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

**08 February 2024**

### **BANKING & FINANCE**



**Govt may infuse capital in 3 public insurers in FY25, says DFS Secy Vivek Joshi:** The finance ministry may infuse capital into three public sector insurance companies — United India Insurance Company Limited, National Insurance Company Limited and Oriental Insurance Company Ltd — to improve their solvency ratio after analysing their Q3 and Q4 results of FY24, the Department of Financial Services (DFS) secretary Vivek Joshi said. “The solvency ratio of the three public insurers — United India Insurance Company Limited, National Insurance Company Limited and Oriental Insurance Company Ltd — is still low, we seek exemption from IRDAI (Insurance Regulatory and Development Authority) for all three. That is an issue. We will see how they perform in Q3, Q4.

**(Moneycontrol)**

**Financial Services Secy says RBI action on Paytm Payments Bank in interest of consumers, economy:** The recent action taken by the Reserve Bank of India (RBI) against Paytm Payments Bank is in the interest of consumers and the overall Indian economy, Financial Services Secretary Vivek Joshi said. In an interview with Moneycontrol on February 7, Joshi said that the issue was between the company and the Indian central bank and had to be sorted out at that level. “The government has had nothing to do until now when it comes to the actions taken on Paytm. And we believe that the RBI must have taken the action in the overall interest of the consumer and the economy,” he said.

**(Moneycontrol)**

**CCI clears Zurich Insurance’s stake purchase in Kotak Mahindra General Insurance:** The Competition Commission of India (CCI) on Tuesday said it has approved Zurich Insurance Company’s proposed 70 per cent stake purchase in Kotak Mahindra General Insurance Company. Zurich Insurance Company is a wholly-owned subsidiary of Zurich Insurance Group Ltd. The proposed transaction involves an acquisition of a majority stake in the Kotak Mahindra General



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Insurance Company by the Zurich Insurance Company from Kotak Mahindra Bank Ltd, according to a release.

***(Financial Express)***

**NHAI arm lens on Paytm for FASTags:** The Indian Highways Management Company Ltd (IHMCL) is scrutinising responses from Paytm Payments Bank to determine whether it followed customer verification norms when issuing FASTags and decide any potential action against it, people in know of the developments told ET. IHMCL, which operates under the National Highways Authority of India (NHAI), had in its letter dated January 19, 2024, barred Paytm Payments Bank from issuing fresh FASTags and taking up new toll plazas.

***(Economic Times)***

**Banks seek incentives for sustainability-linked loans from RBI and Centre:** Banks are urging for incentives, such as relaxed norms on risk-weighted assets (RWA) and cash reserve ratio (CRR), for sustainability-linked loans. These loans tie interest rates to a company's sustainability performance, promoting adherence to environmental, social, and governance (ESG) norms. Discussions with stakeholders, including the RBI, are ongoing, with proposals to include green financing in priority sectors like electric vehicles (EVs) and renewable energy.

***(Economic Times)***

**HDFC Bank rolls out four credit cards for SME players:** HDFC Bank on Tuesday launched four credit cards intending to tap small and medium-sized entrepreneurs (SME) and grow its card business. The main highlight of the cards is that they will provide 55 days of interest-free credit, the highest number of days offered by any bank, said Parag Rao, country head of payment, liabilities products, customer finance and marketing at HDFC Bank, while announcing the launch of the cards to the media. BizFirst, BizGrow, BizPower, and BizBlack are the four credit card variants.

***(Economic Times)***



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## ECONOMY

### **India's debt-to-GDP ratio well below emerging markets, IMF gave worst-case scenario:**

India's debt-to-GDP ratio is "well below other emerging markets", Finance Minister Nirmala Sitharaman said while speaking in the Parliament on February 7. Sitharaman's remarks comes months after the International Monetary Fund (IMF), while releasing a set of projections, flagged the possibility of India's general government debt exceeding 100 percent of the GDP. "This is what has been enumerated for an 'extreme worst-case scenario', and is not fait accompli," the finance minister told the Lok Sabha.

