

# Economy This Week

## 25th Nov 2019 to 8th Dec 2019

### TABLE OF CONTENTS

- [1. GST revenues not enough for state's compensation](#)
- [2. RBI files for insolvency plea against DHFL](#)
- [3. Recognise real fiscal deficit](#)
- [4. RBI raises P2P lending cap](#)
- [5. PSBs go slow on MUDRA](#)

#### 1. GST revenues not enough for state's compensation [\(TH 4/12/19\)](#)

- The centre has written to all the states voicing concern that GST collections will not be sufficient to pay for the compensation of the states.
  - Many states including Punjab, Delhi, Kerala, etc. have urged the centre to transfer the pending compensation payments as they are to receive them for many months now.
  - Though government imposes compensation cess to pay for the compensation, the collections have been lower and are insufficient to pay for the states.
  - The government has promised compensation for any shortfall of revenues for a period of five years.
- 

#### 2. RBI files for insolvency plea against DHFL [\(TH 30/11/19\)](#)

- The [RBI](#) has filed an insolvency application against Dewan Housing Finance Corporation Ltd (DHFL).
  - This will be the first instance of insolvency proceeding initiated against a financial institution after the government issued a notification specifying the categories of financial service providers which can be taken up for insolvency resolution under the IBC.
  - The application has been filed under Section 227 read with Section 239 of the IBC.
- 

#### 3. Recognise real fiscal deficit [\(TH 30/11/19\)](#)

- The growth rate for Q2FY20 is 4.5%.
  - The experts are of the opinion that the government should identify its true fiscal deficit so that it can increase its expenditure and put money in the hands of the people in order to increase the demand and investment.
  - In the present situation, the government needs to increase its expenditure but this is problematic as the government has created a problem for itself under the concept of fiscal deficit.
  - It is difficult to measure the exact fiscal deficit with the government practice of off-budget financing (which has increased in recent years).
-

#### 4. RBI raises P2P lending cap (BS 6/12/19)

- RBI has increased the aggregate exposure of the lenders to borrowers across non-banking financial companies (NBFC) peer-to-peer (P2P) platforms by five folds to ₹ 50 lakh.
  - The move is expected to provide an impetus to the lending platforms.
  - The cap on exposure of a single borrower has been kept unchanged at ₹ 50000 across such platforms.
- 

#### 5. PSBs go slow on MUDRA (BL 4/12/19)

- The loans given under PM MUDRA Yojana have slowed down in 2019.
  - Till November end, 2019, a total of ₹ 1.51 lakh Cr has been disbursed as against a total of ₹ 3.21 lakh Cr disbursed under the same scheme in the previous fiscal.
  - About the scheme:
    - Launched in April 2015.
    - Loans up to ₹ 10 lakh would be provided.
    - Target was non-corporate, non-farm small and micro-enterprises.
    - Three categories of loans:
      - Shishu - loans up to ₹ 50000
      - Kishor - loans from ₹ 50000 to ₹ 500000
      - Tarun - loans from ₹ 5 lakh up to ₹ 10 lakh
    - The loans under Shishu category are quickly turning into NPAs as small businesses set up by taking these loans are simply vanishing and with this, the recovery of the loans becomes impossible.
    - RBI, from the last one year, has been warning the banks over the MUDRA loan portfolio. The RBI deputy governor has asked the banks to have better due diligence and follow the loans during the life cycle of the businesses.
    - Some of the bankers have been apprehensive about conducting appraisal for these businesses before giving loans as some of these are given to opening up pan shop, cycle shop, etc. So in such cases, conducting appraisal is very difficult.
-