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INDUSTRY OUTLOOK

ECONOMIC DIGEST (May 2021)

1. Biden's rescue package may fuel growth in US but 'global finance' will ensure the Third World suffers- National Herald

US President Joe Biden's $1.9 trillion rescue package is an ambitious measure to revive the US and, with it, the world economy. On top of Trump's $2trillion package last year and a further $900 billion package in December 2020, it seeks not just to provide relief from the pandemic but to start a new boom in the US with global spillover effects, despite the protectionist measures in the US under Donald Trump. It will also raise the US fiscal deficit to GDP ratio to an unprecedented level.The long post-second world war boom was sustained in the capitalist world by active State intervention through fiscal means. The continuation of such a boom however became impossible as finance became globally mobile: its usual opposition to fiscal deficits and to taxes on the rich for financing expenditure by national governments thereby became decisive, since globalised finance was now facing a nation-State which feared that not doing so would precipitate a capital flight, i.e., if any State persisted with active fiscal intervention, then finance would simply leave that country and go elsewhere.

The US however was largely free from this pressure, since its currency was considered "as good as gold", and hence a safe medium for holding wealth, which ruled out any large-scale capital flight from the US. But in the case of the US, higher State expenditure caused a "leakage" of demand abroad, so that it got externally indebted even while creating employment abroad rather than at home. This deterred State fiscal intervention. Trump introduced protectionism so that the fiscal stimulation of the US economy would generate employment at home rather than abroad.

Despite such protection however the recent fiscal stimulation of the economy widened the US trade deficit significantly, which means that there has still been a significant "leakage" of demand abroad. Biden nonetheless chose to stimulate the US economy fiscally without tightening protectionism, at least for the present. This would stimulate the Indian economy as India's exports would grow with a revival of US, and world, demand. There is however a fundamental difference between the immediate post-war context when a State-stimulated US boom would have had multiplier effects on the Indian economy, and the current context. But at that time there was no globalization of finance, while today finance is globalized. Consequently, every country's interest rate is aligned with that of the US, e.g., if the interest rate in India is lower than a figure which equals the sum of the US interest rate and a compensation to offset the perceived risk of making a financial investment in India as compared to the US, then finance would simply flow out of India into the US.

Now, for quite some time when the US eschewed fiscal activism, it tried to stimulate the economy through monetary policy alone, and drove interest rates down to almost zero. Switching to fiscal activism would mean some rise in US interest rates, which has already started happening; and this in turn would mean correspondingly higher interest rates in countries like India. Already the RBI is facing problems of keeping down the interest rates on bonds because of the rise in US bond yields; but this problem will become more acute over time. And with increases in interest rates, there will be a further discouragement of investment.

An additional reason for such dampening is inflation. Many centre right economists are worried that stimulation of the US economy will unleash inflation there, while others belonging to the centre-left spectrum dismiss such inflation fears. Surprisingly however this entire discussion on inflation has remained focused exclusively on the US, without exploring the possibility of inflation in other countries that the US stimulus may generate. This issue is particularly important for India and other third world countries which provide various primary commodities to the US, and to the advanced capitalist world in general.

The US stimulus will almost certainly raise the demand for primary commodities and hence their prices. While this may not be of much consequence for the US inflation rate, it will certainly raise the inflation rate in third world primary commodity suppliers like India. The policy-response to such an increase in primary commodity inflation, will be precisely the opposite under a regime of globalized finance to what it should have been, and what it would have been under the post-war dirigiste regime.

The rise in primary commodity prices because of a sudden increase in demand should ideally, enlarge State efforts to raise the supply of such commodities by increasing public investment in spheres crucial for such production. But under globalized finance, the policy response will curtail public investment, and public spending in general, so that supply is not augmented, but domestic demand that is curtailed to check inflation. Austerity in short will be imposed on the primary commodity supplying economy so that its level of activity and hence its growth rate is restrained for this reason. Thus, for Indian economy, while there will be some increase in exports on account of Biden's package, this would be accompanied by an overall compression in the level of activity and growth, so that enough primary commodities are squeezed out from domestic absorption to curb excess demand pressures and hence inflation.

