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SPECIAL ISSUE ON *BUDGET & ECONOMY*

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UNION BUDGET: 2010-2011

CHALLENGES

1. Achieve high GDP growth path of 9 per cent
2. Making development more inclusive.

OVERVIEW OF THE ECONOMY

1. Advance Estimates for GDP growth for 2009-10 pegged at **7.2 %**
2. Growth rate in mfg. sector in Dec 2009 was 18.5 %

CONSOLIDATING GROWTH

For the first time that the Government would target an explicit reduction in its domestic public debt-GDP ratio.

Tax reforms

1. Government in a position to implement the Direct Tax Code from April 1, 2011.
2. Endeavour to introduce GST by April, 2011
3. People's ownership of PSUs - Ownership has been broad based in Oil India Limited, NHPC, NTPC and Rural Electrification Corporation. The process is on for National Mineral Development Corporation and Satluj Jal Vidyut Nigam. This will raise about **Rs 25,000 crore** during the current year.

Fertiliser subsidy

Nutrient Based Subsidy policy for the fertiliser sector w.e.f April 1, 2010 to increase agricultural productivity and better returns for farmers, reduce volatility in demand for fertiliser subsidy and contain subsidy bill.

Improving Investment Environment

A) Foreign Direct Investment

1. Methodology for calculation of indirect foreign investment in Indian companies clearly defined.
2. Complete liberalisation of pricing and payment of technology transfer fee and trademark, brand name and royalty payments.

B) Financial Stability and Development Council to be set up:

1. To strengthen and institutionalise the mechanism for maintaining financial stability.
2. To monitor macro-prudential supervision of the economy, functioning of large financial conglomerates, and inter-regulatory coordination issues.

C) Banking Licences

Additional banking licenses to private sector players. NBFCs could also be considered.

D) Public Sector Bank Capitalisation

Public Sector Banks to attain minimum 8 per cent Tier-I capital by March 31, 2011 – Provision of Rs. 16,500 crore

E) Recapitalisation of Regional Rural Banks (RRB)

Government to provide further capital to strengthen the RRBs so that they have adequate capital base

Corporate Governance

Companies Bill, 2009 introduced in the Parliament to replace the existing Companies Act, 1956 to address issues related to regulation in corporate sector in context of changing business environment.

Exports

Extension of existing interest subvention of **2 per cent for one more year** for exports covering handicrafts, b) carpets, c) handlooms d) small and medium enterprises.

Agriculture Growth

4-pronged strategy:

1. Agricultural production

a) **Rs. 400 crore** to extend the green revolution to eastern region of country comprising Bihar, Chattisgarh, Jharkhand, Eastern UP, West Bengal and Orissa.

b) **Rs. 300 crore** to organise **60,000 "pulses and oil seed villages"** in rain-fed areas during 10-11.

c) **Rs. 200 crore** for sustaining the gains already made in the green revolution areas through conservation farming

2. Reduction in wastage of produce

a) Address the *issue of opening up of retail trade* to bring down the difference between farm gate, wholesale and retail prices.

b) *Deficit in the storage capacity* met through ongoing scheme for private sector participation – FCI to hire godowns from private parties for a guaranteed period of **7 years**.

3. Credit support to farmers

a) Target for agriculture credit flow in 2010-11 : Rs.3,75,000 crore.

b) Debt Waiver and Debt Relief Scheme for Farmers - period for repayment of loan amount by farmers extended by six months from December 31, 2009 to June 30, 2010 due to recent drought in some States and severe floods in some other parts of the country

c) **Additional one per cent interest subvention** (% increased to 2% for 2010 – 11) for farmers repaying short-term crop loans as per schedule.

4. Impetus to the food processing sector

a) 5 more mega food park projects to be set up in addition to the ten already being set up

b) ECBs to be available for cold storage or cold room facility, for preservation or storage of agricultural and allied produce, marine products and meat.

Infrastructure

1. **Rs 1,73,552 crore** provided for infrastructure development (over 46% of total plan allocation)
2. Allocation for road transport **increased by over 13 per cent** (Rs 19,894 crore).
3. Rs 16,752 crore provided for Railways, which is about Rs.950 crore more than last year.

India Infrastructure Finance Company Limited

a) IIFCL's disbursements to touch Rs 9,000 crore by March 2010 and Rs 20,000 crore by March 2011.

b) IIFCL refinanced bank lending of Rs. 3,000 crore in current year. To double in 2010-11.

c) Take-out financing scheme to initially provide finance for about Rs. 25,000 crore in the next 3 years

Energy

a) Plan allocation for power sector excluding RGGVY(Rajiv Gandhi Gramin Vidyutikaran Yojana) **doubled** (Rs.5,130 crore)

b) Competitive bidding process for allocating coal blocks for captive mining

c) "Coal Regulatory Authority" to create a level playing field in the coal sector to be set up.

d) Plan outlay for the Ministry of New and Renewable Energy increased by 61 % (Rs.1,000 crore)

e) Rs.500 crore for Solar, small hydro and micro power projects to be set up in Ladakh region of J&K.

Environment and Climate change

a) **National Clean Energy Fund** for funding research and innovative projects in clean energy technologies.

b) **One-time grant of Rs.200 crore** to Govt. of Tamil Nadu for installation of zero liquid discharge system at Tirupur to sustain knitwear industry.
c) **Special Golden Jubilee package for Goa** to preserve natural resources of the State, including sea beaches and forest cover - Rs. 200 crore.
d) Allocation for **National Ganga River Basin Authority (NGRBA)** doubled in 2010-11 to Rs.500 crore.
e) Schemes on **bank protection works** along river Bhagirathi and river Ganga-Padma in parts of Murshidabad and Nadia district of West Bengal included in the Centrally Sponsored Flood Management Programme.
f) Project at **Sagar Island** to be developed to provide an alternate port facility in West Bengal.

INCLUSIVE DEVELOPMENT

a) Spending on social sector increased to Rs.1,37,674 crore in 2010-11, (37% of the total plan outlay)
b) Another 25 % of plan allocations are devoted to the development of rural infrastructure.

Education

a) Plan allocation for **school education increased by 16 per cent** to Rs.31,036 crore in 2010-11.
b) In addition, States will have access to Rs.3,675 crore for elementary education under the 13th Finance Commission grants for 2010-11.

Health

a) Annual Health Survey to prepare the District Health Profile of all Districts to be conducted in 2010-11.
b) Plan allocation to Ministry of Health & Family Welfare increased to Rs 22,300 crore for 2010-11.

Financial Inclusion

a) Banking facilities to be provided to habitations having population more than 2000 by March, 2012
b) Insurance and other services to be provided using the Business Correspondent model - to cover 60,000 habitations.
c) Augmentation of Rs.100 crore each for the Financial Inclusion Fund (FIF) and Financial Inclusion Technology Fund, to be contributed by Government of India, RBI and NABARD.

Rural Development

a) Rs. 66,100 crore provided for Rural Development.
b) Allocation for **Mahatma Gandhi National Rural Employment Guarantee Scheme** stepped up to Rs.40,100 crore in 2010-11
c) Rs.48,000 crore allocated for rural infrastructure programmes under **Bharat Nirman**.
d) **Unit cost under Indira Awas Yojana** increased to Rs.45,000 in the plain areas and to Rs.48,500 in the hilly areas.Allocation increased to Rs.10,000 cr.
e) Allocation to **Backward Region Grant Fund** enhanced by 26 per cent to Rs 7,300 crore
f) Additional Rs 1,200 crore for drought mitigation in the Bundelkhand region.

Urban Development and Housing

a) Allocation for urban development increased by more than 75 per cent to Rs.5,400 crore
b) Allocation for Housing and Urban Poverty Alleviation raised to Rs.1,000 crore.
c) Scheme of 1% interest subvention on housing loan upto Rs.10 lakh, where the cost of the house does not exceed Rs.20 lakh - extended up to March 31, 2011. Rs.700 crore provided for 2010-11
d) Rs.1,270 crore allocated for Rajiv Awas Yojana as compared to Rs.150 crore last year.

Micro, Small & Medium Enterprises

a) The corpus for Micro-Finance Development and Equity Fund doubled to Rs.400 crore in 2010-11.

Unorganised Sector

a) **National Social Security Fund** for unorganised sector workers to be set up with allocation of Rs.1000 crore to support schemes for weavers, toddy tappers, rickshaw pullers, bidi workers.
b) **Rashtriya Swasthya Bima Yojana** benefits extended to all such NREGA beneficiaries who have worked for more than 15 days during the preceding financial year.
c) A new initiative, "**Swavalamban**": will be available for persons who join New Pension Scheme (NPS), with a minimum contribution of Rs.1,000 and a maximum contribution of Rs.12,000 per annum during the financial year 2010-11, wherein Government will contribute Rs.1,000 per year to each NPS account opened in the year 2010-11. Allocation of Rs.100 crore made for this initiative.

Skill development

a) **National Skill Development Corporation** has approved 3 projects worth Rs 45 crore to create 10 lakh skilled manpower at 1 Lakh per annum.
b) Extensive skill development programme in the textile and garment sector to be launched to train 30 lakh persons over 5 years.

Social Welfare

a) Plan outlay for Women and Child Development stepped up by almost 50 per cent.
b) **"Saakshar Bharat"** to further improve female literacy rate launched with a target of 7 crore non-literate adults which includes 6 crore women.
c) **"Mahila Kisan Sashaktikaran Pariyojana"** to meet the specific needs of women farmers to be launched with a provision of Rs 100 crore
d) Plan outlay of the **Ministry of Social Justice and Empowerment** enhanced by 80 % to Rs.4500 crore.
e) Allocation for the **Ministry of Minority Affairs** increased by 50 per cent to Rs.2,600 crore

STRENGTHENING TRANSPARENCY

a) **Financial Sector Legislative Reforms Commission** to be set up to rewrite and clean up the financial sector laws
b) Rs 1,900 crore allocated to the **Unique Identification Authority of India (UIDAI)**
c) **Technology Advisory Group for Unique Projects (TAGUP)** to be set up to look into various technological and systemic issues for effective tax administration and financial governance.
d) **Independent Evaluation Office (IEO)** chaired by the Deputy Chairman, Planning Commission to evaluate the impact of flagship programmes.

Security and Justice

a) **Allocation for Defence**: Rs. 1,47,344 crore including Rs 60,000 crore for capital expenditure.
b) **2,000 youth to be recruited** as constables in five Central Para Military Forces from J&K.
c) Planning Commission to prepare an integrated action plan for the thirty-three left wing extremism affected districts.
d) **National Mission for Delivery of Justice and Legal Reforms** to be set up to help reduce legal backlog in courts from an average of 15 years at present to 3 years by 2012.

BUDGET ESTIMATES 2010-11

- Gross Tax Receipts : Rs. 7,46,651 crore
- Non Tax Revenue Receipts: Rs. 1,48,118 crore
- Total expenditure: Rs. 11,08,749 crore(8.6 % increase)
- Plan expenditure: Rs. 3,73,092 crore (15 % increase)
- Non Plan expenditure: Rs. 7,35,657 crore (6% increase)
- Fiscal deficit: 5.5% of GDP (Rs.3,81,408 crore)
- Actual net market borrowing of Government in 2010-11: Rs.3,45,010 crore
- Rolling targets for fiscal deficit: 4.8% for 2011-12
- Rolling targets for fiscal deficit: 4.1% for 2012-13
- Fiscal deficit for 2008 -09 = 7.8 %
- Fiscal deficit for 2009 -10 = 6.9 %
- Fiscal deficit for 2010 -11 = 5.5 %

KEY TAX PROPOSALS

1. 2 more Centralized Processing Centres during the year – on lines of Bengluru (currently processing 20,000 returns in a day)
2. **"Sevottam"** – to provide a single window for registration of all applications for redressal of grievances as well as paper returns. Pilot project of Income Tax deptt at Pune, Kochi and Chandigarh through Aayakar Seva Kendras.
3. **Mission Mode Project for computerization of Commercial Taxes in States:** Outlay: Rs. 1133 crore (Centre's share: Rs. 800 crore)
4. Income Tax department ready with two—page Saral—2 return forms for individual salaried assesses
5. Bi-lateral discussions to enhance the exchange of bank related information to effectively track tax evasion and identify undisclosed assets of resident Indians lying abroad.
6. Proposals on direct taxes to result in revenue loss of Rs. 26,000 crore. Proposals relating to Indirect Taxes to result in net revenue gain of Rs.46,500 crore. Net revenue gain to be Rs. 20,500 crore for the year.

