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## **DAILY NEWS DIGEST BY BFSI BOARD**

**05 Jan 2024**

### **BANKING & FINANCE**



**RBI clarifies to the definition to Politically Exposed Persons in master direction on KYC:** Vide notification dated 04 January 2024, RBI has clarified on Politically Exposed Persons mentioned on its Master directions on KYC norms as; “Politically Exposed Persons” (PEPs) are individuals who are or have been entrusted with prominent public functions by a foreign country, including the Heads of States/Governments, senior politicians, senior government or judicial or military officers, senior executives of state-owned corporations and important political party officials.

**(RBI Notification)**

**Banks, NBFCs post double digit loan growth in Q3:** Banks, both public sector and private, continued to post robust double-digit loan growth of 11-23 per cent y-o-y in Q3 FY24, as per provisional figures declared by the lenders for the quarter. Credit growth for banks such as YES Bank, South Indian Bank and Dhanlaxmi Bank was at the lower end of 11-12 per cent whereas for lenders such as IndusInd Bank, Bank of Maharashtra and CSB Bank was at the higher end of 20-23 per cent. Deposit growth for banks remained steady in the reporting quarter but continued to lag loan growth barring for Federal Bank and YES Bank, which saw slightly higher deposit growth. Rise in deposits for Punjab National Bank and South Indian Bank fell below the double-digit mark at 9 per cent.

**(Business Line)**

**Indian banks have closed 25 per cent of their foreign branches since FY19 :** Indian banks are on a song as brisk growth in credit, urban consumption and cleaner balance sheet put them in a sweet spot. But did you know that banks are shutting down their overseas branches as they focus on domestic growth? As of March 31, 2019, Indian banks (private and public sector combined) had 152 overseas branches. But in 2023, the number has come down to 113; 25 per cent lower. Towards the end of FY19, 10 Indian PSBs cumulatively had 132 overseas branches and four private banks together had 20 branches abroad. The numbers started dropping since then and towards the end of FY23, there were 100 PSB branches and 13 private sector bank branches in other countries according to the



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RBI. Bank of Baroda has closed the highest number of overseas branches – nine, between FY19 and FY23. It now has 29 overseas branches, SBI is the second on the list, having shut seven branches. Its number of overseas branches has come down to 34 from 41. It also has the highest number of overseas branches, as of FY23.

**(Business Line)**

**Canara Bank CGM P Santhosh appointed as MD of NARCL, Sundar resigns as MD:** The sudden change of guards at the government-promoted asset reconstruction has surprised many industry players that acquires bad loans by offering cash and security receipts guaranteed by the centre. Natarajan Sundar is the second person among NARCL's top management to resign from the post before completing his tenure. Last August, Karnam Sekar, chairman of NARCL, resigned without specifying any reason ahead of his term. P Santhosh, chief general manager at Canara Bank, is appointed as managing director of National Asset Reconstruction of India (NARCL) with effect from January 5, said people with knowledge of the matter. Natarajan Sundar, MD and CEO of NARCL resigned from the post, the people cited above said.

**(Economic Times)**



## ECONOMY

**Commerce Secretary convenes meeting on Red Sea situation:** Commerce Secretary Sunil Barthwal convened a meeting of senior officials on Thursday to take stock of the effect of the continued attacks on cargo ships in the Red Sea by the Houthis on the country's exports. "As the attacks by the Houthis continue the uncertainty for exporters shipping their goods through the Red Sea, including of basmati rice, to Europe and parts of Asia and Africa is increasing. The Commerce Secretary held a meeting to take stock of the situation," An estimated \$225-230 billion of India's exports — to the EU, the East Coast of US, African countries such as Egypt, Eritrea and Djibouti, and some Middle East countries — could be at risk if the situation in the Red Sea does not get contained. The Iran-backed rebel group Houthi started attacking cargo in the Red Sea after the start of the Israel-Hamas war in October to declare their support for Hamas.

