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DAILY NEWS DIGEST BY BFSI BOARD

20 November 2024



ECONOMY

Economists warn against RBI cutting interest rates amid high inflation: The debate over whether the Reserve Bank of India (RBI) should reduce interest rates during a period of high inflation has intensified, with leading economists cautioning against potential destabilising effects, after Union finance minister Nirmala Sitharaman said that banks interest rates will have to be far more affordable. While the government's push for lower rates reflects its focus on accelerating industrial activity and job creation, economists argue that easing rates too soon could risk reversing the gains made in inflation control. The discussion comes ahead of the RBI's December monetary policy meeting, where all eyes are on Governor Shaktikanta Das's next move. India's retail inflation rose to a 14-month high of 6.2 percent in October compared with 5.5 percent in the previous month, as food inflation galloped on the back of rising vegetable prices.

(Moneycontrol)

UK-India Free Trade Agreement to relaunch in early 2025: The UK-India Free Trade Agreement (FTA), a key trade deal that could significantly reshape bilateral economic relations, is set to relaunch in early 2025. This announcement comes after a high-level meeting between UK Prime Minister Keir Starmer and Indian Prime Minister Narendra Modi on the sidelines of the G20 summit, signalling renewed commitment from both nations to enhance their economic and strategic partnership. The relaunch of the UK-India FTA negotiations represents an important move in strengthening the UK's global trading position. The deal holds the promise of not only boosting trade but also fostering closer ties in areas such as security, technology, education, and climate change.

(Business Line)

Urban unemployment rate hits fresh low of 6.4% in Q2 FY25: PLFS data: In a positive sign, the urban unemployment rate in the September quarter of the current financial year declined to a fresh low of 6.4 per cent due to a sharper dip in female unemployment rate, according to the quarterly Periodic Labour Force Survey (PLFS) data for urban India released by the National



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Statistical Office (NSO) on Monday. The joblessness rate in Q1FY25 had declined to 6.6 per cent from a four-quarter high of 6.7 per cent in Q4FY24. The headline unemployment rate under the current weekly status (CWS) for women, where activity status is determined based on the reference period over the past seven days preceding the date of the survey, stood at 8.4 per cent during the quarter, down from the 9 per cent in the preceding quarter.

(Business Standard)

BANKING & FINANCE



LIC blames ‘technical glitch’ after Tamil Nadu CM MK Stalin claims Hindi imposition on website: Tamil Nadu Chief Minister MK Stalin on November 19 accused state-run insurer Life Insurance Corporation (LIC) of acting as a propaganda tool for Hindi imposition after the website displayed text in Hindi. Posting a screenshot of the LIC webpage, Stalin wrote in a post on X: “The LIC website has been reduced to a propaganda tool for Hindi imposition. Even the option to select English is displayed in Hindi!”

(Moneycontrol)

Government plans minority stake sale in 4 PSU banks, source says: The Central government is considering selling minority stakes in four state-run banks to comply with public shareholding norms mandated by the country's markets regulator, a government source told Reuters. The finance ministry is likely to seek approval of the cabinet in the coming months to dilute the stake in Central Bank of India, Indian Overseas Bank, UCO Bank, and Punjab and Sind Bank, the source said. The Central government owns more than 93 per cent in Central Bank of India, 96.4 per cent in Indian Overseas Bank, 95.4 per cent in UCO Bank and 98.3 per cent in Punjab and Sind Bank as of end-September, according to data on the BSE's website.

(Business Line)

SBI asks RBI to let it run two lines of factoring operations: State Bank of India (SBI) has requested the banking regulator that it be given a special dispensation that would allow the lender - the nation's biggest by share in outstanding loans - to conduct the factoring business within the bank and also through its existing subsidiary. In its letter sent earlier this month to the Reserve Bank of India (RBI), the state-run lender said that the bank may be allowed to continue both its businesses because they serve different clients. SBI has argued that its factoring business from the bank serves



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large clients overseas while its factoring subsidiary serves local medium and small companies with outstanding amounts of up to ₹100 crore.

(Economic Times)

Irdai urges bankers to focus on core job, not sell insurance alone; avoid mis-selling:

Insurance industry regulator Irdai's Chairman Debasis Panda on Tuesday urged bankers to focus on their core job and not pedal insurance alone. In comments that come a day after Finance Minister Nirmala Sitharaman also made similar suggestions, Panda said the bancassurance channel is very useful in deepening the reach of insurance in the country. "There is merit in the system but we have to do it with care and caution so that you don't forget your activity and only start selling insurance. It should be incidental," Panda said

(Economic Times)

INDUSTRY OUTLOOK



Infosys focuses on developing small language models: Infosys is witnessing an increasing demand from enterprises worldwide for customised small language models to improve business operations. Speaking at the 27th edition of Bengaluru Tech Summit (BTS) 2024, Balakrishna D R, senior vice-president, service offering head – energy, communications (services and AI & automation services), Infosys, said: "Infosys just launched two small language models about a month back. A lot of our customers are saying, Can you actually develop it for my context? So all of these are opportunities for us to help the entire world adopt AI," Balakrishna said. On October 24, the IT major announced the launch of two small language models, built using the NVIDIA AI stack, tailored for banking and IT-specific applications. Small language models are algorithms based on machine learning that are trained on a more specific dataset than large language models.

