



**THE INSTITUTE OF
COST ACCOUNTANTS OF INDIA**
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)
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DAILY NEWS DIGEST BY BFSI BOARD, ICAI

July 1, 2021

- **Reserve Bank of India sets July 30 deadline for banks to move current accounts:** The Reserve Bank of India (RBI) has set a deadline of July 30 for banks to give up current accounts of all companies where their exposure is below a cut-off decided by the regulator. RBI communicated this in a letter to banks a fortnight ago, two senior bankers told ET. The move, initiated more than a year ago, could trigger a migration of many lucrative current accounts - which lower a bank's fund cost and cash management business - from MNC banks to public sector lenders and some of the large private sector Indian banks. According to the new rule, a bank with less than 10% of the total approved facilities - which include loans, non-fund businesses like guarantees, and daylight overdrafts (or intra-day) exposure - to a company is barred from having the client's current account. "RBI is probably upset that banks are taking a long time to shift the accounts. But the delay may also be because several PSU banks may not be ready with the technology. Now, RBI can't direct companies which have been doing business with a bank for years to move to another bank. At one point many MNC banks and companies had opposed it, but they have realised that it's fait accompli," said a banker.
<https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-sets-july-30-deadline-for-banks-to-move-current-accounts/articleshow/83974511.cms>
- **RBI ban on new credit cards sale hit market share; will come back with a bang once embargo lifted:** **HDFC Bank:** The RBI's ban on selling new credit cards has impacted market share on an incremental basis, HDFC Bank said on Wednesday, promising to get back to the market "with a bang" once the "temporal" embargo is lifted and recoup the losses. The bank's head of consumer finance, digital banking and information technology, Parag Rao, said that it has used the last six months to "introspect, re-engineer and innovate" about the cards business, where it has 15.5 million customers. The bank has lost its market share by a couple of percentage points because of the ban, but the actions taken internally have ensured that it continues to hold on to market share by spends, he said.
<https://www.moneycontrol.com/news/business/rbi-ban-on-new-credit-cards-sale-hit-market-share-will-come-back-with-a-bang-once-embargo-lifted-hdfc-bank-7108091.html>
- **Indian banks face systemic risk, second COVID wave to impair performance: S&P:** S&P Global Ratings on Wednesday said Indian banks face a systemic risk as the second COVID wave will impair the performance of financial institutions in the April-September period. Stating that economic recovery remains highly vulnerable to setbacks due to COVID, particularly if fresh outbreaks trigger new lockdowns, S&P said the banking sector's weak loans will likely remain elevated at 11-12 per cent of gross loans in the next 12 to 18 months. "The second wave has front-ended weakness in asset quality," said S&P Global Ratings Credit Analyst Deepali Seth Chhabria. "Financial institutions face a strained first half amid weak collections and poor disbursements." Indian banks face systemic risk as the country sorts through the aftermath of the COVID second wave. Lenders struggled with a high level of weak loans well before the pandemic struck and clearly, conditions have deteriorated, S&P said in a statement.



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<https://timesofindia.indiatimes.com/business/india-business/banks-face-systemic-risk-second-covid-wave-to-impair-performance-sp/articleshow/83991085.cms>

