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DAILY NEWS DIGEST BY BFSI BOARD

09 January 2025



ECONOMY

Govt likely to ease conditions on capex loans to states to meet Rs 1.5 lakh cr target in FY25: In a bid to meet its ambitious Rs 1.5 lakh crore capital expenditure (capex) loan target for FY25, the Centre is likely to sanction additional funds to states without conditionalities, a senior government official said. The move is expected to accelerate disbursements and ensure full utilisation of the budgeted amount. “Additional allocation to states may be given under the untied part after assessment in January. There are savings in the tied portion, which the government is likely to convert to untied loans and give to states,” the official told Moneycontrol. By converting tied savings into untied loans, the government aims to simplify the process for states and boost capital spending in the final quarter of FY25. The capex loans, disbursed as 50-year interest-free advances to states, aim to bolster public investments and durable asset creation. Of the total allocation for FY25, Rs 55,000 crore is currently untied and can be used by states for projects of their choice, while Rs 95,000 crore is tied to specific reforms such as industrial growth, land reforms, and infrastructure development

(Moneycontrol)

Gold import numbers slashed by \$5 billion for November to \$9.84 billion: In an unprecedented move, gold import estimates for November 2024 have been sharply lowered by the government by \$5 billion to \$9.84 billion from \$14.86 billion announced last month, following requests made by the industry for a re-look at the unusually high numbers. For the April-November 2024 period, estimated gold imports have gone down by \$11.7 billion to \$37.38 billion after the revision from \$49.08 billion announced earlier, per figures revealed through searches on the Directorate General of Commercial Intelligence and Statistics (DGCIS) website. In sheer volume terms, it would amount to a discrepancy of 130-140 tonnes in the April-November period.

(Business Line)



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BANKING & FINANCE



CS Setty, Uday Kotak nominated as governing council members of NIIFTL: The government has nominated State Bank of India Chairman CS Setty and Uday Kotak, founder and director, Kotak Mahindra Bank, as governing council members of the National Investment and Infrastructure Fund Trustee Ltd (NIIFTL). Finance Minister Nirmala Sitharaman is the chairperson of the six member council and secretaries of department of economic affairs and financial services are the other members. Veteran investment banker Hemendra Kothari is also a member. NIIFTL was constituted to act as an advisory council to NIIF and provide strategic guidance on matters including investment of the corpus of NIIF, parameters for appointment and performance of investment managers and advisors.

(Business Standard)

FinMin to review flagship schemes with PSB chiefs ahead of Budget: M. Nagaraju, Secretary of the Department of Financial Services, will chair a meeting on January 15 with the Managing Directors and Chief Executive Officers of public sector banks. The meeting aims to review the progress of various financial inclusion schemes and discuss future funding requirements in light of the upcoming Budget, according to sources. "The meeting will focus on evaluating the implementation of key government initiatives under the DFS. Additionally, it is expected to address other financial inclusion issues and discuss the funding needs for these schemes," said the sources. A source indicated the government might consider providing assistance and additional funding for programmes such as the Pradhan Mantri Jan Dhan Yojana, Stand Up India, Atal Pension Yojana, Mudra Yojana, and Pradhan Mantri Suraksha Bima Yojana. The meeting is expected to be attended, among others, by the chairman of the Indian Banks' Association. "A few bankers have expressed the need to discuss pending issues related to fixed-deposit taxation in the upcoming meeting.

(Business Standard)

UCO Bank focussing on South India, Maharashtra and Gujarat to expand footprint: Public sector lender UCO Bank is focussing on South India, Maharashtra and Gujarat to expand its footprint nationally. The Kolkata-headquartered bank currently has a strong presence in East and North India. On the occasion of its 83rd Foundation Day, the lender has rolled out 40 branches across regions this week. "These new branches have been opened in Tamil Nadu, Karnataka, Telangana, Kerala, Gujarat, Maharashtra, West Bengal and Uttar Pradesh. When we are opening the new



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branches, our focus is on South India, and Gujarat and Maharashtra,” UCO Bank Managing Director and Chief Executive Office Ashwani Kumar told businessline.

(Business Line)

State banks told to avoid appeals at multiple debt recovery tribunals: GoI has asked public sector banks to overhaul their approach to debt recovery tribunals (DRTs) and bring about synergy in the way cases are filed, officials said. Banks are also exploring the legal feasibility of withdrawing cases from multiple jurisdictions and refile them upon tracing assets. An official told ET that the idea is to streamline the approach and do away with the multiplicity of appeals across jurisdictions against a single borrower with consolidated filing of cases.