(Financial Express)

Bharti Global completes acquisition of 24.5% stake in UK's BT Group: Bharti Global, the international investment arm of Bharti Enterprises, announced that it has completed the acquisition of 24.5 per cent of the issued share capital in UK's BT Group plc. This makes Bharti, which runs telecom company Airtel, the majority shareholder in the UK's second largest telecom company, the BT Group, which was formerly called British Telecom. In a statement, Sunil Bharti Mittal, Chair of Bharti Enterprises, said, "We're delighted to have completed our investment into BT. Bharti has long



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recognised the enormous potential of the business. BT's renewed focus on optimisation, strengthening networks and driving consumer growth makes it well placed to consolidate its position as a leading global telecoms company that delivers long-term value for investors.”

(Financial Express)



REGULATION & DEVELOPMENT

Sebi's SME IPO paper proposes 2x minimum application size, OFS limit of 20%, more allottees: Capital market regulator Sebi has come out with a consultation paper on November 19, to review the listing framework of Small and Medium Enterprises (SME), suggesting an increase in the minimum application size to Rs 2 lakh per application, among other recommendations. Another proposal by Sebi suggests changing the allocation methodology for non-institutional investors, wherein the proportionate allotment for the NII category may be discontinued and “draw of lots” allotment be introduced, as is applicable for the retail category. The Sebi consultation paper has also proposed to the merchant bankers and the stock exchanges to limit the 'Offer For Sale' portion in the SME public issue to 20-25% of the total issue size. Under the existing method, there is a requirement for SME issues to be considered successful there should be minimum of 50 allottees in the public issue. Sebi proposes to suggest that this requirement of minimum allottees in public issue be raised to 200. Suggestions have been received regarding the appointment of a monitoring agency for issue size of Rs 20-50 crore, as against the current requirement of such appointment from Rs 100 crore.

(Moneycontrol)

Insolvency and Bankruptcy Board of India proposes several changes in latest paper: The Insolvency and Bankruptcy Board of India (IBBI) proposed several changes to liquidation regulations, including a review of the auction process and voluntary liquidation regulations, in a discussion paper on Tuesday. The proposed amendments to the IBBI (Liquidation Process) Regulations, 2016, and IBBI (Voluntary Liquidation Process) Regulations, 2017 aim to streamline the liquidation process under the Insolvency and Bankruptcy Code (IBC) by addressing timely appointment of liquidators, expeditious completion of voluntary liquidation process and enhancing management of corporate liquidation account.

(Economic Times)

NPCI eyes Rupay, UPI expansion to 10 countries: National Payments Corporation of India (NPCI) is in talks with 10 countries to introduce the Unified Payments Interface (UPI) and Rupay.



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“For UPI, we have signed up with three countries, but implementation may take a few more weeks. With Namibia, Trinidad and Tobago, and Peru, the commercial agreements have been signed,” said Dilip Asbe, MD & CEO, NPCI, at the 11th SBI Banking & Economics Conclave. “There is a lot to be done as far as the globalisation of (UPI and Rupay) the stack is considered, five-six countries have signed up and another 10 countries are in talks,” he added. Currently, UPI is available in seven countries — France, the UAE, Singapore, Bhutan, Sri Lanka, Mauritius and Nepal.

(Financial Express)



FINANCIAL TERMINOLOGY

RING FENCE

- ❖ The term ring-fence refers to the creation of a virtual barrier that segregates a portion of a company's financial assets from the rest. This may be done to reserve money for a specific purpose, to reduce taxes on the individual or company, or to protect the assets from losses incurred by riskier operations. Moving a portion of assets offshore to reduce an investor's net worth or lower the taxes due on income is one example of ring-fencing.
- ❖ Ring-fencing may involve transferring a portion of assets from one high-tax jurisdiction to another with lower or no taxes or less onerous regulations. In other cases, it may be used to keep the money in reserve for a specific purpose. It also may be done to make the money unavailable for another purpose.



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 : 84.4036
INR / 1 GBP : 106.9996
INR / 1 EUR : 89.4217
INR /100 JPY: 54.6400

EQUITY MARKET

Sensex: 77578.38 (+239.37)
NIFTY: 23518.50 (+64.70)
Bnk NIFTY: 50626.50 (+262.70)

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