- **HDFC Bank counts on cross selling to make up for lost market share in credit card business:** HDFC Bank is looking to make up for its lost market share in the credit card business by cross selling to liability and other asset customers once the Reserve Bank of India (RBI) ban on issuing new cards is lifted, Parag Rao, group head, payments, consumer finance, digital banking and IT at HDFC Bank. In the last seven months the bank has put an early warning system to manage large volumes, declogged processes and replaced old technology as part of its short and long term plan submitted to RBI, Rao said. On December 3, in an unprecedented move the bank was barred from issuing new credit cards and launching any new digital products after multiple issues linked to digital banking, cards and payments on the bank's platform in the last two years.
<https://economictimes.indiatimes.com/industry/banking/finance/banking/hdfc-bank-counts-on-cross-selling-to-make-up-for-lost-market-share/articleshow/83985395.cms?from=mdr>
- **Indian banks to feel the effect of Covid second wave long after infections fade: S&P Global:** The second wave of pandemic is likely to impact the performance of Indian financial institutions during the first half of the current fiscal, S&P Global Ratings said on Tuesday. Talking about banks in particular, it said that lenders face systemic risk as the country sorts through the aftermath of the Covid second wave. "The second wave has front-ended weakness in asset quality," Deepali Seth Chhabria, Credit Analyst with S&P Global Ratings said. Further, she mentioned that financial institutions face a strained first half amid weak collections and poor disbursements. The agency feels that finance companies will likely be more impacted than banks.
<https://www.thehindubusinessline.com/money-and-banking/indian-banks-to-feel-the-effect-of-covid-second-wave-long-after-infections-fade-sp-global/article35063683.ece>
- **Microfinance loan portfolio grows 11.9% to ₹2,59,377 cr as on March-end: MFIN:** The overall microfinance industry's gross loan portfolio (GLP) surged by 11.9 per cent to ₹2,59,377 crore as on March 31, 2021 from ₹2,31,787 crore as on March 31, 2020, says a report. The growth was driven by an addition of four lakh borrowers during the pandemic-struck 12-month period ending March 2021, according to a report – Micrometer, released by Microfinance Institutions Network (MFIN). MFIN is an industry association comprising 58 NBFC-MFIs and 39 associates, including banks, small finance banks (SFBs) and NBFCs. As on March 31, 2021, the microfinance industry served 5.93 crore unique borrowers, through 10.83 crore loan accounts, the report said.
<https://www.thehindubusinessline.com/economy/microfinance-loan-portfolio-grows-119-to-259377-cr-as-on-march-end-mfin/article35051156.ece>
- **LIC registers improved persistency ratio for individual business in FY21:** Life Insurance Corporation of India seems to have beaten the odds of the pandemic, with its 13th month persistency for individual business registering improvement in 2020-21. For the quarter ended March 31, 2021, LIC reported a 13th month persistency of 63 per cent by number of policies and 74 per cent in terms of annualised premium for its individual regular business. For the full fiscal 2020-21, its 13th month persistency for individual business was 67 per cent by number of policies and 79 per cent by annualised premium. In



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contrast, LIC had reported a 13th month persistency of 61 per cent by number of policies and 72 per cent by annualised premium in 2019-20 for individual business.

<https://www.thehindubusinessline.com/money-and-banking/lic-registers-improved-persistency-ratio-for-individual-business-in-fy21/article35050926.ece>

- **All India Insurance Employees’ Association urges govt to drop United India privatisation plan:** The All India Insurance Employees’ Association (AIIEA) has opposed any move towards privatisation of United India Insurance. “It is unfortunate that the government which had earlier decided on merger of three public sector general insurance companies has given up these plans and is now pushing for privatisation. The AIIEA demands the government to revive the plan for merger which would bring economies of scale and benefit the national economy and weaker sections of population,” the Association said in a statement on Wednesday. Finance Minister Nirmala Sitharaman had in the Union Budget 2021-22 announced that the government would take up the privatisation of one general insurance company in 2021-22. According to reports, the NITI Aayog has recommended privatisation of United India Insurance.
<https://www.thehindubusinessline.com/money-and-banking/all-india-insurance-employees-association-urges-govt-to-drop-united-india-privatisation-plan/article35055232.ece>
- **NARCL may prompt existing ARCs to reorient their business: ARCIL Chief:** The National Asset Reconstruction Company Ltd, (NARCL), which is slated to become the mother of all Asset Reconstruction Companies (ARCs), will prompt existing ARCs to change their business orientation and start focussing on buying the stressed retail and MSME assets, according to Pallav Mohapatra, MD & CEO, Asset Reconstruction Company (India) Ltd (ARCIL). He emphasised that ARCs have a huge business opportunity to buy stressed assets aggregating about ₹1 lakh crore in the retail and micro, small and medium enterprise (MSME)
<https://www.thehindubusinessline.com/money-and-banking/narcl-may-prompt-existing-arcs-to-reorient-their-business-arcil-chief/article35047788.ece>
- **Repc Home Finance Q4 net up 32%:** Repco Home Finance (RHFL) has posted a 32 per cent growth in standalone net profit for the fourth quarter at ₹63.2 crore as against ₹47.7 crore profit in the corresponding quarter of the previous fiscal. Total income of the lender dropped to ₹340.34 crore in Q4FY21 from ₹346.11 crore in the year-ago quarter. Standalone net profit for the full year grew by 3 per cent to ₹287.60 crore (₹280.35 crore) while total income during this period grew to ₹1,392.23 crore (₹1,351.1 crore). During FY21, Repco Home Finance disbursed ₹1,840.9 crore of loans and its outstanding loan book as of March 2021 stood at ₹12,121.5 crore.
<https://www.thehindubusinessline.com/news/real-estate/repc-home-finance-q4-net-up-32/article35051379.ece>
- **NBFC-MFIs: Sector sees nearly 25% decline in FY21:** The Covid related economic slowdown and an increased focus on recovery and collections has dragged down disbursements made by NBFC-MFIs in FY-21. The sector witnessed nearly 25 per cent decline in disbursements at ₹57,891 crore in 2020-21, as compared to ₹76,956 crore in 2019-20. The Gross Loan Portfolio (GLP) of NBFC-MFIs stood at ₹81,475 crore as on March 31, 2021, a growth of around 11 per cent as compared to ₹73,412 crore as



