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DAILY NEWS DIGEST BY BFSI BOARD

12 October 2024

ECONOMY

Net direct tax collection grows 18 percent to Rs 11.25 lakh crore: Net direct tax collection grew 18.3 percent to about Rs 11.25 lakh crore as of October 10 this fiscal, government data showed on October 11. The mop-up includes personal income tax collection of Rs 5.98 lakh crore and corporate tax collection of Rs 4.94 lakh crore. Securities Transaction Tax (STT) stood at Rs 30,630 crore, while other taxes (including equalisation levy and gift tax) earned Rs 2,150 crore. The income tax department had collected Rs 9.51 lakh crore during the same period a year ago. Refunds worth Rs 2.31 lakh crore were issued between April 1 and October 10, a growth of 46 percent. On a gross basis, direct tax collection grew 22.3 per cent to Rs 13.57 lakh crore. The collection includes PIT (personal income tax) of Rs 7.13 lakh crore and corporate tax of Rs 6.11 lakh crore. The government has budgeted to collect Rs 22.07 lakh crore in the current fiscal from direct taxes. Corporate tax collection after adjusting for refunds grew over 11 percent so far this financial year to Rs 4.94 lakh crore, while personal income tax receipts after refunds stood at Rs 5.98 lakh crore, showing an impressive 23 percent growth.
(Business Today)

India’s forex reserves fall by $3.7 billion to $701.18 billion: India's forex reserves dropped by USD 3.709 billion to USD 701.176 billion for the week ended October 4, the RBI said on Friday. In the previous reporting week, the reserves had jumped by USD 12.588 billion to an all-time high of USD 704.885 billion. For the week ended October 4, foreign currency assets, a major component of the reserves, decreased by USD 3.511 billion to USD 612.643 billion, the data released on Friday showed. Expressed in terms of dollar, the foreign currency assets include the effect of appreciation or depreciation of non-US units like the euro, pound and yen held in the foreign exchange reserves. Gold reserves decreased by USD 40 million to USD 65.756 billion during the week, the RBI said. The Special Drawing Rights (SDRs) were down by USD 123 million to USD 18.425 billion, the apex bank

said. India's reserve position with the IMF was down by USD 35 million to USD 4.352 billion in the reporting week, the apex bank data showed.
(Business Line)

Industrial output shrinks in August, a first in 22 months: Govt data: An unfavourable base effect and a slowdown in economic activities led to a year-on-year (Y-o-Y) contraction in the Index of Industrial Production (IIP) in August for the first time in 22 months, according to data released by the National Statistical Office (NSO) on Friday. The data showed that industrial output fell by 0.1 per cent in August from 4.7 per cent growth in July, driven by contractions in the output of mining (-4.2 per cent) and electricity (-3.7 per cent), while manufacturing output growth decelerated sharply to 1 per cent during the month. Previously, industrial output had contracted in October 2022 (-4.1 per cent). Overall, during April–August 2024, the IIP registered growth of 4.2 per cent, compared to 6.2 per cent in the corresponding period of the previous year.
(Business Standard)

BANKING & FINANCE

ICICI Bank revises credit card perks, doubles minimum spend for lounge access to Rs 75,000: ICICI Bank has announced another round of changes to its credit card terms, set to take effect from November 15. This marks the bank's second revision of the credit card portfolio this year. The new terms include more than doubling the spending requirement for airport lounge access, a cap on rewards for utility, insurance, and grocery spending, and introduction of add-on charges for supplementary cardholders. Some other terms are in line with other banks, which have introduced charges on educational transactions using third-party platforms, charges for large utility bill payments and more. ICICI Bank credit cardholders will get complimentary airport lounge access by spending Rs 75,000 in the preceding calendar quarter, up from Rs 35,000 now. It means that spending made in the preceding calendar quarter will unlock access for the subsequent calendar quarter.
(Moneycontrol)

SBI-led panel against 18% GST on co-lending; submits report to FinMin: A State Bank of India (SBI)-led committee to encourage co-lending between commercial banks and non-banking financial companies (NBFCs) has recommended doing away with the goods and services tax (GST) of

18 per cent. "The SBI-led co-lending committee has submitted the report to the finance ministry, recommending that no GST should be imposed on co-lending-related activities. The report also recommends that co-lending should be restricted to priority sector lending, not extended to other areas, due to the larger associated risks," said a person familiar with the matter.
(Business Standard)

Profitability of small finance banks expected to decline in FY25: Crisil: The profitability of small finance banks, measured in terms of return of assets (RoA), will moderate around 40 basis points to about 1.7 per cent this fiscal from 2.1 per cent in last financial year due to lower net interest margins (NIM) and higher credit costs, said a report. That said, RoA for small finance banks (SFBs) will still be higher than that for the overall banking system by 50-60 bps on account of the relatively higher yielding nature of their loan book, Crisil said in the report. Last month, Reserve Bank Deputy Governor Swaminathan J had asked SFBs to be vigilant and ensure that risks are mitigated in time. He also highlighted the importance of sustainable business models. He underscored the need to strengthen cybersecurity to safeguard against digital threats. The report said NIM for SFBs is expected to contract 15 bps as they continue diversifying to secured asset classes, which have relatively lower yields.
(Business Standard)

