in promotions. No mandamus can be issued by the court directing the state government to provide reservations,” said a bench of Justices L Nageswara Rao and Hemant Gupta.

The judgement comes at the backdrop of the validity of the Uttarakhand government’s September 5, 2012 decision to fill up all posts in government services in the state without providing reservations to Scheduled Castes and Scheduled Tribes. The Uttarakhand HC had directed the government to provide quota to the specified categories.

The bench upheld the September 5 notification and reversed the HC judgement. Justice Rao said, “It is settled law that the state government cannot be directed to provide reservations for appointments in public posts. Similarly, the state is not bound to make reservation for SCs and STs in matters of promotions. However, if they (the states) wish to exercise their discretion and make such a provision, the state has to collect quantifiable data showing inadequacy of representation of that class in public services."

Every citizen should contribute to the funding of defence and internal security needs

Every citizen of the country should make a contribution to the funding of the defence and internal security needs of the country, a veteran lawyer K. Parasaran advised to the Fifteenth Finance Commission (FFC).

“Parasaran has opined that it (funding for defence and internal security) transcends any definition of classification. He has traced the evolution of the world through Vedas, Puranas and Arthashastra, that this is the primary obligation of every citizen of India, obligation for which he must contribute in some way or the other to ensure security and stability of India. This transcends in a way the artificial constructs (of Centre and states),” said FFC chairman N.K. Singh.

While amending the Terms of Reference (ToR) of FFC, the government has previously asked it to “examine whether a separate mechanism for funding of defence and internal security ought to be set up and if so how such a mechanism could be operationalized”.

VIEWS OF BANK CHIEFS ON BUDGET 2020

Rajnish Kumar, Chairman, State Bank of India

Rajnish Kumar

"The Union Budget 2020 is an attempt to endow India with improved health and better access to education while unleashing a better infrastructure through better connectivity. The announcement of the new income tax scheme without exemptions is to move forward to a regime of a simplified and clutter free direct taxation. The rural sector is the beneficiary of a larger outlay. The new export credit scheme, is aimed at improving the credit flow for exporting units, mainly the MSME ones, as it will substantially reduce the collateral requirement as well as the overall interest burden of the ECGC regime. The increase in deposit insurance limit from existing Rs 1 lakh to Rs 5 lakh was necessary. Introduction of simpler GST filing system from April 2020 is a welcome step and it will add further depth to the current GST regime. Simplified GST return for MSMEs will facilitate ease of compliance. Similarly, relaxation in the SARFAESI norms for NBFCs will lead to better recovery and borrower discipline in this sector. Overall, the budget numbers are realistic and the staggered transition to a lower fiscal deficit is in perfect consonance with the growth objective."

R. K. Gurumurthy - Head Treasury, Lakshmi Vilas Bank

R. K. Gurumurthy

"The first full budget of this Government has focus on almost all sectors and is growth oriented. The budget had to balance between reducing expenditure (or low carber deficit) and accepting a weaker growth. And under the circumstances, this has been done well. With both real and nominal growth still low, fiscal consolidation may have been impossible. Hence the utilisation of the 50 basis room for fiscal profligacy. The guidance for FY 2021 is significantly predicated on successful disinvestment as tax collections are still sub-par.

Tinkering with the personal tax and some structural changes in the way DDT will work are cosmetic benefits that the small and medium investor will like. The worry is that there is no specific mention for bank recapitalisation, which when read with RBI's Financial Stability Report that NPLs could still haunt Banks in India, could raise concern and cripple the ability of banks to lend.

Bank depositors get a shot in the arm with the upward revision in deposit insurance cover. While this could mean some expenditure for the Bank, this would certainly give comfort to retail savers. Similarly, the proposal to amend Banking laws to strengthen cooperative banks should also infuse more confidence among savers.

Gross and Net borrowings are marginally higher. Market may be able to absorb the incremental borrowing without much impact. Overall a compact budget".

Ravneet Gill

Ravneet Gill, MD & CEO, Yes bank

"From an allocation perspective, the total budgetary provision for the rural sector, which includes farm and non-farm development, is poised to grow by 13.4% in FY21 after a significant jump of 34.8% in FY20. In addition, the relaxation on personal income tax should also offer some relief to the salaried class and buoy overall consumption demand in the economy. On the investment front, an increase in the capital expenditure ratio to a four year high of 1.8% of GDP in FY21 generates hopes of crowding in of private investment."

