

Current Affairs search results for tag: economyfinance

1. RBI stops Paytm Payment Bank to onboarding new customers (March 12, 2022)

The Reserve Bank of India has directed Paytm Payments Bank to stop the onboarding of new customers with immediate effect. The RBI has not specified any reason for its actions.

- RBI has also directed the bank to appoint an IT (Information Technology) audit firm to conduct a comprehensive system audit of its IT system.
- **RBI's action has been taken under Section 35A of the Banking Regulation Act, 1949.**
- Paytm Payment banks joins a list of financial lenders and companies like Mastercard, HDFC banks, Diner Cards and American Express who have been punished by RBI for system glitches and non compliance in their IT system.
- RBI wants to develop a failsafe payment system in India where transactions are mainly done in digital mode.

Paytm Payment Bank

Paytm Payment Bank is a joint venture between Vijay Shekhar Sharma who holds 51% stake in the bank and one 97 communications which holds 39% share in the bank.

The bank started its operation in November 2017.

Headquarters : **Noida, Uttar Pradesh**

Chairman of the Bank : **Vijay Shekhar Sharma**

It was the first bank in India to start 24x7 NEFT service in India.

It was included in the second schedule of the RBI act 1934 last year.

Banking Regulation act 1949

The Banking Regulation act 1949 gives power to the RBI to regulate banks in India.

Under the Section 35 A of the Banking Regulation Act 1949, the RBI can give directions to banks:

- in public interest or
- to prevent the affairs of any banking company being conducted in a manner detrimental to the interests of the depositors or
- in a manner prejudicial to the interests of the banking company; or to
- secure the proper management of any banking company generally.

Concept Clearing

What is customer onboarding in banks

The process by which a customer establishes a relationship with the bank and provides all of the necessary information for the bank to open an account is called onboarding

- The bank processes the request and initiates the KYC(Know Your Customer) verification process by collecting relevant information and performing background checks to validate data.
- Once the documentation and regulatory requirements are taken care of, the bank opens the accounts of the customer and provides normal banking service to the customer .
- RBI is keen to promote customer onboarding process digitally so as to reduce fraud in the banking sectors.

2. World bank to provide \$125 million loan to West Bengal (March 10, 2022)

The Government of India, the Government of West Bengal, and the World Bank signed a \$125 million loan to support efforts to help poor and vulnerable groups access social protection services in the state of West Bengal on 10 March 2022.

- The West Bengal Building State Capability for Inclusive Social Protection Project will provide social assistance, care services, and jobs support to the poor, especially the vulnerable groups such as women, tribal and scheduled caste households, and the elderly, as well as households in the state's disaster-prone coastal regions.
- The loan will be provided by the World Bank's subsidiary, International Bank for Reconstruction and Development (IBRD)

Important Full Form Exam

IBRD: International Bank for Reconstruction and Development

3. SEBI raises investment limit through UPI to Rs 5 lakhs in debt securities (March 9, 2022)

Securities Exchange Board of India has increased the investment limit for payment through Unified Payment Interface (UPI) for retail investors buying debt securities in the public issue of a company to Rs 5 lakh.

- At present the limit is Rs 2 lakhs.
- The new rule will come into effect from 1 May 2022.

Concept Clearing**Debt Securities.**

Company needs funds for its business. It can raise the fund by taking loans (borrowing) from banks. Loans taken from banks will not be called debt securities.

Another option for the company is to approach the market also known as the financial market, to borrow. When it approaches the financial market it issues certain papers to the lenders promising to pay interest for a certain time period and also return back the principal amount after a certain time.

This paper creates debt to the company . These types of paper are also called debentures, bonds etc. As it can be freely bought and sold in the market it is also called as debt securities.

Public Issue

When the company approaches the market and asks money from the public by issuing its shares or debentures etc it is called a public issue.

SEBI chairperson : Madhuri Puri Buch

For SEBI kindly see our 28 February 2022 post also.