INDUSTRY OUTLOOK

I look forward to continuing Ratan Tata's legacy: Noel Tata, new Chairman of Tata Trusts: The Trustees of various Trusts that comprise the Tata Trusts met at a joint meeting held in Mumbai today and unanimously decided to appoint Noel Naval Tata as the Chairman of Tata Trusts, with immediate effect. This follows the death of Ratan Tata on Thursday at the age of 86. Speaking on this occasion, Noel Tata said "I am deeply honoured and humbled by the responsibility that has been cast on me by my fellow Trustees. I look forward to carrying on the legacy of Ratan N. Tata and the Founders of the Tata Group. Founded more than a century ago, the Tata Trusts are a unique vehicle for undertaking social good. On this solemn occasion, we rededicate ourselves to carrying on our developmental and philanthropic initiatives and continuing to play our part in nation building."
(Business Line)

India-EU leaders flag slow progress in free trade agreement talks: Top government officials from India and the European Union (EU) on Friday acknowledged slower than expected progress in

the proposed trade agreement and called for mutual cooperation and understanding to take the negotiations forward. Commerce and Industry minister Piyush Goyal said that "extraneous elements," having no relevance to trade or business, are hurting the interests of both trade and business. They are slowing down the progress of India-EU Free Trade Agreement (FTA) negotiations, he said. "The EU will have to decide whether they are looking at expanding trade, expanding business between the two sides, or whether they are looking at issues which are dealt with by other international organisations... we should be focusing more on our mutual engagements through our FTA on trade and business-related issues," the minister said at the launch of the Federation of European Business in India (FEBI).
(Business Standard)

E-commerce sales hit $6.5 billion in a week, up 26% during festive season: Online marketplaces recorded sales totalling $6.5 billion during a week of festive promotions, reflecting a 26 per cent increase from last year. Mobile phones, electronics, consumer durables, home goods, and general merchandise comprised approximately three-fourths of this total, according to a report by The Economic Times. According to e-commerce consultancy Datum Intelligence, sales for the week beginning September 26 accounted for roughly 55 per cent of the expected total e-commerce sales for the festive season, the report said. Reports show that online retailers and brands were projected to achieve a gross merchandise value (GMV) of $12 billion during this festive season, which represents a 23 per cent increase from about $9.7 billion last year.
(Business Standard)

REGULATION & DEVELOPMENT

Govt set to roll out unified Securities Markets Code; Bill at drafting stage: The government is likely to soon introduce the much-anticipated Unified Securities Markets Code (SMC), consolidating four key legislation governing the country's financial markets. The SMC will replace the SEBI Act, 1992; Depositories Act, 1996; Securities Contracts (Regulation) Act (SCRA), 1956; and the Government Securities Act, 2007, according to a person familiar with the development. "The Finance Ministry's consultations with SEBI have been completed, and the Bill is currently at the drafting stage in the legislative department. Inter-ministerial consultations on the draft Cabinet note have also concluded, signaling the imminent rollout of the new code, the source told Moneycontrol.
(Moneycontrol)

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Nobel Peace Prize awarded to Japanese atomic bombing survivors' group Nihon Hidankyo: The Nobel Peace Prize was awarded Friday to Nihon Hidankyo, a Japanese organisation of survivors of the US atomic bombings of Hiroshima and Nagasaki, for its activism against nuclear weapons. Jørgen Watne Frydnes, chair of the Norwegian Nobel Committee, said the award was made as the "taboo against the use of nuclear weapon is under pressure."He said the Nobel committee "wishes to honour all survivors who, despite physical suffering and painful memories, have chosen to use their costly experience to cultivate hope and engagement for peace."
(Business Line)

FINANCIAL TERMINOLOGY

CREDIT DEFAULT SWAP

- A credit default swap (CDS) is a financial derivative that allows an investor to swap or offset their credit risk with that of another investor. To swap the risk of default, the lender buys a CDS from another investor who agrees to reimburse them if the borrower defaults. It may involve bonds or forms of securitized debt—derivatives of loans sold to investors.
- Most CDS contracts are maintained via an ongoing premium payment similar to the regular premiums due on an insurance policy. A lender who is worried about a borrower defaulting on a loan often uses a CDS to offset or swap that risk.
- For example, suppose a company sells a bond with a $100 face value and a 10-year maturity to an investor. The company might agree to pay back the $100 at the end of the 10-year period with regular interest payments throughout the bond's life. Because the debt issuer cannot guarantee that it will be able to repay the premium, the investor assumes the risk. The debt buyer can purchase a CDS to transfer the risk to another investor, who agrees to pay them in the event the debt issuer defaults on its obligation.

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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 : 84.0586
INR / 1 GBP : 109.6914
INR / 1 EUR : 91.9343
INR /100 JPY: 56.4800

EQUITY MARKET

Sensex: 81381.36 (-230.05)
NIFTY: 24964.25 (-34.20)
Bnk NIFTY: 51172.30 (-358.60)

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
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- Advance Certificate Course on FinTech

For details please visit BFSIB portal of the ICMAI

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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 2nd Edition)

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