This was unlike the post-second-world-war boom. Governments were not obliged to obey the diktats of finance. Hence a rise in primary commodity prices was accompanied by government effort, including larger government investment, to increase the supplies of such commodities, rather than curtailing their domestic absorption through reducing government spending. Hence, a world boom in that period could only have a stimulating effect on the Indian economy, and not a contractionary effect.

Biden's package in short is based on an untenable assumption, i.e., a Keynesian policy of stimulating the economy through fiscal means can be followed, while the Keynesian injunction that "finance above all must be national" is ignored. This untenable assumption in turn derives from the illusion that the world economy as a whole can come out of the protracted crisis to which neoliberal capitalism has consigned it without putting any restrictions on the movements of finance, i.e., the hegemony of finance does not really matter for the level of world economic activity. But while the US State may not be hamstrung by the hegemony of finance, or even the States of the advanced countries as a whole acting in a coordinated fashion, the States in third world countries are not so fortunate. Instead of asking for a change in the international economic order whereby the nation-States once again re-acquire their autonomy vis-à-vis globalized finance, the Biden package simply presumes that we can return to the days of Keynesian demand management to the benefit of all countries.

This basically untenable assumption implies that the pursuit of the extraordinarily ambitious fiscal stimulus visualized by Joe Biden will only accentuate the global divide, with the advanced countries forging ahead with growth while the third world countries remain mired in acute unemployment and fiscal austerity. The IMF's discriminatory policies are working in this direction; but even without the IMF, this is the spontaneous direction that the finance-dominated world economy, if it breaks out of its current stagnation through US or more generally advanced country initiative, will take. Biden's package is well-meaning and has the support of the Left in advanced countries; but this Left also needs to be sensitive to the predicament of the third world countries.

2. India's second COVID-19 wave could put its economic recovery at risk: ADB ¬- Down To Earth

The ongoing 'second wave' of COVID-19 pandemic could put India's economic recovery at risk. ADB's report said excluding the second wave, India's economy, was expected to grow 11 % in fiscal year 2021, which ends March 31, 2022, amid a strong vaccine drive. India's GDP was expected to expand 7 % in 2022. This year, South Asia's GDP growth was expected to rebound to 9.5 %. India was one of the 45 economies across Asia and the Pacific that were assessed. The Asian Development Outlook 2021, said the 45 economies that excluded Japan, Australia and New Zealand, were to grow 7.3 % this year, supported by a healthy global recovery and early progress on COVID-19 vaccines. "The region's growth is forecast to moderate to 5.3 % in 2022. Excluding high income newly industrialized economies, a growth of 7.7 % is forecast for this year and 5.6 % for next year". While growth was forecast to be the strongest in east and south Asia, central and southeast Asia as well as the Pacific were to see more moderate growth.

Rising exports were boosting some economies in Asia, amid strengthening global economic activity, including a rebound in manufacturing. China's GDP was forecast to expand 8.1 % in 2021 and 5.5 % in 2022. East Asia's GDP was expected to grow 7.4 % in 2021 and 5.1 % in 2022. Average inflation in the region was forecast to fall to 2.3 % in 2021, from 2.8 % in 2020. The pandemic was the biggest threat to Asia and the Pacific (including India) because of delayed vaccine rollouts or major new outbreaks.

3. Investors straining to look beyond India's COVID-19 crisis-Reuters

Indian financial markets have struggled this month as the world's worst COVID-19 crisis engulfs the country but international investors are betting the economy will rebound quickly once the pandemic has passed. More net foreign investment outflow occurred this month than inflow during the whole of the first quarter, as a catastrophic spike in deaths leaves the world's second most populous country in turmoil. Before the upsurge, the IMF, banks and ratings agencies were all predicting an impressive double-digit rebound in growth this year, but many of those forecasts will now have to be ripped up… India's weak health system and many workers in informal sectors need to be able to move for livelihoods. The Indian rupee has been one of the world's worst performing heavyweight currencies this month, down nearly 2%. Indian stocks have underperformed the big global indexes by nearly 7% and those in Brazil, which has also in the grip of a serious COVID-19 surge, by nearly 12%. Including bond market selling, Societe Generale estimates international investors yanked out over $6 billion from India in April. But with new targeted lockdowns, the government reining in vaccine exports, and ventilators and other support now arriving from abroad, Mumbai's $2.4 trillion Sensex stock index has recovered some ground and the rupee is heading for its best week since August.