4. RBI launches 24x7 helpline DigiSaathi (March 9, 2022)

Reserve Bank of India has launched a 24x7 helpline , '**DigiSaathi**' to address the queries of digital payment users across products.

- DigiSaathi will assist users with their queries on digital payments via website & chatbot facility and through toll-free calls where users can dial or call out the options / products for which the information is required.
- Automated responses on information related to digital payment products and services are available in Hindi and English through multiple options like – (a) toll-free number (1800-891-3333), (b) a short code (14431), (c) website www.digisaathi.info, and chatbots.

Governor of RBI: **Shaktikanta Das**

Headquarter of RBI: **Mumbai.**

5. Reserve Bank of India launches UPI123Pay (March 9, 2022)

To make digital payment more accessible to the people, **the Reserve Bank of India** has launched **UPI123Pay** for people who do not have a smartphone .

- UPI 123 Pay has been designed to make **Unified Payment Interface (UPI)** digital payment system more user friendly through feature phones .
- Feature phones are normal phones which do not have internet connection and in India around 40 crore people use feature phones .
- **UPI123Pay includes four distinct options :**

App-based Functionality:

An app would be installed on the feature phone through which several UPI functions, available on smartphones, will also be available on feature phones.

Missed Call:

This will allow feature phone users to access their bank account and perform routine transactions such as receiving, transferring funds, regular purchases, bill payments, etc., by giving a missed call on the number displayed at the merchant outlet. The customer will receive an incoming call to authenticate the transaction by entering UPI PIN (Personal Identification Number).

Interactive Voice Response (IVR):

UPI payment through pre-defined IVR numbers would require users to initiate a secured call from their feature phones to a predetermined number and complete UPI on-boarding formalities to be able to start making financial transactions without internet connection.

Proximity Sound-based Payments:

This uses sound waves to enable contactless, offline, and proximity data communication on any device.

- This is not the first time that UPI facilities are being made available through a feature phone . UPI facility can be used through a **Unstructured Supplementary Service Data(USSD) service**.
- Under this service the user has to dial *99# to receive a set of menus before initiating instructions. It was complicated and difficult to use and the new UPI123Pay is more easy to use .

UPI (Unified Payment Interface)

- UPI was launched by NPCI(National Payment Corporation of India) in 2016 . It provides an instant fund transfer system from one bank account to another through a mobile phone .
- It is operational 24x7 and 365 days.
- The maximum fund transfer limit is Rs 2 lakh per transaction.

Important for Exam

UPI :**Unified Payment Interface**

USSD: **Unstructured Supplementary Service Data**

Governor of RBI: **Shaktikanta Das**

Headquarter of RBI: **Mumbai**.

6. India has the third largest number of billionaires in the world (March 2, 2022)

According to the recently released Wealth Report 2022 by Knight Frank India has the third highest number of billionaire population(145 billionaires) globally in 2021 after the US (748 billionaires), and China (554 billionaires).

- The number of ultra-high net worth individuals (UHNWIs) in India with net assets of \$30 million or more grew 11 percent in 2021 to 13,637 from 12,287 in 2020.
- Amongst key Indian cities, Bengaluru witnessed the highest growth in the number of UHNWIs at 17.1 percent to 352, followed by Delhi (12.4 percent, 210) and Mumbai (9 percent, 1,596).
- The number of UHNWI population in India is expected to grow by 39 percent between 2021- 2026, with 19,006 people expecting to have net assets of \$30 million or more by 2026.

Knight Frank is a London based real estate company. It is one of the largest property consultancy company in the world

7. Society for Worldwide International Financial Telecommunication (SWIFT) (March 1, 2022)

In the aftermath of the Russian invasion of Ukraine many western countries have imposed severe sanctions on Russia. One of the measures announced by the Western countries led by the United States is banning certain Russian banks from using the Society for Worldwide International Financial Telecommunication (SWIFT) network. This is expected to have a crippling effect on the Russian banking and financial services.

