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DAILY NEWS DIGEST BY BFSI BOARD

30 July 2024

ECONOMY

India set to lead global labour supply, remittances to hit $160 billion by 2029: RBI: India is poised to be the world's leading supplier of labour, which will propel remittances to around $160 billion in 2029 from $115 billion in 2023, according to RBI's latest Report on Currency and Finance (RCF). ndia is already the country with the highest remittance recipients in the world, accounting for 13.5 per cent of the world total, with its share increasing over time. The ratio of remittances to GDP for India has gradually increased from 2.8 per cent in 2000 to 3.2 per cent in 2023 and is now above that of gross FDI inflows to GDP ratio (1.9 per cent in 2023), providing strength to India's external sector, the authors of the report (whose theme is "India's Digital Revolution") said. "Going forward, India is poised to be the world's leading supplier of labour as its working-age population is expected to rise until 2048, while it has started dwindling for major AEs (advanced economies). Referring to World Bank data, the report said global remittances that are increasingly being effected through mobile money and digital platforms are estimated to have increased to US$ 857.3 billion in 2023, led by India (US$ 115.3 billion), Mexico (US$ 66.2 billion), China (US$ 49.5 billion) and the Philippines (US$ 39.1 billion). Migrant stock from India comprised 1.3 per cent of its population in 2020. In 2021, more than half of India's inward remittances were from the Gulf countries, while North America accounted for 22 per cent share.
(Business Line)

Digitalisation may induce human resource challenges: RBI Governor Das: Digitalisation is revolutionising traditional finance and improving access to affordable services, yet it also poses human resource challenges that necessitate strategic upskilling and reskilling, said RBI Governor Shaktikanta Das in the 2023-24 Currency and Finance report. "...digitalisation presents challenges related to cybersecurity, data privacy, data bias, vendor and third-party risks, and customer protection. Increased inter-connectedness may lead to systemic risks. Additionally, emerging technologies can introduce complex products and business models with risks that users may not fully

understand, including the proliferation of fraudulent apps and mis-selling through dark patterns. Digitalisation may induce human resource challenges in the financial sector, necessitating strategic investments in upskilling and reskilling," Das said.
(Business Standard)

BANKING & FINANCE

FM Nirmala Sitharaman to review performance of RRBs post-Budget session: Union Finance Minister Nirmala Sitharaman will review the performance of Regional Rural Banks (RRBs) after the Budget session of Parliament, according to two people directly familiar with the matter. "The Finance Minister will review the performance of RRBs post August 13, 2024. The review will include discussions on enhancing the digital capabilities of RRBs," said a senior government official.
(Business Standard)

PSBs charged Rs 2k cr in FY24 for not keeping minimum balance: State run banks have charged depositors ₹2,331 crore penalty for non-maintenance quarterly or monthly average balance in FY24, the minister of state in the finance ministry, Pankaj Chaudhary informed the Lok Sabha. This is 25% higher than the amount charged by banks in the previous year. Among lenders, Punjab National Bank charged the highest sum of ₹633 crore followed by Bank of Baroda at ₹386 crore for non-maintenance quarterly balance. Indian Bank charged ₹369 crore as penalty for non-maintenance of average monthly balance. In reply to another question, the finance ministry stated that availability of banking outlets is monitored by a Geographic Information System (GIS) based App., namely, Jan Dhan Darshak (JDD) App and out of the 6,01,328 inhabited villages mapped on this App, 6,00,458 villages (99.85%) are covered with banking outlets within a radius of 5 kms.
(Economic Times)

Banks face seven-year backlog in debt recovery cases: Banks are dealing with a massive backlog in debt recovery cases, which will take seven years to clear at the current pace. Over 2 lakh cases are pending in Debt Recovery Tribunals (DRTs), which currently handle about 30,000- 40,000 cases annually. This means the existing pace is insufficient to clear the backlog, which could take seven years to resolve, experts say.
(Economic Times)

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INDUSTRY OUTLOOK

Blackstone may bid as much as Rs 78,000 crore for Haldiram's: Blackstone Inc has sweetened its offer for Haldiram's, the iconic Indian fast-food chain, in a move that will likely pave the way for the private equity firm's entry into India's lucrative snacks market. The buyout fund, as part of a consortium of investors, is likely to bid between Rs 70,000 and 78,000 crore for a 51 percent stake in Haldiram's, people familiar with the talks said. The final offer to the promoters of the snacks maker will be contingent on the outcome of the due diligence process. This deal would potentially give the private equity firm control of Haldiram's product business, for which Blackstone will get a perpetual licence.

