

DAILY PT POINTERS

25th November, 2024



The Hindu-Economy(GSIII)

NBFCs face funding challenges as RBI insists on risk management

Mesh Revankar

A combination of factors, including rising interest rates, regulatory action and funding scarcity, could moderate growth in the non-banking finance company (NBFC) sector from 8% in 2024 to 13-15% in the coming year, according to rating agency ICRA.

NBFCs are a vital component of India's financial sector and the overall economy. In a country where more than three-fifth of the population lives in rural and semi-urban settings, NBFCs have thrived thanks to their greater reach than banks, easier processes, faster loan disbursements, and doorstep services.

NBFCs' total share of credit grew nearly 50% in the last decade, powered

mainly by capital inflows. Traditionally, banks have been the largest financiers of NBFCs, accounting for 50% of their borrowings, either through direct funding and by buying the non-convertible debentures (NCDs) issued by them.

This, however, is fast changing.

The Reserve Bank of India (RBI) is nudging NBFCs to grow prudently and focus on long-term sustainability to avert stress in any segment. In November 2023, it increased the risk weights for loans to NBFCs by 25 basis points, making bank borrowing more expensive for them. Thereafter, bank funding to NBFCs reduced to 15% in April this year, as against 22% in the year-ago period. The RBI also asked NBFCs to focus

on compliance, risk management and redressal of customer grievances.

Additionally, large NBFCs are expected to refrain from lending to smaller NBFCs and fintechs to help avert systemic risks.

The challenges

The assets under management (AUM) in the NBFC sector is seen surging from ₹47 lakh crore in March 2024 past the psychological milestone of ₹50 lakh crore in FY25. In the first half of the current financial year, NBFCs, including State-owned finance companies and refinance institutions, raised ₹3.23 lakh crore, a tad higher by 3.11% year-on-year (YoY).

Private-sector NBFCs mopped up ₹1.91 lakh crore, nearly unchanged



Regulator's caution: The RBI is nudging NBFCs to focus on long-term sustainability to avert stress in any segment. PTI

YoY. Smaller NBFCs and those with lower credit ratings have been hit more by the rise in borrowing rates and shortage of funding avenues. Growth in the sector has significantly moderated. The fund squeeze from banks and

the need for incremental growth capital is forcing NBFCs to explore diversified funding sources, both domestic and overseas.

In the domestic market, NBFCs raise funds through NCDs, commercial papers, securitisation, equity mar-

kets, co-lending, and external commercial borrowings. However, while India's vibrant equity market offers a good source of funding for NBFCs, it is a long-drawn process that not every NBFC can afford to sustain.

That said, if India can develop a strong bond market then the interest seen in the equity market could be replicated in the debt market too.

A vibrant domestic debt market can move a crisis outside the banking system, making it more manageable for the government. However, India continues to suffer from a shallow bond market with little liquidity, keeping away investors, especially the retail category. This makes it harder for NBFCs

to raise funds from this segment. The challenges include market regulator SEBI's restriction on the issuance of International Securities Identification Number (ISIN) in year to nine.

Second is the absence of active market makers – providers of liquidity as an intermediary between buyers and sellers.

Mutual funds, pension funds, provident funds and corporate treasuries, too, invest in NBFCs – cumulatively pegged over ₹5 lakh crore. However, they largely stick to AAA-rated NBFCs. The cut in US Federal Reserve rates, coupled with lower hedging costs, makes overseas borrowing attractive for NBFCs, but it is still early days.

A large section of India's

population is involved in agriculture and related activities, which fall in the unorganised sector. This segment needs priority sector lending (PSL), where NBFCs can play an important role. Yet, worryingly, for NBFCs and microfinance institution (MFIs) the credit costs are expected to rise from 2.6% in March 2024 to 4% by March 2025. On the other hand, NBFCs that are in asset acquisition financing and micro-enterprise financing can become great sources of PSL assets for banks.

To bring down costs, co-lending by NBFCs and banks can be a win-win for both.

(The writer is executive vice chairman, Shriram Finance Ltd.)

