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INDUSTRY OUTLOOK

ECONOMIC DIGEST (September 2020)

8 October 2020

1. Small positive growth may not be ruled out in FY21, says Rangarajan-ET

Dr. C. Rangarajan and D K Srivastava in a paper 'India's Growth Prospects & Policy Options: Emerging from the Pandemic's Shadow' stated that the story of the Indian economy as it unfolds under the impact of COVID-19 is disquieting. Although many national and international agencies have projected a sharp contraction in GDP in 2020-21, ranging from World Bank's projection of 3.2 per cent to SBI's 6.8 per cent, the outcome may be better than these strong contractionary prospects. The paper said “some key sectors like agriculture and related sectors, public administration, defence services and other services may perform normally or better than normal given the demand for health services”.

Further, goods and services categorised as essential goods and services in other sectors, technically called 'permitted goods and services' together with agriculture and public administration, defence and other services, may have a weight in the range of 40-50 per cent of total output. “These were fully operational even in the first quarter of 2020-21. Thus, nearly half of the economy may perform normally or better than normal over the full 2020-21”.

The government imposed nation-wide lockdown from March 25 to contain the spread of coronavirus and it continued in various phases in June, albeit with a significant easing of restrictions since early May. Also, given the current geopolitical situation, the government at the central and state levels have become more active in attracting investment from abroad. The reforms in the corporate tax rates in 2019-20 will also facilitate the relocation of various production platforms to India. “Thus, a small positive growth may not be ruled out”.

India's economy has suffered its worst slump on record in April-June quarter of 2020-21, with the GDP contracting by 23.9 per cent as the coronavirus-related lockdowns weighed on the already-declining consumer demand and investment. This is the sharpest contraction since quarterly figures started being published in 1996 and worse than expected by most analysts. The Indian economy was in a troubled state when the pandemic hit the world.

Before COVID-19 crisis hit India, the economy was already decelerating, real GDP growth had moderated from 7.0 per cent in 2017-18 to 6.1 per cent in 2018-19 and 4.2 per cent in 2019-20. The lockdown halted the economy necessitating kick starting the economy and moving it forward. "Maintenance of government expenditure at a high level is unavoidable and monetisation of debt is also unavoidable."But policymakers must also be conscious of the fact that there is a limit to monetisation. Wisdom lies in striking the appropriate balance". Monetisation of deficit happens when the RBI directly buys government securities from the primary market and in turn prints more money thereby helping it to bridge the fiscal deficit.

Even as India takes steps to kick start the economy, the country must consider the shape of the next round of reforms which would pave the way for sustained growth in post-COVID era. "Recapitalization of banks and regulation of bad debt must get priority. The reform measures announced recently by the government such as private operations in coal mining are truly in the spirit of liberalisation. They need to be implemented with dedication and commitment".

2. Modi's Economic Failings Dim India's $5 Trillion Dream-Forbes

… whether India could be the first member of the BRICs grouping—Brazil, Russia, India, China—to get downgraded to junk status. With consumption, exports, private investment and other key growth engines sputtering, it's not clear how Modi plans to stabilize the economy. Given New Delhi's debt load, India will be hard-pressed to spend its way back to steady growth… The RBI does have room to ease further. Its benchmark rate is 4%. One problem: inflation is currently trending above the 2% to 6% target. More stimulus might be inadvisable. Even so, the RBI could indeed act to pump more rupees into a wobbly economy.

3. India will not meet its Rs 2.1 lakh crore disinvestment target in 2020-21, DEA secretary says-Print

India will not meet its Rs 2.1 lakh crore disinvestment target in the current fiscal, but has no plans to further increase its market borrowing or go in for deficit monetisation.The government had set this ambitious disinvestment target, banking on majority stake sales in firms like Bharat Petroleum and Air India, and listing of the country's largest life insurer, Life Insurance Corporation of India. However, the Covid-19 pandemic has led to delays in the stake sale process. So far, this fiscal, the government has garnered less than Rs 20,000 crore in disinvestment receipts from different routes. The government retained its Rs 12 lakh crore borrowing limit for the full year, of which Rs 4.34 lakh crore will be borrowed in the second half of the fiscal. The government had initially set a target of borrowing Rs 7.8 lakh crore, but raised the limit further to Rs 12 lakh crore in May after the Covid-19 pandemic and the resulting lockdown led to a sharp fall in revenues.The borrowing limit takes into account both the potential fall in revenues and an increase in expenditure.