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on March 31, 2020, as per data available in the 36th issue of Micrometer, a report put out by MFIN (Microfinance Institutions Network).

<https://www.thehindubusinessline.com/economy/nbfc-mfis-sector-sees-nearly-25-decline-in-fy21/article35060797.ece>

- **Banks so far lent 90% of Rs 3 trn under emergency credit scheme: Report:** Banks have so far lent 90 per cent of the Rs 3 lakh crore under emergency credit line guarantee scheme announced last year to help small businesses tide over the pandemic, according to a report by Crisil. On Monday, the government expanded the emergency credit line guarantee scheme (ECLGS) by another Rs 1.5 lakh crore, which Crisil feels will help alleviate the potential stress on asset quality of banks arising from the second wave of the pandemic. Disbursements under the existing ECLGS have already reached Rs 2.69 lakh crore of the total corpus of Rs 3 lakh crore, which is 89.7 per cent, benefiting almost 10 per cent of the value of banking sector advances and over 60 per cent value of advances to micro, small and medium enterprises, Crisil said in a note on Tuesday.
https://www.business-standard.com/article/finance/banks-so-far-lent-90-of-rs-3-trn-under-emergency-credit-scheme-report-121063000030_1.html
- **Axis Bank sees 10-times growth in daily volumes in online shopping fest:** Even as policy makers grapple with ways to revive demand in the pandemic-hit economy, an online sale fest launched by Axis Bank offering 15 per cent discounts is witnessing a 10-times surge in daily volumes, a senior official has said. The bank is giving its debit and credit card holders a flat 15 per cent cashback on partner e-commerce portals like Flipkart and Amazon as part of the ten-day 'Grab Deals Fest' which is on till July 4. We are witnessing a 10x jump in overall spends by gross merchandise value (GMV) if I were to compare it with daily average in the month prior to launch and almost similar increase in the number of customers who are availing the offer, its president and head of digital business and transformation, Sameer Shetty, told PTI.
https://www.business-standard.com/article/finance/axis-bank-sees-10-times-growth-in-daily-volumes-in-online-shopping-fest-121063000739_1.html
- **Personal loan offtake rose in fiscal year 2021, industrial loans contracts:** The bank credit scenario in the country witnessed a sharp contrast in terms of sectoral credit offtake in FY21 with personal loans growing by a robust 13.5 per cent, while industrial loan growth remained negative throughout the last fiscal. Data released by the Reserve Bank of India (RBI) also showed that credit to the household sector rose by 10.9 per cent on a year-on-year basis (YoY). The share of credit to household sector in total credit increased to 52.6 per cent in March 2021 from 49.8 per cent a year ago showed 'Quarterly BSR-1: Outstanding Credit of Scheduled Commercial Banks for March 2021'. "Growth in credit to the private corporate sector, however, declined for the sixth successive quarter and its share in total credit stood at 28.3 per cent," it said.
https://www.business-standard.com/article/finance/personal-loan-offtake-rose-in-fiscal-year-2021-industrial-loans-contracts-121063001198_1.html