Chandra Shekhar Ghosh, MD & CEO, Bandhan Bank


Chandra Shekhar Ghosh

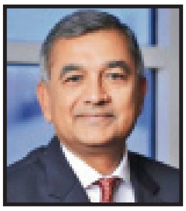
"This is a holistic budget that takes into consideration the needs of various sections of the population. PPP model is pronounced in this budget and this is indicative of the government's focus on involving private sector towards building aspirational India. The announcements in education, skill development, health, farming, MSME, infrastructure development, energy, and new age industries should help boost the economy. The increase in deposit insurance to Rs.5 lakh will help drive confidence among banking customers. The new rules in individual tax will help drive consumption as also give the tax payer the option of using tax saving investments for future use."

Zarin Daruwala, CEO, India, Standard Chartered Bank


Zarin Daruwala

"The Budget finely balances the objective of supporting growth while adhering to fiscal prudence in the medium term. The personal income tax cuts for the middle class would help address the urgency to revive consumer demand. The focus on physical infrastructure along with social sector (health, education, rural, water) would boost the medium-term growth potential. In my view, the Budget rightly attempts to boost spending by enhancing non-tax revenues via higher disinvestments including stake sale in LIC and IDBI Bank. Other announcements like enhancement in deposit insurance coverage, further liberalisation of the foreign investment regime, abolition of Dividend Distribution tax, are steps in the right direction."

Surojit Shome, CEO, DBS Bank India


Surojit Shome

"The Union budget presents the government's intent to boost consumption and support inclusive growth. The revision of the income tax rates and the option for individuals to opt for a simpler and lower tax regime is likely to incentivise consumer spending and stimulate demand. The proposed allocation towards the BharatNet programme continues the digital transformation efforts by the government to provide deeper access to digital connectivity. This will enable a larger part of the rural population of India to come within the ambit of the formal economy and create an accessible framework for digital financial services. In a fillip to the SME sector, the government is providing subordinate debt which could bridge a key gap in the ecosystem and increase access to working capital. The thrust on the GeM platform also presents a significant opportunity for SMEs. The removal of the Dividend Distribution Tax (DDT), proposed exemptions for the sovereign wealth funds and the proposals on withholding tax will have a positive impact on foreign investments into India. This will help the infrastructure and real estate sector. Additionally, the substantially expanded disinvestment program is a positive step."

A. K. Das, Managing Director & CEO, Bank of India


A. K. Das

“Union Budget 2020-21 is forward-looking in as much as it aims to revive demand and elevate economic growth. Higher allotment of budget for rural, education and infrastructure pipeline is certain to improve effective demand. Other feel-good elements of the Budget include sizeable increase in DICGC insurance threshold, subordinate debt facility and extension of restructuring window for MSMEs, Liquidity support to NBFCs and Tax holiday in the affordable housing segment. These, along with rationalization of taxes are likely to revive demand and bring about impetus in the real sector.”

Banking Finance Technical Research Paper Competition 2020

We are pleased to inform that Banking Finance Journal has launched a Technical/Research paper writing contest. This will help in Research and Development in the sector and help the Bank/Financial and risk professionals to share their knowledge and experience. The winning entries shall be published in Book Banking Compendium 2020 and Banking Finance Journal Visit for more details