No monetising deficit

Bajaj also effectively ruled out deficit monetisation in response to a question. "We need Rs 12 lakh crore and we have come out with a borrowing plan for the same amount". Monetising the fiscal deficit means the RBI purchases government debt directly, rather than the government borrowing from the markets by selling bonds.

Fiscal deficit set to go up to Rs 14 lakh crore

The pressure on government finances is evident. India's fiscal deficit in the first five months of 2020-21 stood at Rs 8.7 lakh crore. Tax revenues in the April-August period were at only 17.4 per cent of the full-year budget estimate of Rs 2.84 lakh crore. Non-tax revenues were at Rs 86,147 crore, just 22.4 per cent of the full-year budgeted amount of Rs 3.85 lakh crore. But expenditure was at 41 per cent of the full-year estimate. The government's tax and non-tax revenues and disinvestment proceeds will together fall short by Rs 6 lakh crore. This will, in turn, increase the fiscal deficit to Rs 14 lakh crore.

4. Centre vs states GST row …reviving economy & a borrowing plan-Print

The central and state governments are engaged in a dispute to figure out how to make up for the shortfall in the GST compensation cess. In a commitment made in good times, the Centre had promised to make up for the shortfall. But the Centre now wants the states to borrow, and most states, in particular the non-BJP states, are protesting that it is reneging on its promise. States agreed to implement a nationwide GST only when the central government promised to fully compensate them for any loss in revenue arising from its implementation for the first five years. This was done as GST subsumed a number of taxes which were earlier levied by states.

The growth rate of the states' GST revenue was pegged at 14 per cent from the amount of collections in 2015-16. According to what was agreed, if the states' GST collections fall below the trajectory of 14 per cent annual growth, the central government has to compensate for the shortfall, to be paid from a compensation fund financed through a cess on items in the 28 per cent GST slab.

The Covid disruption

In the current year, economic activity has seen a disruption due to the Covid-induced lockdown. The economy contracted by 23.9 per cent in the first quarter. While there could be some improvement in the subsequent quarters, the fear of a deep contraction has resulted in a sharp collapse in GST revenues and cess collections. The assumed tax growth rate of 14 per cent in either the GST or the cess is unachievable this year. Either the Centre or states have to borrow to address the shortfall. The question is who borrows. And, who pays interest.

The Centre has proposed two options to meet the GST compensation shortfall. Under the first option, states could borrow Rs 97,000 crore (the estimated shortfall on account of GST implementation) through a special window through the RBI at a concessional rate, to be negotiated by the Centre. The principal and interest would be paid out of the compensation cess, so there will not be additional burden on states. Under the second option, states could borrow the entire tax shortfall of Rs 2.35 lakh crore arising on account of GST due to Covid-19 from the RBI. The states will have to bear the interest burden. The compensation fund from the cess levied would be used to pay the principal amount.

If the states choose to exercise the first option, their borrowing limit under the Fiscal Responsibility and Budget Management Act (FRBM) would be raised by an additional 0.5 per cent of gross state domestic product (GSDP). However, the unconditional relaxation of 0.5 per cent in the borrowing limit would not be applicable if states choose the second option.

Who should borrow to boost the economy?

The Centre says states are better placed to borrow as they have the headroom under the FRBM Act to borrow. Their borrowing limit was enhanced from 3 per cent to 5 per cent to meet the additional expenditure commitments due to the Covid-19 pandemic. Additional borrowings by the Centre would push the yields on government securities, which act as a benchmark for other borrowings, including state government borrowings.

States argue that the Centre should borrow as it is the Centre's commitment to meet the shortfall in tax revenues of states. The Centre not doing so would be reneging on its promise. The Centre's view is that it is not in breach of any promise made to states. Its commitment is to compensate states for loss of revenue arising out of GST implementation only, and not for all types of revenue losses. Additional borrowing, whether by Centre or states, is going to raise India's overall general government debt burden. The question is not about Centre or state debt narrowly, but about whether one of these arrangements is better than the other for boosting the economy. The Centre has already enhanced its borrowing target for this year by Rs 4 lakh crore. Additional borrowing could hamper its spending plan to revive the economy. If states borrow, using the first option, principal and interest would be repaid by extending the GST compensation cess beyond five years. Caution has to be exercised that the cess does not become permanent.