What is SWIFT

SWIFT or Society for Worldwide International Financial Telecommunication was devised as a solution for a problem faced by banks and financial institutions doing cross border transactions. Who will provide a standardised, secured and instant communication between banks and financial institutions involved in cross border financial transactions. This led to the foundation of SWIFT to provide a real time messaging system between the member banks for cross border transactions.

How it works

Suppose Mr. Shyam Lal son studies in New York, United States of America. He lives in New Delhi. He wants to send a certain amount to his son who lives in America. Suppose Mr Lal's account is in SBI New Delhi and his son's account is in Citi Bank, New York.

One option is that he carries the money personally to the United States and delivers it to his son. This is not practically feasible.

The other option is that he instructs his bank in India to transfer the money to his son's bank accounts in New York. For this to happen the SBI has to contact and inform the Citi Bank New York that a certain sum is to be transferred from Mr Lal account to his son's account in New York. One option for the SBI is to communicate with the American Bank through telegram. But Telegram has its own limitations and there is the issue of authenticity and security of the message.

To solve this problem 239 banks from 15 countries met in Belgium and decided to set up a Cooperative society called SWIFT in 1973 with its headquarters in [La Hulpe, Belgium](#).

It went live in 1977. It has its data centre at Virginia, United States. This increases the clout of the United States in using SWIFT as a political weapon to punish its adversaries.

What Does SWIFT do

It provides instant communication between the networked member banks for cross-border international fund transfer. The communication is secured and standardised. At present it is present in all the continents with 200 plus countries and territories and more than 10,500 institutions as its client.

What is SWIFT CODE

As everything is done anonymously and through electronic mode it is paramount that the sender bank from whom the fund is sent to the receiver bank who receives the transferred fund has to be identified and verified. Each member banks and financial institutions are provided with a certain code to identify them. It is called SWIFT code or BIC (Business Identifier Code).

It has eleven characters

The first four letters represent the banks. The next two letters represent the country in which the bank is located. The next two characters, which could be either numbers or letters representing the location of the bank's head office and the last three digits represents the location of the bank's branch.

In India IFSC (Indian Financial System Code) has been developed on the SWIFT code model. It is also 11 digit and alphanumeric in nature. IFSC code is used for transferring funds from one bank account to another bank account in NEFT/RTGS.

What will happen if Russian banks are totally debarred from SWIFT network

The American and European governments have initially targeted a few Russian banks and if the conflict in Ukraine escalates they can completely ban Russian banks from the SWIFT network.

If the Russian banks are completely banned then it will have a heavy cost for the Russian economy.

Russia relies on export of oil and gas for much of its foreign revenue. If its banks are not part of the SWIFT then its foreign trade will be severely impacted. It will face problems in making payments for imports or receiving payment for exports.

A case in point is Iran which was banned from the SWIFT network in 2019. The Iranian trade contracted by one third. Similarly it will be catastrophic for Russian trade.

Is there any alternative to SWIFT

At present there is no real alternative to SWIFT at the International level. China has tried to develop its own Yuan based Cross-Border Interbank Payment System (CIPS). But as the majority of the Chinese trade is in the US Dollars the Chinese rely heavily on SWIFT for International transactions.

Even in India, a Parliamentary committee that was looking at the Data Protection Bill 2019 recommended that India should develop an indigenous alternative to the SWIFT payment system to better protect privacy of domestic financial data and boost the Indian economy.

Many countries are trying to develop an alternative to SWIFT but so far none has succeeded.

Is SWIFT In India

Leading banks of India are the members of SWIFT and it is used for cross-border financial transactions.

But to tap the potential of the domestic financial transaction business, SWIFT has also set up a subsidiary company in India named SWIFT India Domestic Pvt Ltd.

SWIFT India Domestic Pvt Ltd. is a joint Venture between SWIFT and Indian Public sector and Private sector banks.

The headquarters of Swift India is at Mumbai, Maharashtra.

It offers instant communication facilities between the member banks for inter-bank fund transfer within India. It aims to be a competitor of SFMS (Structured Financial Messaging System)

Who provides communication between banks within India

To develop a SWIFT-like messaging system service within the banking system in India, RBI asked IDRBT (Institute for Development of Research in Banking Technology) to develop a secured and instant communication system for the financial system in India for inter-bank and intra-bank transactions.