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3. Once you decide to participate in the contest please send us en email with the proposed topic and information mentioned in point 14 via email at info@bankingfinance.in. On our confirmation of topic you can proceed to participate in the contest.
4. The contribution must be an exclusive and should not have been published elsewhere in same or modified form. The paper should be original and well researched.
5. Length of the paper: Minimum 3500 words and Maximum 7500 words.
6. Rules for formatting text are as under:
   a) Page size A4
   b) Font: Arial
   c) Line spacing: 1.5 Leading
   d) Font size: Arial 12
   e) Major heading: 14
   f) Subheading Bold: 12
7. All the diagrams, tables and charts cited in the paper must be serially numbered and source should be mentioned clearly wherever required. Proper acknowledgement and bibliography must be given if reference is taken from any source. The data used in the article must be taken from verified source.
8. The paper would be subject to plagiarism check. If it is found that article contains copied matter from site/ published article or any other source the entry would be rejected outright.
9. The award would be decided by our Technical/Research Paper Award Committee and all the decision of the Committee would be final.
10. The topic for the technical/research paper writing contest should be related to
    1. Banking
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    5. Regulation in Banking Sector
    6. Information Technology/fintech/Artificial Intelligence/Blockchain/Telematics in Banking and Financial Industry
    7. Innovation in product development
    8. Corporate Governance in Banking/Financial Industry
    9. Innovation in Customer Services
11. The paper with thought provoking ideas, indepth analysis of current scenario, challenges, Opportunities based on authenticated data will be given preference.
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13. The Technical/Research Paper and abstract must be sent through e-mail on info@bankingfinance.in and should reach us not later than 30th April, 2020.
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    Date of Birth
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1. Consolation Prize will be paid to eligible entries which will be recommended by the Committee

The article shall be accompanied by a 'Declaration-cum Undertaking' from the author(s).

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Title of the Research/Technical Paper: ________________

I/We (full name of author(s)) ________________

hereby solemnly declare that the work presented in the Research/Technical Paper ________________

________________ submitted by me/us for publication in the RMAI Technical/Research Paper Contest is:

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3. There is no fabrication of data or results, which have been compiled/analyzed.
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RBI CIRCULAR

External Benchmark Based Lending – Medium Enterprises

RBI/2019-20/167

February 26, 2020

1. Please refer to the circular DBR.DIR.BC.No.14/ 13.03.00/2019-20 dated September 04, 2019, in terms of which all new floating rate personal or retail loans (housing, auto, etc.) and floating rate loans to Micro and Small Enterprises (MSEs) extended by banks with effect from October 01, 2019 were linked to external benchmarks.
2. Subsequent to the introduction of an external benchmark system, the monetary policy transmission has improved in respect of the sectors where new floating rate loans have been linked to the external benchmarks.
3. With a view to further strengthening monetary policy transmission, it has now been decided that all new floating rate loans to the Medium Enterprises extended by banks from April 01, 2020 shall be linked to the external benchmarks as indicated in the aforesaid circular. All the other instructions as contained in the aforesaid circular remain unchanged.
4. Accordingly, Master Direction - Reserve Bank of India (Interest Rate on Advances) Directions, 2016 dated March 03, 2016 has been modified and is available on RBI's website.

(Dr. S. K. Kar)
Chief General Manager

Short Term Crop Loans eligible for Interest Subvention Scheme (ISS) and Prompt Repayment Incentive (PRI) through KCC

RBI/2019-20/166

February 26, 2020

1, Ministry of Agriculture & Farmers Welfare vide their Office Memorandum, No. F. 1-20/2018-Credit-I, dated January 23, 2020 has advised that Short Term Crop Loans eligible for Interest Subvention Scheme (ISS) and Prompt Repayment Incentive (PRI) should be extended only through KCC thus making KCC a prerequisite for claiming Interest Subvention (IS) and Prompt Repayment Incentive (PRI) by farmers w.e.f. April 1, 2020.

2. In view of this, banks are advised to ensure that all Short Term Crop Loans eligible for Interest Subvention (IS) and Prompt Repayment Incentive (PRI) benefit are extended only through KCC w.e.f. April 1, 2020. The existing Short Term Crop Loans which are not extended through KCC shall be converted to KCC loans by March 31, 2020.
3. Accordingly, reimbursement of interest subvention for Short Term Crop Loans through non-KCC accounts shall not be considered beyond March 31, 2020.