Direct Taxes

1. **Income tax slabs** for individual taxpayers to be as follows:
   - Income upto Rs 1.6 lakh: Nil
   - Income above Rs 1.6 lakh and upto Rs. 5 lakh: 10 %
   - Income above Rs.5 lakh and upto Rs. 8 lakh: 20%
   - Income above Rs. 8 lakh: 30%
2. **Investment in Long Term Infrastructure Bonds u/s 80C: Additional Deduction of Rs. 20,000 allowed**, over and above the existing limit of Rs.1 lakh on tax savings u/s 80C.
3. **Deduction u/s 80D: Contributions to the Central Government Health Scheme** also allowed as a deduction in addition to Mediclaim.
4. **Surcharge on domestic companies** reduced from 10% to 7.5 %.
5. **Rate of Minimum Alternate Tax (MAT)** increased from 15 % to 18 % of book profits.
6. Weighted deduction enhanced from 150 to 200 % for expenditure incurred on in-house R&D
7. Weighted deduction enhanced from 125 to 175 % on payments made to National Laboratories, research associations, colleges, universities and other institutions, for scientific research.
8. Weighted deduction of 125 per cent allowed for payment made to an approved association engaged in research in social sciences or statistical research. Income of such approved research association shall be exempt from tax.
9. Investment linked tax deductions to be allowed to two—star hotels anywhere in the country.
10. One time interim relief to the housing and real estate sector: Pending projects to be allowed to be completed within a period of 5 years instead of 4 yrs for claiming a deduction of their profits.
11. Norms for built-up area of shops and other commercial establishments in housing projects to be relaxed to enable basic facilities for their residents.
12. **Limits for turnover over which accounts need to be audited enhanced** to **Rs. 60 lakh** for businesses and to **Rs. 15 lakh** for professions.
13. **Limit of turnover for the purpose of presumptive taxation** of small businesses **enhanced** to Rs. 60 lakh.
14. **Interest charged on tax deducted but not deposited** by the specified date to be increased from 12 to 18 % p.a.
15. Transfer of assets to facilitate the conversion of small companies into Limited Liability Partnerships - not subject to capital gains tax.
16. "The advancement of any other object of general public utility" to be considered as "charitable purpose" even if it involves carrying on of any activity in the nature of trade, commerce or business provided that the receipts from such activities do not exceed Rs.10 lakh in the year .
17. Exemption limits for TDS changed w.e.f. 1.7.10:
   (a) Rent: Rs 180,000 p.a. (earlier Rs 120,000 p.a.)
   (b) Winning from Lotteries: Rs 10000 (Rs 5000)
   (c) Horse Races: Rs 5000 (Rs 2500)
   (d) Payment to contractors:
   Single Bill : Rs 30,000 (Rs 20,000)
   Aggregate Bills: Rs 75,000 (Rs 50,000)
   (e)Commission to insurance agents:Rs 20,000(Rs 5000)
   (f) No change in interest on securities

Indirect Taxes

1. Central Excise duties: standard rate on all non-petroleum products enhanced from 8 to 10 % ad valorem.
2. Specific rates of duty applicable to portland cement and cement clinker also adjusted upwards proportionately.
3. Ad valorem excise duty on large cars, multi-utility vehicles and sports-utility vehicles increased by 2% to 22 %.
4. Restore basic duty of 5 per cent on crude petroleum; 7.5 per cent on diesel and petrol and 10 % on other refined products. Central Excise duty on petrol and diesel enhanced by Re.1 per litre each

Service Tax

1. Service sector contributes 60 per cent of GDP. Service tax to GDP ratio is 1 per cent.
2. Rate of tax on services retained at 10 per cent to pave the way forward for GST.
3. Certain accredited news agencies exempted from service tax
4. To exempt the testing and certification of agricultural seeds from service tax.
5. The transportation by road of cereals, and pulses to be exempted from service tax. Transportation by rail to remain exempt.
6. New Services under umbrella: Service Tax on following services introduced. (i) Promotion, marketing, organising games of chance, including lottery, Bingo or Lotto (ii) Health Check up by any hospital etc of an employee of any business entity where the payment is made by such business entity or by the insurance company directly to such hospital. (iii) For storing, keeping or maintaining of medical records of employees of a business entity (iv) for promotion or marketing of a brand of goods, service, event by appearing in advertisement and promotional event (v) permitting commercial use of any event (vi) by an electricity exchange, in relation to trading, processing, clearing or settlement of contracts. (vii) for permitting the use or enjoyment of any copyright. (viii) by a builder of a residential complex, or a commercial complex for providing preferential location or development of such complex.
7. Proposals relating to service tax are estimated to result in a net revenue gain of Rs 3,000 crore for the year.

BUDGET GLOSSARY

Ad- Valorem Duties: Duties that are established as a certain percentage of the price of the product.

Aggregate demand: It is the sum of all demand in an economy. This can be computed by adding the expenditure on consumer goods and services, investment, and not exports (total exports minus total imports).

Aggregate supply: It is the total value of the goods and services produced in a country, plus the value of imported goods less the value of exports.

Appropriation Bill: Bill that authorizes payment and appropriation of expenses from the Consolidated Fund. This bill is introduced only after the general discussion on budget proposals and the completion of voting on grants. No amount can be withdrawn from the Consolidated Fund till the Appropriation Bill is voted is enacted

Budget/ Annual Financial Statement: The annual Union Budget is an estimate of the Government of India's revenue and expenditure for the end of a particular fiscal year, which usually runs from April 1 to March 31. According to Indian Constitution, the government presents a statement of estimated receipts, expenditure and a detailed plan that is presented for every financial that is for 1st of April to 31st March of each year. There are usually three divisions of budget and for each of them a statement of expenditure & receipts are presented. These three divisions include – Contingency Fund, Consolidated Fund and Public Account.

Budget Estimates: These are assessment of expenditure by the government for a year. This also includes the estimate of Revenue Deficit and Fiscal Deficit for the year.

Balance of payments: Balance of payments is the difference between the demand for and supply of a country's currency on the foreign exchange market.

Balanced budget: The Union Budget is in balance when current receipts are equal to current expenditure. That means taxes on income and expenditure are sufficient to meet payments for goods and services and interest on the national debt. A balanced budget is, however, not an ideal one because, as economist John Maynard Keynes showed, budget surpluses and deficits can be used to stimulate or regulate the economy, by affecting the levels of demand and prices.

Budgetary deficit: It is the excess of total expenditure (capital and revenue) over total receipts, bridged through borrowings.

Capital Budget: It consists of capital receipts and payments. This accounts for market loans, borrowings from the Reserve Bank of India (RBI) and other institutions through the sale of Treasury Bills, loans acquired from foreign governments and recoveries of loans granted by the Centre to state governments and Union Territories.

Capital expenditure: Capital expenditure or payments comprise expenditure on acquisition of assets like land, building and machinery, investments in shares, loans and advances granted by the Centre to State and Union Territory governments, government companies, corporations and other parties.

Capital receipt: Loans raised by the Centre from the market, government borrowings from the RBI & other parties, sale of Treasury Bills and loans received from foreign governments. Other items include recovery of loans granted by the Centre to state governments & Union Territories and proceeds from disinvestments of government's stake in public sector undertakings.

CENVAT: Central Value Added Tax (CENVAT) is an excise duty levied on manufacturers. It is designed to reduce the cascading effect of indirect taxes on final products.

Central plan: It refers to the government's budgetary support to the plan and, the internal and extra budgetary resources raised by the public sector undertakings.

Consolidated Fund: All revenues received by the government, loans raised by it, and also its receipts from recoveries of loans granted by it. All expenditure of the government is incurred from the Consolidated Fund and no amount can be withdrawn from the Fund without authorisation from Parliament.

Contingency Fund: It is an imprest placed at the disposal of the President and is used by the government to incur all its urgent and unforeseen expenditure. The contingency fund is generally used when the government cannot wait for long for the parliament to authorise the expenses on the expenditure. The government subsequently obtains Parliamentary approval for such expenditure and for the withdrawal of an equivalent amount from the consolidated fund. The amount spent from the contingency fund is recouped to the fund.

Corporate tax: This is the tax paid by corporates or firms on the incomes they earn.

Countervailing Duties: Duties imposed on all imports in order to thwart any kind of unfair trading practices carried by the foreign countries.

Current account deficit: This deficit shows the difference between the nation's exports and imports.

Customs duties: These duties are levied on goods whenever they are either brought into the country or exported from the country.

Demands for Grants: It is a statement of estimates of expenditure from the Consolidated Fund and is required to be voted by the Lok Sabha. Generally, one Demand for Grant is presented in respect of each ministry or department.

Direct Taxes: Taxes imposed directly on the individuals or customers. Corporate tax, Income tax, capital gains tax or inheritance tax are direct taxes.

Disinvestment: In the Indian context, Disinvestment or divestment is the liquidation or sale of part or the whole of government's stake in public sector undertakings.

Excise Duties: Duties on the goods manufactured within the country.

Externalities: A cost or benefit not accounted for in the price of goods or services. Often "externality" refers to the cost of pollution and other environmental impacts.

Economic growth: Quantitative measure of the change in size/volume of economic activity, usually calculated in terms of gross national product (GNP) or gross domestic product(GDP).

Finance Bill: This contains the government's proposals for levy of new taxes, modification of the existing tax structure or continuance of the existing tax structure beyond the period approved by Parliament.

Fiscal deficit: Fiscal deficit is the gap between the government's total spending and the sum of its revenue receipts and non-debt capital receipts. This indicates the total borrowing requirements of the government from all sources.

Fiscal policy: Fiscal policy is a change in government spending or taxing designed to influence economic activity.

Gross Domestic Product (GDP): Total market value of the goods and services manufactured within the country in a financial year.

Gross National Product (GNP): Total market value of the finished goods and services manufactured within the country in a given financial year, plus income earned by the local residents from investments made abroad, minus the income earned by foreigners in the domestic market.

Indirect Taxes: Taxes imposed on goods that are manufactured, imported or exported such as Excise Duties, Custom Duties etc.

Income tax: This is the tax levied on individual income from various sources like salaries, investments or interest.

Monetised Deficit: Level of support extended by the RBI to the government's borrowing programme.

National debt: The total outstanding borrowings of the central government. It is the debt owed by the government as a result of earlier borrowing to finance budget deficits.

Non-Plan Expenditure: Non-Plan Expenditure covers all expenditure of government not included in the plan. It includes both revenue and capital expenditure on interest payments, the entire defence expenditure (both revenue and capital expenditure), subsidies, postal deficit, police, pensions, economic services, loans to public enterprises and loans as well as grants to state governments, union territory governments and foreign governments.

Peak Rate: Maximum rate of customs duty which is applied on any item.

Performance Budget: It is a compilation of activities of various departments and ministries.

Plan expenditure: Money given from the government's account for the central plan is called plan expenditure. It includes both revenue and capital expenditure of the government on the Central Plan, Central assistance to state and union territory plans.

Plan outlay: Plan outlay is the amount for expenditure on projects, schemes and programmes announced in the plan.

Proportional tax: A tax taking the same percentage of income regardless of the level of income.

Primary deficit: Fiscal deficit minus interest payments and indicates how much of the government's borrowings are going towards meeting expenses other than interest payments.

Progressive tax: A tax in which the rich pay a larger percentage of income than the poor, in contrast to regressive tax.

Public Account: An account in which money received through transactions not relating to the Consolidated Fund such as transactions relating to provident funds, small savings collections, other deposits are kept. Public Account funds do not belong to the government and have to be paid back to the persons and authorities who deposited them. Parliamentary authorisation for payments from the Public Account is not required.

Pump priming: A stimulating monetary or fiscal policy to set in motion an expansionary multiplier process.

Revenue Budget: Consists of the revenue receipts and revenue expenditure of the government.

Revenue Deficit: Excess of revenue expenditure over revenue receipts.

Revenue Expenditure: Expenditure incurred for the normal running of government departments and various services, interest charges on debt incurred by the government and subsidies. This expenditure does not result in creation of assets. All grants given to state governments and other parties are also treated as revenue expenditure, even though some of the grants may be for creation of assets.

Revenue Receipt: Proceeds of taxes and other duties levied by the Centre, interest and dividend on investments made by the government, fees and other receipts for services rendered by the government.

Regressive tax: A tax in which the poor pay a larger percentage of income than the rich.

Revised estimates: Usually given in the following budget, it is the difference between the budget estimates and the actual figures.

Twin Deficits: Deficits that include both the government budget deficit and trade deficit.

Tariff: A tax applied to imports.

Value-Added Tax (VAT): This is a tax levied on a firm as a percentage of its value added, to avoid the multiplying effect of taxes as the product passes through different stages of production. The tax is based on the difference between the value of the output and the value of the inputs used to produce it.

Zero Based Budgeting: Method of budgeting in which all expenses must be justified for each new period. In traditional budgeting, departmental managers justify only increases over the previous year budget and what has been already spent is automatically sanctioned. In contrast, Zero-based budgeting starts from a "zero base" and every function within an organization is analyzed for its needs and costs. Budgets are then built around what is needed for the upcoming period, regardless of whether the budget is higher or lower than the previous one.

ECONOMIC SURVEY 2009-10

- GDP growth for 2009-10 projected at 7.2%. The recovery in GDP growth for 2009-10, is broad based. Seven out of eight sectors/sub-sectors show a growth rate of 6.5% or higher.
- Share of different sectors in GDP: Agriculture and allied sectors declined from 18.9% in 2004-05 to 14.6% in 2009-10. The share of industry remained same at 28%; share of services has gone up to 57.2% in 2009-10.
- Industrial output projected to grow by 8.2%
- Service sector projected to grow by 8.7%.
- Agricultural production to decline by 0.2% primarily due to sub-normal monsoon.
- Change in base year of National Income: from 1999-2000 to 2004-05.
- Inflation: Food price inflation stood at 17.9% for the week ended January 30, 2010. Significant part of this inflation is due to supply side bottlenecks in some essential commodities.
- Per Capita income growth: 5.3% in 2009-10 from 3.7% in the previous year.
- Per capita consumption growth as reflected in the private final consumption expenditure shows a declining trend since 2007-08.
- Kharif 2009-10 season showed a decline of nearly 6.5% in acreage with the entire decline confined to rice crop. The decline in Kharif acreage under pulses was 5.63%.
- The growth of broad money (M3): declined from 21% in the beginning of year to 16.5% by mid January 2010.
- Non-food credit : growth of 8.7% till January 15, 2010.
- CD Ratio: Decline from 72.4% in end March 2009 to 70.8% in mid-January 2010.
- Fiscal Deficit: The fiscal expansion undertaken by the central government as a part of the policy response to counter the impact of global slowdown has resulted in increased fiscal deficit from 2.6% in 2007-08 to 6.5% in the Budget Estimates for 2009-10.
- Gross domestic savings as a percentage of GDP: 32.5% in 2008-09. Household saving has remained at the same level of 22.6% in last 3 years.
- Gross domestic capital formation: 34.9% of GDP
- Agriculture production: Production of foodgrains during Kharif season is estimated at 98.83 million tonnes in 2009-10, as against the fourth advance estimates of 117.70 million tonnes for the kharif crop in 2008-09.
- Growth in Export and Import: The export growth rate was a negative 22.3% in April-November 2008-09, in November 2009, it became a positive 18.2% after a 13-month period of negative growth.. During 2009-10 (April-December) import growth was a negative 23.6%.
- Forex Reserves: During fiscal 2009-10, foreign exchange reserves increased by US$ 31.5 billion from US$ 252.0 billion in end March 2009 to US$ 283.5 billion in end December 2009.
- Job Creation: On the whole, for the period October 2008 to September 2009, there may have been a net addition of 1.51 lakh jobs in the sectors covered by Surveys.
- Narega: During 2009-10, 4.34 crore households have been provided employment so far.
- Prospects: In the medium term it is reasonable to expect that the economy will grow by about 8.5% during 2010-11 and 9% in 2011-12. From 2003-04 to 2007-08, the Indian economy reported over 9% annual growth If there are improvements in infrastructure, both urban and rural, and reform in governance and administration, it is possible for India to move into double-digit growth and even become the fastest growing economy in the world within next four years.

