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DAILY NEWS DIGEST BY BFSI BOARD

10 December 2024

ECONOMY

Make in India: Centre shifts focus to sector-tailored schemes amid low PLI fund utilisation: After low utilisation in its flagship Production Linked Incentive (PLI) scheme, the government is revising its strategy to bring in tailor-made schemes like the capex-backed one for electronics and semiconductors, rather than expanding the PLI plan to more areas. After low utilisation in its flagship Production Linked Incentive (PLI) scheme, the government is revising its strategy to bring in tailor-made schemes like the capex-backed one for electronics and semiconductors, rather than expanding the PLI plan to more areas.
(Moneycontrol)

Salary, wage expenses growing faster than revenues for India Inc: Expenses on salaries and wages by firms in India have grown faster than net sales (gross inter-est income in the case of lenders) in nine of the last 15 years. This has led to a steady rise in the share of net sales that companies spend as employee expenses. The ratio of expenses on salaries and wages expenses to net sales improved (which means it declined numerically) during the post-pandemic boom in demand growth in FY22 and FY23, but employee expenses are again growing faster than revenues, eating into companies' margins and profits.
(Business Standard)

FDI equity flows up 45% at $29.8 billion in H1FY25, shows govt data: Foreign direct equity investment witnessed a 45 per cent jump at $29.8 billion in the first six months of the current financial year, according to data of the Department for Promotion of Industry and Internal Trade (DPIIT). The rise in foreign direct investment (FDI) equity inflows comes after a contraction in inflows for three consecutive financial years: FY22, FY23, FY24. Gross foreign direct investment, which includes equity capital of unincorporated bodies, reinvest earnings and other capital, saw 29 per cent rise at $42.3 billion during April-September.
(Business Standard)

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BANKING & FINANCE

Revenue Secretary Sanjay Malhotra named RBI Governor for three years: Revenue Secretary Sanjay Malhotra will be the next RBI Governor for a period of three years, cleared by the Appointments Committee of the Cabinet on December 9, as per a notification issued by the Department of Personnel and Training (DPoT). Sanjay Malhotra, 56, will take over from Shaktikanta Das on December 11 as the 26th Governor of RBI. Sanjay Malhotra is serving as the Revenue Secretary and is a 1990-batch IAS officer of the Rajasthan cadre. Malhotra, who has, in the past, worked as chairman and managing director of state-run REC, has been instrumental towards achieving the recent buoyancy in tax collections. Malhotra is also an IIT-Kanpur alumnus and holds a master's degree in public policy from Princeton University, US. Malhotra is also an IIT-Kanpur alumnus and holds a master's degree in public policy from Princeton University, US.
(Moneycontrol)

PM Narendra Modi launches LIC's 'Bima Sakhi Yojana' to empower women: Prime Minister Narendra Modi on Monday launched Bima Sakhi Yojana, an initiative of the state-owned Life Insurance Corporation (LIC) that aims to enrol 100,000 Bima Sakhi in 12 months to financially empower women. The scheme is designed to benefit women in the age group of 18-70 years, who are Class-10 pass.“Expansion of the insurance sector will be spearheaded by women via the scheme. The data suggests LIC agents earn up to Rs 15,000/month on an average," Modi said while inaugurating the scheme in Panipat. Modi said that the scheme will play an important role in providing social security to every household. “The women will get Rs 7000 stipend in the 1st year, Rs 6000 in 2nd year, Rs 5000 in 3rd year. IRDAI may give training to these women to become permanent development agents after clearance of an exam. LIC said it is targeting to enrol 100,000 Bima Sakhi in the next 12 months and 200,000 over a period of three years as part of its women empowerment drive. Finance Minister Nirmala Sitharaman, who was also present at the event, said 25,000 women will be appointed as Bima Sakhi who have passed Class 10th.
(Business Standard)

Rates, more than CRR lifeline, will help sustain rally in PSU banks: Who would be the biggest beneficiaries of the latest regulatory decision to reduce the cash reserve ratio (CRR) requirements for lenders? Identifying the individual banks – or even a cohort differentiated by ownership - is challenging. Conventional wisdom dictates smart funds go to public-sector banks for a good medium-term trade, regardless of their recent outperformance relative to private peers. That’s

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because most of the state-run lenders, barring the State Bank of India (SBI), would be relative stragglers on liquidity than their private peers. Hence, theoretically, they stand to benefit disproportionately from the Reserve Bank of India (RBI) decision to inject Rs 1.16 lakh crore of liquidity into the system in two successive fortnightly instalments. “The reduction in CRR may not mathematically translate to any change in deposits and lending rates,” SBI Research said in its assessment of the impact of the central bank move. “However, it may have a positive impact on margins (3-4 bps on NIM) of the banks.”

