



July 21, 2022 – Thursday

Key Developments

Sebi provides directive for sub-KYC user agency for Aadhaar authentication

Capital markets regulator Sebi on Wednesday issued directives for sub-KYC user agencies to provide Aadhaar authentication services to their clients for the purpose of know your customer (KYC). This comes after the government last week notified 155 entities as sub-KUAs (KYC user agencies) to use Aadhaar authentication services of the UIDAI (Unique Identification Authority of India). In a circular, the Securities and Exchange Board of India (Sebi) said that these entities are required to enter into an agreement with a KUA and get themselves registered with UIDAI as sub-KUAs. The agreement in this regard will be as prescribed by the UIDAI. Further, the sub-KUAs need to follow the process as may be prescribed by the UIDAI from time to time. "The KUAs shall facilitate the onboarding of these entities as sub-KUAs to provide the services of Aadhaar authentication with respect to KYC," the regulator said.

https://www.business-standard.com/article/economy-policy/sebi-provides-directive-for-sub-kyc-user-agency-for-aadhaar-authentication-122072001050_1.html

Economy

Retail inflation for farm, rural workers rise to 6.43 per cent and 6.76 per cent in June

Higher prices of certain food items have pushed the retail inflation for farm workers and rural labourers to 6.43 per cent and 6.76 per cent, respectively, in June. In the same month last year, the retail inflation for farm workers stood at 3.83 per cent and that for rural labourers was at 4 per cent while in May this year, CPI-AL and CPI-RL stood at 6.67 per cent and 7 per cent, respectively. According to official data released today, the All India Consumer Price Index for Agricultural Labourers (CPI-AL) was at 1,125 points while the Consumer Price Index for Rural Labourers (CPI-RL) stood at 1,137 points in June 2022. On an annual basis, both are marginally higher. In May, CPI-AL was at 1,119 points while CPI-RL stood at 1,131 points.

<https://economictimes.indiatimes.com/news/economy/indicators/retail-inflation-for-farm-rural-workers-rise-to-6-43-per-cent-and-6-76-per-cent-in-june/articleshow/93012110.cms>

'Gig hiring picks up ahead of festive season, led by e-commerce firms'

Ahead of the festive season, the demand for contract workers has witnessed a 66 per cent sequential growth during June mainly led by e-commerce companies, according to a report. Over 66 per cent rise in gig work was witnessed during the month of June compared to May, according to Taskmo, a Qess Corp-backed on-demand Gig Tech platform. As many as five lakh gig tasks were offered during June compared to 3 lakh gig work in May this year as fintech and e-commerce companies started preparations for the upcoming festive season. "Typically, June is a period when merchandising companies gear up for the festive season demand. However, since this year, the market has rebounded from two years of Covid-19 setbacks. With that, we observed a tremendous seasonal hiring demand across the industry. "Specifically, around festive sales season, plenty of direct and indirect gig job opportunities are coming from multiple e-commerce platforms such as Flipkart and Amazon, which are the top recruiters in the months," Taskmo co-founder Prashant Janadri said.

https://www.business-standard.com/article/companies/gig-hiring-picks-up-ahead-of-festive-season-led-by-e-commerce-firms-122072001225_1.html

Rupee depreciation against US dollar lower than other major currencies: CEA Anantha Nageswaran

Chief Economic Advisor (CEA) V Anantha Nageswaran on Wednesday said that the depreciation of the rupee against the US dollar has been lower than other major global currencies such as the Euro, the British pound and the Japanese yen. He attributed depreciation in rupee and other currencies against the US dollar to the aggressive monetary tightening by the US Federal Reserve. As a result, outflow of foreign capital is taking place from various emerging economies including India, putting pressure on their domestic currencies." Japanese yen, Euro, Swiss franc, British Pound have depreciated much more against dollar (than the rupee)," he said on the sidelines of an event here. Both the government and RBI have taken measures to check the outflow of dollars and encourage inflow of foreign funds so that the depreciation of the domestic currency can be contained, he said.