Sustained borrowing trajectory needed

The need of the hour is to bring the economy back on track, so that the GST compensation fund that has hit rock bottom can be used to meet the revenue shortfall of states. Since the general government debt will rise regardless of who borrows, a plan to move to a sustained borrowing trajectory should be made. The Centre also needs to take concrete steps towards developing a deep and liquid government bond market, so that states are able to borrow on better terms.

5. Govt, finances deteriorating. Postpone fiscal deficit goals, make economics more transparent-Print

The RBI has presented a worrying picture of the state of government finances in its annual report.The government's fiscal position was already fragile in 2019-20, and is expected to deteriorate further in the current year amid the Covid-19 outbreak and disruption in economic activity due to the lockdown. Now, the government needs to re-assess its revenue and fiscal situation for the current year.

The fiscal situation

Due to the economic slowdown in 2019-20, the fiscal situation was already getting difficult. The fiscal deficit was estimated to be 3.3 per cent of GDP. At the time of presenting the budget in February, the FM had announced a deviation of the fiscal deficit target from the budgetary estimate. Section 4(3) of the FRBM Act allows a deviation of fiscal deficit target to the extent of half-a-per cent of GDP under certain circumstances. These include structural reforms with unanticipated fiscal implications. The FM said the government was deviating from the fiscal deficit roadmap for bringing in structural reforms. The revised estimate for fiscal deficit for 2019-20 was 3.8 per cent of GDP.

Weak growth led to a shortfall in revenue. Controller General of Accounts (CGA) data shows that the fiscal deficit for 2019-20 came in at 4.6 per cent of GDP. The 1.3 per cent slippage from the budgetary target was primarily on account of a shortfall in tax revenue. Economic growth had slowed to 4.2 per cent in 2019-20. For the current year, the fiscal deficit was pegged at 3.5 per cent of GDP when the Union Budget was announced in February 2020. This was prior to the spread of Covid-19 in India. This was also a deviation from the fiscal deficit glidepath envisaged in the FRBM Act, which mandates the fiscal deficit to be 3 per cent of GDP by 31 March 2021.

Almost immediately after that, the pandemic hit India and the country went into lockdown. This meant both a sharp decline in economic activity, which will reduce taxes, and an increase in government expenditure for relief measures. In this backdrop, achieving a 3.5 per cent fiscal deficit target is not feasible. The government has already announced an additional borrowing requirement of Rs 4 lakh crore, taking the total borrowings for 2020-21 to Rs 12 lakh crore. This increased borrowing alone implies that the fiscal deficit would be around 5.3 per cent of GDP. This figure is based on the assumption of a 10 per cent nominal GDP growth which is highly unlikely. Given that GDP will contract, a lower denominator would mean a higher fiscal deficit ratio.

Assumptions need a re-look

The assumptions on which the fiscal deficit target for 2020-21 was fixed need a relook. One of the key targets was the Rs 2.1 lakh crore receipts from disinvestment — almost four times what was realised in 2019-20. One of the elements of the disinvestment plan is the initial public offering of the Life Insurance Corporation of India, through which the government plans to raise Rs 90,000 crore. This seems challenging in the current scenario, even though the process to launch the IPO has begun. In addition, tax revenues will be lower. The first quarter numbers already show a sharp contraction in revenues. The government has hiked excise duty on petrol and diesel to raise additional revenues.

Expenditure compression measures, such as the 18-month freeze on additional dearness allowance for civil servants, could create some fiscal space. Nevertheless, there will be a major slippage from the budgeted fiscal deficit target. Higher deficit implies that the government's debt-to-GDP ratio would rise. The FRBM Act mandates that the central government's debt-to-GDP ratio should not exceed 40 per cent of GDP by 2024-25 and the central and state governments' combined ratio should not exceed 60 per cent. In the current year, the debt-to-GDP ratio is expected to rise by somewhere between 10 to 12 per cent. Higher debt burden will constrain government's ability to do additional spending and support economic revival. The FRBM targets will need to be postponed.

