



ICMAI
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DAILY NEWS DIGEST BY BFSI BOARD

01 July 2024



ECONOMY

India's GDP calculations set for an upgrade as MOSPI sets up panel to revise base year:

The Ministry of Statistics and Programme Implementation (MoSPI) has formed a 26-member committee led by Biswanta Goldar to update the base year for national accounts, aiming to align key economic indices with current economic trends. This includes potentially shifting from the current base year of 2011-12 to 2020-21 for indices like the Wholesale Price Index (WPI), Producer Price Index (PPI), and Consumer Price Index (CPI). It will also recommend a new base year for national accounts, potentially aligning it with indices like the Wholesale Price Index, Producer Price Index, and Consumer Price Index, currently based on 2011-12 data but proposed for revision to 2020-21. This initiative aims to enhance the accuracy of economic analysis and policy formulation by reviewing existing databases and incorporating new data sources. Regularly updating the base year is essential to ensure that indices accurately reflect changes in the economy's structure, such as shifts in consumption patterns, sector weights, and the incorporation of new sectors. Currently, key economic measures like the Index of Industrial Production (IIP), Wholesale Price Index (WPI), and National Income are anchored to FY12, previously benchmarked to FY05. The Consumer Price Index (CPI), a widely tracked price benchmark, uses 2012 as its base year.

(Economic Times)

The Ministry of Statistics and Programme Implementation (MoSPI) Launches eSankhyiki Portal for Enhanced User Experience and Ease of Data Access:

The Ministry of Statistics and Programme Implementation (MoSPI) is the nodal Ministry for integrated development of the national statistical system in the country in tune with the global statistical practices and data dissemination standards. MoSPI is committed to enhancing user experience and data accessibility through use of cutting-edge technologies and the adoption of global best practices. In line with this mandate, the Ministry has developed an eSankhyiki portal to provide real-time inputs for planners, policy-makers, researchers and the public at large. The objective of this portal is



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to establish a comprehensive data management and sharing system for ease of dissemination of official statistics in the country.

(PiB)

BANKING & FINANCE



CS Setty to be next SBI Chairman: The Financial Services Institutions Bureau (FSIB) has recommended the appointment of Challa Sreenivasulu Setty for the position of Chairman in State Bank of India. Setty, who currently oversees International Banking, Global Markets and Technology at SBI, was selected by FSIB, which interviewed three candidates for the position on June 29, 2024. If appointed, he will join as the 27th chairman of SBI.

(Business Line)

India Ratings pegs bank credit growth at 15.4% for FY25: India Ratings has forecasted banks loan growth at 15.4% in FY25. The rating agency has also estimated that a turnaround in private capital expenditure could offset any pressure on the overall credit growth in FY25.

(Economic Times)

Banks told to stay vigilant amid intel on cyberattack threat: Banks across the country have been put on alert amid tip-offs received by the regulator on possible cyberattacks. Apart from continuously checking network activities and server logs to detect malicious intrusions, banks will have to monitor critical payment systems such as SWIFT (the messaging system to confirm cross-border fund transfers), card network (which facilitates card payments), the online local fund transfer frameworks RTGS, NEFT and UPI, the real-time payment system.

(Economic Times)

Personal loans dearer post RBI risk nudge: Private lenders such as HDFC Bank, ICICI Bank, Kotak Mahindra Bank and Axis Bank have raised lending rates on personal loans by 30-50 basis points (bps) in the past few months after the Reserve Bank of India (RBI) increased the risk weighting for such loans to 125% from 100% in November 2023, according to the disclosures made by each bank. Banks adapt to RBI's risk weight changes by adjusting rates and enhancing capital adequacy. The pricing of new loans reflects increased risk, ensuring stability in unsecured lending. Tightened



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underwriting standards support sustained growth and portfolio quality, aligning with regulatory directives to manage loan risks effectively.

(Economic Times)

INDUSTRY OUTLOOK



Small business owners aged 18-30 most digitally adept: Survey: The MSME sector in India is experiencing significant growth, with a notable shift in small business owners' perspectives towards adopting technology in recent years, according to a report by PayNearby. As per the report, over 65% of micro, small, and medium enterprises (MSMEs) utilise some form of digital technology for their daily operations. The report also emphasised that 68% of MSMEs acknowledged the growth and beneficial impact of adopting digital technology on both their businesses and personal lives. The insight was shared as part of a detailed survey titled 'MSME Digital Index 2024,' a Pan-India report showcasing technology consumption by MSMEs at the last mile. When asked about the positive impact of technology on their businesses, 31% indicated that it has enhanced business growth by improving operational efficiency, while 27% reported increased sales and income due to technology adoption.