<https://www.financialexpress.com/economy/rupee-depreciation-against-us-dollar-lower-than-other-major-currencies-cea-anantha-nageswaran/2600203/>

Expect fiscal slippage of 0.4% in FY23: Nomura

The Centre's reversal on windfall taxes within 18 days of announcing the moves led a Japanese brokerage to flag its impact on fiscal math. Nomura said the reversal makes it maintain the earlier projection for a 0.4 per cent fiscal slippage over the budgetary target of 6.4 per cent for FY23. The Centre on Wednesday scrapped a three-week-old tax on the export of petrol and cut windfall taxes on overseas shipments of diesel and ATF as well as on domestically produced crude oil, which led to heavy gains on Reliance Industries and state-run ONGC counters. While the Rs 6 a litre export duty on petrol was scrapped, the tax on the export of diesel and jet fuel (ATF) was cut by Rs 2 per litre each to Rs 11 and Rs 4, respectively. The tax on domestically produced crude was also cut to Rs 17,000 per tonne from Rs 23,250, which will benefit Vedanta and ONGC.

<https://economictimes.indiatimes.com/news/economy/indicators/expect-fiscal-slippage-of-0-4-in-fy23-nomura/articleshow/93011904.cms>

Banking and Finance

Regulatory framework needed for promoting digital banks: NITI Aayog report

Government think-tank Niti Aayog on Wednesday said India has a technology stack to facilitate digital banks and there is need for creating a regulatory framework for promoting this. The Aayog, in its report titled 'Digital Banks: A Proposal for Licensing & Regulatory Regime for India', makes a case and offers a template and roadmap for a digital bank licensing and regulatory regime for the country. India's public digital infrastructure, especially Unified Payments Interface (UPI) has successfully demonstrated how to challenge established incumbents, it said, adding that UPI transactions measured have surpassed Rs 4 trillion in value. "Aadhaar authentications have passed 55 trillion. Finally, India is at the cusp of operationalizing its own open banking framework. These indices demonstrate India has the technology stack to fully facilitate DBs," the report said. "Aadhaar authentications have passed 55 trillion. Finally, India is at the cusp of operationalizing its own open banking framework. These indices demonstrate India has the technology stack to fully facilitate DBs," the report said.

<https://economictimes.indiatimes.com/news/economy/policy/regulatory-framework-needed-for-promoting-digital-banks-niti-aayog-report/articleshow/93012525.cms>

Reserve Bank implementing central digital currency in phases: RBI executive director Ajay Kumar Choudhary

The Reserve Bank of India is in the process of implementing the Central Bank Digital Currency (CBDC) in a phased manner for the wholesale and retail segments, said its executive director (fintech), Ajay Kumar Choudhary. The CBDC will be a sovereign-backed digital currency. Passage of the Finance Bill 2022 has enabled RBI to conduct a pilot and subsequent issuance of CBDC, Choudhary while delivering a keynote address at 'PICUP Fintech Conference & Awards' by industry association FICCI on Wednesday. Choudhary said RBI has fostered innovation and it is keeping a close eye on the benefits and risks associated with innovative products and services offered by fintechs. "The challenge for policymakers is to maximise the benefits of fintech while minimising the potential risk," he said.

<https://economictimes.indiatimes.com/news/economy/policy/reserve-bank-implementing-central-digital-currency-in-phases-rbi-executive-director-ajay-kumar-choudhary/articleshow/93013406.cms>

RBI renews statement of commitment to global code on best market practices

The Reserve Bank of India has renewed its statement of commitment to the FX Global Code, which is a compilation of best market practices formulated by central banks worldwide. "RBI continues to support the principles of good practices within the Code. RBI had also facilitated the formation of India Foreign Exchange Committee (IFXC) to promote adoption and adherence of the Code among FX market participants in India," the RBI said through a press release on Wednesday. The FX Global Code has been developed under the auspices of the Bank for International Settlements, Basel. The FX Global Code was initially launched in May, 2017. Subsequently, after a holistic review, an updated code was published by the Global FX Committee on July 15, 2021, the RBI said. "The Code is applicable to the Wholesale FX market participants covering sell-side, buy-side and financial intermediaries, and is voluntary in nature. The Code does not impose any legal or regulatory obligation and is intended to be a supplement to the local laws, rules and regulations," the RBI said.

https://www.business-standard.com/article/finance/rbi-renews-statement-of-commitment-to-global-code-on-best-market-practices-122072000763_1.html

52% spike in FY22 loan guarantees as average ticket size jumped amid MSMEs' post-Covid recovery

The government's Credit Guarantee Scheme (CGS), which facilitates collateral-free credit flow to micro and small enterprises under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), has recorded a significant 52 per cent jump in loan guarantees in the financial year 2021-22, showed official data. Rs 56,172 crore guarantees were approved under the scheme in FY22, up from Rs 36,899 crore in FY21, indicating a jump in credit requirement for post-Covid business recovery. In comparison to pre-Covid FY20 guarantees approved worth Rs 45,851 crore, the jump in FY22 was 22.5 per cent. Sharing data in Rajya Sabha, Minister of State for MSMEs Bhanu Pratap Singh Verma also noted the beneficiary count that stood at 7.17 lakh in FY22, 8.35 lakh in FY21, and 8.46 lakh in FY20. "CGTMSE aims to strengthen credit delivery system and to facilitate the flow of credit to the MSE sector, create access to finance for unserved, underserved and underprivileged," said Verma.