"Prime Minister Modi, and the partial structural reform hopes he represents for investors, is neither sufficiently vulnerable politically, nor are Indian equities sufficiently expensive relative to history, to throw the towel in on what remains the best country pick in large emerging markets," said Hasnain Malik, Tellimer. The RBI's $600 billion of FX reserves should meanwhile cushion any capital outflows, and unlike last year, credit rating agencies have stayed clear of downgrading India, which would push it out of the investment-grade bracket…" public deficits and debt is high, but it is held almost exclusively domestically and the country has a very strong track record of growth"…Lombard Odier's Kowshik points out that this month's equity market fall comes after $36 billion was ploughed into Indian stocks between September and March…RBI has embarked on quantitative easing and authorities are hopeful influential investment index providers like JPMorgan and Bloomberg will soon include India, one of the only investment grade-rated countries still not in those benchmarks. Foreigners own just 2% of Indian government debt, roughly compared to 20%-40% in nearby Indonesia and Malaysia, but index inclusion could quickly change that.

The government has already eased stringent foreign ownership limits that had been a big hurdle for inclusion. It is also likely to be part of the key Euroclear ecosystem, where buying and selling bonds is easier. "The stars are now getting aligned (for index inclusion) said Abhishek Kumar, MD, State Street Global Advisors, who reckons India's local bond market would eventually rack up the maximum 10% weighting allowed on JPMorgan's $200-300 billion GBI-EM index. The $20-30 billion that could bring in over time "would go a long way to funding the COVID-related fiscal deficit this year".

4. Exports Stay Robust Despite Local Curbs- Mint

Merchandise exports and imports remained robust in April despite localized lockdowns, showing signs of increasing external and domestic demand for goods, leaving behind a fourmonth-high trade deficit of $15.2 billion. Merchandise exports rose at a record 197% to $30.21 billion in April while merchandise imports increased 166% to $45.45 billion. This jump comes over the low base last year when India entered a nationwide lockdown disrupting supply chains, impacting both imports and exports. In April 2020, India's exports and imports stood at $10.36 billion and $17.12 billion, respectively. However, April's trade performance softened sequentially from the March print. In March, exports and imports hit record heights at $34.45 billion and $48.38 billion, respectively. Non-oil exports registered a 201% growth in April at $26.85 billion, led by engineering, gems and jewellery and textiles shipments, while non-oil imports grew 179% to $34.65 billion led by gold, electronic goods and vegetable oil sectors.

5. Rising inflation in India risks RBI's monetary easing - Mint

The world's worst Covid-19 outbreak in India risks fanning price pressures, threatening to limit options for the inflation-focused RBI to support the economy. Provincial curbs to stem the virus are disrupting domestic supply chains, risking higher prices for everything from essential drugs to cars. Weakening rupee is worsening the situation, boosting the local cost of imported oil and other raw materials for manufacturing. While the RBI's looser monetary policies last year overlooked above-target inflation, further price pressure amid an expected economic recovery later this year may limit its options. CPI is on course to test the upper limit of the its 2%-6% target, while recent gains in WPI signal more pressure. For now, the RBI's six-member MPC has vowed to keep rates low for as long as needed to support the recovery. Meanwhile, as the RBI manages government borrowing, it has tried to check yields as the pandemic fight stretches government finances and bond markets demand higher premiums to hold the sovereign's debt. Given that RBI has a formal inflation target, between yield management and inflation, keeping a lid over inflation is first requirement. The second wave could raise supply side inflation with the outlook rather uncertain.

6. MSMEs urge FM Nirmala Sitharaman to review NPA classification norms-BS

Stung by the second wave of the Covid-19 pandemic, small businesses have urged FM to review classification norms for bad loans and rationalize import duty on key raw materials, i.e., iron and steel…The framework to classify accounts under SMA framework was devised for normal times, and should be revised for pandemic-hit years.

Accounts are classified as SMA-0 if principal and interest is overdue between 1 to 30 days; SMA-1 and SMA-2 if repayment is overdue between 31 to 60 days, and 61 to 90 days, respectively. A revision is needed because payment cycles are longer now and markets have been disrupted because of lockdowns. "Banking cannot be just excel-sheet based; the system ought to provide much needed flexibility to the banker so that these facts could be factored in," FISME said. Small businesses have also sought a legislation providing protection from prosecution due to noncompliance during the pandemic up to March 31, 2022. The ratings of such businesses should also not be affected during the period.