#### **(Moneycontrol)**

**Govt eyes deal with EU countries that could draw \$100 billion investment:** India is close to finalising a first-of-its-kind trade deal that could see a small group of European nations invest as much as \$100 billion over 15 years in exchange for easier trade access to the world's most populous nation, according to people with knowledge of the matter. The European Free Trade Association, which comprises Switzerland, Norway, Iceland and Liechtenstein, made a commitment to invest in India as part of a trade pact that's in the final stages of negotiations, the people said, asking not to be identified as the talks are still ongoing. The contours of the deal have been agreed and deliberations currently center on the final investment amount, which could be as much as \$100 billion over 15 years, some of the people said. While India wants the commitment to be legally binding, one of the European officials said the amount will likely be framed as a goal, with no legal means to claim it included in the language of the agreement. If finalised, it would mark the first time an investment commitment of this nature is secured by India as part of a free trade agreement.

#### **(Business Standard)**

**Russia buys bananas and papayas from India amid spat with Ecuador:** Amidst a growing dispute with Ecuador, its main banana supplier, Russia has started purchasing bananas and papayas from India. The change in economic relations is brought on by geopolitical concerns as Russia is looking for other suppliers. It all began when Ecuador decided to swap high-tech American weapons for Russian-manufactured military hardware, which made Russia unhappy. Russia received its first shipment of bananas from India in January, and another shipment is expected at the end of February.



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The Russian agricultural watchdog Rosselkhoz nadzor said that "the volume of exports of Indian bananas to the Russian market will increase," indicating a rising demand for Indian bananas in Russia. India, known for producing a significant amount of bananas, has expressed a desire to export other fruits to Russia, including papaya, guava, mangoes, and pineapples.

**(Economic Times)**

**Karnataka's claim of discrimination in sharing central taxes "wrong, mischievous," says Nirmala Sitharaman:** Rejecting claims by the Karnataka government of discrimination in sharing central taxes, Union Finance Minister Nirmala Sitharaman said the allegations are "patently wrong and mischievous." The Minister, while addressing a conference in Parliament premises said, "there are factual errors, false monetary claims, misleading statements, and selective mention of certain losses allegedly suffered without mentioning the gains that have accrued to the state (Karnataka) in the 15th Finance Commission period." The Minister was replying to the Karnataka government's claim of huge losses suffered by the state due to the 15th Finance Commission's recommendation.

**(Economic Times)**

## INDUSTRY OUTLOOK



**China shadow on flagship PLI for domestic manufacturing of solar equipment:** The flagship production-linked incentive (PLI) scheme for solar equipment manufacturing, aimed at reducing import dependence, is likely to see significant Chinese presence in supply chain partnerships and related services. Of the 12 winners of the PLI scheme for high-efficiency solar photovoltaic modules, 11 have listed supply chain partners and service providers from China, with some mentioning more than 20 Chinese vendors. Sector leaders Reliance New Energy Solar, Tata Power, ReNew Solar, Waaree Energies, Avaada Electro have listed vendors from China as major suppliers. These firms submitted the list to the Ministry of New and Renewable Energy to facilitate the grant.

**(Business Standard)**

**IIT Madras to develop India's first smart bullets that will increase accuracy:** IIT Madras has partnered with Munitions India Limited to create India's first indigenous 155mm guided smart ammunition. The collaboration aims to improve the accuracy and range of existing artillery gun shells. The objective is to achieve a circular error probable (CEP) of 10m, compared to the current CEP of 500m. It will have a maximum range of 38km and minimum range of 8km.

**(Economic Times)**



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**Housing ministry asks state RERAs to set recovery mechanism for homebuyers' refunds:** The Ministry of Housing & Urban Affairs (MoHUA) has sent an advisory to states, union territories and all state-specific real estate regulatory authorities (RERA) to formulate a recovery mechanism and appoint a recovery officer under their respective recovery laws on the lines of the mechanism adapted by the Gujarat Real Estate Regulatory Authority. "It is a major concern that homebuyers across India are facing challenges in getting their refund orders enforced. We gave our report after studying the Gujarat model of recovery to the ministry for its consideration. It's a very positive step that the ministry has written to all states suggesting the Gujarat model as a way forward for effective recovery," said Abhay Upadhyaya, President of pan-India homebuyers body Forum for People's Collective Efforts (FPCE).