(Economic Times)

INDUSTRY OUTLOOK

Insurers urge IRDAI crackdown against OEM-linked motor insurance brokers: General insurance officials are arguing with the Insurance Regulatory and Development Authority of India (IRDAI) to impose strict penalties on motor insurance service providers (MISPs) affiliated with vehicle manufacturers (OEMs) and dealers, according to a report by Moneycontrol. These providers are reportedly charging steep commissions of up to 53 per cent for new private car insurance policies, pushing up premiums for consumers. According to the report, a senior insurance executive revealed that OEM-backed brokers often dictate both commissions and premium pricing, threatening to block insurers from their platforms if attempts are made to reduce premiums. Some even withhold vehicle sales if buyers opt for alternative insurance options. This practice forces consumers to buy policies at inflated rates, a situation detrimental to both insurers and policyholders.

(Business Standard)

Gold rises on Fed rate cut bets, China's central bank resumes purchases: Gold prices climbed on Monday as China's central bank resumed gold purchases after a six-month pause, while expectations for an interest rate cut at the Federal Reserve's meeting next week strengthened. Spot gold gained 0.7per cent to $2,650.63 per ounce, as of 0910 GMT. US gold futures added 0.5per cent to $2,672.30. "Falling US interest rates and ongoing solid demand from central banks are supporting the gold price. (It) Was definitely good to see again purchases by the Chinese central bank last month, but other central banks have been also buying large quantities," said UBS analyst Giovanni Staunovo. Top consumer China's central bank resumed gold purchases in November, potentially boosting investor demand. The People's Bank of China (PBOC) paused its 18-month buying streak in May.

(Business Standard)

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DPIIT inks MoU with Flipkart to invest in and mentor Indian startups: In a significant move, the Department for Promotion of Industry and Internal Trade (DPIIT) has partnered with Flipkart, India's homegrown e-commerce market and signed an MoU with the former to support and empower tech start-ups across India. Aimed at encouraging the growth of innovators and entrepreneurs, the partnership further catapults on existing efforts under the Flipkart Leap and Ventures initiative with its USD 100 mn fund. Till date the company has invested in 20 companies and continues to identify startups with high growth potential. The collaboration will enable access for startups to industry reports, research papers, datasets and other studies published by government authorities for market research and fast-track patent applications filed by startups for timely opportunities.
(PiB)

REGULATION & DEVELOPMENT

SC to rule on revenue dept's plea over LIC policy surrender value exemption: The Supreme Court on Monday issued a notice in the revenue department's plea on exemption pertaining to LIC policies' surrender value. The department challenged the Gujarat High Court judgment which set aside the revision notice issued under Section 263. The section deals with revision of orders prejudicial to revenue. The Gujarat HC had confirmed the order of the assessing officer (AO) holding the assessee to be eligible for exemption under Section 10(10D) on surrender value of annuity towards LIC policies. It had further held that reference to Section 80CCC was misconceived as the assessee did not claim the amount of premium under Section 80CCC(1).
(Business Standard)

Sebi warns against unauthorised platforms for unlisted securities: The Securities and Exchange Board of India (Sebi) has issued a warning against dealing in unlisted securities on unauthorised electronic platforms. In a press release, Sebi highlighted that these platforms operate in violation of the Securities Contracts (Regulation) Act, 1956, and the Sebi Act, 1992, which are designed to protect investors' interests. The regulator emphasised that investors should refrain from engaging in transactions on these platforms and avoid sharing any sensitive personal details. It further clarified that only recognised stock exchanges are authorised to provide platforms for trading in securities of "to-be-listed" and "listed" companies. A list of Sebi-recognised stock exchanges is available on the Sebi website.
(Business Standard)

SC refers plea on including political parties under POSH Act to ECI: The Supreme Court on Monday disposed of a plea seeking direction to political parties to follow the procedure for protection of women at workplace under the 2013 POSH Act. A bench of Justices Surya Kant and Manmohan asked the petitioner to approach the Election Commission of India (ECI) with a representation for the application of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (POSH Act). Senior advocate Shobha Gupta, representing PIL petitioner Yogamaya MG, said there were six national parties in the country that did not have a grievance redressal mechanism against sexual harassment in line with the directions of the apex court and the 2013 law.

(Business Standard)

FINANCIAL TERMINOLOGY

COMMAND ECONOMY

- A command economy is a key aspect of a political system in which a central governmental authority dictates the levels of production that are permissible and the prices that may be charged for goods and services. Most industries are publicly owned.
- Proponents of command economies argue government control rather than private enterprise can ensure the fair distribution of goods and services.
- The main alternative to a command economy is a free market system in which demand dictates production and prices.
- Cuba, North Korea, and the former Soviet Union all have command economies. China maintained a command economy until 1978 when it began its transition to a mixed economy that blends communist and capitalist elements. Its current system has been described as a socialist market economy.

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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 : 84.7305
INR / 1 GBP : 107.8405
INR / 1 EUR : 89.3189
INR /100 JPY: 56.4400

EQUITY MARKET

Sensex: 81508.46 (-200.66)
NIFTY: 24619.00(-58.80)
Bnk NIFTY: 53407.75 (-101.75)

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