- The non-banking finance company (NBFC) sector in India,, is facing growth moderation due to several challenges.
- NBFCs is crucial for financial inclusion
- NBFCs remain vital for priority sector lending (PSL), particularly in agriculture and micro-enterprises.
- According to ICRA, growth, which was 18% in 2024, is expected to slow to 13-15% in the coming year due to factors like rising interest rates, regulatory actions, and funding scarcity. NBFCs have traditionally thrived due to their extensive reach, faster loan disbursements, and doorstep services, especially in rural and semi-urban areas.
- However, the Reserve Bank of India (RBI) has increased risk weights for loans to NBFCs, making borrowing from banks more expensive, which has reduced bank funding to NBFCs.

Indian Express-Science and Tech(GSIII)-Page 5

PSLV to launch two satellites under Proba-3 mission on Dec 4

New Delhi: India's rocket PSLV is all set to launch a pair of unique experiments developed by the European Space Agency on December 4. First in the world, Proba-3 mission will see two satellites in a formation parallel to each other for long durations.

The satellite pair has been designed to study the solar corona — the outer layer of the Sun's atmosphere. These satellite instruments — such as the one on India's Aditya L1 mission — have a coronagraph to look at the sun and an occulter to block the light from the brighter layers of the sun.

However, instead of having both as one instrument on a single satellite, this mission will have one satellite with the coronagraph and another one with the occulter. The satellites will be flying in a parallel formation at

- India's PSLV rocket is set to launch the Proba-3 mission on December 4, which will feature two satellites flying in parallel formation to study the Sun's corona. This mission is unique because, instead of having one satellite with both a coronagraph and an occulter, the two satellites will be separated: one will carry the coronagraph to observe the Sun, and the other will carry the occulter to block the Sun's bright light. The satellites will maintain a distance of 150m for six hours each day using a laser system for positioning.
- ISRO will launch the satellites into an elliptical orbit, and once in the tandem orbit, the satellites will demonstrate Collision Avoidance Manoeuvre, ensuring they avoid collisions and stay in formation autonomously.

Indian Express-Governance(GSII)-Page 10

House committee to examine 'lateral entry in civil services'

EXPRESS NEWS SERVICE
NEW DELHI, NOVEMBER 24

MONTHS AFTER the UPSC advertisement to fill 45 posts through lateral entry sparked a political storm and consequently withdrawn, the Department-related Parliamentary Standing Committee on Personnel, Public Grievances, Law and Justice has decided to examine "lateral entry in civil services" during its tenure 2024-25, according to the Rajya Sabha secretariat.

The panel will also examine the filling up of vacancies in the Central government.

In August this year, the Union Public Service Commission (UPSC) had advertised 45 posts — 10 joint secretaries and 35 directors and deputy secretaries — to be filled through the lateral entry mode on contract basis. The advertisement triggered a political

furor with the Opposition as well as key NDA allies like the Lok Janshakti Party (LJP) and Janata Dal (United) opposing the move.

Top leaders of the Congress, SP and BSP had targeted the BJP-led NDA government's policy for not having reservations for Scheduled Caste (SC), Scheduled Tribe (ST), and Other Backward Classes (OBC) candidates. Subsequently, the Central government asked the UPSC to cancel its advertisement and it was withdrawn.

So far, over 60 appointments have been made through lateral entry, nearly half from private sector. Lateral entry in Central government posts began in 2018 keeping in view their specialised expertise. These posts are designated as single-cadre posts.

Earlier this month, Congress whip in Lok Sabha Manickam Tagore in a letter to the Prime Minister had raised concerns about the results of the Combined

Medical Services Examination 2024, and alleged "discrepancies in the appointment process" of Category-1 Medical Officers of the Central Health Service.

In his letter to PM Narendra Modi, Tagore said that as per a Press Information Bureau release dated November 14, 2024, 163 vacancies were announced for Category-1, with no vacancies reserved for OBC candidates.

"However the final recommendation list includes 22 OBC candidates, along with two additional candidates, exceeding available vacancies. These appointments are reportedly being adjusted against future OBC vacancies, as per the DoP&T guidelines," Tagore said. The situation raises critical questions about lack of transparency in vacancy announcements, violation of Reservation Principles, DoP&T's rules and practices, and impact on future opportunities, it added.