<https://www.financialexpress.com/industry/sme/msme-fin-cgtmse-52-spike-in-fy22-loan-guarantees-as-average-ticket-size-jumped-amid-msmes-post-covid-recovery/2600666/>

Irdai empowers insurers to empanel hospitals for cashless facility

The Insurance Regulatory and Development Authority of India (Irdai) has permitted insurance companies to empanel network providers or hospitals that meet the standards and benchmark criteria specified by their (the insurers') respective boards so as to enhance the scope of offering cashless facility across the country. In a circular issued on Wednesday, Irdai said, "...the insurers are now empowered to empanel the network providers that meet the standards and benchmarks criteria as specified by their respective boards. While specifying the criteria, the board of insurers shall, amongst others, consider especially the minimum manpower and healthcare infrastructure facilities". The regulator has directed insurance companies to publish the board-approved empanelment criteria on their website from time to time. Also, while empaneling hospitals for cashless facilities, insurers will also have to focus on the delivery of quality of healthcare services.

https://www.business-standard.com/article/companies/irdai-empowers-insurers-to-empanel-hospitals-for-cashless-facility-122072000912_1.html

PMS asset base rises 15 pc to nearly Rs 25 lakh crore in June

With investors looking at options beyond the traditional investment avenues for higher risk-adjusted returns, assets under management of the portfolio management industry rose 15 per cent in the last one year to nearly Rs 25 lakh crore at June end. Going ahead, the trend looks positive for the ongoing fiscal year with portfolio management services (PMSs) getting acceptability by a wider customer segment, including retail, experts said. "Given India's high growth and young population, the same factors will continue to drive growth going forward. There is still a significant runway for growth, given India's under-penetration of financial assets relative to other developed and developing economies," Manish Jeloka, Co-head of Products & Solutions, Sanctum Wealth, said. The uptick in demand largely will be on account of unique products, transparency in fund management and higher market penetration, Nitin Rao, Head of Products and Proposition, at Epsilon Money Mart, said.

<https://www.financialexpress.com/industry/pms-asset-base-rises-15-pc-to-nearly-rs-25-lakh-crore-in-june/2600376/>

Govt steps up ease of doing business, this many compliances simplified, decriminalized in India

More than 33,000 compliances have been simplified, rationalized, digitized or decriminalized by central ministries/departments and states/union territories combined to promote ease of doing business in India, said Union Minister of State for Commerce and Industry Som Parkash on Wednesday. The MoS informed Parliament in response to a question about whether the government is aware that smaller industries are compelled to shut down due to tedious compliances. "Government of India, along with states and UTs has been working to reduce the compliance burden on businesses. The objective of the exercise is to improve ease of doing business by simplifying, rationalizing, digitizing and decriminalizing government-to-business interfaces," said Parkash. Importantly, till September last year, 22,000 compliances were reduced, about 13,000 compliances were simplified while over 1,200 processes were digitized, government's agency for industrial growth Department for Promotion of Industry and Internal Trade (DPIIT) had noted during a workshop on reducing the compliance burden in September 2021. Also, 103 offences were decriminalized and 327 redundant provisions/laws were removed.

<https://www.financialexpress.com/industry/sme/msme-eodb-govt-steps-up-ease-of-doing-business-this-many-compliances-simplified-decriminalized-in-india/2600324/>

Centre presses the pedal on safety, calls on auto cos to introduce 6 airbags in big cars

The Centre has called a meeting of automobile industry stakeholders next week to discuss the roadmap for mandatory fitment of six airbags in all vehicles carrying up to eight passengers as part of the broader exercise to make Indian roads safer. Sections of the industry have argued implementation of the norm will make four-wheeled vehicles expensive, putting them out of reach of entry-level buyers. But a top source in the government told ET that in a market where more than 80% of personal buyers opt for financing solutions, the additional cost would translate into barely Rs 150 on equated monthly instalment plans. Fitment of additional airbags would entail extra costs of Rs 6,000-10,000 on a small car.

