



**THE INSTITUTE OF
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DAILY NEWS DIGEST BY BFSI BOARD

19 Dec, 2023

BANKING & FINANCE



Dual control of PSBs by finance ministry & RBI is wrong: Montek Singh

Ahluwalia: The dual control of public sector banks (PSB) by the Ministry of Finance and the Reserve Bank of India (RBI) is fundamentally wrong, said Montek Singh Ahluwalia, economist and former Deputy Chairman of the erstwhile Planning Commission of India. "The maintenance of dual control, which means that the RBI does not have the same power to regulate a PSB as it does vis a vis a private sector bank, is fundamentally wrong. I do not believe that a bureaucrat from the ministry is going to improve the working of PSBs," said Ahluwalia. The veteran economist added that the ultimate responsibility of regulating a PSB, including removing the Chairman, if necessary, should rest with the RBI, as is the case with private sector banks.

(Moneycontrol)

Public Sector Banks may see further consolidation: Will the number of public sector banks further come down to 10 from 12 next year? This could be within the realm of possibility, going by the agenda of the Lok Sabha's Committee on Subordinate Legislation. The Committee plans to discuss with the representatives of Union Bank of India (UBI) and UCO Bank (in Mumbai on January 2), and Bank of Maharashtra(BoM) and Bank of India(BoI) (in Goa on January 6) on the rules/ regulations framed under the Banking Regulation Act, 1949, and other relevant Acts as applicable to them and "the regulatory scenario in post-merger scenario", per its agenda. "That representatives of only four out of 12 PSBs were called for discussions, including on the regulatory scenario in post-merger scenario, by the Committee could be a harbinger of things to come," said a banking expert.

(Business Line)

US parent of EbixCash files for bankruptcy in US court: Ebix Inc, the parent of Indian payments and remittance company EbixCash, has filed for bankruptcy protection in a Texas



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court after defaulting on a \$617 million loan, according to a Bloomberg report. The Chapter 11 filing came after the software services company for the insurance and healthcare sector failed to repay its dues against a \$600 million credit facility from American banks. Robin Raina, the Indian-origin founder of Ebix, entered India through a slew of acquisitions starting in 2017 when the company bought a majority stake in domestic remittance company ItzCash.

(Economic Times)



ECONOMY

India leads global remittance charts with \$125 billion in 2023: World Bank

report: The World Bank's latest Migration and Development Brief reveals a continuing growth in remittance flows to low- and middle-income countries (LMICs) in 2023, albeit at a slower pace compared to previous years. According to the World Bank, the report highlights India's significant position as the top remittance recipient, drawing attention to the evolving dynamics in the remittance landscape. Remittances to LMICs grew by an estimated 3.8 per cent in 2023, reaching a total of USD669 billion. Resilient labour markets in advanced economies and Gulf Cooperation Council (GCC) countries played a pivotal role in supporting migrants' ability to send money home. In the South Asian region, remittance flows to India experienced notable growth, contributing to the overall positive trend. South Asia, as a whole, witnessed a 7.2 per cent increase in remittances in 2023. The Indian economy, buoyed by a tight labour market in the United States and robust employment growth in Europe, outperformed previous forecasts by reaching USD125 billion in remittances for the year.

(Business Standard)

Icra revises upwards FY24 GDP growth forecast to 6.5%: Domestic rating agency Icra on Monday revised its FY24 GDP growth forecast to 6.5 per cent from 6.2 per cent earlier. However, the revised forecast is still much lower than the Reserve Bank of India's (RBI's) 7 per cent real Gross Domestic Product (GDP) growth estimate for the ongoing fiscal. Earlier this month, the RBI had revised upwards its GDP estimate to 7 per cent from 6.5 per cent, calling the revised number a "conservative" one.

