

IMPORTANT BANKING, ECONOMY & BUSINESS CURRENT AFFAIRS JANUARY 2019



MSME



World Economic
Situation and
Prospects

2019



SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



MONEY TRANSFER



Very often questions on Banking, Economy and Business Current Affairs are asked in the General Awareness section of [Banking and Government Exams](#). Questions may be asked about the recent Banking or economy affair or a question related to press release by RBI in exams like [NABARD](#), [IBPS RRB](#), [SBI PO](#) and [Clerk](#), [IBPS PO](#) and [IBPS Clerk](#), [RBI Grade B](#) and Assistant, [SSC CGL](#), UPSC, [NIAACL AO](#), [IBPS SO](#) and many more exams. To give you answers to all these questions, here we provide you with the **Important Banking, Economy & Business Current Affairs (Part II)** from the month of January 2019.

Sample Questions:

Q. What is the growth rate predicted by United Nation's World Economic Situation and Prospects Reports 2019 for India for the year 2018-19?

1. 7.4%
2. 7.5%
3. 7.2%
4. 8.0%

Answer: (1)

Q. Who will head the panel set up RBI to boost digital payments?

1. Suresh Mathur
2. Nandan Nilekani
3. Usha Thorat
4. Y.V. Reddy

Answer: (2)

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Important Banking, Economy & Business Current Affairs

For January 2019 (Part II)

1. United Nation's World Economic Situation and Prospects Reports 2019 (WESP)

The **World Economic Situations and Prospects Report 2019** by the **UN** has made following predictions for India:

- **India** will continue to be the **world's fastest-growing large economy in 2019** as well as **2020**.
- India's **GDP growth** is predicted to be **7.4%** for 2018-19 (year ending March 2019).
- India's GDP growth is expected to accelerate to **7.6% in 2019-20**.
- WESP report also said that the growth in India continues to be underpinned by robust **private consumption**, a more **expansionary fiscal stance** and benefits from previous reforms.
- For **China**, the growth is estimated to decelerate to **6.3% in 2019** from **6.6% in 2018**. It may further go down to 6.2 per cent in 2020.
- The report further said the **global economy** would continue to grow at a steady pace of around **3% in 2019 and 2020** amid signs that global growth has peaked.
- The report further said that a prolonged escalation of trade tensions could severely disrupt the global economy.

2. SBI's Ecowrap Report suggests Unconditional Cash Transfers to Farmers

The key **takeaways** from the report are given below:

- SBI's Ecowrap report suggests that Government should opt for **unconditional cash transfers to farmers to alleviate agrarian distress** rather than Universal Basic Income (UBI) scheme.
- It also said at present, it may not be feasible to initiate Rythu Bandhu Scheme on national level as land data in several states, including Jharkhand, Bihar, Gujarat, and Tamil Nadu are yet to be digitised.
- Hence it suggested that it is best to initiate unconditional cash transfer scheme as it will be more equitable with a meaningful impact and once the problems are ironed out in terms of proper tenancy laws, then make it conditional.
- In Budget 2019-20, Government had estimated Agriculture subsidy (plus support) at Rs 98,100 crore (Crop Insurance: Rs 13,000 crore, Interest Subsidy: Rs 15,000 crore and Fertilizer Subsidy: Rs 70,100 crore).

- The report says that many countries have found that **UBI does not address the structural problems and is at best a solution in interregnum.**
- The calculation in the report suggests that if a farmer is availing one or all the three modes of subsidy/supports (**Crop Insurance, Interest Subsidy, Fertilizer Subsidy**) from the Government, then he/she will receive **minimum of Rs 5,335 to maximum Rs 10,162** per annum as cash support.
- It also suggests that the government will need to provide cash support in the range of **Rs 10,000-12,000 per annum** to make it completely cash neutral and the annual cost of such a scheme is **Rs 1.2 lakh crore per annum.**
- Tenant farmers, who constitute a significant proportion of total farmers in India, will possibly be excluded under the proposed scheme.

3. IMF World Economic Outlook Report

Outlook for India: Highlights

- India's growth is estimated at **7.3% for 2018-19** and growth projections for **2019** and **2020** are **7.5%** and **7.7%**, respectively.
- India's economy is poised to pick up in 2019, benefiting from lower oil prices and a slower pace of monetary tightening than previously expected, as inflation pressures ease.
- Central banks in India maintained policy rates on hold and acted to ease domestic funding conditions by lowering reserve requirements for banks and providing liquidity to non-bank financial companies, respectively.
- Indian rupee had staged recoveries from its 2018 valuation lows since last August-September.

