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DAILY NEWS DIGEST BY BFSI BOARD

04 September 2024



ECONOMY

Telangana, TN top in GSDP growth among 10 largest States: Telangana, Tamil Nadu and Rajasthan have recorded the highest growth in real gross state domestic product (GSDP) in FY24 among the 10 largest States ranked according to their GSDP. This is revealed in the analysis of data on recent estimates put out by MoSPI.

(Business Line)

World Bank raises India's growth forecast for FY25 to 7%: Noticing an improvement in monsoon and private consumption, the World Bank on Tuesday upped India's growth forecast for Fiscal Year 2024-25 by 40 basis points to 7 per cent. Its previous forecast was 6.6 per cent. Growth was boosted by public infrastructure investment and an upswing in household investments in real estate. On the supply side, it was supported by a buoyant manufacturing sector, which grew by 9.9 per cent, and resilient services activity, which compensated for underperformance in agriculture," said the World Bank in the India Development Update report.

(Business Line)

FinMin relaxes cash management rules to boost government spending in current fiscal: The Finance Ministry on Tuesday relaxed cash management guidelines to boost spending in the remaining period of the current fiscal. The move becomes imperative as low government-spending due to the general elections has affected growth during the April-June quarter of the current fiscal. Additionally, the government has set a target of spending more than ₹11 lakh crore as capital expenditure for the ongoing fiscal. According to an official memorandum issued by the Economic Affairs Department, in order to provide requisite operational flexibility to execute the budget, stipulations applicable to big releases (₹500 crore or more) for all items of expenditure in the current fiscal will be relaxed, until further orders. This relaxation would be subjected to compliance of



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guidelines of the SNA (Single Nodal Agency)/CAN (Central Nodal Agency) and of MEP (Monthly Expenditure Plan) and QEP (Quarterly Expenditure Plan).

(Business Line)

FDI inflows jump 47.8% to \$16.17 bn in Apr-Jun on healthy services inflow: Foreign direct investment in India jumped 47.8 per cent to \$ 16.17 billion in April-June this fiscal on healthy inflows in services, computer, telecom and pharma sectors, according to government data. FDI inflows were at \$ 10.94 billion in April-June 2023-24. The data showed that overseas inflows in May rose to \$ 5.85 billion and in June to \$ 5.41 billion from \$ 2.67 billion and \$ 3.16 billion, respectively, in the year-ago period. In April, FDI inflows were down marginally at \$ 4.91 billion against \$ 5.1 billion in April 2023.

(Business Standard)

BANKING & FINANCE



AU Small Finance applies for 'voluntary transition' to a Universal Bank: AU Small Finance Bank has applied to the Reserve Bank of India (RBI) for voluntary transition from a Small Finance Bank to a Universal Bank, the lender said in an exchange filing on September 3. This is a significant step for the bank, potentially expanding its reach and services, the release said. In July, AU Small Finance Bank had told Moneycontrol that the lender will apply for the universal banking licence in about a four weeks. "We have received approval from the board and it was widely expected.

(Moneycontrol)

Finance Ministry to sell 6.78% stake of GIC Re to garner Rs 4,700 crore: The Union Ministry of Finance will dilute a 6.78 per cent stake in public-sector reinsurance company General Insurance Corporation of India (GIC) Re to garner around Rs 4,700 crore. The stake sale, for the first time since the listing of the reinsurance company in 2017 through the offer-for-sale (OFS) route, will begin on Wednesday for non-retail investors. The government will divest 3.39 per cent equity with an additional 3.39 per cent as green shoe option. The government currently owns an 85.78 per cent share in GIC Re. This action mirrors a strategy used during LIC's initial public offering (IPO), where the government divested 3.5 per cent of its stake and intended to sell an additional 1.5 per cent to support the insurer's inclusion in index funds.

(Business Standard)



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Mis-selling of life insurance policies at alarming level, says Irdai: The Insurance Regulatory and Development Authority of India (Irdai's) Member Satyajit Tripathy on Tuesday said that complaints about product mis-selling in life insurance has increased to an alarming level so much so that it has grabbed the attention of the policy makers. He further added that grievances vary between life and non-life insurance sector. Life insurance grievances are often related to the product, while non-life grievances usually concern claim payments and exclusions and in order to increase the penetration, the industry must address these grievances. Speaking at the CII Financial Summit 3.0 in Mumbai Tripathy said that, "Grouse (in life insurance) is about mis-selling a product and I must say that it is at an alarming level. It is at an alarming level because it has caught the attention of the policy makers. If we are talking about increasing the penetration, sale of various products, making it affordable, then we must address these grievances."

(Business Standard)

Banks ready list of 3,000 entities involved in fraudulent practices: Banks have drawn up a long list of around 3,000 entities involved in fraud that they will share and update on a real-time basis amid a spike in banking frauds, people familiar with the developments said. The list includes lawyers, builders, and gold loan appraisers among others colluding to secure loans through fraudulent means, they said.