REPORT OF 13TH FINANCE COMMISSION

Introduction:

The Constitution provides that certain tax revenues of the Union government be shared between the Centre and the states. President constitutes the finance commission under Article 280 of the Constitution to recommend what percentage of such revenues should go to the states and also how the funds are shared among the states. The resources are shared between the Centre and states because the bulk of taxation powers are with the Centre, but expenditure is in the domain of states. Other key responsibilities of Finance Commission include laying down the principles governing the grants-in-aid to states out of the consolidated fund of India and to suggest measures to augment the resources of states to supplement the resources of panchayats and municipalities. The recommendations of the Commission are not binding on the government. But, governments generally go by the suggestions. Thirteen finance commissions have been appointed so far at five-year intervals. Recommendations are valid for a period of five years. The recommendations of the 13th Finance Commission headed by Dr Vijay Kelkar, will be for the five year period beginning April 1, 2010.

Sharing of Union Tax Revenues

- The share of states in net proceeds of shareable central taxes shall be 32 per cent in each of the financial years from 2010-11 to 2014-15.
- The Central Government should review the levy of cesses and surcharges with a view to reducing their share in its gross tax revenue.
- The indicative ceiling on overall transfers to states on the revenue account may be set at 39.5% of gross revenue receipts of the Centre.

Finances of Union and States

- Initiatives should be taken to reduce the number of Centrally Sponsored Schemes (CSS) and to restore the predominance of formula-based plan transfers.
- Both the Centre and the states should conclude a 'Grand Bargain' to implement the Model GST. To incentivise implementation of the Grand Bargain, grant of Rs. 50,000 crore provided to meet the compensation claims of State Governments for revenue losses on account of implementation of GST between 2010-11 and 2014-15.
- The Empowered Committee of State Finance Ministers (EC) should be transformed into a statutory council.

Union Finances

- Proceeds from disinvestment may be used for capital expenditure on critical infrastructure as also for the environment.
- Records of landholdings of PSUs need to be properly maintained to ensure that this scarce resource is put to productive use, or made available for other public projects, or else, sold.

State Finances

- The practice of diverting plan assistance to meet non-plan needs of special category states should be discontinued.
- All states need to draw up a roadmap for closure of non-working PSUs by March 2011. Divestment and privatisation of PSUs should be actively pursued.
- Migration to the New Pension Scheme needs to be completed at the earliest.
- States with large cash balances should make efforts towards utilising these before resorting to fresh borrowings.

Accounting reforms

- The Government of India (GoI) should ensure uniformity in the budgetary classification code across all states.

Revised Roadmap for Fiscal Consolidation

- The revenue deficit of the Centre needs to be progressively reduced and eliminated, followed by emergence of a revenue surplus by 2014-15.
- A target of 68 per cent of GDP for the combined debt of the Centre and states should be achieved by 2014-15. The fiscal consolidation path embodies steady reduction in the augmented debt stock of the Centre to 45 per cent of GDP by 2014-15, and of the states to less than 25 per cent of GDP, by 2014-15.
- GoI should list all public sector enterprises that yield a lower rate of return on assets than a norm to be decided by an expert committee.
- The FRBM Act needs to specify the nature of shocks that would require a relaxation of FRBM targets.
- States that incurred zero revenue deficit or achieved revenue surplus in 2007-08 should eliminate revenue deficit by 2011-12 and other states by 2014-15.
- The General Category States that attained a zero revenue deficit or a revenue surplus in 2007-08 should achieve a fiscal deficit of 3 per cent of Gross State Domestic Product (GSDP) by 2011-12 and maintain such thereafter. Other general category states need to achieve 3 per cent fiscal deficit by 2013-14.
- All special category states with base fiscal deficit of less than 3 per cent of GSDP in 2007-08 could incur a fiscal deficit of 3 per cent in 2011-12 and maintain it thereafter. Manipur, Nagaland, Sikkim and Uttarakhand to reduce their fiscal deficit to 3 per cent of GSDP by 2013-14. Jammu & Kashmir and Mizoram should limit their fiscal deficit to 3 per cent of GSDP by 2014-15.
- Loans to states from National Small Savings Fund (NSSF) contracted till 2006-07 and outstanding at the end of 2009-10 to be reset at 9 per cent rate of interest.
- National Small Savings Scheme to be reformed into a market-aligned scheme.
- A window for borrowing from the Central Government needs to be available for fiscally weak states that are unable to raise loans from the market.
- States should share a portion of royalty income with local bodies in whose jurisdiction such income arises.

Grants-in-aid to States over the grant period

- Total non-plan revenue grant: Rs. 51,800 crore for 8 states.
- Elementary Education: Rs. 24,068 crore.
- Environment: Rs. 5000 crore.
- Water Sector Management for four years i.e. 2011-12 to 2014-15: Rs. 5000 crore

Improving Outcomes

- States should be incentivised to enroll such of their residents who participate in welfare schemes within the Unique Identification (UID) programme.
- States should be incentivised to reduce their Infant Mortality Rates (IMR) and grant of Rs 5000 crore.
- Improvement in Administration of Justice like operation of morning/evening courts, promotion of Alternate Dispute Resolution (ADR) mechanisms, enhancing support to Lok Adalats, as well as legal aid and training: Rs. 5000 crore.
- To enhance the quality of statistical systems: Rs. 616 crore for State Governments at the rate of Rs. 1 crore for every district to fill in statistical infrastructure gaps in areas not addressed by the India Statistical Project
- Setting up an employees' and pensioners' data base: Rs. 10 crore to each general category state and Rs. 5 crore to each special category state.
- Maintenance of Roads and Bridges: Rs. 19,930 crore for four years (2011-12 to 2014-15) of award period.

RBI NOTIFICATIONS : FEBRUARY 2010

PAYMENT OF INTEREST ON SAVINGS BANK A/C

RBI has advised banks that in view of the present satisfactory level of computerisation in commercial bank branches, payment of interest on savings bank accounts by scheduled commercial banks would be made on a daily product basis with effect from April 1, 2010.

INTEREST RATES ON EXPORT CREDIT IN FOREIGN CURRENCY

RBI has decided to reduce the ceiling rate on export credit in foreign currency by banks to LIBOR plus 200 basis points from the present ceiling rate of LIBOR plus 350 basis points with immediate effect, subject to the express condition that the banks will not levy any other charges viz. service charge, management charge etc except for recovery towards out of pocket expenses incurred. Similar changes may be effected in interest rates in cases where EURO LIBOR/EURIBOR has been used as the benchmark. The revision in the rates of interest would be applicable only to fresh advances. Further, the ceiling interest rate on the lines of credit with overseas banks has also been reduced from six months LIBOR/EURO LIBOR/EURIBOR plus 150 basis points to six months LIBOR/ EURO LIBOR/EURIBOR plus 100 basis points with immediate effect. The schedule of Interest Rates will be as under:

1. Pre-shipment Credit:

(a) Upto 180 days: Not exceeding 200 basis points over LIBOR/ Euro LIBOR/ Euribor

(b) Beyond 180 days upto 360 days: Rate for initial period of 180 days prevailing at the time of extension plus 200 basis points

2. Post-shipment Credit:

(a) On demand bills for transit period (as specified by FEDAI): Not exceeding 200 basis points over LIBOR/ EURO LIBOR/ EURIBOR

(b) Usance bills (credit for total period comprising usance period of export bills, transit period as specified by FEDAI and grace period wherever applicable) Upto 6 months from the date of shipment: Not exceeding 200 basis points over LIBOR/ EURO LIBOR/ EURIBOR

(c) Export bills (demand or usance) realised after due date but upto date of crystallization: Rate for 2(b) above plus 200 basis points

3. Export Credit Not Otherwise Specified (ECNOS):
   (a) Pre-shipment credit: Free
   (b) Post-shipment credit: Free

NEFT SYSTEM – REFINEMENT OF PROCESS-FLOW

The National Electronic Funds Transfer (NEFT) system has been successfully handling significant volumes, ever since its launch in November 2005. More than 6 million transactions were processed by the system during the month of January 2010 alone. The coverage has also increased substantially with the participation of over 63,000 bank branches spread across the length and breadth of the country. NEFT uses the Public Key Infrastructure (PKI) technology to assure end-to-end security and the Indian Financial Network (INFINET) to connect bank branches for electronic transfer of funds. In line with the system capabilities and user expectations, a number of initiatives have been taken in the recent past to extend operating hours, increase the number of batches and handle more transaction types. Incidentally, NEFT has no amount restrictions and accepts cash up to Rs. 50,000 for originating transactions. With a view to further strengthen the NEFT system in terms of availability, convenience, efficiency and speed, the following refinements to process-flow and enhancements to operational features are being introduced with effect from March 1, 2010.

(i) Tightening of Return Window: Presently, the NEFT procedural guidelines mandate banks to return NEFT transactions in the very next available batch. The NEFT system has, however, been designed to allow destination banks to return transactions on a T+1 basis. In order to streamline the system and complete the processing cycle on a near-real-time basis, the concept of return within two hours of completion of a batch is being introduced. The B+2 return discipline would require banks to afford credit to beneficiary accounts immediately upon completion of a batch or else return the transactions within two hours of completion of the batch settlement, if credits are unable to be afforded for any reason. Required changes in the SFMS / NEFT software has been carried out.

(ii) Increase in Operating Hours: NEFT is currently available from 9 am to 5 pm on week days and from 9 am to 12 noon on Saturdays. RBI has decided to extend NEFT operating hours from 9 am to 7 pm on week days and from 9 am to 1 pm on Saturdays.

(iii) Move to Hourly Settlements: On date, NEFT has six batches of settlement at 9 am, 11 am, 12 noon, 1 pm, 3 pm and 5 pm on week days and three batches of settlement at 9 am, 11 am and 12 noon on Saturdays. An analysis of daily data has shown that the volume of transactions processed in batches that have a gap of two hours between batches is double the volume of transactions processed in batches that have only an hour's gap between them. With a view to evenly space out transactions across batches, as also to make the system near-real-time, RBI has decided to introduce the concept of hourly settlements. Accordingly, there would be eleven hourly settlements starting from 9 am to 7 pm on all week days and five hourly settlements from 9 am to 1 pm on Saturdays.

(iv) Implementation of Positive Confirmation: At present, the un-credited NEFT transactions are returned by destination banks and it is presumed that credit for all other transactions have been afforded to beneficiary accounts. In order to remove any ambiguity and to introduce the element of positive confirmation, the NEFT outward message format is being modified to contain two additional fields, wherein mobile number and / or e-mail address of the originating customer can be populated. A new message format is also being introduced to relay to the originating bank an acknowledgement containing the date and time of credit, immediately after the credit is afforded to beneficiary accounts. This message would flow from the destination bank / branch to the originating bank / branch. The originating banks after receiving the positive confirmation from the destination banks shall have to initiate a mobile SMS or generate an e-mail to the originator to convey the fate of the transaction.

SETTING UP OF CASH PROCESSING CENTRES

RBI had constituted a High Level Group to look into various currency management practices. Based on its recommendations, RBI had advised banks vide circular dated 19 November 2009 to necessarily check/process the notes in the denomination of Rs. 100 and above through Machines for fitness and authenticity, before their issue through ATM/over counters. The Group, has also recommended setting up of Cash Processing Centres (CPCs) at various key locations with enhanced processing and storage capacities to tap advantages arising out of economies of scale, minimize overnight cash risks at bank branches and to benefit from sophisticated logistics techniques. Since banks may find it difficult to install/maintain machines at all their branches dealing with notes of high denomination, RBI has decided to accept the Group's recommendations with respect to CPC and encourage the banks to set up state of the art Cash Processing Centres (CPCs) with substantial processing and storage capacities. This would further RBI's objective of the Clean Note Policy.

Banks may consider any of the following three types of Cash Processing Centres (CPCs):

1. A CPC established at an existing currency chest branch in the same location.
2. A CPC attached to an existing/new currency chest branch in different location.
3. A stand alone CPC that provides only fitness sorting and authentication services (i.e. they shall collect mixed notes from the bank branches in the morning and would return the same, after processing/authentication checking/sorting, in the evening as unfit notes, fit/issueable notes (ATM Fit/Counter Fit and suspect notes).

To make the CPCs viable and also to take advantage of capacity built up, the CPCs may also serve the branches of other banks which may require its services and charge from them a reasonable fee for the services rendered at mutually agreed rates. The stand alone CPCs could also render services to others such as merchant establishments, petrol pumps, etc. handling large volumes of cash against payment of fees. Machines to be installed at CPC shall confirm to "Note Authentication and Fitness Sorting Standards" prescribed by RBI (DCM). CPC shall be subject to inspection by RBI at any time.