IDRBT was owned by the RBI and its headquarters was at Hyderabad.

SFMS (Structured Financial Messaging System)

IDRBT developed SFMS (Structured Financial Messaging System) for this purpose which went live on 14 December 2001. It provides instant communication for intra-bank transactions.

Intra-bank transaction means when funds are transferred from one account to another account in the same bank. For e.g. Funds are transferred from a person having an account in SBI to a person who also has an account with SBI.

It also provides communication for inter-bank transactions, like when funds are transferred from SBI accounts to Bank of Baroda accounts.

SFMS is used for NEFT (National Electronic Fund Transfer), RTGS (Real Time Gross Settlement) Letter of Credit, etc transactions.

IFTAS

In 2016 IDRBT set up a new company which was called the Indian Financial Technology and Allied Services (IFTAS), headquartered in Mumbai.

It took over the SFMS and **INdian Financial NETwork (INFINET)** services from IDRBT. In 2019 Reserve Bank of India became the owner of IFTAS.

8. Indian GDP growth slows in 3rd Quarter 2022 (March 1, 2022)

The National Statistics Office (NSO) has released its second advance estimates for the financial year 2021-22 on 28 February 2022.

Major Highlights of the report

- The Indian Gross Domestic Product (GDP) grew by 5.4 % in the third quarter (October 2021 to December 2021). This is the slowest growth in a quarter in the current Financial year of 2021-22.
- In the first quarter(April-June) the GDP grew by 20.3%and in the second quarter (July-September) it grew by 8.5%
- The GDP at constant (2011-12) prices in the third quarter of 2021-22 was estimated at Rs 38.22 trillion as against Rs 36.26 trillion in the third quarter of 2020-21, showing a growth of 5.4 per cent.
- **The Indian economy's growth rate of 5.4 % in the 3rd quarter makes it the fastest growing major economy in the world ahead of China which grew by 4% in the same time period .**
- The growth in GDP during 2021-22 is estimated at 8.9 percent as against a contraction of 6.6 per cent in 2020-21.
- The growth rate is lower than the Budget estimates which projected a growth rate of 9.2% for 2021-22.
- RBI in its latest Monetary policy has estimated a growth rate of 9.2 % for the Indian economy in 2021-22.
- The GDP stood at Rs 38,22,159 crore in October-December 2021-22, higher than the Rs 36,22,220 crore in the corresponding period of the 2020-21.

Sector wise growth

- According to NSO data, Gross Value Added (GVA) growth in the manufacturing sector growth remained almost flat at 0.2 per cent in the third quarter of 2021-22, compared to a growth 8.4 per cent a year ago.
- Farm sector GVA growth was slow at 2.6 per cent in the third quarter compared to 4.1 per cent growth a year ago.
- Construction sector GVA declined by 2.8 per cent as against a growth of 6.6 per cent a year ago.
- Mining sector grew by 8.8 per cent, as against a contraction of 5.3 per cent.
- Electricity, gas, water supply and other utility services segment posted a growth of 3.7 per cent in the third quarter of this fiscal against 1.5 per cent expansion a year ago.
- Similarly, trade, hotel, transport, communication and services related to broadcasting grew by 6.1 per cent compared to 10.1 per cent contraction a year ago.
- Financial, real estate and professional services growth stood at 4.6 percent in the third quarter compared to a growth of 10.3 percent last year.
- Public administration, defence and other services grew at 16.8 percent during the quarter under review compared to 2.9 percent contraction a year earlier.

Central Statistical Office (CSO)

It is part of the National Statistical Office which comes under the Union Ministry of Statistics and Programme Implementation.

It was earlier called the Central Statistical Organisation.

CSO collects and releases data regarding :

- National Income ;
- Annual Survey of Industries ;
- Economic Censuses;
- Consumer Price Indices for Urban Non-Manual Employees;
- Index of Industrial Production

CSO Headquarters : New Delhi