A worldwide problem

Since the pandemic was an extraordinary shock, governments around the world are suffering similar shocks to their government finances. Fiscal deficits are rising across the board in emerging markets. Countries like Brazil, Turkey, South Africa and Colombia were already challenged with debt issues before Covid-19, and now that fiscal deficits and debt dynamics will take a turn for the worse, new problems will arise, e.g., the economic and fiscal challenges due to Covid will raise potential debt sustainability issues for Brazil, imminent balance of payments challenges for Turkey, and downward ratings pressure for Colombia and South Africa. In India, the next round of stimulus package is expected to be announced only when the Covid-19 pandemic shows some signs of subsiding. But the government should make a realistic assessment of its revenue and expenditure targets for the current year. These will, of course, need to be updated as the situation changes. But greater transparency at every point will give greater confidence in the Indian government bond market.

6. RBI fixes Centre's WMA limit at Rs 1.25 lakh crore for second half-DH

The RBI set the ways and means advances (WMAs) limit at Rs 1.25 lakh crore for the central government for the second half of the fiscal year. WMAs are temporary advances given by the RBI to the government to tide over any mismatch in receipts and payments. "It has been decided, in consultation with the Government of India, that the limits for ways and means advances (WMA) for the second half of the financial year 2020-21 (October 2020 to March 2021) will be Rs 1,25,000 crore", the RBI said. The RBI further said it may trigger fresh floatation of market loans when the government utilises 75 per cent of the WMA limit.

“The Reserve Bank retains the flexibility to revise the limit at any time, in consultation with the Government of India, taking into consideration the prevailing circumstances”. The interest rate on WMA is equal to the repo rate and on overdraft, it is 2 per cent above the repo rate. The current repo rate is 4 per cent. Meanwhile, the Finance Ministry said the government will borrow Rs 4.34 lakh crore in the second half of the current fiscal to meet its expenditure requirement amid the Covid-19 crisis afflicting the country's economy. With this, the government will stick to the revised borrowing target of Rs 12 lakh crore borrowing for the current fiscal. The government revised the borrowing target to Rs 12 lakh crore in May as against. Rs 7.8 lakh crore approved in the Budget 2020-21. In another statement, the RBI said that to help institutional and retail investors plan their investments efficiently, an indicative calendar for issuance of the government dated securities for the second half of the fiscal year 2020-21 has been prepared. It will also provide transparency and stability to the government securities market. “As evident from the calendar, the second half borrowing programme of the Government of India is expected to be completed by January 2021 to help generate sufficient space to manage the borrowing programme of the state governments smoothly”, the RBI said. All the auctions covered by the calendar will have the facility of non-competitive bidding scheme, under which 5 per cent of the notified amount will be reserved for the specified retail investors.

7. India posts record current account surplus in June quarter- Yahoo News

India's current account surplus rose to a record $19.8 billion in April-June as its trade deficit narrowed sharply. The current account figure for the first quarter of the fiscal year compared with a surplus of $600 million in the Jan-March quarter, which was the country's first surplus in 13 years. The surplus stood at 3.9% of GDP in the latest quarter, compared with a deficit of $15 billion or 2.1% in the same period a year ago. The higher balance-to-GDP ratio is primarily due to sharp contractions in both the trade deficit and economic activity. India’s merchandise trade balance recorded a deficit of $10 billion in April-June, sharply lower than the deficit of $46.8 billion in the same quarter a year ago.

India's economy contracted by 23.9% in the June quarter, far worse than economists had predicted, as sweeping coronavirus restrictions paralysed business and consumer activity. They are now predicting around a 10% contraction for the full year 2020/21. Net services receipts remained stable, primarily on the back of net earnings from computer services. Private transfer receipts, mainly representing remittances by Indians employed overseas, amounted to $18.2 billion, a fall of 8.7% from the previous year. Net foreign direct investments recorded an outflow of $400 million, as against inflows of $14.0 billion in same quarter previous year. The balance of payments showed a surplus of $19.8 billion in the first quarter of 2020/21, compared with a surplus of $14 billion a year earlier. "This may not sustain for very long as imports will start growing at the faster pace than exports once the economic engine becomes fully operational," Nitsure said.