RISK WEIGHTS AND EXPOSURE NORMS FOR 'INFRASTRUCTURE FINANCE COMPANIES'

(i) RBI has decided to link the risk weights of banks' exposure to NBFCs categorised as Infrastructure Finance Companies (IFCs) to the credit rating assigned to these NBFCs by the rating agencies registered with the SEBI and accredited by the Reserve Bank of India. Banks may assign appropriate risk weights, i.e. similar to corporates/corporate bonds, while computing capital for credit risk and specific risk under market risk.

(ii) The exposure of a bank to the IFCs should not exceed 15 per cent of its capital funds as per its last audited balance sheet, with a provision to increase it to 20 per cent if the same is on account of funds on-lent by the IFCs to the infrastructure sector.

EXTERNAL COMMERCIAL BORROWINGS (ECB)

As per the extant ECB procedures, any changes in the terms and conditions of the ECB after obtaining the Loan Registration Number (LRN) from the Department of Statistics and Information Management (DSIM), Reserve Bank, require the prior approval of RBI. As a measure of simplification of the existing procedures, RBI has decided to delegate powers to the designated AD category-I banks to approve the following requests from the ECB borrowers, subject to specified conditions:

a) <u>Changes / modifications in the drawdown / repayment schedule:</u> Banks may approve changes / modifications in the drawdown / repayment schedule of the ECBs already availed, both under the approval and the automatic routes, subject to the condition that the average maturity period, as declared while obtaining the LRN, is maintained. However, any elongation / rollover in the repayment on expiry of the original maturity of the ECB would require the prior approval of the Reserve Bank.

b) <u>Changes in the currency of borrowing</u>: Banks may allow changes in the currency of borrowing, if so desired, by the borrower company, in respect of ECBs availed of both under the automatic and the approval routes, subject to all other terms and conditions of the ECB remaining unchanged. Designated AD banks should, however, ensure that the proposed currency of borrowing is freely convertible.

c) <u>Change of the AD bank</u>: Banks may allow change of the existing designated AD bank by the borrower company for effecting its transactions pertaining to the ECBs subject to No-Objection Certificate (NOC) from the existing designated AD bank and after due diligence.

d) <u>Changes in the name of the Borrower Company</u>: Banks may allow changes in the name of the borrower company subject to production of supporting documents evidencing the change in the name from the Registrar of Companies.

The modifications to the ECB guidelines will come into force with immediate effect.

CAPITAL ADEQUACY AND MARKET DISCIPLINE

'Prudential Guidelines on Capital Adequacy and Market Discipline – New Capital Adequacy Framework (NCAF), has been updated in line with the changes made by the Basel Committee on Banking Supervision (BCBS) to the Basel II Framework. The changes in Pillar 1 are mainly aimed at increasing the capital requirements for specific risk and liquidity facility for securitisation exposures. The revised guidance on Pillar 2 is intended to assist banks in better identifying and appropriately capturing risks in their internal assessments of capital adequacy and managing risks. The Pillar 3 revisions include more granular disclosure requirements for credit risk mitigations and securitised exposures. The Enhancement to Basel II Framework will be effective from March 31, 2010.

OPENING OF REGIONAL OFFICES BY RRBS

As per extant guidelines, amalgamated RRBs having 75 or more branches will be allowed to open one Regional Office (RO) for every 50 branches, and RRBs, which had not undergone amalgamation (stand alone) and having 50 or more branches, are allowed to open one RO for every 25 branches. RBI has now advised that all RRBs (both amalgamated and stand alone) will be allowed to open one RO for every 50 branches. RRBs having up to 50 branches will be under the direct control of Head Office, without any intermediate tier. The cases of RRBs, which require relaxation in the above norms in regard to the number of branches to be covered by one RO due to geographical/ other conditions, will be examined by State Level Empowered Committee of the Reserve Bank of India and referred to Central Office of RBI for consideration.

Relaxations in Branch Authorisation Policy

RBI, vide circular dated 1.12.09 had advised list of underbanked districts in underbanked States. Now, Jammu & Kashmir State has also been included in the list of underbanked States and consequently the following underbanked districts of Jammu & Kashmir State – Anantnag, Doda, Kupwara and Poonch – have been included in the list of underbanked districts in underbanked States

OVERSEAS INVESTMENT APPLICATION

As per RBI circular dated June 1, 2007, the reporting package on Overseas Direct Investment (ODI) by the Indian Parties was revised. RBI has now decided to operationalise the on-line reporting system in a phased manner, with effect from March 2, 2010, to simplify the existing reporting framework. The new system would enable on-line generation of the Unique Identification Number (UIN), acknowledgment of remittance/s and filing of the Annual Performance Reports (APRs) and easy accessibility to data at the AD level for reference purposes. The on-line reporting would be required to be made by the Centralized Unit/Nodal Office of AD Category - I banks. The application for overseas investment under the approval route would continue to be submitted to the Reserve Bank in physical form as hitherto, in addition to the on-line reporting, for approval purposes. Further, the transactions relating to closure / disinvestment/ winding up/ voluntary liquidation of the overseas Joint Ventures/Wholly Owned Subsidiaries (JVs / WOSs) under the automatic and approval routes would continue to be submitted to the Reserve Bank in physical form as is being done at present.

Bilateral clearing arrangements between banks

For convenient, cost-effective and quick processing and settlement of clearing instruments arising out of normal business activities of banks, an elaborate Clearing House infrastructure is in place in the country. Clearing Houses facilitate multilateral net clearing and settlement of over four million cheques everyday on a T + 1 basis. In fact, the processing cycle in India for local cheques encompasses both the presentation and return clearing legs, and compares favourably with similar systems around the world.

KNOW YOUR FACULTY
SHRI A. K. GUPTA

1. Shri A.K. Gupta is a post graduate in commerce, LL.B, CAIIB, PG Dip in Personnel Management and IR, PG Dip in Marketing and Management, PG Diploma in Training and Development, Cert in Industrial Finance;
2. Ex- Chief Manager, Punjab National Bank with an experience of more than 28 years as a banker
3. Experience of more than 12 years in training in the bank's training college (Principal for 5 years); helped thousands of bankers in their banking career.
4. Has been examiner with Indian Institute of Banking & Finance (IIBF, Mumbai) for about 5 years.
5. Remained associated with number of management institutions at MBA level including Masters of Finance, University of Delhi, International Management Institute etc teaching Management of Banks, Financial Services, Financial Management, Merchant Banking.
6. Conducted programmes in the area of Asset Liability Management and Credit risk management for top management executives in the rank of Chief General Manager/General Manager/DGM/ AGMs of SIDBI, Central Bank of India, Dena Bank, Punjab & Sind Bank
7. Was a student of University of Manchester for 3 months for an advanced programme in Development Banking.
8. Has been visiting faculty to training colleges of several banks like PNB, BOI, Canara, UCO etc.

However, RBI has observed that certain State and Central Co-operative banks had entered into bilateral agreements with other banks for processing and clearing of post dated cheques (PDCs) deposited with it and payable by the other banks. Under the agreement, the bank was sending such PDCs directly to the other bank for realisation and receiving proceeds thereof by credit to its current account opened with the other bank. Similar facility was extended to the other bank for clearing PDCs drawn on this bank as well. In the process, significant volume of instruments was getting exchanged and cleared outside the Clearing House infrastructure.

Such agreements (also styled as corresponding banking arrangements by some banks) undermine the existence and need of Clearing Houses and do not in any way contribute to the efficiency of the clearing system. In fact, the banks incur higher costs and take longer time to clear the cheques bilaterally. The parallel clearing arrangements vitiate the Clearing House rules, standard, minimum benchmarks and uniform practices. Malpractices and disputes between banks can exacerbate into systemic concerns. Further, bilateral clearing arrangements attract provisions of the Payment and Settlement Systems Act, 2007 (Act) and the regulations framed thereunder. Section 4 (1) of the Act stipulates that 'no person other than the Reserve Bank shall commence or operate a payment system except under and in accordance with an authorisation issued by the Reserve Bank under provisions of the Act'. Operators of such payment systems are required to seek authorisation under the Act, within six months of the commencement of the Act i.e. by February 12, 2009. The bilateral arrangements between banks being inter-bank in nature fall within the ambit of payment systems and require authorisation from the Reserve Bank.

Bilateral agreements include correspondent banking arrangements, arrangements under cash management services, or any arrangement that envisages routine clearing of cheques drawn on either or both banks without routing them through the Clearing House infrastructure as also agreements for sharing of ATMs, use of electronic clearing products like ECS or any such payment system products. Continuation or commencement of bilateral clearing arrangements without authorisation is violative of the provisions of the Act and would invite strict penal action as provided under the Act. Keeping in view the various risks involved, all State and Central Co-operative banks are advised to immediately discontinue all bilateral clearing arrangements arising out of normal banking transactions.

INFRASTRUCTURE FINANCE COMPANIES

Currently, the Reserve Bank has classified NBFCs under three categories, viz., Asset Finance Companies, Loan companies and Investment Companies. RBI has now decided to introduce a fourth category of NBFCs as "Infrastructure Finance Companies"(IFCs). An IFC is defined as non deposit taking NBFC that fulfills the criteria mentioned below:

1. a minimum of 75 per cent of its total assets should be deployed in infrastructure loans.
2. Net owned funds of Rs. 300 crore or above;
3. Minimum credit rating 'A' or equivalent of CRISIL, FITCH, CARE, ICRA or equivalent rating by any other accrediting rating agencies
4. CRAR of 15 percent (with a minimum Tier I capital of 10 percent).

STANDARDISATION AND ENHANCEMENT OF SECURITY FEATURES IN CHEQUE FORMS

Paper-based cheque clearing continues to be one of the popular modes of initiating payment transactions in the country. During the period April-December 2009, clearing houses in the country have processed on an average around 4.5 million cheques every day. Introduction of Magnetic Ink Character Recognition (MICR) technology during the mid-eighties has been the single-most important development responsible for making the cheque clearing popular and efficient. Standardisation of cheque forms (leaves) in terms of size, MICR band, quality of paper, etc., was one of the key factors that enabled mechanisation of cheque processing. Growing use of multi-city and payable-at-par cheques for handling of cheques at any branches of a bank, introduction of Cheque Truncation System (CTS) at New Delhi for image-based cheque processing, increasing popularity of Speed Clearing for local processing of outstation cheques, etc., require prescription of certain minimum security features in cheques printed, issued and handled by banks and customers uniformly across the banking industry. RBI had set up a Working Group for examining further standardisation of cheque forms and enhancement of security features therein. Based on its recommendations, RBI has decided to prescribe certain benchmarks towards achieving standardisation of cheques issued by banks across the country. These include provision of mandatory minimum security features on cheque forms like quality of paper, watermark, bank's logo in invisible ink, void pantograph, etc., and standardisation of field placements on cheques. The set of minimum security features would not only ensure uniformity across all cheque forms issued by banks in the country but also help presenting banks while scrutinising / recognising cheques of drawee banks in an image-based processing scenario. The homogeneity in security features is expected to act as a deterrent against cheque frauds, while the standardisation of field placements on cheque forms would enable straight-through-processing by use of optical / image character recognition technology. The benchmark prescriptions shall be known as "CTS-2010 standard", and effective date of implementation of the standard will be advised later on. The revised cheque standard should be implemented by banks before the roll-out of CTS at Chennai.

"CTS-2010 Standard" for Cheque Forms – Specifications

1. Mandatory features

1. **Paper (At Manufacturing Stage):** Status quo shall be maintained in relation to paper specifications as it exists currently. Additionally, paper should be image friendly and have protection against alterations by having chemical sensitivity to acids, alkalis, bleaches and solvents giving a visible result after a fraudulent attack. CTS-2010 Standard paper should not glow under Ultra-Violet (UV) light i.e., it should be UV dull. This shall ensure that the feel of cheques is uniform across banks.
2. **Watermark (At Manufacturing Stage):** All cheques shall carry a standardized watermark, with the words "CTS-INDIA" which can be seen when held against any light source. This would make it difficult for any fraudster to photocopy or print an instrument since this paper would be available only to security printers handling cheque printing. The watermark should be oval in shape and diameter could be 2.6 to 3.0 cms. Each cheque must hold atleast one full watermark.
3. **VOID pantograph (At Printing Stage):** Pantograph with hidden / embedded "COPY" or "VOID" feature shall be included in the cheques. This feature should not be visible on the scanned image at the resolution specified in CTS but should be clearly visible in photocopies and scanned colour images as resolution used in such cases would be above the prescribed CTS standards. This would act as a deterrent against colour photocopy or scanned colour images of a cheque.
4. **Bank's logo printed with invisible ink (ultra-violet ink) (At Printing Stage) :** Bank's logo shall be printed in ultra-violet (UV) ink. The logo will be captured by / visible in UV-enabled scanners / lamps. It will establish genuineness of a cheque.
5. **Field placements of a cheque :** Placement of significant fields on the cheque forms shall be mandated. However, placement of additional fields shall be left to banks. This will enable data capturing by Optical / Image Character Recognition (OCR / ICR) engines in offline mode and help banks in automating their payment processes.
6. **Mandating colours and background :** Light / Pastel colours shall be mandated for cheques so that Print / Dynamic Contrast Ratio (PCR / DCR) is more than 60% for ensuring better quality and content of images. The colours will be finalised in consultation with IBA /NPCI.
7. **Clutter free background :** Background of cheques shall be kept as clutter free as possible for improving quality and clarity of images.
8. **Prohibiting alterations / corrections on cheques :** No changes / corrections should be carried out on the cheques (other than for date validation purposes, if required). For any change in the payee's name, courtesy amount (amount in figures) or legal amount (amount in words), etc., fresh cheque forms should be used by customers. This would help banks to identify and control fraudulent alterations.
9. **Printing of account field :** All cheques should, as far as possible, be issued with the account number field pre-printed. This should be considered must for current account holders and corporate customers.
10. **Use of UV feature on cheque images :** Though bank's logo in UV ink is a strong deterrent for forgery and duplicate cheques, there are challenges in terms of increased image size, stabilisation of UV technology in CTS environment, availability of UV-enabled scanners, etc., in implementing this feature. However, the benefits outweigh the limitations and hence this feature shall be incorporated. Presenting banks can subject instruments beyond a threshold value to UV verification using the UV lamps currently available for currency note verification. In case UV technology stabilises in future, the UV image view could be incorporated in CTS as an additional image view or by dropping one of the existing image views.