**(Economic Times)**

**In a first, Fair Price Shops on-boards on Open Network Digital Commerce (ONDC):** As a step towards Digital India, Shri Sanjeev Chopra, Secretary, Department of Food and Public Distribution, Government of India launched a pilot to on-board the Fair Price Shops (FPSs) in Una and Hamirpur districts of Himachal Pradesh on the Open Network Digital Commerce (ONDC). The pilot was launched virtually in 11 FPSs - 5 FPSs in Una and 6 FPSs in Hamirpur districts. This is the first time when Fair Price Shops are on-boarded on ONDC. Speaking on the occasion, Shri Chopra said this landmark initiative adds to the continuous efforts of the Department in transforming the Fair Price Shops. This effort aims at providing additional avenues of income generation for FPS dealers along with enhancing beneficiary satisfaction.

**(PiB)**



## REGULATION & DEVELOPMENT

**Uttarakhand becomes first state to clear Uniform Civil Code Bill:** On February 7, the Uttarakhand Assembly passed the Uniform Civil Code Bill. The Bill, introduced in the BJP-majority assembly a day earlier, was passed by voice vote. The opposition had suggested earlier that it should be sent to a select committee of the House first. After the Bill gets the governor's assent, Uttarakhand will become the first state after independence to get a common law on marriage, divorce, land, property and inheritance for all citizens, irrespective of their religion. Chief Minister Pushkar Singh Dhami, while speaking on the Bill before its passage, said it is not an ordinary legislation. The Uniform Civil Code (UCC) will create equal laws for men and women across all faiths and will help create a non-partisan and non-discriminatory society, he said. It will especially protect the rights of





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women and put an end to their exploitation, Dhama said. "It fulfils a commitment we had made to the people of the state in the run-up to the 2022 assembly polls," the Chief Minister said.

**(Moneycontrol)**

**Delhi HC asks IBA to hold meeting of members on information disclosure SOPs:** The Delhi High Court has asked the Indian Banks Association (IBA) to hold a meeting of all its members to ensure that everyone follows the standard operating procedures (SOP) related to information disclosure mechanisms to law enforcement agencies. "It appears that the SOP (standard operating procedures) and the manner in which the SOPs have to be implemented by all the banks is still a work in progress. Let the IBA hold the meeting of the concerned sub-groups and sub-committee in order to ensure that all banks follow the SOP in respect of information disclosure mechanism" the court said.

**(Economic Times)**

**India ranks 38 out of 139 countries on World Bank's Logistics Performance Index Report 2023:** According to the World Bank's 'Logistics Performance Index Report (2023): Connecting to Compete 2023', India ranks 38 out of 139 countries. India's rank has improved by six places from 44 in 2018 and sixteen places from 54 in 2014. The Hon'ble Prime Minister launched the PM GatiShakti National Master Plan for multimodal connectivity on 13 October 2021 and National Logistics Policy on 17th Sept. 2022, for improving logistics efficiency and reducing logistics costs. Digital reforms such as Unified Logistics Interface Platform (ULIP) for ease of doing business and Logistics Data Bank which has digitized track and trace of 100% containerized EXIM cargo, are presently operational.

**(PiB)**

**Standing Committee on Finance proposes 'open architecture' for insurance agents:** Standing Committee on Finance headed by BJP MP Jayant Sinha has recommended the introduction of an 'open architecture' concept for insurance agents so as to facilitate a larger outreach of insurance products and a stronger distribution infrastructure in the country. This recommendation, if and when accepted by government and consequent legal amendments are introduced, would pave the way for insurance agents to associate with multiple insurance companies. Currently, under the Insurance Act 1938, an insurance agent can associate with one life, one non-life and one health insurance company for distribution of insurance products.

**(Business Line)**



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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 : 82.9765  
INR / 1 GBP : 104.5769  
INR / 1 EUR : 89.2943  
INR /100 JPY: 56.0500

### **EQUITY MARKET**

Sensex: 72152.00 (-34.09)  
NIFTY: 21930.50 (+1.10)  
Bnk NIFTY: 45818.50 (+127.70)

### ***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 2<sup>nd</sup> Edition)**
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### **TEAM BFSIB**

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