(Economic Times)

Direct taxes up 21% till Nov 17, advance tax collections rise 20%: The direct taxes after refunds grew 20.66 per cent at Rs 13.7 trillion till November 17 of the current financial year



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compared to Rs 11.36 trillion during the corresponding period of the previous financial year, backed by a 20 per cent rise in advance tax revenues. This reflected economic recovery as well as improved administrative skills of the tax department. With this, direct taxes have yielded a bit over three-fourth of the Budget Estimates (BE) at Rs 18.23 trillion for 2023-24. With a bit less than four and a half months still remaining for the financial year to end, the projection for direct tax mop-up would be easily exceeded. The Budget has projected an 11.57 per cent rise in direct tax collections for 2023-24.

(Business Standard)

INDUSTRY OUTLOOK



Goldman Sachs faces rocky exit from Apple credit card partnership: Four years after Goldman Sachs introduced a credit card with Apple, the Wall Street giant faces a costly exit from a partnership that is seen by other lenders as too risky and unprofitable. In searching for a buyer for its share of the partnership, Goldman will face pressure from bidders to reduce the value of its stake in order to make the price more attractive, according to two sources familiar with the matter who declined to be identified discussing potential talks. The expected unwinding of the Apple-Goldman partnership is another blow for CEO David Solomon's consumer strategy, which aimed to broaden the bank's revenue beyond its traditional mainstays of trading and investment banking. The potential writedown on the Apple card would be the latest in a string of losses from Goldman's ill-fated foray into consumer banking, analysts said.

(Moneycontrol)

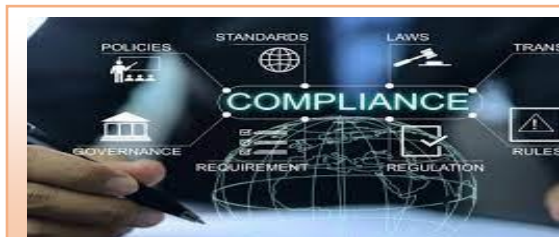
'Govt, World Bank to work on project to promote mfg, supply of affordable cooling devices': The Indian government and the World Bank are collaborating on a comprehensive project to promote the manufacturing and availability of affordable cooling devices in the domestic market. The project will focus on capacity building, introducing or disseminating better technologies for super-efficient air-conditioners, and addressing the increasing demand for these products due to the intensifying intensity and frequency of severe heat waves in the country.

(Economic Times)



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REGULATION & DEVELOPMENT

Parliament passes Bill to replace 125-year-old Indian Post Office Act, 1898:

Parliament on Monday passed a Bill that authorises post office employees to open or detain any item during transmission in the interest of national security or public safety. It also prescribed immunity for post office employees from liability in providing services, but with conditions. These provisions are part of the Post Office Bill, 2023, and it “seeks to repeal the Indian Post Office Act, 1898, and to consolidate and amend the law relating to the Post Office in India.” After Rajya Sabha passed the Bill on December 4, the Lok Sabha gave the nod on Monday. Now, once the President gives her assent, it will become law. There are more than 1.5 lakh post offices in India with around 1.30 lakh in rural areas. The Bill prescribes power to intercept, open or detain any item or deliver it to the customs authority.

(Business Line)

Government of India and ADB sign \$250 million loan for Industrial Corridor Development in India:

The Government of India and Asian Development Bank (ADB) on 15th December 2023 signed a \$250 million policy-based loan that will continue support to industrial corridor development to make manufacturing more competitive, strengthen national supply chains and links with regional and global value chains, and create more and better jobs. This loan builds on the \$250 million Subprogramme 1 loan approved by ADB in October 2021 that helped strengthen policy frameworks for the Government of India’s National Industrial Corridor Development Programme (NICDP) and develop 11 industrial corridors. “The loan for the Subprogramme 2 will help in the integration of industrial corridors with transport, logistics and urban facilities under the government’s Prime Minister Gati Shakti platform,” said Mr. Jeong.

(PiB)



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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 : 83.0173
INR / 1 GBP : 105.3512
INR / 1 EUR : 90.6311
INR /100 JPY: 58.3600

EQUITY MARKET

Sensex: 71315.09 (-168.66)
NIFTY: 21418.70 (-38.00)
Bnk NIFTY: 47867.70 (-275.90)

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