Outlook for Advanced Economies

- **Growth in advanced economies** is projected to slow from an estimated **2.3% in 2018 to 2.0% in 2019 and 1.7% in 2020.**
- Growth in the euro area is set to moderate from **1.8% in 2018 to 1.6% in 2019 and 1.7% in 2020.**
- Growth in the **United States** is expected to decline to **2.5% in 2019** and soften further to **1.8% in 2020.**
- Japan's economy is set to grow by **1.1% in 2019.** Growth is projected to moderate to **0.5% in 2020.**

Outlook for Emerging Markets

- For the **emerging market and developing economies**, growth is expected to tick down to **4.5% in 2019, 4.6% in 2018**, before improving to **4.9% in 2020.**

4. RBI conducted two quarterly surveys of manufacturing, services and infra sectors

- The **Reserve Bank of India (RBI)** initiated two quarterly surveys to examine the current situation including the job scenario in **India's manufacturing, services and infrastructure sectors**.
- The two surveys are
 - (i) **Industrial Outlook Survey (IOS)**
 - (ii) **Services and Infrastructure Outlook Survey (SIOS)**
- The IOS would be "based on qualitative responses on a set of indicators pertaining to demand conditions, financial conditions, employment conditions and the price situation." The survey provides useful insight into the performance of the manufacturing sector
- SIOS seeks an assessment of the business situation for the current quarter (January-March 2019) from selected companies in the services and infrastructure sectors in India, and their outlook for the ensuing quarter (April-June 2019).

5. Global Economy Watch by PwC

Global Economy Watch report has been released by London based multinational professional services network- **PricewaterhouseCoopers (PwC)**. PwC's Global Economy Watch is a short publication that looks at the trends and issues affecting the global economy and details its latest projections for the world's leading economies.

India's Economy 2019 as per Global Economy Watch

- **India is likely to surpass the UK in the rankings of world's largest economy in 2019.**
- As per the report, while the UK and France have regularly switched places owing to similar levels of development and roughly equal populations, India's climb up the rankings is likely to be permanent.
- The report projects real **GDP growth of 1.6% for the UK, 1.7% for France and 7.6% for India in 2019.**
- As per the report, **India should return to a healthy growth rate of 7.6% in 2019-20**, if there are no major headwinds in the global economy such as enhanced trade tensions or supply side shocks in oil.
- The growth will be supported through further realisation of efficiency gains from the newly adopted GST and policy impetus expected in the first year of a new government.

Global Scenario:

- The report notes that **global economy as a whole is expected to slow in 2019** as G7 countries return to long-run average growth rates.

6. India poised to become third-largest consumer market: WEF

- According to the World Economic Forum report “Future of consumption in fast-growth consumer market”, **India is poised to become the third-largest consumer market** behind only the US and China.
- **Consumer spending in India is expected to grow from USD 1.5 trillion at present to nearly USD 6 trillion by 2030.**
- According to the report of **World Economic Forum (WEF), with an annual GDP growth rate of 7.5%, India is currently the world's sixth-largest economy.** By 2030, domestic private consumption, which accounts for 60 per cent of the country's GDP, is expected to develop into a USD 6-trillion growth opportunity.

7. RBI sets up panel under Nandan Nilekani to boost digital payments

- The Reserve Bank of India constituted a **high-level committee under Aadhaar architect Nandan Nilekani** to suggest measures to strengthen the safety and security of digital payments in the country.
- The **five-member panel on deepening of digital payments** has been constituted with a view to encourage digitisation of payments and enhance financial inclusion through digitisation.
- The **panel has been tasked with reviewing the existing status of digitisation of payments in the country, identifying the current gaps in the ecosystem and suggesting ways to bridge them and assessing the current levels of digital payments in financial inclusion.**
- The members of the panel are former RBI deputy governor H R Khan, former MD and CEO of Vijaya Bank Kishore Sansi and former secretary in ministries of IT and steel Aruna Sharma, Sanjay Jain, chief innovation officer, Centre for Innovation, Incubation & Entrepreneurship (CIIE), IIM Ahmedabad.