7. Bank credit grows 5.33%; deposits rise 10.94% - ToI

Bank credit grew by 5.33 % to ₹ 108.89 lakh crore, and deposits rose 10.94 % to ₹ 152.15 lakh crore in the fortnight ended April 9, 2021. In the fortnight ended April 10, 2020, bank advances stood at ₹ 103.38 lakh crore and deposits were ₹ 137.15 lakh crore. In 2020-21 fiscal, bank credit increased 5.56 % and deposits 11.4%. The bank credit growth rate continues to decline, however, in absolute terms- bank credit (in the fortnight ended April 9, 2021) increased by ₹5.5 lakh crore as compared to the fortnight ended April 10, 2020, but declined by ₹ 0.62 lakh crore from the previous fortnight ended March 26, 2021… However, the year-on-year growth rate fell in the first month of the new financial year (i.e., April 2021) for the first time in five years, reflecting subdued credit demand amid the rising second wave of the pandemic… bank credit growth is likely to increase in FY22, given macro-economic growth and the base effect. Downside risks include lockdowns in key states, which may impact the industrial as well as the service segments. Another risk is the end of the Emergency Credit Line Guarantee Scheme (ECLGS) in June 2021, which had propped up the MSME credit.

8. RBI To Up Risk-Based Oversight of Banks - Mint

The RBI has decided to review and strengthen the risk-based supervision of the banking sector to enable financial sector players to address emerging challenges. RBI has also invited bids from technical experts/consultants to carry forward the process for banks. In case of urban cooperative Banks (UCBs) and NBFCs, expression of interest (EoI) for 'Consultant for Review of Supervisory Models' said it is "intended to review the existing supervisory rating models under CAMELS (capital adequacy, asset quality, management, earnings, liquidity, and systems and control) approach for improved risk capture in forward looking manner and for harmonizing the supervisory approach across all supervised entities (SEs)". Annual financial inspection of UCBs and NBFCs is largely based on the CAMELS model.

9. It pays to keep your head in Cloud, say CIOs-BS

…"We have to fundamentally re-architect the way we store data. Now how you do it – whether it is to a private Cloud; or if it is to be public or hybrid — is for the bank to decide. But the exponential gro-wth in digital transactions means that we have to hasten this shift," opined Akhil Handa, Bank of Baroda. In the Indian context, attracting talent remains a big issue because tech folks are used to work in new-age entities like an Amazon, Facebook, Google or a Flipkart. And given the human resource (HR) aspect, they may not necessarily be keen to work in legacy banks. While it was not specifically spelt out, banks will need to rewire their HR policies to attract and retain talent, more so in the case of state-run banks...banks will have to get moving on the Cloud front quickly as a lot of business, especially on the payments front, are now being through outside conventional banking channels. And customers want to have a much different experience.

Takeaways included that a shift to Cloud technology is not to be seen as merely replicating existing processes on to it. It was reiterated that given the complexities involved – technology, people and the business models – it was difficult to back-pedal once a path was to Cloud was chosen. And this shift to Clo¬ud comes even as the pandemic brings its set of pain points. "The entire eco-sys¬tem of a bank's partnerships, too, stands to get affected," said Handa. Sim¬ply put, a bank's partners will also have to be in-step with the changes underway. "The security of data will become more critical even as it raises performance issues. It will call for a cultural change at banks and there will have to a relook at board-approved policies" noted Sankaran. "You have to aware of the specific eco-system you are operating in; and then take a decision as to go about it in an incremental way," said Murali Rao, DCB Bank. Cloud offers banks the headroom to be agile and quickly adapt to emerging needs. "Take risk management, for instance.

There are typically monthly or quarterly peak load times. With Cloud, you can react immediately; and there are also pay-and-use models which you can avail of," added Rocha Martim, global director (head of Risk Banking Solutions) at SAS.

