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DAILY NEWS DIGEST BY BFSI BOARD

25 September 2024

ECONOMY

Govt extends import regime for IT hardware products till December 31: The Centre on Tuesday extended the import management system for laptops and other IT hardware products for three more months—till December 31—and asked companies to seek fresh approvals for imports based on new guidelines from January 1. The existing system is valid only till September 30. "Importers would be required to apply for fresh authorisations for the period from January 1, 2025, subject to detailed guidance to be provided shortly," according to a Directorate General of Foreign Trade (DGFT) notification. The import management system kicked in on November 1, 2023, to promote domestic manufacturing of these goods, reduce dependence, especially on China, and ensure a trusted supply chain for electronics in the country. Last year, the government had also said that the import data would be closely studied before deciding how to take it forward.
(Business Standard)

S&P retains India's FY25 growth forecast at 6.8%, expects rate cut in Oct: The global credit ratings agency S&P Global on Tuesday retained India's growth forecast at 6.8 per cent for the current financial year and expressed optimism that the Reserve Bank of India (RBI) would start cutting interest rates in its October monetary policy review. "In India, GDP growth moderated in the June quarter as high interest rates temper urban demand, in line with our projection of 6.8 per cent GDP growth for the full financial year 2024-2025," said S&P in its latest economic outlook for Asia-Pacific. Additionally, the rating agency retained its GDP growth forecast for FY26 at 6.9 per cent and stated that solid growth in India would allow the RBI to focus on bringing inflation in line with its target.
(Business Standard)

BANKING & FINANCE

Private banks' staff strength soars 2.8 times in a decade: RBI data: Private sector banks' employee strength has gone up 2.78 times in over a decade (since FY14) and surpassed that of the state-owned banks, reflecting their growing market share at the cost of their public sector peers. Latest data from the Reserve Bank of India (RBI) showed that at the end of financial year 2024 (FY24), state-owned banks had an employee strength of 764,679, while private sector banks employed 846,530 individuals. In FY14, state-owned banks had 842,813 employees, compared to 303,856 of the private banks. During this period, the number of state-owned banks has decreased to 12 due to mergers, while the total number of private sector banks stands at 21. Meanwhile, during FY14 – FY24, the total employee strength of the banking industry has gone up from 1.25 million to 1.87 million. Data shows that the reduction in the employee strength of the state-owned banks has been in the "clerks" category while the private sector banks have added employees in the "officers" category. Since FY14, employees in the "clerks" category of state-owned banks have gone down from 333,583 to 246,965. In contrast, employees in the "officers" category of private banks have gone up from 225,805 in FY14 to 796,809 in FY24.
(Business Standard)

SBI converts debt to bankrupt infra firm into equity, Cong raises alarm: State Bank of India's (SBI's) reported move to convert its outstanding debt into equity in Supreme Infrastructure India Limited (SIIL) has invited sharp criticism from Opposition Congress which on Tuesday sought the intervention of Reserve Bank of India (RBI) into the matter. Congress leader Jairam Ramesh said in a post on X, "This arrangement creates a dangerous precedent in India's corporate debt landscape. It encourages other defaulting companies to seek similar deals, where they can retain control and value even after significant defaults." While questioning the effectiveness of India's insolvency resolution framework and the role of public sector banks in managing distressed assets, Ramesh said, "The SBI appears to be aligning itself with the interests of the defaulting borrower (SIIL) rather than prioritising the recovery of public funds."
(Business Standard)

Slower deposit growth pushing banks towards fund raising from bonds: ICRA: The slower deposit growth will push banks to mop-up up to Rs 1.3 lakh crore from bond issuances in

FY25, a report said on Tuesday. The bond issuances, coming amidst a continuing wedge between deposit and credit growth, will come between Rs 1.2-1.3 lakh crore and will be the highest ever for the system, the report said. Nearly 85 per cent of the bond issuances will be by public sector banks, the report by domestic rating agency ICRA said, adding that the higher appetite for infra bonds among such lenders will drive the market.

(Business Standard)

INDUSTRY OUTLOOK

FIEO urges Centre to extend interest subvention scheme for 5 years: Apex exporters body FIEO on Tuesday urged the government to extend the interest subvention scheme for five years to help increase credit flow in the sector in order to boost the country's shipments, which registered a steepest decline in 13-month falling 9.3 per cent in August to $34.71 billion. Earlier this month, the government extended the interest equalisation/subvention scheme, which provides interest benefits, on pre- and post-shipment rupee export credit for one more month till September 30. "The scheme will end on September 30. We have requested for it to be extended for five years. If there is no interest equalization scheme, then we will lose some markets and some orders," Federation of Indian Export Organisations (FIEO) Director General Ajay Sahai told reporters. The scheme was started on April 1, 2015, and was initially valid for five years up to March 31, 2020. It has been continued thereafter, including a one-year extension during COVID-19, and with further extensions and fund allocations. The scheme is fund-limited, and benefits to individual exporters are capped at Rs 10 crore per annum per IEC (Import Export Code).

