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### 1. Paytm Payments Bank gets 'scheduled bank' status from RBI ( Dec. 10, 2021 )

- Reserve Bank of India(RBI) has included **"Paytm Payments Bank Limited", a subsidiary of One97 Communications, in the Second Schedule to the Reserve Bank of India Act, 1934.**
- As per RBI Act 1934, banks satisfying the RBI that its affairs are not being conducted in a manner detrimental to the interests of its depositors, are included in the second schedule.
- Every Scheduled bank enjoys two types of principal facilities: it becomes eligible for debts/loans at the bank rate from the RBI; and, it automatically acquires the membership of clearing house (A clearing house is a financial institution formed to facilitate the exchange (i.e., clearance) of payments, securities, or derivatives transactions.)
- This will help Paytm to widen its financial services operations. It will also help Paytm to innovate further and bring more financial services and products to the underserved and unserved population in India.
- **Prior to Paytm Payments Bank, India Post Payments Bank had received the scheduled payments bank status from the RBI in 2019 and Fino Payments Bank received the tag earlier this year.**

#### Payments Bank

- Payment Banks in India were set up on the recommendation of the **Nachiket Mor** Committee on Comprehensive Financial Services for Small Businesses and Low Income Households.
- They are **differentiated or niche banks not Universal banks**
- These banks can accept a deposit, upto **₹200,000 per customer**
- These banks cannot issue loans and credit cards.
- Both current accounts and savings accounts can be operated by such banks.
- Payments banks can issue ATM cards or debit cards and provide online or mobile banking.
- **The minimum capital requirement is ₹100 crore.**
- The foreign shareholding will be allowed in these banks as per the rules for FDI in private banks in India.
- They cannot offer Time and Recurring Deposits
- The bank cannot accept NRI deposits .
- It cannot form subsidiaries to undertake non-banking activities.
- **25% of its branches must be in the unbanked rural area**
- The banks will be licensed as payments banks under Section 22 of the Banking Regulation Act, 1949, and will be registered as a public limited company under the Companies Act, 2013.
- **Bharti Airtel set up India's first payments bank, Airtel Payments Bank in 2017.**
- **Other Payment banks in India are Airtel Payment Bank, India Post Payment Bank, Fino payment banks , Paytm Payment Bank, NSDL Payment Bank and Jio Payment Bank**

**2. RBI to mop up surplus liquidity as it 'rebalances ( Dec. 9, 2021 )**

The **monetary policy panel** of Reserve Bank of India (RBI) decided to increase the amount of money absorbed through **variable-rate reverse repo (VRRR) auctions**.

**Variable-rate reverse repo (VRRR) is a tool used by RBI to absorb excess liquidity from the banking system.** Since Jan 2021, the Reserve Bank of India (RBI) has been taking out about ₹2 lakh crore from the banking system every two weeks. It has now decided to increase that figure substantially by around 14 Lakh Crore by the next two fortnights till the end of December 2021.

While the governor warned that the market should not read the above increase as the pullback in the RBI's **accommodative stance**, many in the market had already seen this as the first step towards **tightening the liquidity** by the regulator. **Sucking out the money in the system affects the demand for assets, including financial assets like shares and bonds.**

As per many analysts, this is the beginning of RBI's imminent exit from unconventional **monetary easing**.

**Why is the RBI reducing liquidity?**

The Indian economy was stuck between a rock and a hard place for close to 18 months now. The pandemic, and the lockdowns that followed, have hammered national income and the supply constraints have led to a price rise.

Inflation, in theory, is a result of too much cash chasing too few goods and services. For instance, since the outbreak of the COVID-19 pandemic, people still had to buy daily essentials like milk, vegetables, and eggs. However, because of the lockdowns, the vendors could not get the supply on time. So that pushed the prices up because people were willing to pay the extra amount for a timely supply.

As the lockdowns in different parts of the country lift, and the economy slowly opens up, the supply constraints may ease and there may be no need for the excess cash in the system.

RBI's inflation forecast for the rest of the financial year has been raised to 5.7% from its earlier estimate of 5.1%. "At this juncture, RBI's overarching priority is that growth impulses are nurtured to ensure a durable recovery along a sustainable growth path with stability.

As per the RBI governor's statement, **the endeavor of the Reserve Bank is to put in place an effective liquidity management framework that is consistent with an economy emerging out of the pandemic and having a nascent but strengthening recovery.**

**RBI Accommodative Stance / Monetary Easing**

Literally the word accommodative means willing to fit in someone's wishes or needs.