**(Business Line)**

**Underspending by key ministries may help govt achieve FY24 deficit target:** Underspending by as many as 15 central government departments where expenditures are less than one-third of the budgeted amount during the initial eight months of the current financial year (FY24)



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may help the government achieve the fiscal deficit target of 5.9 per cent of gross domestic product for FY24, experts said. According to latest data released by the Controller General of Accounts (CGA), the 15 departments have cumulatively spent only 17.8 per cent of the Rs 1.45 trillion allocated in the Budget. These departments and ministries include micro, small and medium enterprises, petroleum, civil aviation, food processing, heavy industries, and electronics

**(Business Standard)**

**RBI directs issuers to specify utilisation of funds raised via NCDs, CPs:** The Reserve Bank of India has tweaked norms for the issuance of commercial papers (CPs) and non-convertible debentures (NCDs) of up to one year to regulate short-term investments and ensure transparency in the market. One of the key changes, slated to take effect from April 1 this year, was that the guidelines mandate issuers to mention the exact end use of the funds raised through these instruments, excluding financing for current assets and operating expenses. For better transparency, issuers are now required to disclose long-term and unaccepted credit ratings in the offer document. This information helps investors make informed decisions about the risks associated with the investment, said market participants.

**(Business Standard)**

**Toy exports from India increased 239% over last 8 years:** Exports of toys from India increased 239 per cent over the last eight years to \$326 million in 2022-23 from \$96 million in 2014-15 while imports declined 52 per cent to \$159 million from \$332 million in the same period because of a combination of measures including import tariff increase and quality control, per a case study on the 'success story of made in India toys' carried out by IIM Lucknow on behalf of the Department for Promotion of Industry and Internal Trade (DPIIT). In the next eight years, around 12 per cent compounded annual growth rate is expected in the toy sector and exports are likely to increase to \$3 billion by 2028.

**(Business Line)**

**Retail consumption witnessed growth of 9.3% in H1FY24; higher GDP, softening inflation to catalyze Q3FY24 growth:** Retail consumption witnessed an annual increase of 9.3 per cent in the B2C segment, in the key 11 sectors during the April–September 2023 period, per a report by CMS Info Systems. Retail Consumption Trends by CMS Info Systems has revealed key consumption trends in the organised retail segment in the first half of FY24 through a comprehensive analysis spanning 11 sectors such as large format retail, jewelry, FMCG, e-commerce, hospitality, and aviation, among others. It provided a view into consumers' spending trends as seen in FY24 compared to FY23, which included the Cricket World Cup event, festival, and wedding season. The FMCG and e-commerce sectors experienced an annual increase of 26.2 per cent and 19.4 per cent respectively, during Q2FY24, reflecting rising consumer demand in these sectors amid easing inflation.

**(Financial Express)**



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## INDUSTRY OUTLOOK



### **Vodafone Idea receives Rs 10.76 crore penalty order under GST Act, seeks rectification:**

Vodafone Idea Limited (VIL) announced on January 4 that it has been served with an order under the Central Goods and Services Tax Act, 2017, imposing a penalty of Rs 10.76 crore. The telecom company expressed its disagreement with the order and stated its intention to seek rectification and reversal. According to VIL, the penalty amount of Rs 10,76,56,733 was specified in the order received on January 3, 2024. The telecom company said the contravention is over "Alleged improper transfer of CENVAT credit to the GST regime." As per the latest information provided by the Telecom Authority of India (TRAI), Vodafone Idea faced a loss of 20.4 lakh wireless users in October. The troubled telecom company which has a 19.59 percent market share, recorded a loss of 20.4 lakh users against a loss of 7.5 lakh users in September 2023.

### **(Moneycontrol)**

### **Collection through dividend from CPSEs set to exceed ₹50,000 crore for third year in a row:**

Dividend from Central public sector enterprises (CPSEs) is likely to cross ₹50,000 crore during the current fiscal for the third year in a row. It has already exceeded Budget Estimate (BE) during current fiscal year. However, disinvestment proceeds from CPSEs are likely to remain below the Budget Estimate. While combined collection is lower than the target, but it is unlikely to affect the fiscal deficit target of 5.9 per cent as mobilisation through direct tax, GST and RBI surplus are likely to be much higher. Better collection of dividend can be attributed to improved profitability of CPSEs and consistent dividend policy. According to Finance Ministry guidelines, announced in 2016, a CPSE would pay an annual dividend of 30 per cent PAT (profit after tax) or 30 per cent of the government's equity, whichever is higher. However, due account should be taken of cash and free reserves with the CPSE, and accordingly, special dividend would need to be paid to the government as a return for its equity investments. Further, CPSEs with large cash/free reserves and sustainable profit may issue bonus shares.