(Business Standard)

Centre considers plan of building "talent pool" for top roles at PSUs: The Centre is considering developing a talent pool for top-level positions at centre public sector enterprises. The objective is to have a succession line or second in command of officials who can take charge at top posts at PSUs and have a smooth transition into these roles. Officials pointed out that this would ensure continuity in decision making at PSUs and would be another step in maintaining efficiency in operations. Further, if a candidate from within the organisation or the sector takes over, it would also mean that the candidate is familiar with the sector and its functioning.

(Business Today)

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India gears up for a new airline as Shankh Air gets aviation min's nod: India's newest airline, Shankh Air, has received approval from the Civil Aviation Ministry to operate in the country, marking a significant milestone in its journey to launch operations. However, the airline will need clearance from the Directorate General of Civil Aviation (DGCA) before it can officially begin flights. Shankh Air, set to be the first scheduled airline from Uttar Pradesh, will hub at Lucknow and Noida. According to the company's website, the airline aims to connect major cities across India, offering both interstate and intrastate routes, focusing on areas with high demand and limited direct flight options.

(Economic Times)

REGULATION & DEVELOPMENT

Sebi releases uniform framework for evaluation of stock exchanges, other MIIs: The market regulator has released a uniform framework to be followed by independent agencies that evaluate a market infrastructure institution's (MII's) performance. Under the framework, the maximum weightage of 40 percent has been given to resilience in technology and processes of MIIs, in delivery of its core functions; and the minimum weight of 5 percent has been assigned to two parameters which are adequacy of resources, and fair access and treatment to all stakeholders and information disclosure. The current regulations require MIIs such as stock exchanges, clearing corporations and depositories to appoint an external, independent agency to evaluate their performance and the performance of their statutory committees at regular intervals. A circular released on September 24 by the Securities and Exchange Board of India (Sebi) stated, "In order to bring consistency and uniformity with respect to evaluations to be done by the external agency, it was felt that basic minimum standards and principles should be developed along with weightages." The external evaluation should be done every three years except for the first year. For FY25, when the first such evaluation will be done, the report should be submitted to the governing board of the MII and Sebi by September 30, 2025.

(Moneycontrol)

GOM GST meeting in Goa: Most proposals for real estate postponed: A Group of Ministers (GoM) meeting held in Goa on Tuesday could not reach consensus on most proposals regarding the goods and services tax (GST) for the real estate sector, sources said. The GoM, chaired by Goa Chief Minister Pramod Sawant, deferred the proposal to exempt GST on long-term leases granted to the

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tourism sector, favouring states that declare tourism as an infrastructure sector to facilitate exemptions, the sources added. "Around 12 states have given infrastructure status to the tourism sector to enable tax exemptions, although no final decision was made. The meeting concerning GST for the real estate sector concluded without reaching significant agreements. Another meeting on the topic is scheduled in Gujarat on October 25. The panel has postponed the proposal to increase the affordable housing threshold in metro areas from Rs 45 lakh to Rs 75 lakh.

(Business Standard)

Sebi mandates UPI payment for public issue applications of debt securities: To streamline the application process for public issues of debt securities, markets regulator Sebi on Tuesday asked individual investors applying for amounts up to Rs 5 lakh through intermediaries to use only UPI to block funds. Further, investors will continue to have the choice of availing other methods like applying through Self-Certified Syndicate Banks or the stock exchange platform for making applications, Sebi said in its circular. These provisions will apply to public issues of debt securities starting from November 1.

(Business Standard)

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FINANCIAL TERMINOLOGY

INVERTED YIELD CURVE

- When the yield curve is inverted, yields decrease the farther out the maturity date is. Sometimes referred to as a negative yield curve, the inverted curve has proven to be a reliable indicator of a recession.
- As background, the yield curve is a graphic depiction of the borrowing cost associated with debt securities of different maturities. Normally, the yields for shorter-term securities are lower than those for longer-term securities.
- An inverted yield curve forms when short-term debt instruments have higher yields than long-term instruments of the same credit risk profile.
- The inverted curve reflects bond investors' expectations for a decline in longer-term interest rates, a view typically associated with recessions.
- A yield curve inverts when long-term interest rates drop below short-term rates, indicating that investors are moving money away from short-term bonds and into long-term ones. This suggests that the market as a whole is becoming more pessimistic about the economic prospects for the near future.

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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 : 83.6319
INR / 1 GBP : 111.5348
INR / 1 EUR : 92.8855
INR /100 JPY: 57.9600

EQUITY MARKET

Sensex: 84914.04 (-14.57)
NIFTY: 25940.40 (+1.35)
Bnk NIFTY: 53968.60 (-137.20)

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