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DAILY NEWS DIGEST BY BFSI BOARD

09 December 2024

ECONOMY

Key investment destination: FDI inflows in India exceeds $1 trillion: Foreign direct investment (FDI) inflows into India have crossed the $1 trillion milestone in the April 2000-September 2024 period, firmly establishing the country's reputation as a safe and key investment destination globally. According to data from the Department for Promotion of Industry and Internal Trade (DPIIT), the cumulative amount of FDI, including equity, reinvested earnings and other capital, stood at $1,033.40 billion during the said period. About 25 per cent of the FDI came through the Mauritius route. It was followed by Singapore (24 per cent), the US (10 per cent), the Netherlands (7 per cent), Japan (6 per cent), the UK (5 per cent), UAE (3 per cent) and Cayman Islands, Germany and Cyprus accounted for 2 per cent each. India received $177.18 billion from Mauritius, $167.47 billion from Singapore and $67.8 billion from the US during the period under review, as per the data. The key sectors attracting the maximum of these inflows include the services segment, computer software and hardware, telecommunications, trading, construction development, automobile, chemicals, and pharmaceuticals.
(Business Line)

FPIs make a comeback: Pump ₹24,453 crore into Indian equities in December first week: After two months of relentless selling, foreign portfolio investors shifted their stance on Indian equities, turning net buyers in the first week of December with net investments totalling ₹24,453 crore, according to depository data. Prior to the latest turnaround, FPIs had remained net sellers for eight consecutive weeks.
(Business Line)

India's electronics exports may dominate trade negotiations with US: Electronic exports, which accounted for over 62 per cent of the increase in India's trade surplus with the US between 2020-21 (FY21) and 2023-24 (FY24), as well as their growing share in overall exports to the country, are expected to be a focal point as India negotiates trade issues with the new US Trump

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administration, according to sources. During this four-year period (FY21–FY24), India's trade surplus with the US increased by $12.6 billion, from $22.7 billion in FY21 to $35.3 billion in FY24. Electronics exports in the same period increased by $7.9 billion, from $2.1 billion to $10 billion.
(Business Standard)

BANKING & FINANCE

Eye on cybersecurity, PSBs told to conduct hackathons annually: The finance ministry has asked public sector banks (PSBs) to conduct annual hackathons in association with the Indian Institutes of Technology (IITs), universities and science institutions. It is part of an initiative to develop and encourage new initiatives in the fintech sector and strengthen cybersecurity, said a government official, adding that each PSB will conduct a hackathon in one location every year, selecting one institute or university. The hackathons will be organised around key ideas such as advanced fraud detection mechanisms, behaviour-based user authentication and security monitoring. "These issues are the cornerstone of the hackathon series. Each bank will now prepare an individual action plan including problem statements and the timeline and construct of these events," a bank executive said on condition of anonymity.
(Economic Times)

Centre may halt Sovereign Gold Bonds issuance from FY26 to reduce govt debt: With an increased emphasis on reducing government debt, the finance ministry is considering discontinuing the issuance of Sovereign Gold Bonds (SGBs) from the next financial year (2025-26). "The government is obligated to repay SGB investors the gold-equivalent value at maturity, which increases the government's liability. The regular payment of interest also adds to the government's fiscal burden. Now that the government has decided to sustainably bring down the debt-to-GDP ratio from FY27, there is no reason why such a scheme should be continued. It has also outlived its initial purpose of reducing physical gold imports," a senior government official said.
(Business Standard)

Fintech firms embrace AI for credit, payments, customer insights, more: India's decade-old fintech sector is putting artificial intelligence (AI) at the heart of its work, using the technology for purposes as varied as credit assessment and understanding complex data. Gandhinagar-based Infibeam Avenues, a key player in the payment aggregation space through its CCAvenue brand, is just one fintech company investing heavily in AI. The company reported a 27 per cent yearly growth in

consolidated revenue, reaching Rs 944.5 crore in the second quarter of FY25. Its expenses increased by Rs 900.5 crore, driven by "forward-looking investments" in AI-powered innovations.
(Business Standard)

RBI calls for enforceable Code of Conduct for CoCs under IBC: he Committee of Creditors (CoC), which is a key decision making body under the Insolvency and Bankruptcy Code (IBC), should be subjected to an "enforceable" Code of Conduct, Rajeshwar Rao, Deputy Governor, Reserve Bank of India (RBI) said on Saturday. The insolvency regulator IBBI should ideally be vested with the powers to enforce norms for the conduct of all stakeholders under IBC process, Rao said at an international conclave, jointly organised by INSOL India and Insolvency and Bankruptcy Board of India (IBBI).
(Business Line)

INDUSTRY OUTLOOK

Defaults under EPFO hit all-time high, rise 69.3%: Defaults under the Employees' Provident Fund Organisation (EPFO) surged to an all -time high of ₹25,820.88 crore at the end of 2023-24, up 69.3% from ₹15,254.06 crore a year ago, showed official data. The latest data showed an increase in defaults by exempted establishments. Out of the arrears of ₹5,318.42 crore due from exempted establishments, only ₹847.77 crore was recovered, leaving a balance of ₹4,470.65 crore, as per the EPFO annual report accessed by ET.
(Economic Times)