<https://economictimes.indiatimes.com/industry/auto/auto-news/govt-calls-for-meeting-of-automakers-next-week-to-discuss-mandatory-airbags-issue/articleshow/93012796.cms>

Gold duty hike to impact profits, demand: Crisil

The recent hike in basic import duty on gold to 12.5% will impact profitability of gold jewellery retailers by about 50 basis points and bring down volume of gold consumption by 5% on-year this fiscal, Crisil said on Wednesday. One basis point is 0.01 percentage point. The rating agency said retailers will have to pass on the duty hike to customers, which will curtail demand and drive away many discretionary buyers. However, jewellers' credit profiles are expected to remain stable, showed an analysis of 82 Crisil-rated gold jewellery retailers that account for 40% of industry sales.

<https://economictimes.indiatimes.com/industry/cons-products/fashion/-/cosmetics/-jewellery/gold-duty-hike-to-impact-profits-demand-crisil/articleshow/93013449.cms>

Traders body CAIT seeks withdrawal of GST on pre-packed food items

Traders body CAIT on Wednesday demanded the rollback of the 5 per cent GST on pre-packed and labelled food items, saying the decision has put an "unnecessary burden" on the general public and traders. The Confederation of All India Traders (CAIT) sent a letter to chief ministers and finance ministers of all the states, demanding that the 5 per cent GST imposed on unbranded food grains and other items from July 18 should be withdrawn, a CAIT statement said. The traders' body demanded that the GST Council must call an emergency meeting to take the necessary decision of withdrawing the recently-imposed tax on unbranded food items. "85 per cent of the people of the country use unbranded goods and the decision to impose tax has been opposed all over the country. Therefore, it is necessary to withdraw the tax to save the general public from unnecessary burden of extra finance and traders from extra burden of tax compliances," Khandelwal said.

https://www.business-standard.com/article/economy-policy/traders-body-cait-seeks-withdrawal-of-gst-on-pre-packed-food-items-122072001173_1.html

Agriculture

Govt may allow sugar mills to export more to prevent defaults

India may allow sugar mills to export more than previously permitted to help them prevent contract defaults, according to people familiar with the matter. The government is considering allowing additional sales of 1 million to 1.2 million tons of sugar for the year ending Sept. 30, said the people, who asked to remain anonymous citing confidential matters. That's on top of the current quota of 10 million tons. The Indian Sugar Mills Association had asked the government to allow exports of an additional 1 million tons including as much as 700,000 tons of raws, according to Aditya Jhunjhunwala, president of the millers group. Some of the volume has already been contracted, he said.

<https://economictimes.indiatimes.com/news/economy/foreign-trade/govt-may-allow-sugar-mills-to-export-more-to-prevent-defaults/articleshow/93012014.cms>

Wheat prices up 14% in 6 weeks on low supply

Wheat prices have increased 14% in the past six weeks, as supplies dwindled due to the monsoon season and there is demand for milling, which may now make products like flour, maida, suji, biscuits and bread costlier. Small traders and farmers have sold off their wheat stocks, while multinationals and big traders are holding the stocks anticipating the prices to rise further, traders said. For the first time this year, wheat from government agency Food Corporation of India (FCI) is not available for the millers. "Wheat prices are going up almost every day, while the availability is extremely poor," said Navneet Chitalangia, vice president of the Roller Flour Millers' Association.

<https://economictimes.indiatimes.com/news/economy/agriculture/wheat-prices-up-14-in-6-weeks-on-low-supply/articleshow/93013365.cms>

Infrastructure

Rural roads constituted 71.4 pc of total network in India till March 2019: Report

Rural roads constituted 71.4 per cent of the total road network in the country as of March 2019, a Road Ministry report said on Wednesday. As per the report Basic Road Statistics in India-2018-19, India had a road network of over 63,31,757 kilometres as of March 31, 2019, which is the second largest in the world. As per the report, the total road constructed increased to 63,31,757 km in 2019 from 62,15,797 km in 2018 and registered a growth of 1.9 per cent. According to the report, Maharashtra has the largest network of national highways with 17,757 km (13.4 per cent), followed by Uttar Pradesh and Rajasthan with 11,737 km (8.9 per cent) and 10,342km (7.8 per cent), respectively, as of March 31, 2019.

<https://economictimes.indiatimes.com/news/economy/infrastructure/rural-roads-constituted-71-4-pc-of-total-network-in-india-till-march-2019-report/articleshow/93011813.cms>

Telecom

Govt extends deadline for PLI applications for telecom products

The central government has extended the last date for submission of applications for design-led manufacturing under the production linked incentive (PLI) scheme for telecom and networking products up to August 05, 2022. The registration process started on June 21, 2022. The last date for submission of the application was fixed as July 20, 2022. The move to extend the deadline was taken keeping in view the requests made by some of the interested companies and for their wider participation in the scheme, a Ministry of Communications said on Tuesday evening.