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- **Wilful defaults fall marginally in pandemic-hit FY21: TransUnion CIBIL data:** The pandemic year saw a marginal fall in the number of cases marked as wilful defaulters by banks, with a 1.90 per cent reduction in the amount outstanding from such borrowers at Rs 2.11 lakh crore at the end of 2020-21, according to data released by TransUnion CIBIL. The number of accounts with an exposure of over Rs 25 lakh marked by lenders as wilful defaulters also dipped to 10,898 as of March 31 this year, from 12,242 in the year-ago period, the credit information company said. The Reserve Bank of India (RBI) defines a wilful defaulter as one who does not pay up despite having the capacity to do so. Once declared as a wilful defaulter, a borrower cannot avail funding from any bank later and banks are known to use this tag as a tool to ensure that borrowers pay up in time.
<https://economictimes.indiatimes.com/news/company/corporate-trends/wilful-defaults-fall-marginally-in-pandemic-hit-fy21-transunion-cibil-data/articleshow/83986951.cms>
- **India bank's NPA to rise to 11-12% in FY22: S&P:** Stressed assets of Indian banks will remain elevated at 11-12% in fiscal 2022, S&P Global Ratings said on Wednesday. The agency expects non-performing loans plus restructured assets to increase to 11.5% in the current fiscal from 8.7% a year ago. It also expects banks' performance to be affected in the first half of the fiscal due to the impact of the second wave. "The second wave has front-ended weakness in asset quality. Financial institutions face a strained first half amid weak collections and poor disbursements," said S&P Global Ratings credit analyst Deepali Seth Chhabria. According to S&P, while incremental bad loans will remain elevated in the current fiscal, resolutions should pick up, which will limit the increase in bad debt. The establishment of a bad bank and the government's emergency credit guarantee scheme will reduce stress in the sector.
<https://www.livemint.com/industry/banking/india-bank-s-npa-to-rise-to-11-12-in-fy22-sp-11625056416141.html>
- **HC orders notice to SEBI on plea against DHFL:** The Madras High Court on Tuesday ordered notice to the Securities and Exchange Board of India (SEBI) on a PIL demanding investigation by it into the alleged fraudulent activities of the Dewan Housing Finance Corporation Ltd (DHFL). The first bench of Chief Justice Sanjib Banerjee and Justice Senthilkumar Ramamoorthy ordered the notice to SEBI returnable by July 13. The matter involves what the petitioner perceives to be the "biggest scam in the capital market in this country," the bench said.
<https://economictimes.indiatimes.com/industry/banking/finance/banking/hc-orders-notice-to-sebi-on-plea-against-dhfl/articleshow/83963280.cms?from=mdr>
- **RBI imposes penalties on 4 cooperative banks:** The Reserve Bank on Tuesday said it has imposed penalties on four co-operative banks, including a Rs 112.50 lakh fine on Hyderabad-based Andhra Pradesh Mahesh Co-operative Urban Bank, for contravention of certain regulatory directions. A penalty of Rs 62.50 lakh has been imposed on The Ahmedabad Mercantile Co-operative Bank, Ahmedabad; Rs 37.50 lakh on SVC Co-operative Bank, Mumbai; and Rs 25 lakh on Saraswat Cooperative Bank, Mumbai. The penalty on Andhra Pradesh Mahesh Co-operative Urban Bank was for non-compliance with directions issued by RBI contained in Master Directions on 'Interest Rate on Deposits' and 'Know Your Customer'.



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<https://www.moneycontrol.com/news/business/rbi-imposes-penalties-on-4-cooperative-banks-7105061.html>