8. Q1 all-India house price index rises 2.8% on annual basis: RBI data-BS

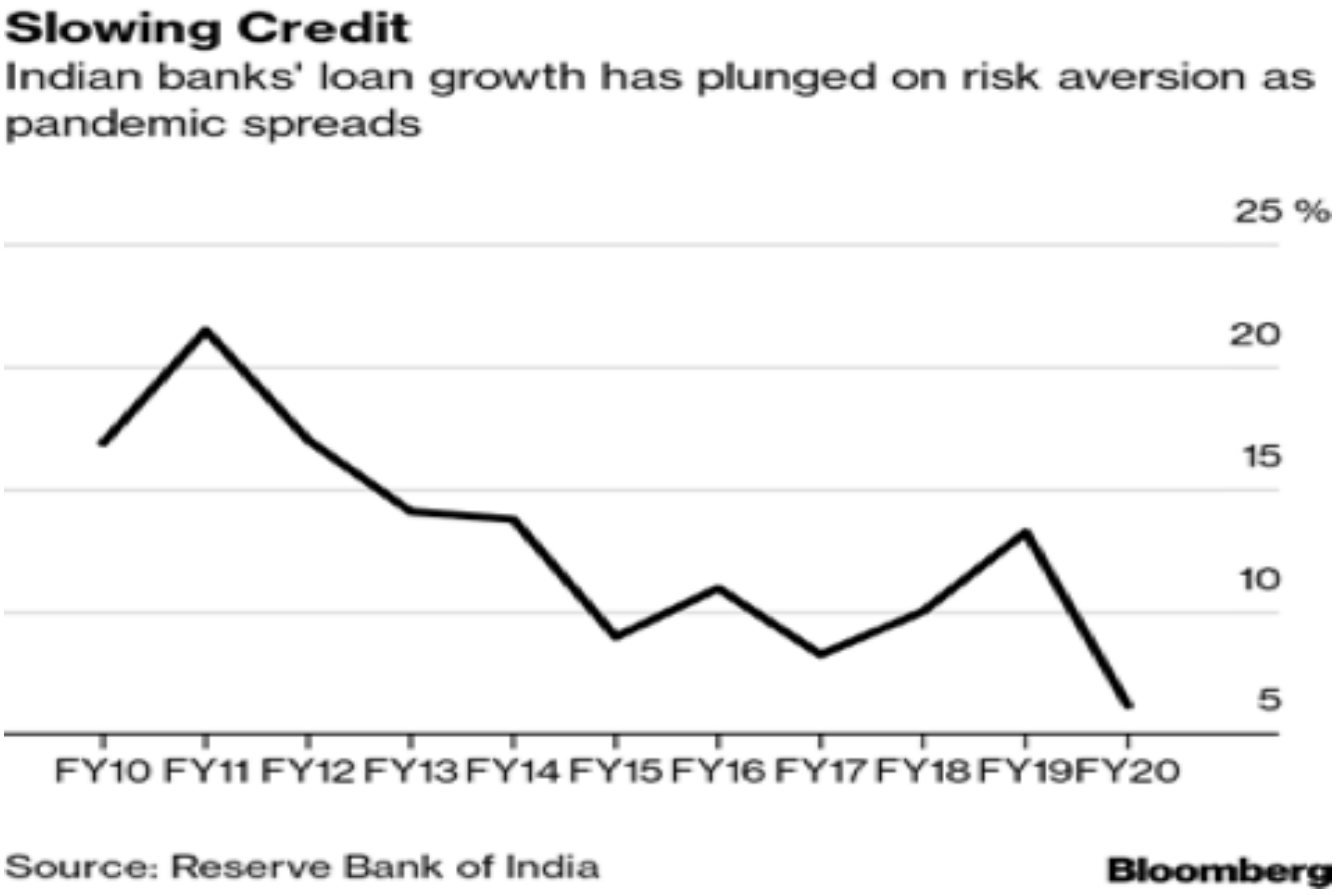
The all-India House Price Index (HPI) rose 2.8 per cent in the first quarter of the current financial year on an annual basis. The quarterly HPI for the April-June 2020 period is based on transaction-level data received from housing registration authorities in 10 major cities. The cities are Ahmedabad, Bengaluru, Chennai, Delhi, Jaipur, Kanpur, Kochi, Kolkata, Lucknow and Mumbai. "On an annual basis (y-o-y), the all-India HPI increased by 2.8 per cent in Q1:2020-21 as compared with 3.4 per cent a year ago; annual growth in city wise HPI varied from an increase of 16.1 per cent (Bengaluru) to a contraction of 6.7 per cent (Delhi)". Further, the all-India HPI increased by 1.2 per cent on a sequential basis (q-o-q) during the first quarter of the current financial year. House prices in Bengaluru, Kochi, Ahmedabad and Lucknow increased during the quarter on sequential basis.