(Economic Times)

INDUSTRY OUTLOOK



New registration of insolvency professionals on downhill trek: Registrations of new insolvency professionals have been steadily decreasing since 2017-18, causing challenges for authorities in resolving stressed firms. Just 77 professionals registered in the first half of this fiscal. Inadequate compensation and fears of investigation are key reasons. The number of active professionals may seem adequate now but could pose issues if bad loans rise.

(Economic Times)

Mid-tier businesses turn to private credit funds amid slowed bank lending: Mid-tier manufacturing or process-based companies including Himadri Speciality Chemical, Ramco Group, and Gharda Chemicals are increasingly turning to private credit funds for financing due to slowed bank credit and tepid growth in mutual funds. These funds offer quick access to capital for expansion and acquisitions despite stringent terms.

(Economic Times)

Government tells MFIs to reduce rates: The department of financial services has told senior executives of microfinance institutions (MFI) to lower lending rates to a reasonable level so that the loans become viable for bottom-of-the-pyramid borrowers. This was discussed at a pre-budget meeting Wednesday between senior finance ministry officials and the country's major MFIs and officials from the two self-regulators for the sector. "We have informed the government officials that a majority of MFIs keep lending rates between 21% and 24% to which they said this may not be viable



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for the grassroot borrowers," a person who attended the meeting said, on the condition of anonymity. "They want us to reduce the rates," he said.

(Economic Times)



REGULATION & DEVELOPMENT

Aadhaar-based payments using face scan yet to fall into place: Aadhaar-based payments through facial recognition, piloted through the Covid peak by the National Payments Corporation of India (NPCI), have failed to take off even a year after its implementation. State Bank of India, Union Bank of India, and Bank of India, large public-sector banks with millions of customers, have not implemented the project as they want Aadhaar's administrator to make a desktop or laptop version of the service. "The reason payments through face authentication has failed to take off is because only 23 banks are currently offering this service," said a banking industry official. "

(Economic Times)

LIC's Bima Sakhi Yojana records over 50,000 registrations within one month of launch: Bima Sakhi Yojana of LIC has seen over 50,000 registrations within a month of its launch by Prime Minister Narendra Modi as an initiative towards Viksit Bharat through women empowerment. After completion of one month since the inauguration, the total registration for Bima Sakhi is 52,511 of which 27,695 Bima Sakhis have been issued appointment letters to sell policies and 14,583 Bima Sakhis have started selling policies, LIC said in a statement on Wednesday. Speaking about the development LIC Managing Director and Chief Executive Officer Siddhartha Mohanty said, "It is our objective to cover each panchayat of the country with at least one Bima Sakhi within one year."

(Economic Times)

New RBI chief faces rupee policy dilemma amid surging dollar: India's new central bank head faces a tough decision on managing the rupee's exchange rate — focus on squeezing volatility like his predecessor did, or respond to calls for more flexibility as the dollar continues to surge. Former Reserve Bank of India Governor Shaktikanta Das's term was marked by efforts to staunch currency swings, as he sought to impart predictability to foreign investors as well as local importers and exporters. A change in leadership has stoked speculation about the RBI's exchange-rate policy. While effective in dampening fluctuations, critics say Das's tight grip on the rupee effectively fixed the currency to a crawling peg against the dollar.

(Business Line)



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FINANCIAL TERMINOLOGY

OPEN NETWORK FOR DIGITAL COMMERCE (ONDC)

- ❖ The Open Network for Digital Commerce (ONDC) acts as a middleman in the world of online shopping, connecting buyers and sellers. It functions similarly to the Unified Payment Interface (UPI), a popular mobile payment system that allows people to make mobile payments regardless of the specific payment app they use.
- ❖ Govt. has taken this initiative to reduce the dominance of e-commerce giants like Flipkart and Amazon.
- ❖ ONDC is based on open-sourced methodology, using open specifications and open network protocols independent of any specific platform.
- ❖ The foundations of ONDC are to be open protocols for all aspects in the entire chain of activities in exchange of goods and services, similar to hypertext transfer protocol for information exchange over internet, simple mail transfer protocol for exchange of emails and unified payments interface for payments.
- ❖ Buyers get access to more sellers which ultimately leads to more finest choices. Sellers can cut the advertising and commission cost associated with intermediaries. Buyers can enjoy lower rates of goods & services due to the elimination of intermediaries.



RBI KEY RATES

Repo Rate: 6.50%
SDF: 6.25%
MSF & Bank Rate: 6.75%
CRR: 4.00%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 85.8443
INR / 1 GBP : 107.2052
INR / 1 EUR : 88.8946
INR /100 JPY: 54.3100

EQUITY MARKET

Sensex: 78148.49 (-50.62)
NIFTY: 23688.95(-18.95)
Bnk NIFTY: 49835.05 (-367.10)

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