2. Desirable features

1. Banks can consider including additional security features as per their risk perception like (i) supplementary watermark containing their own logo, (ii) embedded fluorescent fibres, (iii) fugitive ink, (iv) secondary fluorescent ink, (v) micro-lettering, (vi) toner fusing, (vii) check-sum, (viii) patterns, (ix) floral designs, (x) bleeding ink, (xi) structural magnetics, (xii) security thread, (xiii) hot stamped holograms on multi-city cheques and demand drafts, (xiv) auto-detection tools, (xv) use of UV band on sensitive and key areas of interest on a cheque such as Legal Amount Recognition (Amount in Words), Courtesy Amount Recognition (Amount in Figures), Signature, Beneficiary Name, (xvi) pre-encoding of amount field on the MICR band for demand drafts / pay orders (above a self-decided cut-off) before issue to customers, (xvii) use of check-sum on the face of demand drafts / pay orders (other than the MICR band), etc.
2. Use of additional features by banks will be subject to the features being compatible with CTS requirements. Further, banks should take care that – (i) The additional security features do not overlap or be very close or clash against the prescribed minimum security features.(ii) The features are compatible with CTS specifications. (iii) The features are not image heavy, i.e., increase the image size. (iv) They should not block any important data on images or hinder payment processing. (v) Presenting banks are not expected to verify the additional features.

3. Implementation modality:

1. IBA and NPCI shall be jointly vested with the task of certifying additional / optional security features. IBA and NPCI would ensure that the additional / optional features are compatible with CTS and MICR clearing schemes before releasing them to banks. IBA and NPCI shall be entrusted ith the responsibility for empanelment of vendors with capability to provide the new security standards.

Various Rates at Glance

Bank Rate	**06.00%**	29.04.2003
CRR	**05.75%**	27.02.2010
SLR	**25.00%**	07.11.2009
Repo Rate	**4.75%**	22.04.2009
ReverseRepo Rate	**3.25%**	22.04.2009

REVIEW OF LEAD BANK SCHEME

RBI had constituted a High Level Committee to review Lead Bank Scheme in view of the changed environment. The Committee has recommended that the LBS is useful and needs to continue. The overarching objective of the Scheme is to enable banks and State Governments to work together for inclusive growth. RBI has advised SLBC convenor banks at the state level and lead banks/commercial banks at the district level for implementing following recommendations of the Committee.

Action Points for SLBC Convenor Banks

1. The scope of the scheme should be broad based to cover initiatives for financial inclusion, role of State Governments, financial literacy and credit counselling as also 'credit plus' activities, formulate action plans to facilitate 'enablers' and remove /minimise 'impeders' for banking development for inclusive growth, develop grievance redressal mechanism.
2. Banks need to take the maximum advantage of available IT solutions. However, connectivity should not be an issue of consideration for not pursuing Financial Inclusion.
3. Concerted efforts may be made for using PACS as BCs where such PACS are running well.
4. State Governments to ensure road/ digital connectivity to all centres where penetration by the formal banking system is required.
5. State Governments to ensure conducive law and order situation, adequate security, uninterrupted power, water supply and irrigation facilities.
6. The DLCCs/SLBCs may monitor initiatives for providing 'credit plus' services by banks and State Government.
7. The educational loans granted by banks may be monitored and progress reviewed in SLBC meetings by evolving a tracking mechanism with the help of state Governments, educational institutions and banks, to ensure proper recovery of such loans.
8. Bank's should have linkage with such NGOs/Corporate houses operating in the area to ensure that the NGOs/Corporates provide the necessary 'credit plus' services.
9. SLBC/DCC to identify academicians and researchers engaged in research and development studies to be invited occasionally to the meetings of these bodies.
10. In view of the large membership of the SLBC, it would be desirable for the SLBC to constitute Sub-Committees for specific tasks. These could include IT enabled financial inclusion, financial inclusion in urban areas, action plan for financial literacy, grant of educational loans, improvement in land records/ other evidence for land ownership/occupation, improving recovery systems, measures to deal with downturn, promoting bank/SHG linkage and addressing issues relating to provision of microfinance in the State.
11. The secretariat/offices of SLBC should be sufficiently strengthened and the SLBC convenor bank should have a full fledged secretariat for effective discharge of its functions.
12. Every SLBC should have its own website where all instructions pertaining to the Lead Bank Scheme and other instructions issued by Reserve Bank and other agencies, Government Schemes for the benefit of common person are made available.
13. Each SLBC may have a dedicated Financial Literacy Division to propagate the various instructions. The local media should be encouraged to interact with the Financial Literacy Division.

Action Points for Lead Banks/Commercial Banks

In addition to points listed at SN 1 to 6, 8, 10,11 as stated above, following action points may be implemented.

1. Banking services to be seen as a public good and made accessible to all sections of population and regions of the country at affordable cost. The State development machinery to ensure the availability of backward and forward linkages so that credit is gainfully deployed and income levels enhanced.
2. Lead banks to open a Financial Literacy and Credit Counselling Centre (FLCC) in every district where they have lead responsibility.
3. At present, PLPs are prepared by NABARD for all the districts of the country by October-November every year and provide inputs both to the district planning authorities for preparing their budgetary plans and to the lead banks for preparing the District Credit Plans (DCP), respectively. Preparation of PLP may be advanced to be completed by August every year to enable the State Governments factor in the PLP projections.
4. While preparing the PLP, NABARD should factor in the suggestions made in the Development plan. NABARD would prepare the PLP for the districts taking into account the firm commitments given by the State Government/ banks/other stakeholders for the year.
5. The Zonal / Controlling offices of banks, while finalising their business plans for the year, should take into account the PLPs prepared by NABARD and plans prepared by the LDMs for sectors other than agriculture and allied activities.
6. The Annual Credit Plan would be prepared by the Lead District Manager of the Lead banks concerned taking into account the PLPs. The Annual Credit Plans, among others, should clearly indicate the proposed coverage for SCs/STs, minorities and promotion of SHGs in the district.
7. Banks should involve themselves actively in the selection of beneficiaries and focus on the bankability and viability of the scheme for ensuring better recovery and effective utilization of subsidy. Governments should evaluate outcomes rather than whether the amounts allocated are fully spent.
8. Private sector banks to involve themselves more actively in LBS by bringing in their expertise in strategic planning and leveraging on Information Technology. The Lead banks may involve private sector banks more closely in the LBS while drawing up and implementing the ACP.
9. State Governments should be able to leverage on the benefits of undertaking government business by banks to incentivize in Government sponsored schemes. Private sector banks may actively involve with the DCC and Action Plans where they have a presence and extend their services through permitted channels in underbanked and unbanked area.
10. A Sub-Committee of DCC may be formed to work intensively on specific issues. There could be different sub-committees to deal with role of SHGs/MFIs, IT based financial inclusion, MSE sector, etc.
11. The role of LDM should cover convening meetings of the DCC and DLRC, periodical meetings of DDM/LDO/Government officials for resolving outstanding issues, facilitating setting up of Financial Literacy and Credit Counselling Centres (FLCCs), RSETIs by banks, holding annual sensitisation workshops for banks and government officials with participation by NGOs/PRIs, grievance redressal, credit planning.
12. LDM's office being the focal point for successful implementation of the Lead Bank Scheme, care should be taken in selecting the incumbent and the posting should be made a coveted one.
13. Tre is a need for putting in place a mechanism to facilitate greater co-ordination between LDM, LDO and DDM outside the scheduled DCC/DLRC meetings, on an ongoing basis, which will, inter alia, also help in redressal of grievances of the users of banking services. LDMs should be sufficiently empowered and delegated with powers to discharge their responsibilities.
14. As soon as Reserve Bank, Government of India, NABARD and IBA's instructions are placed on their websites, banks may communicate the same to their branches electronically so that the relative instructions come into operation immediately.
15. Bank officials posted as Lead District Managers may be given two to three weeks attachment at Zilla Parishad/Collectorate for familiarization with government's role and functioning with regard to the developmental programmes.
16. Exposure visits may be arranged by the Lead Bank for District Collectors, Block Development Officers, bank officials, SHGs at various levels to leverage upon success stories.
17. Bank Managers should also visit the SHG meeting places to help understand SHGs better.
18. Functionaries of PRIs, especially gram panchayats should be familiarized with preparation of bankable schemes, so that budgetary funds for livelihood promotion can be leveraged for promoting financial inclusion and increasing credit absorption capacity. The LDM/ DDM could take initiatives in this regard.
19. Every quarter, the lead bank may organize an awareness and feedback public meeting in its district.
20. The LDM may invite the Banking Ombudsman (BO) for such meetings who may attend the same at his/her convenience.
21. Each lead bank is expected to open a Financial Literacy and Credit Counselling Centre (FLCC) in every district where it has lead responsibility by following the recent guidelines issued by RBI in this regard.

REPORT ON BANKING OMBUDSMAN SCHEME

The Annual Report on the functioning of the Banking Ombudsman Scheme has been released recently. Salient observations made in the Report are given below:

1. The Banking Ombudsmen received 69,117 complaints during 2008-09, as against 47,887 in 2007-08 (up by 44 per cent).
2. Overall complaints received from rural areas increased by 65 per cent, semi urban areas by 48 per cent, urban areas by 36 per cent and metropolitan areas by 43 per cent during the year.
3. While 43 per cent of the complaints were received from metropolitan areas, 23 per cent were received from urban areas. 34 per cent of the complaints were received from rural and semi urban areas.
4. Complaints against public sector banks, private sector banks and foreign banks increased by 29 per cent, 58 per cent and 91 per cent, respectively.
5. Twenty-three per cent of complaints were received by email, 14 per cent through online application form available on the Reserve Bank website and 63 per cent in hard copy format.
6. Complaints relating to credit cards/ATM cards (25.5 per cent) were the highest in 2008-09 with complaints in this regard increasing by 74 per cent during the year. Up by 85 per cent, complaints relating to failure on commitments made (17 per cent) ranked second among the complaints received by the Banking Ombudsmen. Other complaints related to deposits and remittances, maintenance of average quarterly balance, loans and advances, pension, direct selling and recovery agents, processing/renewal/pre-closure charges being levied without due notice to the customers, etc.
7. During the year 2008-09, banks and complainants appealed against as many as 269 of the Banking Ombudsman's decisions compared to 186 during the year 2007-08.
8. Increased awareness and easy accessibility of the offices of Banking Ombudsmen contributed to the increase in number of complaints received by Banking Ombudsmen. The reasons for larger number of complaints from the rural and semi urban areas were increased penetration of banking, increased awareness and increased expectations of customers in these areas.
9. RBI has proactively started issuing general directions to all banks so as to protect the bank customers against banks' act of commissions and omissions. Called 'class action,' such general directions are issued by the regulator in cases that could benefit not only the applicant but all those customers similarly placed without their having to approach their respective banks/ the Reserve Bank. The Reserve Bank has already initiated such class action against several banks. A class action, for instance, was initiated against a foreign bank regarding mode of calculation of interest rates on deposit accounts. Similarly a public sector bank was advised to recalculate interest rate on all the housing loans as per terms of the agreements entered into with all the borrowers without their application for relief. A yet another public sector bank was asked to recredit insurance premium which was debited to customer's savings bank account without his concurrence under group insurance scheme. The Customer Service Department of the Reserve Bank takes proactive action even on the basis of news published by newspapers or any other media.

MOCK TEST

01 Which of the following is not correctly matched?
a) CRR: 5.75% of NDTL
b) SLR: 25% of NDTL
c) Bank Rate: 6% p.a.
d) Repo Rate: 4.75%
e) None of these

02 Which of the following type of liabilities will be subject to CRR requirements?
a) NRE Deposits b) FCNR (B) Deposits
c) Liabilities arising from transaction in CBLO with clearing corporation of India.
d) NRO Deposits e) Both (c) and (d)

03 RBI has reduced export credit refinance 50% of eligible outstanding rupee export credit to _____%
a) 15% b) 25% c) 20% d) No change

04 Which of the following does not match regarding provisioning on standard assets as percentage of outstanding balance?
a) Commercial Real Estate : 1%
b) All advances to agriculture : 0.25%
c) Direct advances to SME : 0.25%
d) Housing loan up to Rs 30 lakh: 0.40%
e) Both (b) and (d)

05 Which of the following is not correct regarding interest subvention on agricultural advances?
a) The subvention is available only on short term production credit.
b) Rate of subvention is 2%
c) Subvention is available only to public sector banks
d) Subvention is available only up to Rs 3 lac
e) None of these

06 Banks are allowed to issue guarantees in favour of a non-resident service provider, on behalf of a resident customer other than Public Sector Company or a Department/ Undertaking of the Government of India/ State Governments who is a service importer, for an amount up to ________ or its equivalent**.**
a) USD 100,000 b) USD 500,000
c) USD 10,00,000 d) None of these

07 As per Nomination Rules, in which of the following case (s), number of nominees can be more than one?
a) Safe Custody in the name of more than one person operated jointly.
b) Safe Deposit Vault in the name of more than one person operated by either or survivor.
c) Deposit account in the name of two persons
d) None of these

08 Which of the following can be done by a nominee after the death of the depositor?
a) He can renew FDR which has fallen due
b) He can take premature payment of FDR
c) He can raise loan against FDR
d) None of these

09 Which of the following persons can not be a nominee?
a) Trust b) Limited Company
c) Partnership firm d) All of these
e) None of these

10 There is a joint account in the name of A &B and C has been appointed as nominee. The account is payable on either or survivor basis. On the death of A, both legal heirs and nominee approach for payment. To whom the payment will be made?
a) Nominee as bank will be discharged of liability by making payment to nominee.
b) Legal heirs as nominee is only trustee of legal heirs.
c) Legal heirs if nominee does not come forward to receive the payment.
d) The other joint account holder.