This happens when a central bank (RBI) attempts to expand the overall money supply to boost the economy when the economic growth is slowing down. The major aim is to increase spending.

Accommodative monetary policy is implemented to allow the money supply to rise in line with national income and the demand for money. **This is also known as "easy monetary policy" or Loose Credit.**

When the economy slows down, the central bank (RBI) can implement an Accommodative Monetary Policy to stimulate the economy. It does this by running a succession of decreases in the Interest rates, making the cost of borrowing cheaper.

**This makes borrowing easier for businesses, which stimulates investment and expansion of operations. The immediate result of monetary easing is generally a boost in stock prices.** In the medium term, it promotes economic growth.

**However, if this policy remains for too long, it can lead to a situation in which there is a glut of currency or too many money chasing too few goods and services, leading to inflation. For this reason, most central banks alternate between policies of monetary easing and monetary tightening to encourage growth while keeping inflation under control.**

**3. RBI to extend UPI to feature phone users ( Dec. 9, 2021 )****Highlights**

The UPI facility will soon be extended to feature phone users. At the moment, the **unified payments interface (UPI)** — the single largest retail payments system in the country in terms of volume of transactions for small value payments — **is available only for smartphones.**

It will help to further deepen digital payments and make them more inclusive, ease transactions for consumers, facilitate greater participation of retail customers in various segments of financial markets and to enhance the capacity of service providers.

This will be done by leveraging on innovative products from the **RBI's regulatory sandbox on retail payments.**

The regulator has also proposed to make the process flow for small value transactions simpler through an **'on device' wallet in UPI applications.**

**Unified Payment Interface (UPI)**

- **It is an instant real-time payment system, allowing users to transfer money on a real-time basis, across multiple bank accounts without revealing details of one's bank account to the other party, using a single application.**
- UPI is an indigenous payment system which works with the help of a smartphone.
- **UPI was developed by National Payment Corporation of India (NPCI) under the guidelines of RBI. UPI is based on the Immediate Payment Service (IMPS) platform. NPCI launched UPI with 21 member banks in 2016.**
- The top UPI apps today include PhonePe, Paytm, Google Pay, Amazon Pay and BHIM, the latter being the Government offering.
- **The per transaction limit of UPI is Rs.1 lakh.**
- **As part of an agreement, India's UPI will be linked to Singapore's Pay Now.**

**National Payments Corporation of India**

National Payments Corporation of India (NPCI), an umbrella organisation for operating retail payments and settlement systems in India, is an initiative of Reserve Bank of India (RBI) and Indian Banks' Association (IBA) under the provisions of the Payment and Settlement Systems Act, 2007.

It is a **“Not for Profit” Company** under the provisions of Section 25 of Companies Act 1956 (now Section 8 of Companies Act 2013), with an intention to provide infrastructure to the entire Banking system in India for physical as well as electronic payment and settlement systems.

**List of other NPCI Products -**

- Bharat Interface for Money-Unified Payments Interface (BHIM-UPI)
- Aadhaar enabled Payment System (AePS)
- National Electronic Toll Collection (NETC)
- National Automated Clearing House (NACH)
- Immediate Payment Service (IMPS)
- Bharat Bill Payment System (BBPS)
- RuPay

**RBI Regulatory Sandbox**

The Regulatory Sandbox(RS) usually refers to live testing of new products or services in a controlled/test regulatory environment for which regulators may (or may not) permit certain regulatory relaxations for the limited purpose of the testing. The RS allows the regulator, the innovators, the financial service providers (as potential deployers of the technology) and the customers (as final users) to conduct field tests to collect evidence on the benefits and risks of new financial innovations, while carefully monitoring and containing their risks. It can provide a structured avenue for the regulator to engage with the ecosystem and to develop innovation-enabling or innovation-responsive regulations that facilitate delivery of relevant, low-cost financial products. The RS is an important tool which enables more dynamic, evidence-based regulatory environments which learn from, and evolve with, emerging technologies.

**Objectives**

- The objective of the RS is to foster responsible innovation in financial services, promote efficiency and bring benefit to consumers.
- The RS is, at its core, a formal regulatory programme for market participants to test new products, services or business models with customers in a live environment, subject to certain safeguards and oversight.
- The proposed financial service to be launched under the RS should include new or emerging technology, or use of existing technology in an innovative way and should address a problem and bring benefits to consumers.