- The Department-related Parliamentary Standing Committee on Personnel, Public Grievances, Law, and Justice will examine "lateral entry in civil services" during its 2024-25 tenure, following the controversy surrounding the Union Public Service Commission's (UPSC) advertisement in August 2024.
- The UPSC had advertised 45 posts, including 10 joint secretaries and 35 directors/deputy secretaries, to be filled through lateral entry, triggering political opposition.

Indian Express-Places(GSI)-Page 12

Why Shia vs Sunni clashes continue in Pakistan's Kurram

ARJUN SENGUPTA
NEW DELHI, NOVEMBER 24

SECTARIAN VIOLENCE is sweeping through the picturesque Kurram district in Pakistan's northwestern Khyber Pakhtunkhwa province after more than 45 Shia travellers were massacred by militants in Bagan town on November 21.

At least 64 people have been killed in three days of clashes between Shia and Sunni tribal groups since then, including 21 killed overnight on Saturday. Dawn reported on Sunday.

**EXPLAINED
HISTORY**

Nangarhar to the south and east of Kabul, and has multiple border crossings along the 192-km Durand Line to its west, including the historic Peiwar Kotal pass through which the shortest route to the Afghan capital passes.

More than 99% of Kurram's 785 lakh population (2023 census) are Pashtuns belonging to the Turi, Bangash, Zaimusht, Mangal, Muqbal, Masuzai, and Parachamkani tribes.

The Turi and some Bangash are Shia, the rest are Sunni.

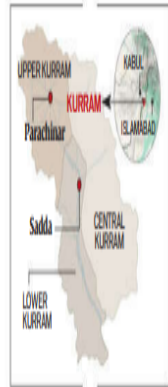
According to a presentation made before Pakistan's Election Commission in 2018, Shias make up around 45% of the district's population, more than thrice their 10-15%

Lower Kurram.

Fault lines that persisted

The Shia Turi once controlled much of the land in what is now Upper and Lower Kurram, but are now mostly restricted to Upper Kurram. According to some estimates, as much as 83% of the tribal's population is Shia (Turi and some Bangash).

Sectarian tensions are often an extension of persistent tribal rivalries and competition for resources in a region not blessed with abundance. The use of patronage and bribery by the British to "control" the northwestern frontier benefitted certain tribes and clans at the cost of others, which led to deep-



Khyber Pakhtunkhwa.

Developments in the 80s

ground, with the Iranians and the Saudis backing the Shia and Sunni groups respectively. It was at this time that old tribal fault lines began to assume an more sectarian character.

Second, and more important, was the decade-long Soviet-Afghan War of 1979-89, during which Kurram became a launching pad for the US-backed mujahideen, as well as the refuge for (mostly Sunni) Afghans fleeing the conflict. The war triggered a cycle of events that eventually led to the rise of various armed groups and militias in Kurram.

Over the past three decades, several militant groups including the anti-Shia Pakistani Taliban (TTP) and Islamic State, have made Kurram their base, moving across the porous

to sectarian tensions across Pakistan. In Kurram, Zia used the influx of Sunni Afghan refugees to weaken the Shia Turi.

Continuing clashes, violence

All these factors triggered intermittent sectarian violence in Kurram, especially after the rise of the Afghan Taliban over the past three decades. The TTP has tapped into grievances about the lack of governance and development, while feeding off sectarian divisions.

Between 2007 and 2011, more than 2,000 people, both Shia and Sunni, were killed, more than 5,000 were injured, and tens of thousands were displaced, according to official Pakistan government data. This year has

Sectarian violence has erupted in Kurram district, Pakistan, following the massacre of over 45 Shia travelers by militants in Bagan town on November 21.

- Kurram is adjacent to the Afghan provinces of Logar, Paktia, Khost, and Nangarhar to the south and east of Kabul, and has multiple border crossings along the 192-km Durand Line to its west, including the historic Peiwar Kotal pass through which the shortest route to the Afghan capital passes.

