



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

November 08, 2022

GOVT NOMINEES ON PSB BOARDS TOLD TO REVIEW REFORM PATH: The government has asked its nominees on the boards of state-run banks to actively review the three-year business reform roadmap of their respective banks. The move is aimed at ensuring that big lenders support smaller banks in key areas such as loan underwriting, information technology and human resource development. "Banks have also been directed to set up cross-functional teams for faster implementation of the reform agenda," said an official

(Economic Times)

MICROFINANCE: 82% OF LOAN PORTFOLIO CONCENTRATED IN 10 STATES

ONLY, SAYS RBI DEPUTY GOVERNOR: As on 30 June 2022, the total microfinance loan portfolio in the country stood at Rs 2.93 lakh crore, in which banks held the largest share of 38 per cent followed closely by non-banking financial company-microfinance institutions (NBFC-MFIs) at 35 per cent, said Rao.

(Financial Express)

MANUFACTURERS WANT MORE CREDIT FLOW TO SMES, INTEREST RATE CAP, AMONG MEASURES TO BOOST GROWTH: FICCI SURVEY:

Over 300 SME and large units across major sectors in the latest quarterly survey on manufacturing by industry body FICCI on Monday have suggested more credit to SMEs and interest rate caps among measures required for manufacturing growth. For instance, respondents in the metal and metal products sector asked for "more credit availability to the MSME sector through rate of interest caps on MSME loans, extension of moratorium for ECLGS loans of MSME sector, reduction in compliances for MSME sector, thereby enhancing ease and cost of doing business." On average, the metal and metal products sector reported interest rate close to 8.6 per cent per annum while 54.5 per cent of respondents reported an increase in lending rates because of the increase in repo rates in the last few months with an average increase of around 0.4 per cent in the rates.

(Financial Express)

PAYTM Q2 CONSOLIDATED NET LOSS WIDENS TO ₹571.5 CRORE:

One97 Communications, which owns the Paytm brand, on Monday reported a consolidated net loss of ₹ 571.5 crore for the quarter ended September 2022. The latest quarterly loss was wider than consolidated net loss of ₹ 473.5 crore recorded in same period last year. However, on a sequential basis, the latest September 2022 quarter net loss narrowed from net loss of ₹645.4 crore recorded in Q1 FY23. For the quarter under review, consolidated revenue from operations stood at ₹ 1,914 crore, up 76.2 percent over ₹ 1086.4 crore in corresponding period



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last fiscal. On a sequential basis, top-line was up 14 percent. The company's contribution profit for Q2 FY23 stood at ₹843 crore, marking an increase of 224 per cent year-on-year and 16% quarter-on-quarter, resulting in expansion of contribution margins to 44 per cent, compared to 24 per cent in Q2 FY22.

(Business Line)

NEED TO GO IN FOR SINGLE GST RATE REGARDLESS OF PRODUCT: PMEAC

CHIEF DEBROY: Indian polity should take a call on having a GST system with a single rate, regardless of the product, Bibek Debroy, Chairman of the Economic Advisory Council to the Prime Minister (PMEAC), has suggested. Citizens should also be willing to pay higher taxes or settle for reduced delivery of public goods and services, given the wide gap between the total tax-GDP ratio

(Business Line)

JIO PAYMENTS LIKELY TO BECOME SUBSIDIARY OF JIO FINANCIAL

SERVICES: Jio Payments Bank (JPB) — a joint venture between Reliance Industries (RIL) and State Bank of India (SBI) — is likely to become a subsidiary of the proposed new listed entity, Jio Financial Services (JFS), as part of the overall restructuring of the group's financial services business which was announced a few days ago after its quarterly results.

(Business Standard)

GOVT RELEASES REVENUE DEFICIT GRANT OF RS 7,183 CRORE TO 14

STATES: The central government has released Rs 7,183.42 crore as revenue deficit grant (RDG) to 14 states, which includes Andhra Pradesh, Assam, Himachal Pradesh, Kerala, Manipur, Meghalaya, Mizoram, Nagaland, Punjab, Rajasthan, Sikkim, Tripura, Uttarakhand, and West Bengal. The commission suggested giving the fourteen states a total PDRD grant of Rs 86,201 crore for the current fiscal year. The total amount of revenue deficit grants given to the states so far in FY23 has increased to Rs 57,467.33 crore with the release of the eighth instalment for the month of November 2022, according to a statement from the Finance Ministry. "The Department of Expenditure released the 8th monthly instalment of the Post Devolution Revenue Deficit (PDRD) Grant of Rs 7,183.42 crore to 14 states as per the recommendations of the Fifteenth Finance Commission," the ministry said in a press note. Under Article 275 of the Constitution, the Post Devolution Revenue Deficit Grants are made available to the States. According to the recommendations of the successive Finance Commissions, grants are given to the States in order to close the revenue account gap left by devolution.