### **(Business Line)**

**‘India’s M&A activity at three-year low of \$84 b in 2023’:** India-focussed M&A activity fell to a three-year low in 2023 at \$83.8 billion in 2023, down 50.6 per cent from a year ago, latest data from LSEG Deals Intelligence showed. In 2022, the total M&A activity stood at \$169.70 billion and \$123.14 billion in 2021. Target India M&A activity in 2023 reached \$76.4 billion, down 51.5 per cent from a year ago, and the lowest annual period by value since 2020. Domestic M&A activity in 2023 totalled





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\$51.8 billion, down 56.4 per cent from the same period in 2022. While inbound M&A fell 36.4 per cent from a year ago and totalled \$24.6 billion, the lowest annual period since 2015. Outbound M&A activity reached \$5.9 billion, down 40.4 per cent year-on-year with the US being the most-targeted nation with a 22.6 per cent market share.

**(Business Line)**



## REGULATION & DEVELOPMENT

**Govt to review PLI schemes on Jan 12, no new sectors to be added:** The government will hold a comprehensive review of the Production Linked Incentive (PLI) scheme next Friday (January 12) and is not looking at bringing more manufacturing sectors in its flagship schemes, a senior official said Thursday. The review will be of the performance of all 14 sectors covered by the Rs 1.97 trillion scheme. “Currently we are focused on getting these 14 PLIs up and running in a good way. So for the time being, the new PLIs are not being considered and we will focus on ensuring that these existing schemes get implemented well and thereafter we will see,” secretary in the department for promotion of industry and internal trade Rajesh Kumar Singh told reporters.

**(Financial Express)**

**Interim Budget 2024: Govt likely to retain focus on PSU stake sales in FY25:** The government is likely to retain its focus on disinvestment of public sector units in the Interim Budget with the aim to take forward pending transactions. Sources indicate that for now the target from disinvestment proceeds is likely to be kept at over Rs 50,000 crore to indicate the government’s intent to move forward on disinvestment transactions. For 2023-24, the Centre had set a target of Rs 51,000 crore from disinvestment proceeds, but is likely to face a shortfall. It has so far raised Rs 10,051.73 crore from pure stake sale receipts and Rs 43,843.38 crore from dividends from central public sector undertakings, taking the total receipts from the Department of Investment and Public Asset Management to Rs 53,895.11 crore. Proposed disinvestment transactions include the strategic sale of Shipping Corporation of India and Concor and the privatisation of IDBI Bank as well the listing of a handful of PSUs. According to officials, this will be taken forward after the General Elections by the new government. However, further disinvestment in Life Insurance Corporation of India is unlikely to be initiated in the next fiscal. However, the Interim Budget, to be presented on February 1, is likely to indicate the government’s intention to take forward many of these pending transactions and the target will also indicate the same.

**(Business Today)**



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## **FINANCIAL TERMINOLOGY**

### **FOREIGN PORTFOLIO INVESTMENT (FPI)**

- ❖ Foreign portfolio investment (FPI) consists of securities and other financial assets held by investors in another country. It does not provide the investor with direct ownership of a company's assets and is relatively liquid depending on the volatility of the market.
- ❖ Along with foreign direct investment (FDI), FPI is one of the common ways to invest in an overseas economy. FDI and FPI are both important sources of funding for most economies.
- ❖ Unlike FDI, FPI consists of passive ownership; investors have no control over ventures or direct ownership of property or a stake in a company.
- ❖ FPI holdings can include stocks, ADRs, GDRs, bonds, mutual funds, and exchange traded funds.
- ❖ On a more macro level, foreign portfolio investment is part of a country's capital account and shown on its balance of payments (BOP). The BOP measures the amount of money flowing from one country to other countries over one monetary year.



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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 : 83.3002  
INR / 1 GBP : 105.5552  
INR / 1 EUR : 90.9944  
INR /100 JPY: 57.9900

### **EQUITY MARKET**

Sensex: 71847.57 (+490.97)  
NIFTY: 21658.60 (+141.30)  
Bnk NIFTY: 48195.85 (+490.95)

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

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- ❖ **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 2<sup>nd</sup> Edition)**
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