10. RBI issues guidelines for appointment of statutory auditors of banks, NBFCs - India TV

The RBI issued guidelines for the appointment of statutory auditors of banks and NBFCs, including housing finance companies. 'Guidelines for Appointment of Statutory Central Auditors (SCAs)/ Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs, and NBFCs (including HFCs)' will be applicable for the financial year 2021-22 and onwards. However, non-deposit-taking NBFCs with asset sizes below ₹1,000 crore have the option to continue with their extant procedure. The guidelines provide necessary instructions for appointment of SCAs/SAs, the number of auditors, their eligibility criteria, tenure and rotation, etc. while ensuring the independence of auditors. As the guidelines are being implemented for the first time for Urban Co-operative Banks (UCBs) and NBFCs from 2021-22, "they shall have the flexibility to adapt these guidelines from the second half of FY 2021-22, in order to ensure that there is no disruption".

Banks and UCBs will be required to take prior approval of RBI for appointment/reappointment of SCAs/SAs, on an annual basis, the guidelines said. For entities with an asset size of ₹15,000 crore and above as at the end of the previous year, a statutory audit should be conducted under a joint audit of a minimum of two audit firms. All other entities should appoint a minimum of one audit firm for conducting the statutory audit.

11. Digital Frauds Rising since Covid Outbreak: Report - FE

Attempts and incidences of digital fraud have been increasing since the outbreak of the Covid-19, credit bureau TransUnion said based on its latest quarterly analysis of global online fraud trends. A separate report by TrustCheckr said that 41% of digital frauds in India occurred in the eastern region. TransUnion's conclusions are based on intelligence from billions of transactions and more than 40,000 global websites and apps contained in its fraud analytics solution suite.

The percent of suspected fraudulent digital transaction attempts against businesses originating from India increased 28.32% when comparing the period between March 11, 2019 and March 10, 2020 with the period between March 11, 2020 and March 10, 2021. "Fraudsters are always looking to take advantage of significant world events. The COVID-19 pandemic and its corresponding rapid digital acceleration brought about by stay at home orders is a global event unrivalled in the online age," said Shaleen Srivastava, TransUnion, India. By analysing billions of transactions globally, TransUnion screened for fraud indicators over the past year, and this revealed that the war against the virus has also brought about a war against digital fraud. In India across industries, TransUnion found that the highest share of suspected digital fraudulent transactions originated from Mumbai, Delhi and Chennai.

TrustCheckr said that most Unified Payments Interface (UPI) scams take place on payment apps and market places, with 41% of fraud distribution accounted for by the eastern parts of India and the states of West Bengal, Odisha, Bihar, Assam, Kashmir, Arunachal Pradesh, Meghalaya, Tripura, Nagaland, Mizoram, Manipur, Himachal Pradesh and Sikkim. The top frauds take place in KYC, fake cash-back, frauds through digital wallets, fake-selling, QR codes, UPI phishing, lottery scams and financial fraud on social media. "Insights into the survey reveal that the top scamsters were from Patna, Chandigarh, Kolkata and Meerut for one of the top payment apps at 15%. Most QR code scams originate from Assam, accounting for 20% of the total distribution," TrustCheckr said.

Many fraudster profiles claimed to be army men. This was most likely the result of border clashes between India and China due to which there was an upsurge in patriotic sentiments among the general public and the fraudsters looked to cash in on the sentiment by playing the emotional card. In QR code frauds, most fraudsters posed as army men selling something on marketplaces.

With the pandemic having pushed people to lean further towards contactless payments, a lack of awareness and vulnerabilities in confidential card details are increasing digital frauds. TrustCheckr identified over 1 million frauds together in business-to-business (B2B) and business-to-consumer (B2C) segments in the last 15 months – 25% scams in KYC and 20% in QR codes, while B2B scams were largely done with 30% fake identities and 25% synthetic identity frauds. TrustCheckr's findings are based on 350,000 data points collected from top hashtags, 200+ Twitter handles, partner data shared over last 12 months and its proprietary social scanning.

12. RBI to conduct customer satisfaction survey on bank mergers - ET

RBI has decided to conduct a customer satisfaction survey to ascertain the impact of the recent mergers of state-owned banks on individual banking services. The respondents will be asked whether the merger was positive from the point of customer services. The customer will be required to tick one of the following options -- strongly agree; agree; neutral; disagree; or strongly disagree. The proposed survey will cover 20,000 respondents from 21 states, including Uttar Pradesh, Maharashtra, West Bengal, Tamil Nadu, Bihar, Karnataka, Madhya Pradesh, and Gujarat. In all, there will be 22 questions. Of the 22, four questions would assess customer service and grievance redress issues of customers of branches of banks that have been merged with other banks in the year 2019 and 2020. The questions related to mergers are: 'I did not face any problem in availing services after the merger'; 'I faced problems in the following product(s)/ service(s)/area(s)'; and 'The nature of problem I faced in the product(s)/service(s)/area(s)'. The participants will also be asked: "overall, the merger has been positive from customer service perspective"; and options against this are 'strongly agree'; 'agree'; 'neutral'; 'disagree'; and 'strongly disagree'.