(Sonali Sen Gupta)
Chief General Manager

Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances

RBI/2019-20/160

February 11, 2020

1. Please refer to the circular DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019. It has been decided to extend the one-time restructuring of MSME advances permitted in terms of the aforesaid circular. Accordingly, a one-time restructuring of existing loans to MSMEs classified as 'standard' without a downgrade in the asset classification is permitted, subject to the following conditions:
   i) The aggregate exposure, including non-fund based facilities, of banks and NBFCs to the borrower does not exceed ₹25 crore as on January 1, 2020.
   ii) The borrower's account was in default but was a 'standard asset' as on January 1, 2020 and continues to be classified as a 'standard asset' till the date of implementation of the restructuring.
   iii) The restructuring of the borrower account is implemented on or before December 31, 2020.
   iv) The borrowing entity is GST-registered on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from GST-registration. This shall be determined on the basis of exemption limit obtaining as on January 1, 2020.
2. It is clarified that accounts which have already been restructured in terms of the circular dated January 1, 2019 shall be ineligible for restructuring under this circular.
3. All other instructions specified in the circular dated January 1, 2019 shall be applicable.

(Saurav Sinha)
Chief General Manager-in-Charge

Incentivising Bank Credit to Specific Sectors – Exemption from CRR Maintenance

RBI/2019-20/159

February 10, 2020

It has been announced in paragraph 3 of the Statement on Developmental and Regulatory Policies of February 6, 2020, that the Reserve Bank is actively engaged in revitalising the flow of bank credit to productive sectors having multiplier effects to support growth impulses. Accordingly, banks are allowed to deduct the equivalent amount of incremental credit disbursed by them as retail loans to automobiles, residential housing, and loans to micro, small and medium enterprises (MSMEs), over and above the outstanding level of credit to these segments as at the end of the fortnight ended January 31, 2020 from their net demand and time liabilities (NDTL) for maintenance of the cash reserve ratio (CRR).

Banks are advised that they can claim the first such deduction from the NDTL of February 14, 2020 for the amount equivalent to the incremental credit extended to the sectors indicated above over the outstanding level of credit as at the end of the fortnight ended January 31, 2020.

An amount equivalent to the incremental credit outstanding from the fortnight beginning January 31, 2020 and up to the fortnight ending July 31, 2020 will be eligible for deduction from NDTL for the purpose of computing the CRR for a period of five years from the date of origination of the loan or the tenure of the loan, whichever is earlier.

Banks are required to report the exemption availed at the end of a fortnight under "exemptions/others" in the Section-42 return, prescribed in Annex A to Form A as per Master Circular on Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) dated July 1, 2015. Proper fortnightly records of net incremental credit extended to the select sectors/NDTL exemption claimed, duly certified by the Chief Financial Officer (CFO) or an equivalent level officer, must be maintained by banks for supervisory review.

(Dr. S.K. Kar)
Chief General Manager

Interest Subvention Scheme for MSMEs

RBI/2019-20/155

February 5, 2020

1. Please refer to the operational guidelines for the captioned scheme contained in circular on 'Interest Subvention Scheme for MSMEs' issued vide FIDD.CO.MSME.BC.No.14/06.02.031/2018-19 dated February 21, 2019.

2. In this regard, it has been decided by the Government of India to bring, inter alia, following modifications in the operational guidelines:
   i) Submission of statutory auditor certificate by June 30, 2020 and in the meantime, settle claims based on internal / concurrent auditor certificate.
   ii) Acceptance of claims in multiple lots for a given half year by eligible institutions.
   iii) Requirement of Udyog Aadhar Number (UAN) may be dispensed with for units eligible for GST. Unit not required to obtain GST, may either submit Income Tax Permanent Account Number (PAN) or their loan account must be categorized as MSME by the concerned bank.
   iv) Allow trading activities also without Udyog Aadhar Number (UAN)
3. Further, with the trading activity also eligible for interest subvention as indicated at (iv) above, the 'Format of Certificate for claiming Subsidy' i.e. Annex I of the above referred circular has been revised. Banks are advised to submit claims to SIDBI as per the revised format.
4. You are requested to apprise your branches / controlling offices about the above changes in the scheme.

(Sonali Sen Gupta)
Chief General Manager

Pharma companies warned against 'bribing' doctors

After receiving complaints against pharmaceutical companies for giving special treatments, the government has given warning to pharmaceutical companies to not to give doctors bribes. According to sources information, the companies provide the doctors accommodation in five-star hotels with sightseeing when medical conferences are held. The Department of Pharmaceuticals (DoP) has released a notice to the Indian Drug Manufacturers' Association (IDMA), the Bulk Drug Manufacturers' Association (BDMA), the Indian Pharmaceutical Alliance (IPA), the Organisation of Pharmaceutical Producers of India (OPPI) and the Federation of Pharma Entrepreneurs, in which it warned the companies against bribing the doctors.