11 In which of the following cases, nomination facility is not allowed?
a) Deposit account in the name of more than one person which is operated jointly
b) Safe Deposit Vault in the name of more than one person which is operated jointly.
c) Safe Custody in the name of more than one person.
d) None of these

12 In which of the following types of deposit accounts, nomination facility is not allowed?
a) NRE Deposits b) FCNR (B) deposits
c) NRO Deposits d) Both (a) & (b)
e) None of these

13 What is the status of a nominee in deposit account opened with a bank after the death of depositor?
a) He is the co-owner of the balance alongwith legal heirs.
b) He is the absolute owner of the balance.
c) He is trustee of legal heirs.
d) He becomes absolute owner if there are no legal heirs.

14 Who of the following can not identify a nominee when a claim is lodged by nominee after death of depositor?
a) any gazetted officer b) any officer of the bank
c) any two persons known to the bank.
d) None of these

15 A literate depositor has opened account with you and appointed nominee. The depositor wants to change the nominee. Attestation from how many persons is required to accept the nomination?
a) Only one b) Only two
c) one or two as per discretion of bank
d) None of these as attestation is not required.

16 In case during the cash withdrawal process from ATM, cash is not disbursed but the account gets debited for the amount, the customer may lodge a complaint with which of the following?
a) the card issuing bank.
b) the bank at whose ATM transaction was carried out.
c) Either of (a) or (b)
d) None of these as the card issuing bank is required to afford credit automatically within 12 days.

17 Which of the following is decided by a bank?
a) Interest rate on Saving Bank account.
b) Interest rate on term deposits
c) Bank Rate
d) Interest Rate on loans under DRI
e) None of these

18 Silviculture is related to:
a) fruits and vegetables b) Bee keeping
c) Silk d) Forestry
e) None of these

19 Open market operations is a part of which of the following?
a) Fiscal Policy b) Credit Policy
c) Taxation Policy d) Liberalisation Policy

20 In case during the cash withdrawal process, cash is not disbursed but the account gets debited for the amount, the customer may lodge a complaint with the card issuing bank. Bank should re-credit such wrongly debited amounts within a maximum period of ________
a) 12 days from the date of complaint.
b) 12 working days from the date of complaint.
c) 12 working days from the date of debit.
d) 12 days from the date of debit.

21 Which of the following types of customers are allowed to withdraw cash from ATMs of other banks without payment of any additional charges?

a) Only current deposit customers
b) Only Saving deposit customers
c) All types of deposit customers
d) All types of deposit customers

22 Institute for Development and Research in Banking Technology is a wholly owned subsidiary of:
a) Reserve Bank of India b) Indian Bank Association
c) Central Government d) None of these

23 Funding under SJSRY will be shared between the Centre and the States in the ratio of ____ for general category states and in the ratio of ____for Special Category States (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, J&K, Himachal Pradesh and Uttarakhand).
a) 75:25; 80:20 b) 75:25; 90:10
c) 90:10; 80:20 d) 80:20; 90:10

24 Funding under SGSRY will be shared between the Centre and the States in the ratio of ____ for general category states and in the ratio of ____for Special Category States (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, J&K, Himachal Pradesh and Uttarakhand).
a) 75:25; 80:20 b) 75:25; 90:10
c) 90:10; 80:20 d) 75:25; 75:25

25 How many withdrawals are allowed to saving deposit customers from ATMs of other banks without payment of charges?
a) 5 withdrawals in a month with no limit on individual withdrawal.
b) 60 withdrawals in a year with individual withdrawal limited to Rs 15000.
c) 5 withdrawals in a month with individual withdrawal limited to Rs 10000.
d) None of these

26 Which of the following services provided by a bank in India is not liable for Service Tax as per existing laws?
a) Safe Deposit Lockers
b) Merchant Banking Services
c) Credit cards
d) Discount earned on bills discounted by bank
e) Both (b) & (d)

27 Under which of the following schemes, there is a reservation for minority communities?
a) SGSY b) SJSRY
c) PMRY d) SRMS
e) Both (a) & (b) only

28 Under which of the following schemes, reservation for women beneficiaries is 30% of the total cases?
a) PMRY b) SGSY c) SJSRY d) None

29 Under which of the following schemes, reservation for SC/ST beneficiaries is 50% of the total cases?
a) PMRY b) SGSY c) SJSRY
d) Both (b) & (c) only e) All of these

30 Which of the following is not correct regarding eligibility criteria under SJSRY scheme?
a) Person should be below poverty line.
b) The education qualification should be maximum 9^{th} pass.
c) He should be residing in the same town for at least three years
d) None of these

31 Under SJSRY, how much can be maximum project cost for individual cases?
a) Rs 50,000 b) Rs 100,000
c) Rs 200,000 d) No limit

32 Under SJSRY, loans upto how much amount are exempted from collateral security?
a) Rs 50,000 b) Rs 100,000
c) Loan up to any amount under the scheme
d) None of these

33 Net Interest income is represented by:
a) Gross income minus expenses other than operating expenses.
b) Gross income minus interest expenses
c) Interest income minus interest expenses
d) Interest income minus operating expenses

35 Net Non Performing Asset are represented by:
a) Total advances minus provision on NPA
b) Gross NPA minus provisions
c) Gross NPA minus provision on NPAs
d) Gross advances minus provisions

36 Which of the following is correct regarding subsidy to individuals under SJSRY?
a) 15% of the project cost with a maximum of Rs 7500
b) 30% of the project cost with a maximum of Rs 7500
c) 25% of the project cost with a maximum of Rs 50,000
d) 25% of the loan amount with a maximum of Rs 50,000

37 Which of the following is correct regarding subsidy to individuals under SGSY?
a) 15% of the project cost with a maximum of Rs 7500
b) 30% of the project cost with a maximum of Rs 7500
c) 25% of the project cost with a maximum of Rs 50,000
d) None of these

38 Which of the following is correct regarding subsidy to a Self Help Group of poor women under SJSRY?
a) 30% of the project cost subject to a maximum of Rs 10,000 per member and maximum Rs 125000 per Self Help Group.
b) 25% of the project cost subject to a maximum of Rs 50,000 per member with a maximum of Rs 250,000 per Self Help Group.
c) 30% of the project cost subject to a maximum of Rs 60,000 per member and maximum Rs 300000 per Self Help Group
d) 35% of the project cost subject to a maximum of Rs 60,000 per member and maximum Rs 300000 per Self Help Group

39 What is the minimum and maximum repayment period under SJSRY scheme after initial moratorium of 6 to 18 months as decided by Bank?
a) 3 year, 5 year b) 3 year, 9 year
c) 3 year, 7 year d) 5 year, 9 year

40 Which of the following is correct regarding finance given to a Group of women under SJSRY scheme?
a) Minimum members of the Group should be ten
b) The Project cost is limited to Rs 10 lakh.
c) There is no maximum limit on project cost.
d) Both (a) & (b) only e) None of these

41 Under SJSRY, where UWSP group sets itself up as a Self-Help Group (SHG) / Thrift & Credit Society (T&CS), mobilizing savings and credit in addition to its other entrepreneurial activities, the SHG/T&CS shall also be entitled to a lumpsum grant of _______ as Revolving Fund at the rate of ______ maximum per member.
a) Rs 25,000; Rs 2000 b) Rs 50,000; Rs 2000
c) Rs 25,000; Rs 5000 d) Rs 50,000; Rs 5000

42 Which of the following is correct regarding reservation under SJSRY?
a) For women beneficiaries: 40%
b) For SC/ST beneficiaries : 50%
c) For Minority Community: 25%
d) For Physically handicapped: 3%
e) All except (d)

43 Tax will be deducted at source on interest on term deposits only if the interest paid or payable, credited or to be credited in a financial year is:

a) Rs 5000 or above b) Rs 10,000 or above
c) more than Rs 10,000 d) more than Rs 5000

44 Interest on term deposits of which of the following is not exempt from deduction of tax at source?
a) Non Resident External Deposit accounts
b) Foreign Currency Non Resident (Bank) accounts
c) Non Resident Ordinary deposits
d) Both (a) and (b) only
e) None of these

45 At present, Tax is deducted at source from brokerage or commission other than insurance commission, if the amount credited or paid or likely to be credited or paid exceeds ______ in a financial year**.**
a) Rs 2500 b) Rs 5000
c) Rs 10,000 d) None of these

46 At present, tax is deducted from rent paid if the amount of rent paid or payable in a financial year is:
a) Rs 120,000 or above b) Rs 180,000 or above
c) Over Rs 120,000 d) Over Rs 180,000

47 In the case of payment to resident contractors, at present tax is deducted at source where the amount of any sum credited or paid or likely to be credited or paid to the account of, or to, the contractor or sub-contractor exceeds ______ in a single payment or ________ in the aggregate during the financial year.
a) Rs 20,000; Rs 50,000 b) Rs 20,000; Rs 100,000
c) Rs 10,000; Rs 50,000 d) None of these

48 Interest is not deducted at source on interest payable to depositor in respect of which of the following types of deposits?
a) Saving Bank Deposits b) Recurring Deposits
c) Term deposits d) Both (a) and (b) only
e) All of these

49 An individual woman depositor aged 66 years has a term deposit with you for Rs 500,000. Her income from all sources is less than exempted limit. She wants that tax should not be deducted at source from interest payable to her. On which of the following forms, she is required to submit declaration?
a) Form 60 b) Form 61
c) Form 15G d) Form 15 H

50 In cases where the deductee who furnishes Form No. 15G or 15H for non deduction of tax at source on interest payable on term deposits, but does not provide PAN, TDS will be deductible at the rate of ____w.e.f 01.04.2010.
a) 10% b) 20%
c) No deduction of tax at source
d) 10% for Senior citizens and 20% for others.

51 Which of the following is not correct regarding declaration on Form No. 15G or 15H submitted for non deduction of tax at source from interest payable on term deposits?
a) Declaration obtained on Form 15G or 15 H is to be obtained at the beginning of the every financial year or before the deduction of Tax at source.
b) The declaration will remain valid only for one Assessment year.
c) One copy of form 15G/15H is to be delivered by the branch/office to the Income Tax Office on or before the seventh day of the succeeding month.
d) None of these

52 Which of the following is not correct regarding deposit of tax deducted at source and issue of TDS certificate?
a) Tax deducted should be deposited within one week from the last day of the month in which tax is deducted.
b) If interest or amount of rent or commission or payment to contractor is credited to the account of the payee on the last day of the accounting year, then TDS can be deposited within 2 months from the end of the month in which credit is made.
c) The TDS certificate except in the case of salary should be issued in form No. 16A within one month from the close of the financial year and in the case of TDS on salary, the same should be issued on Form No. 16 within one month from the close of the financial year.
d) None of these

53 The statement of Tax deducted at source should be sent to the Income Tax Department within _____period.
a) 15 days from the close of the month
b) 7 days from the close of the month
c) 15 days from the close of the quarter
d) 7 days from the close of the quarter
e) None of thee

54 If the person required to deduct tax at source, fails to apply for TAN or after allotment of such number fails to quote such number wherever required then he shall be liable for penalty of a sum which may extend to:
a) Rs 5000 b) Rs 10,000
c) equal to amount of tax d) None of these

55 If a person who is required to deduct tax at source, after deducting fails to pay the tax, then, such person shall be deemed to be an assessee in default in respect of such tax and shall be liable for which of the following?
a) to pay simple interest at the rate of 12% per annum on the amount of such tax from the date on which such tax was deducted to the date on which such tax is actually paid.
b) to pay, by way of penalty, a sum equal to the amount of tax which such person failed to pay.
c) he shall be punishable with rigorous imprisonment for a period which shall not be less than three months but which may extend to seven years.
d) Both (b) & (c) only e) All of these

56 If any person fails to furnish in due time annual return for tax deducted; or furnish certificate of tax deducted at source; or furnish in due time quarterly statement of TDS deposited, then, he shall be liable for penalty which shall be ______ :
a) Rs 100 for every day
b) Rs 500 for every day with a maximum of the amount of tax deductible
c) Rs 100 for every day with a maximum of the amount of tax deductible.
d) None of these

57 Which of the following is not correct regarding rate of deduction of tax at source?
a) On interest on term deposits, it is 20% for companies and 10% in all other cases.
b) On payment of rent, it is 15% for individuals and HUF and 20% in all other cases.
c) On payment to professions, it is 5% of the fees paid.
d) All of these e) None of these

58 What is the maximum charge that can be charged by a bank for remittance of more than Rs 5 lakh through RTGS?
a) Rs 25 b) Rs 50
c) Rs 100 d) None of these

ANSWERS

1	**E**	11	**C**	21	**B**	31	**C**	41	**A**	51	**D**
2	**E**	12	**E**	22	**A**	32	**C**	42	**D**	52	**C**
3	**A**	13	**C**	23	**B**	33	**C**	43	**C**	53	**C**
4	**B**	14	**D**	24	**D**	34	**C**	44	**C**	54	**B**
5	**E**	15	**D**	25	**C**	35	**C**	45	**A**	55	**E**
6	**B**	16	**A**	26	**D**	36	**C**	46	**C**	56	**C**
7	**D**	17	**B**	27	**B**	37	**B**	47	**A**	57	**D**
8	**B**	18	**D**	28	**C**	38	**D**	48	**D**	58	**B**
9	**D**	19	**B**	29	**B**	39	**C**	49	**D**		
10	**D**	20	**B**	30	**B**	40	**C**	50	**B**		

FINANCIAL & GENERAL AWARENESS

Over dozen cos vying for banking licences : Companies from industrial houses like Tatas, Birlas, Anil Ambani-led Reliance group and Bajaj Group are lining up plans to seek banking licences once the Reserve Bank of India comes up with re levant guidelines.