Indian Express-Geography(GSIII)-Page 12

Treaty to tackle plastic pollution

Ubiquitous today, plastic pollutes the environment and contributes to climate change. This is why a global treaty to regulate plastic production is urgently needed. But multiple obstacles stand in the way

NIKHIL GHANEKAR
NEW DELHI, NOVEMBER 24

STARTING TODAY, more than 170 countries will converge in Busan, Republic of Korea, to negotiate a new legally binding global treaty to end plastic pollution, including marine pollution. This is the fifth (and final) round of talks since 2022, when the UN Environmental Assembly (UNEA) agreed to develop such a treaty by the end of 2024.

Why is a global plastic treaty required?

Owing to its adaptable properties and versatile use, plastic has become almost indispensable for humans. As a result, plastic production has skyrocketed across the world in recent decades.

The annual global production of plastic doubled from 234 million tonnes (mt) in 2000 to 460 mt in 2019. Nearly half of this was produced in Asia, followed by North America (19%) and Europe (15%). Plastic production is expected to touch 700 mt by 2040, according to a report by the Organisation for Economic Co-operation and Development (OECD).

This has led to a crisis as plastic takes anywhere from 20 to 500 years to decompose, and less than 10% has been recycled, according to a 2023 study published by *The Lancet*.



A 5-km drain filled with plastic waste and garbage in Gautampuri, New Delhi, in April this year. *Tashi Tshgyal*

For instance, countries have failed to agree on the framing and language of how to proceed with production caps. That is because oil and gas-rich countries, and major petrochemical-producing and plastic-producing nations, have opposed negotiation around production caps.

Saudi Arabia, Iran, Russia, Kazakhstan, Egypt, Kuwait, Malaysia, and India have expressed resistance to stricter mandates and have instead proposed downstream measures such as innovative waste management and sustainable plastic use, according to a report by the Centre for Science and Environment.

On the other hand, Rwanda, Peru and the European Union have proposed ambitious targets for curbing plastic pollution. Rwanda has proposed a 40% reduction target by 2040 with 2025 as the baseline year.

Countries have also not been able to agree on the subject of finance. The UNEP's inter-governmental negotiation committee (INC) which is leading the negotiations, noted in the draft text that countries should make efforts to increase the mobilisation of private investment and finance to achieve the objectives of any potential treaty.

PRODUCTION RISING, PLASTIC TAKES DECADES TO DECOMPOSE

GLOBAL PLASTIC PRODUCTION
Annual production of polymer resin and fibers

WHAT HAPPENS TO PLASTIC AFTER USE

The pathway of global plastic to the ocean. Stages of the

What is India's position?

- Starting Monday, over 170 countries will negotiate a new legally binding global treaty to end plastic pollution, including marine pollution, in Busan, South Korea. This is the fifth and final round of talks initiated by the UN Environmental Assembly in 2022.
 - Need for a Global Plastic Treaty: Plastic production has doubled from 234 million tonnes in 2000 to 460 million tonnes in 2019 and is projected to reach 700 million tonnes by 2040.
 - Less than 10% of plastic waste has been recycled, leading to significant environmental and health impacts, including endocrine disruption and diseases like cancer. Plastic contributes to climate change, generating 3.6% of global greenhouse gas emissions in 2020.
- Negotiation Focus:**
Formulating global rules to address plastic pollution throughout its lifecycle, potentially banning certain plastics and setting recycling targets.
Ensuring a 'just transition' for workers affected by the elimination of plastic production.

HEADLINES OF THE DAY



PIB-Economy(GSIII)

Ministry of Cooperation

International Cooperative Alliance

A Pillar for Cooperative Development

Posted On: 24 NOV 2024 9:23PM

The International Cooperative Alliance (ICA) is the global organization that unites, represents, and serves cooperatives around the world.

Founded in 1895, London, England during the 1st Cooperative Congress it is one of the oldest and largest non-governmental organizations, representing 1 billion cooperative members globally.