(Financial Express)

IBM, Microsoft, NASSCOM ink MoUs with Guj Gov to strengthen the Deeptech Initiative program: The Department of Science and Technology, Government of Gujarat, IBM, Microsoft and NASSCOM have signed multiple MoUs to establish an AI cluster for the BFSI (banking, financial services and insurance) sector and an AI Centre of Excellence (CoE) at the GIFT, Gandhinagar. Additionally, a capacity building program for 25,000 students along with a STEM workshop for 10,000 high school students was also launched. The MoUs were signed in the presence of Bhupendra Patel. Chief Minister of Gujarat along with key government officials, representatives from academia and the industry leaders.

(Financial Express)



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REGULATION & DEVELOPMENT

Karnataka unveils landmark draft gig worker welfare bill 2024: In a move aimed at protecting gig workers' rights, the state government has released a draft of the Karnataka Platform-based Gig Workers (Social Security and Welfare) Bill-2024 and invited objections, if any. Among the various provisions in the Bill, one of the key requirements is that firms operating as food and service aggregators in the state will have to register with the state's labour department, ensuring that there is no unjust dismissal of gig workers and that they are provided with dispute resolution.

(Business Today)

IBBI introduces digital forms for monitoring liquidation processes: To ease the compliance burden for insolvency professionals, and enhance the effectiveness of the liquidation process, the IBBI has launched a set of electronic forms under the Insolvency and Bankruptcy Code. These forms are crucial for the liquidation process under the Insolvency and Bankruptcy Code (IBC), as they facilitate systematic and transparent record-keeping and seamless reporting, the insolvency regulator said. The new circular, issued by the Insolvency and Bankruptcy Board of India (IBBI) on June 28, introduces forms LIQ 1 to LIQ 4, covering different stages of the liquidation process. Presently, the IPs submit the details regarding the liquidation process, to the board through emails, which is time-consuming and inefficient, the IBBI said in the circular.

(Business Standard)



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FINANCIAL TERMINOLOGY

TWIN BALANCE SHEET PROBLEM

- ❖ A twin balance sheet is a scenario where banks are under severe stress and the corporates are overleveraged to the extent that they cannot repay their loans.
- ❖ During a boom period and the economic growth is robust, corporates are encouraged to invest and expand aggressively. The economic survey of 2017-18 put it simply. A twin balance sheet problem follows a standard path. Their companies expand during a boom, leaving them with obligations that they cannot repay. So, they default on their debts, leaving bank balance sheets impaired, as well.
- ❖ According to the 2017-18 economic survey, investors dumped the stocks of PSU, bringing their prices to such low levels that at one point HDFC was valued as much as 24 public sector banks put together.
- ❖ In the mid-2000s, infra companies saw robust growth and their shares shot up. But as the loans piled up, banks found themselves in a tight spot. It was a twin balance sheet problem.



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RBI KEY RATES

Repo Rate: 6.50%
SDF: 6.25%
MSF & Bank Rate: 6.75%
CRR: 4.50%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 83.4534
INR / 1 GBP : 105.4640
INR / 1 EUR : 89.2490
INR /100 JPY: 51.8600

EQUITY MARKET

Sensex: 79032.73 (-210.45)
NIFTY: 24010.60 (-33.90)
Bnk NIFTY: 52342.25 (-469.05)

Courses conducted by BFSI Board

- ❖ **Certificate Course on Concurrent Audit of Banks**
- ❖ **Certificate Course on Credit Management of Banks**
- ❖ **Certificate Course on Treasury and International Banking**
- ❖ **Certificate Course on Investment Management**
- ❖ **Certificate Course on General Insurance.**

**For details please visit
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Publications by BFSI Board

- ❖ **Aide Memoire on Infrastructure Financing.**
 - ❖ **Aide Memoire on lending to MSME Sector (including restructuring of MSME Credit).**
 - ❖ **Guidance Note on the Internal Audit of General Insurance Companies.**
 - ❖ **BFSI Chronicle (quarterly issue of BFSIB)**
 - ❖ **Handbook on Stock & Book Debts Audit (Revised and Enlarged 2nd Edition)**
- To purchase please visit
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TEAM BFSIB

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