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Weekly News Bulletin on Banking & Finance

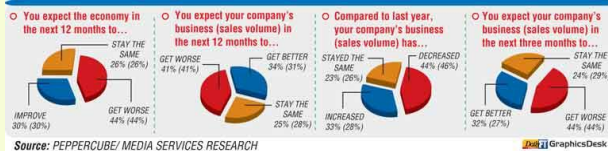
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Economic sentiment remain mixed– survey



Leading business magazine LMD reports in its July edition that “businesses are navigating challenges and opportunities amid the turbulence.” LMD notes: “The latest findings (in June) from the LMD-PEPPERCUBE Business Confidence Index (BCI) poll continue to underscore widespread apprehension about the economic landscape.”

June PMI signals expansion in manufacturing, services says CBSL

The country’s manufacturing and services sectors in June have expanded as per the Purchasing Managers Index (PMI) its compiler, the Central Bank said. “All the sub-indices, except for employment, remained above the neutral threshold during the month,” CBSL said.

Unlocking economic potential: Debt restructuring alone won’t suffice without SOE reforms

The Advocata Institute on Thursday pointed out that to unlock economic potential, debt restructuring alone won’t suffice but in parallel SOE reforms must be pursued.

Global IT outage grounds flights, hits key media, banking sectors

Major US airlines ordered ground stops on Friday citing communications issues, while other carriers, media companies, banks and telecoms firms around the world also reported system outages were disrupting their operations, said media reports.

Financial aid package to revitalise MSME sector

- Investment loans up to Rs. 15 m at a concessionary interest rate of 7%
- Working capital loans up to Rs. 5 m at a concessionary interest rate of 8%
- Rs. 18 b allocated for loan disbursement
- 15 banks and financial institutions partner with the Government for this initiative
- To advance national development, it is essential to strengthen small and medium enterprises
- Establishment of a National Development Bank for Small and Medium Enterpri

Foreigners step up buying boosting net inflow as locals remain wary at CSE

Foreigners stepped up their buying into Lankan listed equities yesterday amidst bearish sentiments from locals forcing indices to head south for the third consecutive day.

Child's guide to debt and debt restructuring – Part II

“The multilateral debt from the IMF, World Bank, and ADB, etc., had been excluded from the debt suspension because of the risk of being blacklisted and ineligible to draw on them to get out of the country's debt crisis. It was also noted that the foreign reserves are being overstated by the Central Bank giving a misleading message to the politicians, and the members of the public by including the unusable SWAP facility from the People's Bank of China amounting to Chinese Yuan 10 billion, approximately about \$ 1.4 billion, in the reserves. It was also found that, in terms of the assessing reserve adequacy or ARA metric of the IMF, the country's reserves standing at 40% of the required amount were inadequate. They have continued the interactive conversation.”

Establishing a Climate Change Fund: Crucial step for Sri Lanka's economic future



Sri Lanka is at a critical juncture. Ranked 116th out of 182 countries on the climate vulnerability index, the nation faces escalating threats from climate change, including frequent droughts, floods, and other extreme weather events. These climate-induced disruptions pose significant risks to economic activities, potentially stalling progress and destabilising key industries. In light of these challenges, it is imperative for Sri Lanka to establish a dedicated Climate Change Fund to safeguard its future economic growth and stability.

Sri Lanka banking system foreign assets turn positive in May: analysis

Net foreign assets of Sri Lanka's banking system turned positive in May 2024, official data showed, amid a steady reduction in the negative reserve position of the central bank helped by the current interest rate structure and domestic credit.

Tax appellate procedure – a deep dive

“A taxpayer is required to file, a return of income, VAT return or SSCL return as the case may be on or before the due date. If the Inland Revenue officers are not in agreement with the return filed, they have a statutory right to raise an appropriate assessment on or before the expiry of the relevant time bar provided in the relevant statute. Generally, within a 30-day period a taxpayer of receipt of assessment has to appeal/request for administrative review against such to CGIR, specifying the grounds of appeal. Taxpayers dissatisfied with an assessment have recourse through a four-tier appellate system.”

Debt recovery process as rehabilitation mechanism

“A credit decision of a bank is inextricably associated with credit risk due to the micro and macroeconomic conditions which are beyond the control of the customer. Hence, the repayment capacity of the borrower can be affected by unpredictable circumstances; subsequently the liabilities of the bank will be transferred to non-performing category. These borrowers cannot be treated as wilful defaulters, and should be immediately remedied out by different tools and techniques like Restructuring, Rescheduling and Revival with Rehabilitation”

Business case for ESG in a stabilising economy

While ESG investments may involve upfront costs, they can lead to significant long-term financial benefits by improving efficiency, enhancing reputation, reducing risks, attracting investment, and fostering innovation, all of which contribute to profitability. ESG-focused companies often have better risk management strategies. By addressing environmental risks, social issues, and governance concerns, they can avoid regulatory fines, legal fees, and reputational damage that could hurt profitability





Harvard Business Review Column

Why Entrepreneurs Should Think Like Scientists



In a recent study of European start-ups, one technique consistently boosted performance: the scientific method, a centuries-old discipline of formulating, testing, and tweaking hypotheses. Ventures employing it generated more revenues than those that didn't and were also more likely to pivot away from unviable ideas, a necessity for early-stage firms.

The key to pivoting is focusing not on your ideas but on the answers to your experiments, which should provide insight into customer demand and industry pain points. That approach helped Osense, a start-up focused on technology for tracking carbon emissions, find its successful model. Its first idea was for peer-to-peer product rentals, and its second was for a platform for renting e-vehicles.

The Economist

Column

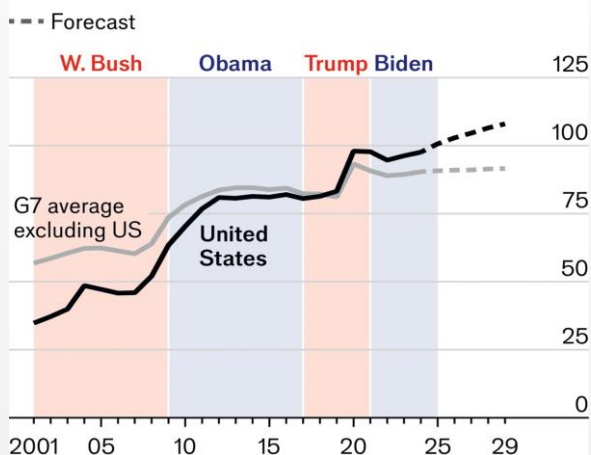
CAN AMERICA AFFORD ITS DEBTS?

Public debt stands at 98% of GDP. Neither Democrats nor Republicans are helping

Over the top

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Net government debt, % of GDP



Source: IMF

Regardless of who wins America's presidential election in November, the next four years are likely to make a [bad fiscal situation](#) worse: net government debt has ballooned to 98% of gdp, up from 40% in 1990. Neither the Democrats nor the Republicans have meaningful plans to tackle it.

Wall Street Week 07/19/2024

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