13. After RBI relaxation, banks likely to declare nominal dividends in Q4 result - Mint

Banks are likely to declare nominal dividends for FY21 after the RBI relaxed restrictions in this respect. The RBI allowed banks to pay up to 50% dividend of the amount determined as per the dividend payout ratio. ICICI Bank announced a dividend of ₹2 per share, after reporting a 260% jump in net profit in the March quarter… banks are sitting on large amounts of capital they had raised last fiscal, and have made accelerated provisioning against potential bad loans in anticipation of the stress… state-owned banks raised ₹12,000 crore and private banks raised ₹53,600 crore of equity capital in FY21...Indian banks generally have a low dividend payout ratio of less than 20% on an average over the years. As per RBI's 2005 circular on 'Declaration of dividends by banks', depending on the matrix criteria of capital to risk weighted assets ratio and net non-performing assets, the dividend payout ratio cannot exceed 40%. The dividend payout ratio is calculated as a percentage of "dividend payable in a year" (excluding dividend tax) to "net profit during the year".

14. De-risking risk business: Ensure absorbers before shock, says Vishwanathan - BS

Former RBI DG N S Vishwanathan said "the pandemic has made it clear that risks to the banking sector can emanate from non-economic factors". Banks will have to keep a close watch on their credit and operational risks, and ensure they have adequate capital buffers. Vishwanathan also drew attention to the dangers emanating from the enhanced use of digital modes of payments and cautioned banks that they have to think through the way go about their business on this front. Post-pandemic, credit risks lurking in the books of banks and the resultant higher calls for provisioning for bad assets could increase pressure on their margins. Banks should keep their costs-to-income ratios on a tight leash. "The regulatory capital is meant to serve as a buffer against unexpected loss. But the pandemic shows us that unknown risks can be higher". "Adequate buffers have to be built into the capital maintained to absorb the expected losses which have not been provided for, if and when they materialize."

15. RBI fixes tenure of MD, CEO & WTD; maximum age of 70 years in private banks

The RBI has fixed the tenure of MD, CEO & Whole-time directors in private sector banks at 15 years and maximum age at 70 years. These directives are with regard to the chair and meetings of the board, composition of certain committees of board, age, tenure, remuneration of directors and appointment of WTDs.

In respect of SBI and Nationalised Banks, these guidelines would apply to the extent the stipulations are not inconsistent with provisions of specific statutes applicable to these banks or instructions issued under the statutes." The post of MD, CEO & WTD cannot be held by the same incumbent for more than 15 years and individual will be eligible for re-appointment if considered necessary and desirable by the board after a minimum gap of three years subject to meeting other conditions. RBI said, "During this three-year cooling period, the individual shall not be appointed or associated with the bank or its group entities in any capacity, either directly or indirectly." It also said, "MD&CEO or WTD who is also a promoter/ major shareholder, cannot hold these posts for more than 12 years".

16. Lenders set aside provisions to cover interest refunds - Mint

Large lenders have started setting aside money to cover against compound interest refunds for the March-August period they will need to make, even as the government remains non-committal on reimbursing them. HDFC Bank and ICICI Bank have set aside a total of ₹675 crore towards this, and other banks are expected to follow. This comes after the Supreme Court said last month that every borrower should be refunded the compound interest during the moratorium period, irrespective of the loan outstanding. This round of refund will be applicable to every borrower with loans above ₹2 crore, not part of the last round announced by the government in October. IBA had written to the finance ministry soon after the court order last month and is now preparing a methodology to compute the refund. Public sector banks are expected to set aside more in such provisions than their private counterparts for compound interest waiver because of the difference in approach these two sets of lenders took on repayment moratorium last year.

