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DAILY NEWS DIGEST BY BFSI BOARD

12 Dec, 2023

BANKING & FINANCE

In last 9 years, PSBs have not recovered even ₹1 vs ₹5 written off: FinMin in Lok Sabha: PSBs could not recover even Re 1 as against Rs 5 written-off during nine fiscal years starting 2014-15, data presented in the Lok Sabha on Monday showed. "Public sector banks have written-off an aggregate loan amount of Rs 10.42 lakh crore and recovered an aggregate amount of Rs 1.61 lakh crore from written off loans, from the financial year 2014-15 to financial year 2022-23," Minister of State in the Finance Ministry, Dr Bhagwat Karad. The recovered amount is 15.45 per cent of the total written-off amount during the said period. Though the government maintains that a write-off does not mean loan waiver, banking industry sources say considering the hair cut ratio after a compromise or long-drawn legal battle, actual recovery from written-off accounts is low and the latest data proves that.
(Business Line)

RBI unlikely to ease policy rates in 2024: Axis Bank: The RBI is unlikely to reduce rates at all in the next year as food prices continue to impart volatility to headline retail inflation, while economic growth remains strong according to Axis Bank's outlook for 2024. Axis Bank predicts that the RBI will not reduce rates in 2024 due to volatile food prices and rising global prices. The bank predicts that food inflation will remain volatile, with supply shocks and erratic monsoons contributing to the situation. Despite export restrictions on wheat and rice, rising global prices have affected local prices, increasing the risk of entrenching inflation expectations.
(Economic Times)

RBI approves HDFC Bank's product on offline retail payments for adoption: (RBI) on Monday said it has approved an 'Offline Retail Payments' product developed by HDFC Bank, in partnership with Crunchfish AB, for adoption by banks and other financial institutions. Under the 'On Tap' application facility for the theme 'Retail Payments' of the Regulatory Sandbox (RS), HDFC Bank (in partnership with Crunchfish AB) was selected for the Test Phase, as per a statement. The RBI, in the statement, said the product "may be considered for adoption by regulated entities, subject to compliance with applicable regulatory requirements". The product 'Offline Retail Payments' provides capability for customer and merchants to be able to transact in offline mode, it said.

(Economic Times)

RBI notifies on Sovereign Gold Bond (SGB) Scheme 2023-24: Government of India, vide its Notification No F.No.4(6)-B (W&M)/2023 dated December 08, 2023, has announced Series III and IV of Sovereign Gold Bond Scheme 2023-24. Under the Scheme, there will be a distinct series (Series III and IV) as hereunder.

Tranche	Date of Subscription	Date of Issuance
2023-24 Series III	December 18 - December 22, 2023	December 28, 2023, Thursday
2023-24 Series IV	February 12 - February 16, 2024	February 21, 2024, Wednesday

(RBI Notification)

India planning to move from WPI to PPI in future:: India is planning to move from the Wholesale Price Index to Producer Price Index (PPI) in future as most of the G20 countries follow this practice, an official said. The official said that the National Statistical Commission (NSC) is examining the working group report on the roadmap for introducing the PPI and their recommendations are awaited. The government official said, "Initially, we will probably go with both (WPI and PPI) and after a few years, we may phase out WPI, because we are one of the few countries among G20 which still have WPI. All other including China use PPI".The PPI has been discussed for the past several years. A working group was set up a few years back to determine the methodology and data requirements to move ahead. In 2019, the government constituted a working group for the revision of the current series of WPI that has 2011-12 as its base year. PPI globally tracks price movements in both goods and services. "Initially PPI in India will only include goods," the official said. Work is also underway on revising the Wholesale Price Index (WPI) base year from 2011-12 to 2017-18. Revising base year to 2017-18 for the computation of wholesale inflation would help in presenting a more realistic picture of the price situation in the country.

(Moneycontrol)

Fiscal outlook for States seen favourable in FY24: RBI report: The overall fiscal outlook for States remains favourable in FY24, with adequate fiscal space for undertaking higher capital expenditure, in view of the resilient domestic economic activity and their consolidation efforts, according to an RBI report. On the revenue side, even though the growth in tax revenue during H1 (April-September) 2023-24 at 14.6 per cent is marginally lower than the budgeted 17.9 per cent, it is expected to improve during H2 (October-March) 2023-24 due to a favourable base and continued robust GST collection, per the report “State Finances: A Study of Budgets of 2023-24”, put together by RBI officials.

(Business Line)

No proposal under consideration to revert to Old Pension Scheme, says FinMin: The Centre informed the Lok Sabha on Monday that there is no proposal to date to consider restoring the Old Pension System (OPS) for its employees. It also reiterated that the law does not permit refunding the back-accumulated money of employees to the State government in case of going back to OPS. “There is no proposal under consideration of the Government of India for the restoration of the old pension scheme in respect of Central Government employees recruited on or after 01.01.2004,” Minister of State in the Finance Ministry Pankaj Chaudhary said in a written reply in Lok Sabha. However, he admitted that Representations have been received from time to time, which include the request for the restoration of the old pension scheme.