RBI draft norms on pvt bank chiefs' salary package soon: The Governor had indicated in the mid term review that compensation practices, especially those of bigger financial institutions, as one of the factors that contributed to the recent global financial crisis.

EPFO recommends 8.5% interest for '10-11: It is the same rate as given in the last five years. The decision would leave a surplus of Rs 15.26 crore.

Service Tax on Construction and Office rentals: The Finance Bill levies service tax on construction, office rentals, land lease rentals and on additional amenities that developers offer over and above the floor price, as also floor rise. The tax on rentals will be with retrospective effect from June 1, 2007.

Service Tax on Health Insurance: The Budget has proposed service tax on payments made by the health insurance companies to the hospitals directly in case of cashless claim processing.

Increase in rate of Petrol & Diesel: by Rs 2.71 and Rs 2.55 per litres respectively due to increase in Customs and excise duties. Of the Rs 2.71 a litre increase in the price of petrol, excise duty is Rs 1.24 a litre and Customs duty constitutes Rs 1.47 a litre.

Rupee to have Symbol: The Indian currency will have an official symbol after 62 years of Independence and would join a select club of currencies such as dollar, euro, pound sterling and yen which have a distinct identity. The symbol may signify a step towards capital account convertibility.

Capital Infusion in Banks: The Govt intends to provide a sum of Rs 16500 crore towards capital of public sector banks after providing Rs 1900 crore in 2008-09 and Rs 1200 crore in 2009-10. This will help public sector banks to attain a minimum 8 per cent Tier-I capital by March 31, 2011. Allahabad Bank, UCO Bank, Dena and Syndicate Bank may be the key beneficiaries.

Interest subvention scheme on housing loans extended : Last year, one per cent interest subvention was announced on housing loans up to Rs.10 lakh where the cost of the house does not exceed Rs.20 lakh. This has been continued this year also.

RBI fines Bank of Rajasthan: RBI has imposed a monetary penalty of Rs 25 lakh on Bank of Rajasthan. The penalty has been levied for violation of the RBI's directions with regard to acquisition of immovable properties; deletion of records in the bank's IT systems; non-adherence to `Know Your Customer' guidelines in the opening and conduct of some accounts; irregularities in the conduct of accounts of a corporate group and failure to provide certain documents sought by the RBI

You don't need maths to become a bank officer: For recruitment of 4,000 probationary officers (POs), SBI has dropped the numerical ability and quantitative aptitude papers.

United Bank IPO subscribed 33 times: United Bank of India's initial public offering was subscribed 33.38 times. The issue received bids for 167 crore shares against the 5 crore shares on offer. The shares reserved for Qualified Institutional Buyers were subscribed 47 times, for High Networth Individuals 39.1 times and for retail by close to ten times.The price band for the issue was fixed at Rs 60-66.

RBI allows banks to take over weak urban co-ops: RBI may consider transfer of assets and liabilities (including branches) of UCBs having negative net worth as on March 31, 2007, to commercial banks, with Deposit Insurance and Credit Guarantee Corporation support. The transferee bank (one which is taking over the assets) has been permitted to take over the branches and close down the loss-incurring branches (net loss for last three years) of the transferor bank with the prior approval of the RBI. The shifting or relocation of the branches of the transferor bank may also be permitted by RBI subject to making the banking facilities available to the customers through the existing or relocated branches of the transferor or transferee bank.

Rules revised for tax deduction at source: In March 2009, the CBDT had stipulated that assesses filing return for assessment year 2009-10 or any other earlier assessment years should provide the Unique Transaction Number (UTN). But now this rule has been withdrawn. The UTN was proposed to facilitate the verification of pre-paid taxes such as TDS with the data available in the NSDL system. The verification is important as no document is required to be filed with the return of income.

Maruti recalls one lakh A-Star cars: This has been done following a problem in its fuel tank. In recent weeks, two Japanese carmakers had recalled faulty units — Honda recalled 8,532 units of the 2007 City model in India, while Toyota recalled close to 10 million vehicles in North America, Europe and China.

SBI should have bought Citibank when shares were selling at $1' : While presenting AIMA-JRD Tata Corporate Leadership Award to the SBI, Union Home Minister,Mr P. Chidambaram, told that he had suggested for buying of Citibank when its shares were selling at $1. He said the country was missing a number of big opportunities as it was not letting the banking industry to consolidate and grow.

Union Bank adopts village : Union Bank of India, Uluberia branch, has adopted Khalisani village under Uluberia Block – II, Howrah, under its Union Adarsh Gram Yojana. With the addition of Khalisani village, the bank has so far adopted 102 villages across the country.

Growth in Private remittances set to treble in 2009-10: As per Economic Advisory Council to the Prime Minister more than three-fold jump in private remittances is expected in 2009-10. Overall, private remittances in 2009-10 are expected to be over $55 billion, reflecting a 25 per cent increase over 2008-09. Private remittances grew a modest 7% in 2008-09.

Indian Statistical Institute is country's top economics dept: As per a study by Indira Gandhi Institute of Development Research, Mumbai, Indian Statistical Institute, New Delhi has been ranked the top economics department followed by Indian Statistical Institute, Kolkata and Delhi School of Economics, New Delhi. The study was based on the quality of research papers from individual economics departments.

Experian gets licence: Credit information services company, Experian Credit Information Company, has received the full licence from the Reserve Bank of India to operate a credit bureau. Experian holds 49 per cent stake in the joint venture, while seven Indian partners jointly hold the remaining 51 per cent stake.

IRDA to look into rising expenses: IRDA is concerned about the rising expenses incurred by the insurance companies and wants some standardisation in the expenditure reporting procedure.

Plantation crop insurance scheme soon: Under the proposed scheme, the Centre will bear 50 per cent of the insurance premium as a subsidy, while the plantation growers will shell out the remaining. The plantation sector is crucial as it employs 17 lakh workers and sustains 15 lakh small growers. These crops constitute around 3 per cent of India's exports.

Banks using loyalty rewards schemes to increase card spends: SBI launched a loyalty programme for its debit card customers in April 2009. Punjab National Bank is also planning to launch a similar programme for its credit card customers. SBI's reward programme offers customers the option to redeem the points earned for using their debit cards with over 35 retail brands. SBI debit card base increased from 5.1 crore to 6.8 crore.

HMRI helpline wins Nasscom award: The Health Management and Research Institute's (HMRI) '104 Advice' helpline has won the Nasscom Social Innovation Honours 2010, in the ICT-led innovation category by non-profit organisations.

Handicraft exports to double by 2011-12: Handicraft exports are likely to nearly double to $3.4 billion by 2011-12 from the projected $1.8 billion in 2009-10. This will be due to the demand revival in traditional markets of Europe and the US. Besides, exporters are shifting focus to new markets such as Latin America, Africa and the Caribbean, and Central and South-East Asia.

Stand-off with SEBI will not affect life insurers: IRDA: Last month, SEBI had asked insurers why the mutual funds rules should not be applicable to ULIPs as they were also exposed to markets.

DoT may get 'poor' rating if it doesn't finish 3G auction by June: Under a Results Framework Document (RFD) prepared by the Government, the DoT will get a 'poor' rating in case it fails to complete the 3G and broadband wireless spectrum auction by June 30. The RFD has been prepared by the Government for every major Ministries outlining the target and the expected time line for achieving the initiative. The move is aimed at bringing more accountability in the functioning of the various Government departments.

Centre to hike retail urea price from April 1: The Centre has decided to hike the maximum retail price (MRP) of urea from Rs 4,830 to Rs 5,310 a tonne with effect from April 1. Further, all non-urea fertilisers will be freed from MRP controls, as part of the move to usher in a Nutrient Based Subsidy (NBS) regime instead of `product based subsidy' regime. At present, the MRPs of 19 fertilisers are fixed by the Centre.

GIC Re plans to expand global footprint: General Insurance Corporation of India (GIC Re) is planning to set up a $500-million pool to reinsure risks arising out of natural catastrophes (NatCat) in Asia and Africa.

YES Bank teams up with Nokia: YES Bank has partnered with handset maker Nokia to offer mobile payment services. **India-made telecom gear will not need security okay:** DOT plans to exempt telecom equipment and software made in India from taking mandatory security clearance before operators deploy them. Recently, the DoT had made it compulsory for operators to get security clearance from the Government before purchasing any gear or software.

Private insurers cut headcount by 33,700: Despite reduction in staff, new business premium has risen by 25% because premium is dependent mainly on agents. Due to the tough business environment , field staff who failed to bring in new business were asked to leave; this increased the attrition level in the industry.

Govt mulls one entrance test for medical, engg courses: The single entrance tests could become a reality from 2013. Efforts will be made to hold a national test in science and commerce from 2013.

World Bank offer to AP Govt : to support the Andhra Pradesh Government's third phase of poverty alleviation programme beyond September 2011 by extending additional funding which may work out to about Rs 1,000 crore.

Banks' exposure to core sector projects grows over 20%: Telecom and power are the largest recipients of the infrastructure push.

Sugar, potatoes drive inflation up to 8.56% in Jan: The wholesale-level inflation rate in January surged to its highest level in well over a year. The index had increased 7.31 per cent in December. The surge in headline inflation was on account of an across-the-board increase in primary, fuel and manufactured prices.

6-month window to change FCCB conversion price: The Government has allowed companies that issued foreign currency convertible bonds (FCCBs) before November 27, 2008, to reset the FCCB conversion price to a level that is as close as possible to the market price. These companies can now revise their FCCB conversion price to the average weekly high and low share prices for the two weeks prior to the relevant date. This is against the previous minimum conversion price that had to be determined as the higher of the average for six months and two weeks. Prior approval of the Reserve Bank of India will be needed before revising the conversion price.

NHAI sets new norms for project bidding: It will bar a developer from bidding for new projects if the company has been declared by the authority as the selected bidder for undertaking three or more projects and the bidder is yet to achieve financial closure.

Bharti bid for Zain gets green signal : Kuwait-based co to sell most of African assets for $10.7 b. It is second major attempt by Bharti to go global after MTN. Zain has over 70 million users across 24 countries. Bharti bid only for Zain's African operations. 62 per cent of Zain's customers are in African countries. So far, Bharti has managed to enter Sri Lanka and Bangladesh.

Roadmap for clean fuel supplies in place: Goa will be the first recipient of BS III petrol and diesel from April 1, the day when 13 top cities will move to BS IV levels. Maharashtra and Madhya Pradesh will follow, from June 1. By July 1, other states like Tamil Nadu, Andhra Pradesh, Karnataka, Rajasthan, Gujarat, Orissa and West Bengal will be added to the BS III list.

Centre planning to develop 25,000 MW of gas fired plants: The Power Ministry is working on plans to develop 25,000 MW of new generation capacity using gas as feedstock over the next three-four years.

RBI reworking roadmap on capital account convertibility: The Tarapore Committee on fuller capital account convertibility had suggested a three-phase roadmap beginning 2006. The proposal was to achieve the full float of the currency by 2011. According to Dr Subbarao, Governor, RBI, it might not be easy to replace the dollar as global currency.

67% of global foreign exchange reserves and 90% of the global foreign exchange transactions are in dollars.

RBI must appoint auditors for public sector banks: ICAI: Under the autonomy package, banks were, in fiscal 2008-09, empowered by the Government to decide their own statutory auditors.

13 cities to bid adieu to Maruti 800 from April 1: With the new emission laws, which require all automakers to upgrade the engines of cars sold in the top 13 cities to Bharat Stage IV levels, coming into force from April 1.

Manufacturing powers industrial growth to 16.8% in December: The cumulative industrial growth for April-December comes to 8.6 per cent, which is more than the 3.6 per cent for the corresponding three quarters of 2008-09.

PNB expanding overseas: The bank plans to open subsidiaries in Canada and Kazakhstan, a branch in Shanghai (China) and a representative office in Australia, besides upgrading its representative office to a branch in Norway in the next one year. The bank is also looking to add two more branches in the UK.

CCEA to vet only Rs 1,200-cr plus FDI proposals: FIPB powers expanded. FIPB will clear deals of up to Rs 1,200 cr, up from Rs 600 cr. Move to expedite foreign investment inflows and attract more such funds.

India, UK sign joint declaration on nuclear co-operation: India has also finalised a civil nuclear cooperation deal with Canada, which is expected to be signed soon.

Export growth stays positive; up 11.5% in Jan: Exports for April 2009-January 2010 were $131.92 billion against $144.27 billion in the same period previous year. Exports had contracted for 13 consecutive months from September 2008, the maximum fall being 39.4 per cent in May 2009.

Costlier potatoes, pulses push food inflation to 17.94%: for the week ended January 30.

Govt to shore up non-life insurance penetration: Non-life penetration in the country has remained virtually stagnant since the beginning of the decade at 0.5 per cent of the Gross Domestic Product. For the same period, the life insurance sector's penetration rose from 2 per cent to 4.1 per cent as of last year. In the case of the non-life covers, the major factor retarding penetration was the large requirement of capital. Under the current regulation of the IRDA, insurers are expected to maintain a solvency margin of at least 150 per cent.

Govt puts Bt brinjal in cold storage, for now : Moratorium till GM vegetable's health, eco credentials are established

West Bengal, Orissa, and Bihar accounted for over 60 per cent of the country's brinjal output. Though Genetic Engineering Approval Committee (GEAC) is a statutory body authorised to approve commercialisation of GM crops, yet for Brinjal matter was referred to Central Govt.