(Economic Times)

INDUSTRY OUTLOOK



MF industry to touch ₹200-lakh crore AUM in 3 years: Motilal Oswal: Motilal Oswal Asset Management projects that the the mutual fund industry's assets under management will reach ₹200 lakh crore within three years, driven by buoyancy in the equity market, the financialisation of savings, and steady increase in flows. Raamdeo Agrawal, Chairman of the Motilal Oswal Group, said that retail participation in equity markets through mutual funds in growing steadily, driven by systematic investment plans and lump-sum investments, This growth is aided by positive experience in the recent years.

(Business Line)

FDI inflows jump 47.8% to \$16.17 bn in Apr-Jun on healthy services inflow: Foreign direct investment in India jumped 47.8 per cent to \$ 16.17 billion in April-June this fiscal on healthy inflows in services, computer, telecom and pharma sectors, according to government data. FDI inflows were



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at \$ 10.94 billion in April-June 2023-24. The data showed that overseas inflows in May rose to \$ 5.85 billion and in June to \$ 5.41 billion from \$ 2.67 billion and \$ 3.16 billion, respectively, in the year-ago period. In April, FDI inflows were down marginally at \$ 4.91 billion against \$ 5.1 billion in April 2023. Total FDI, which includes equity inflows, reinvested earnings and other capital, grew by 28 per cent to \$ 22.49 billion during the first quarter of this fiscal from \$ 17.56 billion in April-June 2023-24, the Department for Promotion of Industry and Internal Trade (DPIIT) data showed.

(Business Standard)

Working capital cycle shortest in 25 years at 47.8 days, shows data: A key indicator of corporate efficiency may now be better than at any time since the turn of the millennium. The net working capital cycle — a crucial measure that tracks the time a company takes to convert current assets like inventory into sales and then collect the money from customers — has seen remarkable improvement. According to data from the Centre for Monitoring Indian Economy (CMIE), the average company needed nearly 90 days to complete this cycle in 1999-2000. Fast forward to 2023-24, based on the latest available data, that figure has nearly halved to 47.8 days.

(Business Standard)



REGULATION & DEVELOPMENT

Government CAG signs MoU with UAE accountability authority: The Comptroller and Auditor General of India (CAG) has signed a Memorandum of Understanding (MoU) with the UAE Accountability Authority of the United Arab Emirates (UAE). The objective of this MoU — signed in Abu Dhabi on Monday — is to promote and develop cooperation between the two Supreme Audit Institutions (SAIs) in order to strengthen respective institution's professional capacity and improve methodologies in the field of public sector audit. Other areas of cooperation committed through this MoU include exchange of knowledge and experiences in the area of public auditing and conducting capacity development programs at SAI India or SAI UAE on need basis.

(Business Line)

Govt launches Rs 750 cr fund AgriSure for support to agriculture startups: Union Agriculture Minister Shivraj Singh Chouhan on Tuesday launched a Rs 750-crore fund 'AgriSure' to provide financial support to agritech. The Union Cabinet on Monday approved seven schemes for the agriculture sector with an outlay of nearly Rs 14,000 crore. An integrated Agri Investment Portal



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named KrishiNivesh and 'AgriSure' fund has been launched by GoI. The Rs 750-crore 'AgriSure' (Agri Fund for Startups & Rural Enterprises) will support startups and 'agripreneurs' by providing both equity and debt capital. The portal will cater to diverse stakeholders, including farmers, entrepreneurs, and industries, by providing easy access to information regarding various Central and state government schemes.

(Business Standard)

UN, Odisha govt launch India's first 'grain ATM' to boost food security: The Government of Odisha, in collaboration with the United Nations World Food Programme (WFP), will set up 24-hour grain dispensing machines, known as 'Annapurti' across the state in a bid to boost food security. The first such 'grain ATM' was inaugurated in Bhubaneswar on August 9, according to a UN press release.

(Business Standard)



FINANCIAL TERMINOLOGY

MACRO ENVIRONMENT

- ❖ A macro environment refers to the set of conditions that exist in the economy as a whole, rather than in a particular sector or region. In general, the macro environment includes trends in the gross domestic product (GDP), inflation, employment, spending, and monetary and fiscal policy.
- ❖ The macro-environment is closely linked to the general business cycle as opposed to the performance of an individual business sector.
- ❖ The macro-environment refers to the broader condition of an economy as opposed to specific markets.
- ❖ The macro-environment can be affected by GDP, fiscal policy, monetary policy, inflation, employment rates, and consumer spending.
- ❖ The state of the macro environment affects business decisions on things such as spending, borrowing, and investing.



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 : 83.9525
INR / 1 GBP : 110.0869
INR / 1 EUR : 92.8067
INR /100 JPY: 57.4400

EQUITY MARKET

Sensex: 82555.44 (-4.40)
NIFTY: 25279.85 (+1.15)
Bnk NIFTY: 51689.10 (+249.55)

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