(Business Today)



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SUPREME COURT ISSUES NOTICE TO SEBI ON RELIANCE'S PLEA FOR

DOCUMENTS: The Supreme Court issued a notice to the Securities and Exchange Board of India (SEBI) on November 7 on Reliance Industries Ltd's plea, seeking certain documents from the regulator. On August 5, the court directed the regulator to provide the necessary documents to Reliance. Following this SEBI filed a review petition in the matter on September 29. "SEBI as a regulator has a duty to act fairly. We direct Sebi to furnish the document sought by RIL [Reliance]," said the apex court in its August 5 order. Reliance has sought access to certain documents relied upon by Sebi in a probe relating to a share acquisition matter. Sebi refused to entertain RIL's request to share the documents saying that according to Sebi (Settlement Proceedings) Regulations, the company has no right to demand information from it.

(Live Mint)

ODISHA INKS MoU WITH ASHOK LEYLAND TO DEVELOP DRIVING TRAINING

INSTITUTES: The State Transport Authority (STA), Odisha on Monday signed a Memorandum of Understanding (MoU) with Ashok Leyland for development, management and operation of three new Institutes of Driving Training and Research (IDTR).

(Business Standard)

CREDIT RISK NOT BEING FAIRLY PRICED IN BY BANKS, SAYS SBI

REPORT: Banks are not adequately pricing in credit risk as the liquidity condition tightens and interest rates remain high, said State Bank of India in a research report. Over the last few months, the Reserve Bank of India (RBI) has front-loaded rate hikes and calibrated excess liquidity in the banking system as it seeks to rein in elevated inflation. While the liquidity conditions have eased in November on the back of the government accelerating spending, the average net durable liquidity injected into the banking system has dropped to Rs 3 trillion from Rs 8.3 trillion in April, SBI research said in its latest 'Ecowrap' report.

(Business Standard)

CUSTOMER PROTECTION THE CORE OF NEW RBI MICROFINANCE RULES: BY GOVERNOR RAO:

The Reserve Bank of India's new framework for the microfinance sector, in which it replaced rule-based guidelines on pricing of loans with a principle-based framework, is aimed at making the borrower aware of the total cost being paid by him for the loan, while ensuring comparability amongst lenders by standardising the calculation of all-inclusive cost. These measures, along with a cap on repayment obligations and steps to check over-indebtedness introduced by the regulator, will eventually bring down interest rates for the borrowers, said M Rajeshwar Rao, Deputy Governor, RBI.

(Business Standard)



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BANK CREDIT OUTPACES DEPOSIT GROWTH DURING BUSY BIZ CYCLE:

Banks in India are witnessing a high credit growth as compared to deposits. The growth in credit has nearly been double the growth in deposits in the current financial year. This can largely be attributed to a busy business cycle. As of September-end, the bank credit growth stood at 16.5%, meanwhile deposits grew by 9.2%, as per the Reserve Bank of India (RBI) data. "Credit growth has further accelerated to 18% as of October 21, while deposits continue to grow at 9.5%. But rather than scale up deposit growth, banks are falling back on their investment and increasing their ratio of credit to deposit. Most banks have raised their credit-deposit ratio to over 80%," said a TOI report.

(Business Standard)



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FINANCIAL TERMINOLOGY/CONCEPTS

DEADWEIGHT LOSS

- ❖ It is the loss of economic efficiency in terms of utility for consumers/producers such that the optimal or allocative efficiency is not achieved.
- ❖ Deadweight loss can be stated as the loss of total welfare or the social surplus due to reasons like taxes or subsidies, price ceilings or floors, externalities and monopoly pricing. It is the excess burden created due to loss of benefit to the participants in trade which are individuals as consumers, producers or the government.
- ❖ For example, if a certain tax is imposed on the producer for each unit of the good he sells, it is likely that the new equilibrium price that is settled for the transaction will be higher and therefore some burden of this will be passed on to the consumer.
- ❖ This will lead to reduced trade from both sides. The loss of welfare attributed to the shift from earlier to this less efficient market mechanism is called the deadweight loss of taxation. This leads to wastage or underutilization of resources due to inefficient market outcomes.



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RBI KEY RATES

Repo Rate: 5.90%
SDF: 5.65%
MSF & Bank Rate: 6.15%
CRR: 4.50%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 82.2112
INR / 1 GBP : 93.1327
INR / 1 EUR : 81.7579
INR /100 JPY: 55.8400

EQUITY MARKET

Sensex: 61185.15 (+234.79)
NIFTY : 18202.80 (+85.60)
Bank NIFTY: 41686.70 (+428.25)

(CMA Chittaranjan Chattopadhyay)

Chairman,

Banking, Financial Services & Insurance Board

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