In 2009, one-in-three offshore centres set up in India: despite some tough competition from aspirants such as Brazil, the Philippines or even China. India still scores high on the IT outsourcing checklist, on three key parameters — the size of the talent pool, the low cost structure, and the cultural alignment to Western markets.

Survey finds 50% industrial clusters ‘critically polluted' : The Central Pollution Control Board (CPCB) has identified 43 out of 88 major industrial clusters in the country as “critically polluted.” Ankleshwar and Vapi in Gujarat topped the list of most pollution clusters with scores of 88.50 and 88.09. A CEPI score of more than 70 should be considered as critically polluted.

Financial literacy tram': As part of the series of initiatives being undertaken to spread financial literacy among general public on the occasion of its platinum jubilee celebrations, RBI proposes to launch a ‘financial literacy tram' in Kolkatta to display various financial education themes.

CSO pegs 2009-10 growth at 7.2%: substantially higher than the 6.7 per cent growth recorded in 2008-09 but lower than the forecast of 7.5% made by RBI, 7.75% by Ministry of Finance. The CSO's advance estimate released today comes under the new base year 2004-05.

Govt wants ‘back-up' for Chinese power gear: Ministry to ensure mechanism for plant servicing, spares. Over 35,000 MW of new power generation capacity coming up uses Chinese equipment.

SEZ exports more than double in Apr-Dec '09 : Account for 27% of India's total exports. Exports from Special Economic Zones during April-December 2009 were Rs 1,51,785.49 crore a 127% growth for same period last year.

China breezes through to the top of wind power list : China added 13,000 MW of wind power capacity in 2009, accounting for a little over a third of the 37,466 MW added during the year. India occupied the fifth slot in capacity addition during 2009. The US continued to be the largest in terms of cumulative installed capacity, followed by Germany, China, Spain and India.

Govt presses for Central aid to tackle Tirupur effluent problem : Tirupur is a major hub for knitwear production.

LIC launches unit-linked plan 'Wealth Plus': The plan guarantees the highest Net Asset Value (NAV) recorded on a daily basis, in the first 7 years of the policy. This means the payment at the end of the policy term will be based on highest NAV recorded over the first 7 years, or the NAV at the end of the policy term, whichever is higher.

Court says no to differential treatment on earned leave between workmen, office staff: as there was no justification for two different types of earned leave, one for a section of office staff and the other for workers.

Small hydro projects, captive units face regulatory whammy: A new set of regulations issued by the Central Electricity Regulatory Commission (CERC) stipulate that a generating station having an installed capacity of less than 250 MW will not be eligible for seeking connectivity with the inter-State transmission system.

Banks must leverage technology for financial inclusion: Pranab : so that the benefits of the Government's social security efforts, national rural employment guarantee payments, and the like, can reach the rural poor directly. Over half of the 90 million farmer households in the country did not have access to credit either from institutional or non-institutional sources.

SBI achieves 100% core banking: The implementation of core banking at SBI is one of the largest such exercises in the world, entailing the interconnection of over 17,700 branches and over 20,000 ATMs in India and overseas.

HDFC Bank's e-worship service draws devotees: As part of the initiative, which is nearly two-and-half years old, the bank has tied up with thirty-seven religious places, including temples, mosques and churches, across India.

Extended hours improve cash volumes on NSE : National Stock Exchange, has reported an increase in transaction volumes in its cash segment in the first month after the extended timings were introduced. In Jan NSE had an average daily turnover of Rs 17,800 crore, 11 per cent higher than the average figures for the previous three months.

Pact with World Bank for sustainable transport project: The project has a loan component of $105.23 million from International Bank for Reconstruction and Development (IBRD) and a grant of $20.33 million from Global Environment Facility (GEF). The project will be implemented in four States: Maharashtra (Pune and Pimpri-Chinchwad), Madhya Pradesh (Indore), Chhattisgarh (Naya Raipur) and Karnataka (Mysore).

Report on cutting transaction costs of exporters by March : A Committee, chaired by the Minister of State for Commerce, Mr Jyotiraditya Scindia, has been constituted to suggest ways to reduce transaction costs of exporters. Transaction costs include time and money spent by exporters in adhering to the Government's export policies and procedures. These costs in India range from 5-10 per cent of the Free On Board value of exports It translates to over $10 billion annually.

PM reaffirms commitment to sustainable development : Under the ambit of the National Action Plan on Climate Change, India has already unveiled a solar energy plan targeting an installed base of 20,000 MW by 2022.

NTPC issue subscribed fully: NTPC issue was subscribed 1.2 times. However, retail investor response was tepid, with retail and HNIs subscribing to only 1.3 crore shares against the 20.4 crore shares reserved for them.

UK award for Deepak Parekh: Mr Deepak Parekh, Chairman, HDFC, has been awarded the outstanding achievement award by the Institute of Chartered Accountants in England and Wales for 2010, in recognition of his contribution to the finance and accountancy profession.

IDBI Bank implements variable pay for officers : The package, which will cover over 8,000 officers, will include a 70-per-cent fixed component and a 30-per-cent variable component. Bank will create a system to differentiate between the performances levels of its employees. This will include building methodologies to define job descriptions, by Key Result Areas (KRA) and job objectives.

IMF sees 8% growth for India in next fiscal: but for the current fiscal it has projected 6.75% in contrast to the government's projection of more than 7 per cent and the RBI's latest forecast of 7.5 per cent.

OIL-IOC combine launches hydrocarbon hunt in Libya: The consortium acquired the five exploratory blocks in Area 86 and 102 during bidding rounds in 2004 and 2005, respectively.

Private banks lax on financial inclusion may lose Govt biz: Private sector banks failing to carry out the financial inclusion mandate, including extending banking services to rural areas, could be 'de-panelled' from government businesses and projects such as the Corporate Affairs Ministry's MCA-21. Private banks earn a direct commission of around Rs 300 crore on Government businesses and also earn around Rs 2,000 crore on free-float that they are able to access.

RBI stops short-term forex borrowing by non-banking, housing finance cos : In October-November 2008, the RBI had, as a temporary measure, allowed systemically important non-deposit taking NBFCs and HFCs to raise short-term foreign currency borrowings not exceeding 50 per cent of their net-owned funds or $10 million, whichever was higher, for refinancing their short-term liabilities.

Kirit Parikh panel wants cooking fuel prices raised : Suggests hikes of Rs 6/l of kerosene, Rs 100/LPG cylinder; The committee has also pressed for complete deregulation of petrol and diesel prices. Though these measures may impact inflation, the measures have become essential otherwise fiscal deficit will go up, credit ratings will be affected, the borrowing cost will go up.

SEBI drops proceedings against NSDL : for its alleged failure to check the creation of fictitious demat accounts in the IPO scam that came to light in 2005. The scam happened when the SEBI Chairman, Mr C.B. Bhave, was heading NSDL.

SBI keen on raising gift card sale : State Bank of India (SBI) has waived issue charges on its gift cards up to March 31.

Generally, the charges on gift cards range from Rs 50 to Rs 200 a card across banks.

Germany announces 2 new projects: The German President, Dr Horst Köhler, announced two new projects as part of bilateral cooperation between the two countries. Renewable energies and increased energy efficiency will be the priority in Indo-German development cooperation.

Govt may disinvest in PSBs without losing control : The Centre is considering the suggestion to allow statutory organisations such as LIC, the Employees Provident Fund Organisation and GIC to infuse capital into public sector banks (PSBs) by buying a portion of the Government's holdings in these banks. This amounts to disinvestment without the Government losing effective control in the PSBs.

NPAs rise: Gross non-performing assets (NPA) as of December 2009 are up 27% over the same time last year. Gross NPAs of Public sector banks have grown 40%. per cent. The bad loans have grown partly because of the slowdown last year and partly because RBI in late 2008, allowed banks to go easy on collecting their dues.

Corporation Bank gets tech award : Corporation Bank has bagged the in the 'Best Online and Multichannel Banking Initiative Category' for its achievement in banking technology during 2009, amongst public sector banks.

Banks buying priority sector loans from NBFCs : Public sector banks are now buying PS loans from non-banking finance companies to meet their priority sector lending targets. Another advantage for the bank is that generally these are secured loans backed by receivables and the NBFC takes care of recovery issues.

SBI to open branches in villages without banks: SBI plans to cover one lakh such villages.

Central Bank of India mulls mobile ATMs for C'Wealth Games

RECALLED QUESTIONS

1. Application of funds in a fund flow statement indicates: **decrease in working capital**.
2. If Acid Test Ratio is less but Current Ratio is more, what does it indicate?: **Excess investment in inventory.**
3. Small Manufacturing enterprises are those where the investment in plant & machinery does not exceed: **Rs 5 crore**
4. In case of advances to limited companies, modification of charge is required to be done under what provision?: **Section 135 of Companies Act**
5. Duty based on value is called: **Advalorem.**
6. Obliteration of a cheque means: **Chemically altering the instrument.**
7. Provisions relating to Crossing are applicable to: **Cheques and drafts only and not in the case of promissory note and Bill of Exchange.**
8. After executing the mortgage deed it should be registered with Registrar of Assurances within how much period?: **4 months.**
9. What is maximum amount of award that can be awarded by ombudsman? **Rs 10 lacs**
10. For Loan against Sundry Debtors, the age of debtors should be: **Normally upto 90 days**.
11. Debtors Velocity Ratio or Debt Collection Period represented by: **Debtors /salesx 365**
12. Why bank prefer Deferred Payment Guarantee compared to term loan? **Neither the bank nor party has to pay the money immediately.**
13. Which is not a Direct Agriculture? **Loan given to Dealers in Farm Machinery.**
14. Liquidity is increased or reduced through: **reduction or increase in CRR**
15. Savings Bank can be opened for which of the following? a) Schools b) Colleges c) Charitable Trust d)Non Profit Making Bodies: **all of these**
16. After Death of Depositor, premature payment of FDR is taken by legal heirs. What will be the interest rate payable?: **No penalty. Rate as applicable for the period for which deposit remained with Bank**.
17. In case of Pledge, what is the right of the bank?: **Bank can sell the pledged goods without intervention of court after sending a notice to pledgor**.
18. When the Business is stated to be at Break Even Point? **When there is no Profit no Loss or revenue is equal to fixed and variable cost.**
19. The charge in case of Loan against Kisan Vikas Patra is created by: **Assignment**
20. The charge in case of Loan against Life Insurance Policy is created by: **Assignment**
21. Banks obtain Photographs while opening accounts as per recommendations of which Committee? : **Ghosh Committee**
22. Which sector of the economy has the fastest growth? **Services**
23. Purchaser request for stop payment of D.D. as goods supplied are of inferior quality. What should the bank do? **Payment of DD can not be stopped as it is value paid instrument.**
24. What is the effect of Endorsement in Blank?: **It makes the instrument payable to bearer**
25. Account Payee Crossing is an instruction to which bank?: **Collecting Bank as proceeds to be credited to the account of payee only.**
26. A cheque dated 31.11.09 will be paid on: **last day of the month or or within six months**
27. In the case of wrongful dishonour of the cheque, banker will be liable to whom?: **Drawer.**
28. Who is the applicant for LC?: **An Importer**
29. A company is required to file particulars of charge with which ROC?: **In whose jurisdiction Registered office of the company is located.**
30. Who is the Chairman of SEBI?: **C B Bhave**.
31. Who is the RBI Governor? **D. Suba Rao**
32. Authorised Dealer can allow how much amount for remittance abroad in case of permanent settlement or immigration?: **US $ 1.00 lac** (if requirement of country where the resident wants to settle is higher, then more amount can be allowed).
33. If Income tax slab rate is 10% up to Rs1000, 8% for income of Rs 2000 and 6% for income of Rs 3000, the rate is called: **Regressive**
34. Who is the Deputy chairman of Planning Commission? **Dr. Montek Singh Ahluwalia**
35. First five year plan was in the year: **1952-1957**
36. RBI started operations in: **1935**
37. RBI incorporated under which Act?: **RBI Act 1934**
38. Who is the Chairman of 13th Finance Commission? Dr. **Vijay Kelkar.**
39. What is the target for financing agriculture as percentage of Adjusted net bank credit?: **18%**
40. A Cheque with forged signature was paid. Customer has been given the statement of account and no objection has been raised for the entries. What is the liability of the bank?: **Bank liable for passing the cheque with forged signature**
41. A mail transfer advice has been received in a deceased depositor's account. What is correct in this regard?: **It will be credited to a separate account opened as the Estate of the deceased on the request of the legal heirs or returned to the remitting bank**
42. Cash credit accounts are classified as NPAs if drawings are allowed against DPs treated as irregular. DP is treated as irregular if the same is calculated on the basis of a stock statement older than _____ months?: **Three**
43. Banks are required to make 100% provisions on the net outstanding debit balance in the IBR for the entries outstanding beyond : **more than 6 months**
44. An LC was issued for Rs. 40 lacs and DDs totaling to Rs. 22 lacs have been negotiated till date. Another DD for Rs. 12 lacs has been presented but the credit opener requests the bank not to pay the amount as the quality of goods supplied are inferior and not in accordance with the contract. What is correct in this respect?: **If LC is irrevocable no such instruction can be accepted as banks deal in document and not in goods.**
45. While opening account of a private limited company, which document is not required? **Certificate of Commencement of Business.**
46. Why banks do not grant loan to a minor?: **It cannot be recovered as contract with minor is void abinitio.**
47. Drawing Power is calculated on the basis of: **Fully paid up stock minus margin**.
48. As per RBI, maximum period for term Deposits has been prescribed at how many years?: **RBI has not given any instruction regarding maximum period.** It has been suggested by IBA at 10 years.
49. What type of account can be opened as NRE deposit?: **All types of accounts like Saving Bank, Current account, FDR, RD.**