

# Banking and Financial Sector

July 22, 2019

**Source:** *PIB, Budget 2019-20*

- **NPAs of commercial banks reduced by over Rs. 1 lakh crore over the last year.**
  - Record recovery of over Rs. 4 lakh crore effected over the last four years.
  - Provision coverage ratio at its highest in seven years.
  - Domestic credit growth increased to 13.8%.
- **Measures related to PSBs:**
- **Rs. 70,000 crore proposed to be provided to PSBs to boost credit.**
- PSBs to leverage technology, offering online personal loans and doorstep banking, and enabling customers of one PSBs to access services across all PSBs.
  - Steps to be initiated to empower account holders to have control over the deposit of cash by others in their accounts.
  - Reforms to be undertaken to strengthen governance in PSBs.
- **Measures related to NBFCs:**
  - Proposals for strengthening the regulatory authority of RBI over NBFCs to be placed in the Finance Bill.
- **The requirement of creating a Debenture Redemption Reserve will be done away with to allow NBFCs to raise funds in public issues.**
  - Steps to allow all NBFCs to directly participate on the **TReDS platform.**
- **Return of regulatory authority from NHB to RBI proposed, over the housing finance sector.**

- **Rs. 100 lakh crore investment in infrastructure intended over the next five years. Committee proposed to recommend the structure and required the flow of funds through development finance institutions.**
  - Steps to be taken to separate the NPS Trust from PFRDA.
  - Reduction in Net Owned Fund requirement from Rs. 5,000 crore to Rs. 1,000 crore proposed:
    - To facilitate the on-shoring of international insurance transactions.
    - To enable the opening of branches by foreign reinsurers in the International Financial Services Centre.
  - **Measures related to CPSEs:**
  - **The target of Rs. 1, 05,000 crore of disinvestment receipts set for the FY 2019-20.**
  - Government to reinitiate the process of strategic disinvestment of Air India, and to offer more CPSEs for strategic participation by the private sector.
    - Government to undertake the strategic sale of PSUs and continue to consolidate PSUs in the non-financial space.
    - Government to consider going to an appropriate level below 51% in PSUs where the government control is still to be retained, on case to case basis.
  - **The present policy of retaining 51% Government stake to be modified to retaining 51% stake inclusive of the stake of Government controlled institutions.**
    - Retail participation in CPSEs to be encouraged.
    - To provide additional investment space:
1. Government to realign its holding in CPSEs
  2. Banks to permit greater availability of its shares and to improve the depth of its market.
    - Government to **offer an investment option in ETFs**

on the lines of Equity Linked Savings Scheme (ELSS).

- Government to meet public shareholding norms of 25% for all listed PSUs and raise the foreign shareholding limits to maximum permissible sector limits for all PSU companies which are part of Emerging Market Index.
- Government to raise a part of its gross borrowing program in external markets in external currencies. This will also have a beneficial impact on demand situation for the government securities in the domestic market.
- **New series of coins of One Rupee, Two Rupees, Five Rupees, Ten Rupees and Twenty Rupees, easily identifiable to the visually impaired to be made available for public use shortly**