17. SC rejects banks' pleas for recall of 2015 verdict asking RBI to disclose information about them under RTI- ET

In a major blow to banks, the Supreme Court refused to recall its 2015 judgment, which had held that the RBI will have to provide information about the banks and financial institutions (FIs) regulated by it under transparency law. Several FIs and banks, including Canara Bank, the Bank of Baroda, the UCO Bank and the Kotak Mahindra Bank had filed applications seeking a recall of the 2015 judgment in the Jayantilal Mistry case. The banks had contended that the pleas for a recall of the judgment, instead of a review, is "maintainable" as there was a violation of the principles of natural justice in view of the fact that they were neither parties to the matter nor heard. "A close scrutiny of the applications for a recall makes it clear that in substance, the applicants are seeking a review of the judgment in Jayantilal Mistry. Therefore, we are of the considered opinion that these applications are not maintainable," a bench of justices L Nageswara Rao and Vineet Saran said.

The order, written by Justice Rao, said in the instant case, the dispute relates to information to be provided by the RBI under the RTI Act and though the information pertained to banks, it was the decision of the RBI that was in challenge and decided by this court.

18. Cost to cover default risks goes up for banks - ET

The cost to insure against a potential default by Indian banks has risen about a fifth in the past two weeks as various states imposed local curbs on mobility and businesses. Credit Default Swaps (CDS), an insurance against default, tied to ICICI Bank and SBI are now at elevated levels that were last seen during the peak of the first wave of coronavirus. The CDS rates seem to discount the market-beating earnings of private lenders for the fourth quarter. "Global risk premiums for Indian lenders have gone up amid this volatility," said Ganeshan Murugaiyan, BNP Paribas. "The pace at which the second wave of coronavirus has impacted India has surprised several overseas investors that are closely monitoring its impact on business activity." One-year contracts of CDS for ICICI Bank have climbed as much as 47.42 Monday versus 28.35 on April 12. CDS data are not updated every day due to illiquidity. The surge is 1907 basis points in absolute terms, taking the gauge to an 11-month high. In the same period, US Treasury benchmark, a global gauge yielded a few basis points lower. This means overseas investor risk perception has significantly gone up for these two local lenders. An overseas investor would pay 47.42 cents to buy insurance against every $100 investment in ICICI dollar-denominated bonds. If the issuer defaults, the investor's loss would be covered.

19. Govt may soon approve proposed bad bank, though with some riders - ET

The govt is expected to soon clear the proposed ARC that will take over stressed debt, though the promised sovereign support for the bad bank is likely to come with some riders. The govt will offer a sovereign guarantee to security receipts issued by the ARC only when the asset is bought under a certain haircut band… The rider is to ensure that NPAs are not sold at inflated prices. That may put the burden on the government. The sovereign guarantee will give comfort to banks to sell assets to the ARC, helping them clean up the books and get on with the core business of lending. In the first phase, 70-80 stressed assets worth ₹500 crore and above will be taken over by the ARC, adding up to about ₹ 3 lakh crore of bad loans. About 10 banks and two non-banking finance companies are expected to come together to set up the ARC. Under the proposed model, the ARC will acquire NPAs at net book value, paying 15% consideration in cash and the remaining 85% in security receipts. These instruments are redeemed when the ARC successfully resolves the NPA.

20. Google Pay Users Will Soon Be Able to Make Payment Through An NFC - Techfeeddata

Google Pay could soon be launching payment using NFC (near-field communication), which allows contactless transfer, in a way that the user doesn't need to swipe a card. The user simply needs to keep the NFC-enabled device close to the card machine and authorize the transaction. NFC-led transactions are more intuitive and convenient.

21. Aim to Keep Interest Rate Benign for As Long as Possible: SBI Chair - Mint

SBI Chairman D.K. Khara said that as the lockdown was not pan-India, one will have to wait and watch to assess its impact on the banking sector. Since multiple variables including inflation have a bearing on the interest rates, "our effort is to support the growth initiatives. To really ensure that happens, we will try to keep the soft interest rate regime for as long as possible."

22. YES Bank Explores Bid for Citi's Retail Assets In India- Mint

Yes Bank is exploring a potential bid for the Indian retail assets of Citibank, joining a list of suitors eyeing the local operations of the foreign bank that is partially exiting 13 countries. Yes Bank will look at acquiring Citi's retail assets, including credit cards and wealth management in India.

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