**On Device Wallet**

On Device Wallet or mobile wallet is a virtual wallet that stores payment card information on a mobile device. These are a convenient way for a user to make in-store payments and can be used at merchants listed with the mobile wallet service provider. Eg - Apple Wallet, Samsung Pay

**Current RBI Governor - Shaktikanta Das**

**Current NPCI Head - Dilip Asbe**

**4. City Union Bank Launches payment keychain “On the Go” ( Dec. 8, 2021 )**

- Private sector lender City Union Bank (CUB), in collaboration with the National Payments Corporation of India (NPCI) and manufacturing partner Seshaasai, **has unveiled ‘On-the-Go’ contactless wearable keychains for debit cards.**
- The device would enable customers to make fast payments up to ₹5,000 in all RuPay enabled point-of-sale devices without entering a PIN,
- For payments above ₹5,000, customers would need to tap and then enter the PIN.

**Headquarters of City Union Bank :Kumbakonam, Tamil Nadu.**

### **5. ADB to provide loan to India ( Dec. 8, 2021 )**

Government of India and Asian Development Bank(ADB) has signed two agreement for loan to projects in India

- ADB will provide a **\$125 million loan** to improve access to safe and affordable drinking water supply and citywide inclusive sanitation services in Dehradun and Nainital cities in the state of **Uttarakhand**.
- It will also provide a **\$150 million loan** to provide access to inclusive, resilient, and sustainable housing for the urban poor in the state **of Tamil Nadu**.

#### **Asian Development Bank**

It was set up in 1966 after a resolution was passed at the first Ministerial Conference on Asian Economic Cooperation held by the United Nations Economic Commission for Asia and the Far East in 1963 .

ADB was conceived in the early 1960s as a financial institution that would be Asian in character and foster economic growth and cooperation in one of the poorest regions in the world.

Originally there were 31 members when the Bank was set up in 1966 and now it has 68 members—of which 49 are from within Asia and the Pacific and 19 outside.

**India is the largest recipient of ADB loan**

**Headquarter of ADB : Mandaluyong City, Manila, Philippines**

**Current President of ADB: Masatsugu Asakawa of Japan**

### **6. Contribution of Manufacturing of MSME sector ( Dec. 7, 2021 )**

In a statement to the Rajya Sabha the Union Minister for Micro Small and Medium Enterprise(MSME) Narayan Rane gave information about the contribution of the MSME sector in Indian Economy

The share of the MSME manufacturing in **All India manufacturing gross value output during the year 2018-19 and 2019-20 were 36.9% and 36.9% respectively.**

The share of export of specified MSME related products to **All India exports during 2019-20 and 2020-21 was 49.8% and 49.4% respectively.**

**MSME (Micro Small Medium Enterprises) Definition**

**Micro Enterprises** :A micro enterprise is an enterprise where the investment in plant and machinery or equipment does not exceed ₹1 crore and turnover does not exceed ₹5 crore

**Small Enterprises** : A small enterprise is an enterprise where the investment in plant and machinery or equipment does not exceed ₹10 crore and turnover does not exceed ₹50 crore

**Medium Enterprises:** A medium enterprise is an enterprise where the investment in plant and machinery or equipment does not exceed ₹50 crore and turnover does not exceed ₹250 crore

**7. Indian Economy grew by 8.4% in July-September 2021-22(2nd Quarter) ( Dec. 1, 2021 )**

The National Statistics Office, under the Ministry of Statistics and Programme Implementation has released the economic data regarding the second quarter (July-September) of 2021-22.

**Highlights**

- The Gross Domestic Product( GDP)at constant price grew by **8.4 %** as compared to the same period last financial year.
- The Gross Domestic Product( GDP) at constant price is estimated at ₹35.73 lakh crore, as against ₹32.97 lakh crore in Q2, 2020-21.
- The Quarterly Gross Value Addition (GVA) at Basic Prices at Constant (2011-12) Prices in Q2 2021-22 is estimated at ₹32.89 lakh. crore, as against ₹30.32 lakh crore in Q2 2020-21, showing a growth of **8.5 percent.**
- In the first quarter (April to June )2021,the GDP growth rate was 20.1%.
- The growth rate in the first six month of the current financial year is 13.7 % .