8. World Bank's Global Economic Prospects Report

- The report by the world bank said that India will continue to be the fastest growing major economy in the world. **“India's growth outlook is still robust. India is still the fastest growing major economy”.**
- India's **GDP** is expected to grow **at 7.3% in the fiscal year 2018-19, and 7.5% in the following two years**, attributing it to an upswing in consumption and investment.
- Domestic demand has strengthened as the benefits of structural reforms such as the Goods and Services Tax (GST) harmonisation and bank recapitalisation take effect.
- Strong domestic demand is envisioned to widen the current account deficit (CAD) to **2.6 per cent of GDP next year.**

- **Inflation** is projected to rise somewhat above the midpoint of the Reserve Bank of India's target range of **2 to 6%**, mainly owing to energy and food prices.
- China's economic growth is projected to slow down to **6.2% each in 2019 and 2020 and 6% in 2021**.

9. India-Japan USD 75-bn swap arrangement to curb currency volatility

- The Union Cabinet Thursday approved a proposal for a **USD 75-billion bilateral swap arrangement between India and Japan**, a move aimed at enhancing the **RBI's ability to manage exchange rate volatility**.
- Cabinet chaired by Prime Minister Narendra Modi has approved the proposal for entering into an agreement for the bilateral swap arrangement (BSA) between India and Japan.
- The arrangement authorises the Reserve Bank of India (RBI) to sign the agreement for bilateral swap arrangement between the RBI and the Bank of Japan for a maximum amount of USD 75 billion.
- With this arrangement in place, prospects of Indian companies would improve in **tapping foreign capital as there would be greater confidence in stability of country's exchange rate**.

10. RBI cautions government over NPA spike in MUDRA loans

- The Reserve Bank of India (RBI) has raised a red-flag on the spike in non-performing assets (**NPA**s) under the government's flagship scheme to support micro enterprises in the country -- the **Pradhan Mantri Mudra Yojana**.
- The central bank has flagged that **bad loans under PMMY have risen to Rs 11,000 crore**.
- Out of this, 40% were disbursed to women entrepreneurs and 33% to social categories. More than 4.81 crore micro borrowers have benefited through PMMY during the year Financial Year 2017-18.
- Under the scheme PMMY, banks are required to finance micro and small entrepreneurs for up to Rs 10 lakh. Loans can be granted under three categories - **up to Rs 50,000 under 'Shishu'**; **Rs 50,001-Rs 5 lakh under 'Kishore'** and between **Rs 5,00,001 and Rs 10 lakh under 'Tarun' category**.

11. FinMin wants PSU banks to bring down govt equity to 52%

- In a bid to align with the best corporate practices, the Finance Ministry has asked the **public sector banks to gradually bring down the government's equity to 52 %**.
- Dilution of government stake will help banks to meet 25 % public float norms of market regulator Securities and Exchange Board of India (SEBI). Some of the public sector banks have government's holding beyond 75 %.
- This will **encourage the banks to follow the prudential lending norms**. The country's largest lender State Bank of India (SBI) has already initiated step for ₹ 20,000 crore share sale through qualified institutional placement (QIP). Post QIP, the government stake will be diluted from the existing 58.53 %.
- Some of the lenders like Syndicate Bank, Union Bank of India, Punjab National Bank, and Oriental Bank of Commerce among others have already issued or in process of issuing Employee Share Purchase Scheme (ESPS).
- He further said the government has also initiated the process for consolidation of Regional Rural Banks (RRBs) to better serve the needs of the rural India.

12. Government gives a nod for ₹6,000-cr capital infusion in Exim Bank

- The Cabinet has approved a proposal to **"issue recapitalisation bond to the tune of ₹6,000 crore for capital infusion"** in Exim Bank.
- This infusion will be done in two tranches. First, the tranche of ₹4,500 crore will be completed by end-March, while the remaining amount of ₹1,500 crore will be infused during the next fiscal starting April 1.
- The **government has also decided to double the bank's authorised capital to ₹20,000 crore**.
- Exim Bank is the principal export credit agency in India and the infusion will give an impetus to new initiatives such as supporting textile industries, likely changes in the Concessional Finance Scheme, likelihood of new letters of credit in future in view of the country's active foreign policy and strategic intent.

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