<https://economictimes.indiatimes.com/industry/telecom/telecom-news/govt-extends-deadline-for-pli-applications-for-telecom-products/articleshow/92995237.cms>

Cloud adoption can add \$380 bn to India's GDP, create 14 mn jobs: Nasscom

Large-scale adoption of Cloud has the potential to contribute \$380 billion to the country's gross domestic product (GDP), creating 14 million direct and indirect employment opportunities by 2026, a Nasscom report showed on Wednesday. However, India may lose \$118 billion in GDP contribution and five million job opportunities by 2026 if businesses and government are late to Cloud adoption, the report warned. With global players heading towards new systems like 3D printing, IoT, robotic automation, slow or low adoption in Cloud may result in Indian industries losing competitive edge and India may lose its attractiveness among investors, expats and new businesses. According to the report, titled 'Future of Cloud and Its Economic Impact: Opportunity for India,' an all-round effort can result in a sustained growth of 25-30 per cent of Cloud spending over the next five years. "To ensure large-scale adoption of

Cloud and Cloud-based services will require multi-stakeholder collaboration to address mindset challenges and perceptions in cloud adoption, incentivise SMBs to transition to Cloud, scale talent through re-skilling and up-skilling and amend Cloud-related policies to ease deployments," explained Debjani Ghosh, President, Nasscom.

https://www.business-standard.com/article/companies/cloud-adoption-can-add-380-bn-to-india-s-gdp-create-14-mn-jobs-nasscom-122072000901_1.html

External

India's exports grow 25 per cent to 13.49 MT in FY22; imports fall 1.68 pc to 4.67 MT: Minister Kulaste

The exports of finished steel from India jumped over 25 per cent to 13.49 million tonne (MT) in 2021-22, Union Minister Faggaan Singh Kulaste said Wednesday. During the preceding 2020-21 fiscal, the exports stood at 10.78 MT, the Minister of State for Steel said in a reply to the Lok Sabha. The imports fell to 4.67 MT in 2021-22 from 4.75 MT a year ago, a fall of 1.68 per cent, according to Kulaste. "Government has taken various steps to increase the availability of iron ore and make them available at reasonable prices, which, inter-alia, including Mining and Mineral Policy reforms to enhance production/availability of iron ore," he said. In the Union Budget 2022-23, the basic customs duty (BCD) on steel scrap has been exempted up to March 31, 2023. The government also made modifications in tariffs on raw materials of steel and other steel products vide notification dated May 21, 2022, wherein import duty on anthracite/pulverised coal injection (PCI) coal, coke and semicoke and ferronickel has been reduced to zero. Export duty on iron ores/concentrates and iron ore pellets has been raised to 50 per cent and 45 per cent, respectively, and a 15 per cent export duty has been imposed on pig iron.

<https://www.financialexpress.com/economy/indias-exports-grow-25-per-cent-to-13-49-mt-in-fy22-imports-fall-168-pc-to-467-mt-minister-kulaste/2600419/>

Spike in imports, fall in exports widen India's trade deficit with China

After falling in 2020-21, India's trade deficit with China widened in 2021-22 and continues to do so in 2022-23, the Ministry of Commerce data showed. In the financial year 2021-22(FY22), the trade deficit was recorded at \$72.9 billion, up nearly \$29 billion from FY21's figure of \$44 billion. In 2020-21, the trade deficit was recorded at \$48.6 billion. In May 2022, India exported goods worth \$1.6 billion to China, over 25 per cent lower than the \$2.1 billion in May 2021. In April and May combined, the exports fell nearly 31 per cent from \$4.4 billion in 2021 to \$3 billion in 2022. On the other hand, the imports recorded a growth of 5.47 per cent in May 2022 compared to the same month last year. For April and May combined, the imports grew 12.75 per cent in 2022 compared to 2021. In India's case, imports from China have risen. At the same time, exports have fallen, leading to a higher trade deficit. The Ministry of Commerce and China's General Administration of Customs (GAC) figures reveal that for the second year straight, India and China may hit a total trade figure of \$100 billion. In 2021-22, the total trade volume between the two neighbours stood at \$115 billion.

https://www.business-standard.com/article/economy-policy/spike-in-imports-fall-in-exports-widen-india-s-trade-deficit-with-china-122072000476_1.html