9. Monetary Policy Delay Adds to Indian Bankers' Long List of Woes-Bloomberg

The RBI's decision to reschedule the interest-rate meeting makes it difficult for lenders to price loans and deposits because they usually track the monetary policy's outlook for liquidity and interest rates. Banks monitor the regulator's projections for economic growth, which is closely linked to credit demand. Lenders usually make these decisions at monthly asset-liability meetings… Governor Shaktikanta Das has flagged his growing concerns about the health of the nation's fragile banking system and, in particular, under-capitalized state-run lenders. Banks -- already weakened by a two-year-old shadow lending crisis -- are seeking more guidance from the regulator on how to battle one of the world's worst bad loan ratios.

'Non-Communication'

"The monetary policy statement is a very important document for banks as it sets the tone on interest rates, liquidity, growth, inflation and macro-prudential measures like the loan moratorium," said Rupa R. Nitsure, L&T Finance Holdings Ltd. "It is necessary for future loan pricing depending on the central bank's outlook and comments on economy, rates and liquidity. RBI's non-communication adds to uncertainty on these factors." October's monetary policy meeting is important because it takes place half-way through the financial year and gives banks a clear picture of second-half business conditions.



Bankers were also awaiting more clarity on the regulator's views on the loan moratorium after the Supreme Court allowed lenders to classify all loans that hadn't turned bad at the end of August as performing until further orders, overturning an RBI cutoff date.

The RBI has pumped in billions to support banks, but Das is particularly worried about the risk-averse nature of lenders even as he seeks to maintain financial stability. The delay could make banks even more wary to cut lending rates and boost credit ahead of a traditionally busy season of spending during the festival season next month. Financial sector stability is perhaps the most critical of all at the moment given the uncertainty around the pace of economic recovery, the prevailing stress on asset quality and inadequate loss-absorption buffers across many banks, including state-run banks. Although it's not unusual to have bank-specific issues surface at times, there have been several instances of mis-governance across the financial sector in the recent past, which perhaps requires greater regulatory attention.

10. Deposit-credit gap widens by Rs 8.2 lakh crore so far in FY21-ToI

Bank deposits have hit practically Rs 143 lakh crore, a rise of Rs 6.8 lakh crore since end-March, whereas advances are struggling at simply over Rs 102 lakh crore, down Rs 1.4 lakh crore from end-March. Widened gap between credit and deposit to Rs 8.2 lakh crore is being stuffed by investments in authorities bonds, which now account for practically 29% of financial institution deposits after rising 21% year-on-year. Besides the slowdown in funding, there was a drop in advances since corporates have been de-leveraging as they put together for slower revenues. Also, a portion of financing has shifted to the bond market, the place the price of funds has come down considerably.

…SCBs are being very selective with their credit score portfolios resulting from asset high quality considerations and the general bank credit is anticipated to stay slower in the close to time period. While banking system liquidity is anticipated to stay in a surplus place, it should proceed to be weighed down by upcoming authorities borrowings. In the fortnight ended September 25, the central authorities has borrowed Rs 60,000 crore, whereas states have raised Rs 23,728 crore from banks.

Sectoral deployment of financial institution credit score till July 2020 exhibits that non-food credit score is down Rs 1.4 lakh crore (-1.5%) from end-March ranges. This is regardless of there being no year-end surge in lending over the past week of March 2020 on account of the strict lockdown. The greatest fall in credit score is in the big trade phase (down by Rs 53,134 crore). This is adopted by a Rs 48,816-crore drop in credit score to micro and small enterprises, whereas loans in the private phase are down by Rs 22,418 crore.

11. Big banks look to cash in on festival demand as credit stagnates-Mint

In an attempt to resuscitate credit flow and nudge demand during the upcoming festival season, lenders are offering a wide gamut of relaxations to customers. Large banks like ICICI Bank, HDFC Bank and SBI have announced cheaper loans, waiver of processing fees and easier consumer finance loans. Bankers said lack of demand has also led to credit growth wilting so far in the financial year and even on a year-on-year (y-o-y) basis. In fact, on a year-to-date (ytd) basis, outstanding credit has shrunk 1.54%, e.g., HDFC Bank launched its festival offer and said customers can avail of deals on all banking products from loans to bank accounts. The bank will also offer a 50% discount on processing fees on auto loans, personal loans and business growth loans and zero processing fee on two-wheeler loans. “Our partners include both the merchants and manufacturers. Everyone in the economy is hoping for a turnaround and some optimism," said Aditya Puri, MD, HDFC Bank. Puri said most industries have come back to pre-covid business level. “If you talk to the automobile, steel, FMCG industry and others, the growth is pretty good. Yes, there are some sectors that will take a little. We are confident about the future," said Puri.