(Business Line)

Old pension scheme to be 4.5 times costlier than the new one: Any move by states to shift to the old pension scheme (OPS) would raise their fiscal burden by 4.5 times their expenditure under the NPS retirement benefits, according to the Reserve bank of India estimates made in study of state government budgets. “ Internal estimates suggest that if all the State governments revert to OPS from the National Pension System (NPS), the cumulative fiscal burden could be as high as 4.5 times that of NPS, with the additional burden reaching 0.9 per cent of GDP annually by 2060” said the report titled “ State Finances: A Study of Budgets of 2023-24” released on Monday.

(Economic Times)

INDUSTRY OUTLOOK

Infosys's chief financial officer Nilanjan Roy resigns: Infosys’s Chief Financial Officer Nilanjan Roy has stepped down and his exit will be effective from March 31, 2024. The IT services major announced the appointment of Jayesh Sanghrajka as the new CFO from April 1. Roy’s resignation comes at a time when Infosys as well as its other tier-I IT services peers including Wipro, HCLTech and TCS are witnessing increasing top-level exits. In a statement, Infosys said that Roy, who was appointed in the role in 2018, decided to step down to pursue his personal aspirations outside of Infosys.

(Moneycontrol)

Sharjah to hold roundtable with Indian businesses to attract investment: To make the most of the India-UAE free trade agreement implemented last year, the Sharjah FDI office is holding a roundtable with Indian businesses this week, focussing on the promotion of bilateral trade and investment. The sectors of interest to the delegation participating in the round table on Tuesday include advanced manufacturing, human capital and innovation, IT and software, health and well-being, greentech, agri-food technology, culture and tourism, and mobility and logistics. "The high-profile delegation from Sharjah visiting New Delhi will discuss the investment climate, opportunities, and services offered by the Sharjah government to Indian companies,"

(Business Line)

MSMEs' share in exports 45.56% till Sept'23: Govt to Parliament: The share of MSME products in India's exports increased from 43.59% in FY23 to 45.03% in FY22, with a growth from 49.35% in 2020-21 to 49.77% in 2019-20. The share of MSME manufacturing gross value added (GVA) in India's manufacturing GVA also increased from 40.3% in FY21 to 40.83% in FY22. The number of MSMEs registered in India has reached 3.16 crore, with an employment record of 15.5 crore as of December 6, 2023.

(Financial Express)

REGULATION & DEVELOPMENT

SEBI directs AIFs to Escrow units for non-demat investors in dematerialisation move: In the push for dematerialisation of alternative investment funds (AIFs) units, the market regulator has issued guidelines on how the funds should proceed if the investor has not provided his/her demat account details. The funds have been asked to transfer the units to a separate demat account--called the Aggregate Escrow Demat Account--and the units are to be held there till the client provides his/her demat account details. When the regulator had pushed for dematerialisation of AIF units, one of the concerns the fund managers had raised was that their investors may not have demat accounts

or may not provide the demat account details when asked. This latest circular from the Securities and Exchange Board of India (Sebi) has addressed that concern.
(Moneycontrol)

SEBI proposal to cut corporate bonds' face value can boost retail participation:: The Securities and Exchange Board of India's proposal to reduce the face value of corporate bonds, as mentioned in a recent consultation paper, can boost retail participation in the bonds market, said Nithin Kamath, the chief executive officer of discount broker Zerodha, on December 11. The consultation paper released by SEBI on December 9 proposes reducing the denomination to a face value of Rs 10,000 from Rs 1 lakh at present. This "can lead to greater retail participation" and make corporate bonds "affordable for retail investors", Kamath said.
(Moneycontrol)

FINANCIAL TERMINOLOGY

JUNK BOND

- Junk bonds are bonds that carry a higher risk of default than most bonds issued by corporations and governments. A bond is a debt or promise to pay investors interest payments along with the return of invested principal in exchange for buying the bond. Junk bonds represent bonds issued by companies that are financially struggling and have a high risk of defaulting or not paying their interest payments or repaying the principal to investors.
- Because of the higher risk, investors are compensated with higher interest rates, which is why junk bonds are also called high-yield bonds.

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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 : 83.3872
INR / 1 GBP : 104.5965
INR / 1 EUR : 89.7969
INR /100 JPY: 57.3000

EQUITY MARKET

Sensex: 69928.53 (+102.93)
NIFTY: 20997.10 (+27.70)
Bnk NIFTY: 47314.25 (+52.25)

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