With approximately 3 million cooperatives across the planet, the ICA serves as the apex body for the cooperative movement, providing a global platform for collaboration, knowledge exchange, and coordinated action. It is the leading voice for cooperatives, advocating for their interests and supporting the sharing of expertise across the sector. The International Cooperative Alliance (ICA) has over 306 member organizations across 105 countries.

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- Founded in **1895**, London, England during the 1st Cooperative Congress it is one of the oldest and largest non-governmental organizations, representing **1 billion cooperative members** globally. With approximately **3 million cooperatives** across the planet, the ICA serves as the apex body for the cooperative movement, providing a global platform for collaboration, knowledge exchange, and coordinated action.
- The **International Cooperative Alliance (ICA)** has over **306 member organizations** across **105 countries**. Its members include both international and national cooperative organizations representing a wide range of economic sectors, such as **agriculture, banking, consumer goods, fisheries, health, housing, insurance, and industry & services**.

HEADLINES OF THE DAY



PIB-History(GSI)

Ministry of Ports, Shipping and Waterways

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Amrit Mahotsav

Lachit Borphukan's 'Nation First' Inspires Today's Youth in the cause of Nation Building: Shri Sarbananda Sonowal

Lachit Borphukan Defeat of Mughal Powers Inspires PM Narendra Modi's Resolve Against Foreign Invasion: Shri Sarbananda Sonowal

Saraighat Battle, one of the greatest naval battle on river in the world, wrought the morale of Mughal Army, set the beginning of decline for Mughal Power: Shri Sanjeev Sanyal

Lachit Borphukan - India's Greatest Admiral - whose heroics inspire us to celebrate the power of Inland Waterways: Shri Sanjeev Sanyal

Posted On: 24 NOV 2024 6:30PM by PIB Delhi

- The Union Minister of Ports, Shipping & Waterways, Shri Sarbananda Sonowal paid obeisance to the great Ahom military commander Lachit Borphukan on his 402nd Birth anniversary here today.
- He highlighted Lachit Borphukan's bravery and strategic brilliance during the Battle of Saraighat, which played a crucial role in defending Assam against the Mughal invasion. The Minister emphasized Borphukan's legacy as an inspiration for the nation, especially the youth, and reiterated the importance of self-reliance and dedication to the country.

HEADLINES OF THE DAY



PIB-IR(GSII)



- Secretary, Department of Commerce, Ministry of Commerce & Industry, Shri Sunil Barthwal, accompanied by senior officials, visited Norway on 22nd November 2024. The visit was aimed at furthering the objectives of Trade and Economic Partnership Agreement (TEPA) and unlocking the large market in EFTA countries for Indian exports of goods & services and push for early implementation of \$100 bn investment. TEPA was signed in March 2024.
- TEPA is a modern and ambitious Trade Agreement which India signed with four developed nations - an important economic bloc in Europe. The agreement will give a boost to Make in India and provide opportunities to the young & talented workforce. EFTA is offering 92.2% of its tariff lines which covers 99.6% of India's exports. The EFTA's market access offer covers 100% of non-agri products and tariff concession on Processed Agricultural Products (PAP). India is offering 82.7% of its tariff lines which covers 95.3% of EFTA exports.

HEADLINES OF THE DAY

Air-Environment(GSIII)

India-EU Energy Panel Holds 10th Meeting In Brussels



- The 10th meeting of the India-EU Energy Panel was held on 21st November in Brussels. It was co-chaired by Secretary (West), Ministry of External Affairs, Tanmaya Lal and Director-General for Energy, European Commission, Ditte Juul Jørgensen. The meeting was also attended by representatives of Ministry of New and Renewable Energy and Ministry of Power from the Indian side and Directorate General for Energy and Directorate General for Climate Action, European Commission from the EU side. The two sides have also charted out the framework for green hydrogen cooperation, which includes cooperation on green hydrogen policies of India and the EU. EU and EU Member States participated in the International Conference on Green Hydrogen 2024 in India, while India joined as an exclusive country partner of European Hydrogen Week 2024. India and the EU also entered into long term research commitments to jointly support research in clean energy projects as part of the India-EU Trade and Technology Council Working Group on Clean and Green Technologies, which was established in January last year.