NCLT asks two Tata NBFCs to seek merger nod from stakeholders: The National Company Law Tribunal (NCLT) has asked two non-banking finance companies of the Tata Group — Tata Capital Ltd and Tata Motors Finance Ltd — to convene meetings of their shareholders and secured and unsecured creditors to seek approval for their proposed merger. Tata Motors Finance funds purchase of new vehicles manufactured by its parent, Tata Motors Ltd, and its group companies. The Tata Group is consolidating Tata Motors Finance with Tata Capital to create a larger unified financial services entity with a wider geographical reach, stronger capital and asset base. The transaction is in line with Tata Motors' stated objective of exiting non-core businesses and focusing its capital spending on emerging technologies and products.
(Economic Times)

Mergers & acquisitions make a comeback in 2024, up 13.5% till November: Investment bankers are expected to go home with hefty bonus cheques in 2024 with merger and acquisition

(M&A) deals rising 13.5 per cent year on year (Y-o-Y) to $88.9 billion in value in the first eleven months of the year, according to Bloomberg data. Bankers expect 2025 to be another record year as healthy economic growth, technological advancements, and the deployment of "dry powder" (unallocated cash) by private equities create a conducive environment for deal-making..

(Business Standard)

REGULATION & DEVELOPMENT

Govt plans to decriminalise MSMEs' minor defaults: The Union government is considering decriminalisation of minor defaults under the Micro, Small, and Medium Enterprises Development (MSMED) Act. Ahead of the Union budget; the Micro, Small & Medium Enterprises (MSME) ministry, as part of the consultation process, has recommended that the law ministry decriminalise acts such as furnishing incorrect self-declaration memorandum, failure in disclosures, said two people in the know of the development. The law also includes the failure of buyers to disclose MSME dues in their annual accounts. This plan of helping improve ease of doing business for MSMEs comes in the backdrop of these small businesses having low capital, with the Centre prioritising Vivaad Se Vishwas scheme for settlement of disputes for such businesses.

(Mint)

Parliament committee approves of reforms proposed in Insurance Bill: A parliamentary standing committee on finance has favoured various reforms proposed in the Insurance Amendment Bill, including issuance of a composite licence and reduction in capital requirement. "The committee notes that IRDAI has proposed amendments to the Insurance Act, 1938, allowing for composite insurance businesses and the same is under consideration of the Ministry. The committee expects the ministry to expedite the matter to enable the insurer to offer both life and non-life products," it said in a report. The Centre has prepared a draft bill seeking amendments to the Insurance Act, which also includes raising the foreign investment limit to 100% from the current 74%. The amendments have been proposed for the Insurance Act 1938, the Life Insurance Corporation Act 1956 and the Insurance Regulatory and Development Authority Act 1999. On the issue of Goods and Services Tax on health insurance and microinsurance products, the parliamentary committee said it is glad that the IRDAI agrees with the committee's recommendation for reducing GST rates.

(Economic Times)

Parliamentary panel advocates automated compensation process for banking fraud victims: A parliamentary panel has advocated an automated compensation process for banking fraud victims. It further reiterated recommendation of setting up of a Central Negative Registry for consolidated information on fraudsters' accounts and the official documents various agencies have utilised. Present system, as prescribed by the Reserve Bank of India's (RBI) circular dated July 6, 2017, there are two conditions when a customer has zero liability in case of unauthorised transaction. The bank is primarily responsible for contributory fraud, negligence, or deficiency, regardless of whether the customer reports the transaction.

(Business Line)

FINANCIAL TERMINOLOGY

EXCHANGE RATE MECHANISM

- An exchange rate mechanism (ERM) is a set of procedures used to manage a country's currency exchange rate relative to other currencies. It is part of an economy's monetary policy and is put to use by central banks.
- Such a mechanism can be employed if a country utilizes either a fixed exchange rate or one with a constrained floating exchange rate that is bounded around its peg (known as an adjustable peg or crawling peg).
- More broadly, ERM is used to keep exchange rates stable and minimize currency rate volatility in the market.
- An exchange rate mechanism is not a new concept. Historically, most new currencies started as a fixed exchange mechanism that tracked gold or a widely traded commodity. It is loosely based on fixed exchange rate margins, whereby exchange rates fluctuate within certain margins.

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RBI KEY RATES

Repo Rate: 6.50%
SDF: 6.25%
MSF & Bank Rate: 6.75%
CRR: 4.50%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 84.6578
INR / 1 GBP : 107.9127
INR / 1 EUR : 89.5324
INR /100 JPY: 56.5000

EQUITY MARKET

Sensex: 81709.12 (-56.74)
NIFTY: 24677.80 (-30.60)
Bnk NIFTY: 53509.50 (-94.05)

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