- **Foreign exchange reserves up USD 99.2 billion in FY 2020-21: RBI data:** The country's foreign exchange reserves in nominal terms, including the valuation effects, increased by USD 99.2 billion during the financial year 2020-21, compared to USD 64.9 billion in the preceding year, RBI data showed. The valuation gain, reflecting the depreciation of the US dollar against major currencies and increase in gold prices, amounted to USD 11.9 billion during 2020-21, compared to USD 5.4 billion during 2019-20, RBI said. The Reserve Bank of India on Wednesday released the Sources of Variation in Foreign Exchange Reserves in India during 2020-21. On a balance of payments basis (excluding valuation effects), foreign exchange reserves increased by USD 87.3 billion during FY 2020-21, as against an increase of USD 59.5 billion during FY 2019-20, the data showed.
<https://economictimes.indiatimes.com/news/economy/finance/foreign-exchange-reserves-up-usd-99-2-billion-in-fy-2020-21-rbi-data/articleshow/83991151.cms>
- **Centre's big push to LIC's mega IPO:** The Centre has now taken another major step towards making insurance behemoth LIC IPO ready by bringing into effect from Wednesday all the 27 legislative changes made to the Life Insurance Corporation Act 1956 through this year's Finance Act. With this move, the legislative ecosystem to go ahead with the IPO – expected to be the largest ever and could net the exchequer about ₹1 lakh crore – is now in place, say insurance industry observers. The latest Department of Financial Services move to operationalise the 27 amendments in LIC Act comes on the heels of the government making changes in securities contracts Rules to relax minimum public offer norms to facilitate large issues such as that of LIC.
<https://www.thehindubusinessline.com/markets/stock-markets/centres-big-push-to-lics-mega-ipo/article35061306.ece>
- **Central Bank of India, IOB shares hit 52-week high on privatisation buzz:** Central Bank of India and Indian Overseas Bank stocks have been in focus ever since the Cabinet Secretary-led panel selected the banks for privatisation. Indian Overseas Bank (IOB) and Central Bank of India (CBI) are likely candidates for disinvestment, the news channel reported citing sources. The two state-run banks might see 51 percent stake sale in the first phase of disinvestment.
<https://www.moneycontrol.com/news/business/stocks/central-bank-of-india-iob-shares-jump-8-hit-52-week-high-on-privatisation-buzz-7107251.html>
- **Late-hour selling drags Sensex 66 points, Nifty below 15,800:** After climbing to as high as 52,875.92, the BSE Sensex surrendered all the gains and slipped to a low of 52,448.64 and closed near that level at 52,482.71, down 66.95 points or 0.13 per cent, over the previous day's close. The Nifty 50 closed at 15,721.50, down 26.95 points or 0.17 per cent. It hit an intraday high of 15,839.10 and a low of 15,708.75. The breadth of the market, however, continued to remain positive with 1,707 stocks advancing, 1,530 declining and 122 remaining unchanged on the BSE. As many as 495 securities hit the upper circuit and 287 the lower circuit; 461 hit their 52-week high while 22 touched a 52-week low. Coal India, Reliance, Divi's Lab, Infosys and Tech Mahindra were the top gainers on the Nifty 50 while Shree Cements, Bajaj Finserv, PowerGrid, UPL and ICICI Bank were the top laggard



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<https://www.thehindubusinessline.com/markets/stock-markets/late-hour-selling-drags-sensex-66-points-nifty-below-15800/article35054091.ece>

- **Gold prices fall for 4th straight day to Rs 46,753/10 gm, tumbles 4.65% in June; silver flat:** Gold prices slipped for the fourth consecutive day by Rs 255 to Rs 46,753 per 10 gram at the Mumbai retail market on rising US dollar and subdued global cues. In the domestic market, the yellow metal prices fell Rs 2,279 or 4.65 percent in the month of June. The rate of 10 gram 22-carat gold in Mumbai was Rs 42,826 plus 3 percent GST, while 24-carat 10 gram was Rs 46,753 plus GST. The 18-carat gold quoted at Rs 35,065 plus GST in the retail market. The gold/silver ratio currently stands at 68.92 to 1, which means 68.92 ounces of silver is required to buy an ounce of gold. Silver prices modestly rose by Rs 26 to Rs 67,832 per kg against its closing price on June 29.

<https://www.moneycontrol.com/news/business/commodities/gold-prices-fall-for-4th-straight-day-to-rs-4675310-gm-tumbles-4-65-in-june-silver-flat-7109191.html>

- **Rupee falls 9 paise to close at 74.32 against US dollar:** The rupee weakened by 9 paise to end at 74.32 (provisional) against the US dollar on Wednesday as firmer American currency and rising crude oil prices weighed on investor sentiment. At the interbank foreign exchange market, the rupee opened at 74.23 per dollar unchanged from its previous close. It hovered in the range of 74.23 to 74.45 during the day before ending at 74.32 against the greenback.

<https://www.thehindu.com/business/markets/rupee-falls-9-paise-to-close-at-7432-against-us-dollar/article35055902.ece>

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