ICICI Bank will offer attractive benefits to retail and business customers on various banking products and services. Some of these include home loans and balance transfer of home loans from other banks at interest rates starting from 6.9%, along with offers on car, two-wheeler and consumer durable loans.

“With this, we believe that our customers will get the best-in-class offers to celebrate their festivities, even while they are indoors or maintaining safe distancing," said Anup Bagchi, ED, ICICI Bank. The pandemic has disrupted the flow of credit and is also expected to lead to a surge in bad loans as people’s ability to repay loans have declined in the last few months. However, some believe there is a gradual pickup in credit demand as things start to stabilise. Credit bureau TransUnion Cibil said that inquiry volumes for home loans, although still below January and February 2020, were back to the same levels seen during the same time last year in July and August.

“This could possibly be due to lenders completing the pending transactions that had been halted at the onset of covid-19, and consumers seeking to transfer their existing home loans to lenders offering better interest rates consequent to rate cuts announced by the regulator," it said in a report on 22 September.

When a consumer applies for a loan, the lending institution seeks credit information report and this process, also known as inquiry,is useful in gauging demand.

SBI announced a complete waiver in the processing fee for all customers applying for car, gold, and personal loans through Yono, its mobile app. SBI also said it would waive off processing fees on home loans in approved projects.

12. Not many companies opt for loan restructuring, high cost a deterrent-BT

Companies are not making a beeline for loan restructuring because of the high cost of getting it done. The SBI Chairman Rajnish Kumar last week said that the bank has not seen much demand for corporate loan restructuring so far. Other public sector bankers echo similar views. "People have learnt their lessons in previous restructuring schemes. The cost of restructuring is also a deterrent for corporate to come forward," says K Ramachandran, ED, Indian Bank. Indian Bank's merger with Allahabad Bank as part of the consolidation exercise in the PSBs, has increased its balance sheet size to over Rs 10 lakh crore.

An estimated Rs 30 lakh crore of corporate debt was under six month moratorium, which ended in August this year. Companies have time to approach banks for loan restructuring from September 15 till December 2020. "There are still three months left for corporate-banks to decide on the restructuring," says a consultant. The RBI, however, has given 90 days or three more months to implement the restructuring once it is invoked. "People will think twice before they actually want to get their account restructured because of non-availability of funds or cash flows. They will tighten their belt and see if they can keep up their commitment," says Ramachandran.

A restructured loan is generally seen as a 'doubtful borrower' by banks and other institutions. In fact, it impacts the investors' interest and also lowers market valuations. "There is also monitoring by lenders on regular interval. Fresh funding will invite much more due diligence. This also discourages promoters from opting for loan recast," says another banker.

Unlike the past, the current restructuring window is available to only standard accounts or good borrowers with not more than 30 days of loan default as on March 01, 2020. So, while the companies hit by COVID-19 will benefit, those whose cash flows were impacted in the last six to nine quarters when the GDP was consistently falling won't be able to avail the facility.

Many suggest that a good company impacted by COVID-19 will have cash reserves, and its debt equity ratio will also be favourable. Such companies can easily generate resources by way of a rights issue or equity sale. The other factor discouraging companies from restructuring their loans is the insistence on personal guarantee by banks for restructuring.

13. IDBI Bank becomes first bank to enable document embedding feature on SFMS-NIE

IDBI Bank has become the first lender to enable document embedding feature on a structured financial messaging system managed by Indian Financial Technology and Allied Services (IFTAS), a wholly-owned subsidiary of the RBI. In an effort to further digitise the financial transactions and to secure the financial communication system, IFTAS has introduced the feature of document embedding, along with Letter of Credit/ Bank Guarantee messages. Transmission of digitally signed documents ensures the reliability of the transaction. "The new feature will ease the current process of manual verification, reconciliation, reduce frauds, and enable documentary evidence for all the parties involved in the transaction," the bank said. Reliability of the Bank Guarantee gets enhanced when a copy of the stamp duty information gets embedded and transmitted along with the message itself.

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