DoP communication states, "The department has received a grievance alleging that pharma companies arrange hotels, accommodations in five star hotels, local sightseeing and so on in conferences conducted by doctors. A similar Annual National Conference of Indian Psychiatric Society 2020 will be conducted in Kolkata and in 2021 in Vishakhapatnam." It further sated, "Pharma associations are requested to make sure that the pharma companies adhere to the provisions of the Uniform Code for Pharmaceutical Marketing Practices (UCPMP) and no unethical promotion of pharma products is done during such conferences."

AGGREGATE PUBLIC DEPOSITS OF THE NBFCs

(Amount in ₹ Crore)

Year (End-March)	NBFCs		RNBCs		Total Public Deposits (3+5)
	No. of Reporting Companies	Public Deposits	No. of Reporting Companies	Public Deposits	
1	**2**	**3**	**4**	**5**	**6**
1997-98	1420	13572	9	10249	23820
1998-99	1536	9785	11	10644	20429
1999-00	996	8338	9	11004	19342
2000-01	974	6459	7	11625	18085
2001-02	905	5933	5	12889	18822
2002-03	870	5035	5	15065	20100
2003-04	774	4317	3	15327	19644
2004-05	700	3926	3	16600	20526
2005-06	428	2448	3	20175	22623
2006-07	401	2077	3	22622	24699
2007-08	364	2042	2	22358	24400
2008-09	336	1971	2	19595	21566
2009-10	308	2831	2	14521	17352
2010-11	297	4098	2	7902	12000
2011-12	271	5735	2	4265	10000
2012-13	254	7085	2	3817	10902
2013-14	240	10808	2	3582	14390
2014-15	220	28941	2	3183	32124
2015-16	202	27069	1	1558	28627
2016-17	178	30624	1	1552	32176
2017-18	168	30439	1	1550	31989
2018-19 P	81	40058	1	1547	41605

NBFC : Non-Banking Financial Company ***RNBC :*** Residuary Non-Banking Company ***P :*** Provisional

Note : 1. NBFCs here include Deposit taking NBFCs (NBFCs-D), Mutual Benefit Financial Companies (MBFCs)/ Notified Nidhis, Mutual Benefit Companies (MBCs)/ Potential Nidhis etc till 2004-05 and only NBFCs-D thereafter.

2. Number of NBFCs collecting deposits decreased consistently due to the changed norm of acceptance of deposits.

Source : Reserve Bank of India.

TAX-FREE AND TAXABLE BONDS OF PUBLIC SECTOR UNDERTAKINGS

(Rs. Crore)

Year	Tax-free Bonds	Taxable Bonds	Total (2+3)
1	2	3	4
1994-95	1198	1872	3070
1995-96	547	1744	2291
1996-97	67	3327	3394
1997-98	570	2412	2983
1998-99	406	3957	4363
1999-00	400	8297	8697
2000-01	662	15969	16632
2001-02	274	14162	14436
2002-03	286	7243	7529
2003-04	---	5443	5443
2004-05	---	7591	7591
2005-06	---	4846	4846
2006-07	---	10325	10325
2007-08	---	13404	13404
2008-09	---	20546	20546
2009-10	1926	46483	48409
2010-11	1642	58791	60433
2011-12	28082	59983	88065
2012-13	14860	37857	52717
2013-14	34244	16621	50865
2014-15	---	37283	37283
2015-16	43500	9005	52505
2016-17	---	7990	7990
2017-18	---	16946	16946
2018-19	---	750	750

Notes :
1. Data for 2018-19 are provisional.
2. The data for the table include both public issues of bonds and privately placed bonds.
3. The data for the table also contains issues wherein tax benefit is provided under either of section 80CCF or section 10 of Income Tax Act,1961.

Sources :
1. Respective public sector undertakings for years up to 1997-98 and merchant bankers and prospectus thereafter.
2. Securities and Exchange Board of India (SEBI).

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