(Moneycontrol)

Salary payments, PF contributions could determine credit line for MSMEs: In a significant move aimed at enhancing the accessibility of credit for MSMEs and individual home loan seekers, public sector banks (PSBs) are on track to finalise a novel credit assessment model based on digital footprints by October. This innovative approach is set to transform the way loans are disbursed, potentially offering a lifeline to numerous MSMEs (micro, small, and medium enterprises) and individuals who currently struggle to meet traditional criteria for credit, according to a senior government official. Digital footprint refers to the trail of data left behind while using digital services. For individuals, this can include online activities such as social media interactions, online purchases, utility bill payments, and other digital transactions. For MSMEs, it can also include business-related digital activities like salary payments to employees, payment of utility bills, bank transactions, and PF (provident fund) and NPS contributions, etc.

(Moneycontrol)

NCLAT Chennai judicial member recuses himself from hearing Byju's plea: Justice Sharad Kumar Sharma of the National Company Law Appellate Tribunal (NCLAT) Chennai bench on Monday recused from hearing a plea filed by Byju Raveendran, founder of Byju's, seeking an interim stay on the insolvency proceedings against Think and Learn, the parent company of the edtech firm.Justice Sharma said he had appeared for the Board of Control for Cricket in India (BCCI) several times as a lawyer and, therefore, did not think it appropriate to hear the matter, according to law platform Bar & Bench.

(Business Standard)

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REGULATION & DEVELOPMENT

Companies Act to see slew of changes soon: The government is likely to table the Companies (Amendment) Bill 2024 in Parliament in the current session, as it aims to streamline corporate operations and enhance governance norms, official sources told FE. The amendments are likely to touch upon easing the borrowing process of listed companies, incorporate a mechanism to enable courts to enforce a compromise/arrangement for dissenting creditors, streamline auditing process of companies, and relax the procedure of shifting registered offices among states, the sources said. The corporate affairs ministry may allow companies to hold AGMs/EGMs through electronic mode on a permanent basis, and ease the requirement of raising capital in distressed companies, through amendment in the Companies Act, citing an official. These proposals will also be part of the current set of amendments. There is also a plan to finalise a stricter governance framework for large unlisted firms, especially in the backdrop of alleged irregularities at firms like Byju's, the sources mentioned. Further, to relax the borrowing process, experts say, an amendment should be proposed to Section 42 of the Companies Act, to clarify that where a resolution with respect to higher borrowing limits has been passed by shareholders of a listed company, such company should not be required to pass a separate resolution in case of breach of the applicable limits.
(Financial Express)

NCLT orders liquidation of Future Retail as resolution process fails : Future Retail, the flagship firm of Kishore Biyani's Future Group, which once led organised retail in India, will cease to exist as the National Company Law Tribunal (NCLT) has ordered its liquidation to pay off dues exceeding Rs 17,000 crore to lenders. A bench led by Justice Kuldip Kumar Kareer on Monday said that the maximum period of the corporate insolvency resolution process (CIRP) had expired without any resolution plan being approved by the Committee of Creditors (CoC).
(Financial Express)

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FINANCIAL TERMINOLOGY

BEHAVIORAL FINANCE

- Behavioral finance, a subfield of behavioral economics, proposes that psychological influences and biases affect the financial behaviors of investors and financial practitioners. Moreover, influences and biases can be the source for the explanation of all types of market anomalies and specifically market anomalies in the stock market, such as severe rises or falls in stock price.
- Some common behavioral financial aspects include loss aversion, consensus bias, and familiarity tendencies.
- The efficient market theory which states all equities are priced fairly based on all available public information is often debunked for not incorporating irrational emotional behavior.

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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 : 83.7371
INR / 1 GBP : 107.7423
INR / 1 EUR : 90.9162
INR /100 JPY: 54.5900

EQUITY MARKET

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NIFTY: 24836.10 (+1.25)
Bnk NIFTY: 51406.25 (+110.30)

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