



ICMAI
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(Statutory Body under an Act of Parliament)

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DAILY NEWS DIGEST BY BFSI BOARD

13 July 2024



ECONOMY

Index of industrial output surprises with a rise of 5.9% in May, shows data: The industrial output growth surprised in May rising to a seven month high of 5.9 percent from 5 percent in the previous month, as manufacturing and electricity production soared, according to the official data released on July 12. The pace of growth in the index of industrial production has stayed above 5 percent for four consecutive months. For the first two months of the year, industrial output growth has averaged 5.4 percent compared with 5.1 percent in April-May 2024.

(Moneycontrol)

Retail inflation hits 4-month high of 5.08% in June, halting scope for RBI rate cuts: Retail inflation, measured by the Consumer Price Index (CPI), accelerated to a four-month high of 5.08 per cent in June 2024, driven by a spike in food inflation to 9.36 per cent due to rising prices of vegetables and pulses. This June 2024 reading is also higher than the 4.87 per cent recorded in the same month last year, official data released on Friday showed. The latest CPI inflation figures have reinforced the Reserve Bank of India's decision to avoid cutting repo rates, despite two MPC members recently suggesting that maintaining high interest rates may be hindering economic growth. In May 2024, CPI inflation hit a 12-month low of 4.75 per cent, despite food inflation remaining high at 8.7 per cent. Retail inflation stood at 4.87 per cent. For the month under review, rural inflation has come in at 5.66 per cent (4.78 in June 2023), while urban inflation stood at 4.39 per cent (4.96 per cent). A higher rural inflation should be a cause for concern for policymakers, as it would impact both consumption and investment growth.

(Business Line)

India can be world's second-largest economy by 2031: RBI DG Patra: It is conceivable that India can become the world's second-largest economy by 2031 and the largest economy by 2060, given the country's inherent strengths, said Reserve Bank of India (RBI) Deputy Governor Michael Debabrata Patra. Speaking at the Lal Bahadur Shastri National Academy of Administration,



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Mussoorie on Tuesday, he said that price stability was the best contribution monetary policy could make to strengthen the foundations for long-term growth. “Given the innate strengths... it is possible to imagine India striking out into the next decade to become the second largest economy in the world, not by 2048, but by 2031, and the largest economy of the world by 2060,” he said.

(Business Standard)

Uttarakhand becomes the top performer in NITI Aayog's SDG India Index 2023-24:

Uttarakhand and Kerala have been named the top-performing states in NITI Aayog's SDG India Index 2023-24, which measures the progress of states and union territories on social, economic, and environmental factors. Bihar was ranked as the worst performer. The NITI Aayog's SDG India Index 2023-24 shows that India's overall Sustainable Development Goal (SDG) score rose to 71 in 2023-24, up from 66 in 2020-21. This improvement is due to significant progress in areas such as poverty elimination, decent work, economic growth, climate action, and life on land.

(Business Today)

BANKING & FINANCE



Credit card spending upwards despite rise in risk weights, says Visa: The Reserve Bank of India's (RBI) push back against exuberance in unsecured loans has not had any impact on the credit card spends, repayment behaviour of customers, said Sandeep Ghosh, Group Country Manager, India and South Asia, Visa. Instead, credit card spends have maintained the growth momentum and have increased by over 20 per cent since the regulatory action in November 2023, he said.

(Business Standard)

SBI, HDFC Bank, ICICI Bank: India's top 3 lenders give tough competition to global banks in Q2:

The country's top three lenders, including State Bank of India, HDFC Bank, and ICICI Bank, witnessed a rise in their market capitalisation in the second quarter of 2024, improving their ranking in the global banking landscape. Data showed that HDFC Bank's market value gained 17%, ending Q2 2024 with an MCap of \$154.4 billion. This helped the private sector lender jump three spots to the 10th position, according to the data and analytics firm GlobalData. Similarly, the market value of ICICI Bank increased by 11.5% to \$102.7 billion in Q2 2024, helping the lender climb two spots to the 18th rank among the top 25 global banks. The market cap of the State Bank of India (SBI)



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increased by 11.9% to \$90.1 billion during the same quarter. As a result, the country's largest lender by assets moved up two spots to 21st place in the list of top 25 global banks.

(Business Today)

RBI makes adverse remarks against top PSU Bank Exec: In a rare move, the Reserve Bank of India (RBI) has raised concerns about Asheesh Pandey's conduct as an executive director at Bank of Maharashtra, influencing his candidacy for MD & CEO at Indian Bank. The RBI highlighted issues related to regulatory compliance during a 2023 exit meeting. Despite being shortlisted, Pandey's final approval hinges on the Appointments Committee of the Cabinet (ACC), which includes the Prime Minister and Home Minister. The decision awaits responses from the finance ministry and Department of Personnel and Training (DoPT) following RBI's communication.

(Economic Times)

Govt may tweak laws to push banking sector reforms in Budget session: The government is likely to introduce amendments to Banking Regulation Act 1949 and other laws to push banking sector reforms during the upcoming Budget session. Apart from this, amendments in the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, and the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 are needed for privatisation of public sector banks, sources said. Amendments, if approved by Parliament, would help bring down government holding in state-owned banks below 51 per cent, improve bank governance and enhance investors' protection, sources said. Parliament session beginning on July 22 would witness the Budget presentation on July 23 and conclude with the passage of the Finance Bill on August 12.

(Economic Times)

INDUSTRY OUTLOOK



CBIC issues fresh norm for recovery of GST dues: The Central Board of Indirect Taxes and Customs (CBIC) has issued a fresh guideline to address the recovery of outstanding dues till the Goods and Services Tax Appellate Tribunal (GSTAT) becomes functional. Taxpayers can escape the tax recovery process by paying the pre-deposit amount via their electronic liability register and filing an undertaking with the jurisdictional proper officer. The circular issued late Thursday will ensure that taxpayers are not forced into recovery proceedings due to the absence of the Tribunal. The apex body of indirect taxes in India has introduced a mechanism to adjust payments made through FORM GST DRC-03 towards the pre-deposit requirements, which will be available on the common portal. Taxpayers once after making payment, can inform the proper officer, who have to delay recovery



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proceedings. "The taxpayer also needs to file an undertaking/ declaration with the jurisdictional proper officer that he will file appeal against the said order of the appellate authority before the Appellate Tribunal, as and when it comes into operation, within the timelines mentioned in section 112 of the CGST Act," the circular said. In absence of deposits, the recovery proceedings will commence as per the Central Goods and Services Tax Act, the circular says.

(Business Line)

Modi govt departs from privatisation plans, might overhaul state-run firms: India plans to overhaul more than 200 state-run firms to make them more profitable, signalling a departure from Prime Minister Narendra Modi's aggressive privatisation programme that has struggled to take off, government sources said. The programme to privatise a major portion of India's lumbering \$600 billion state sector announced in 2021, had slowed ahead of the general election in April-May and now faces more resistance after Modi lost his majority in parliament and had to rely on coalition allies to return to office. Expected to be unveiled as part of the annual budget on July 23 by Finance Minister Nirmala Sitharaman, the new plans include selling large parcels of underutilised land owned by these companies and monetisation of other assets, said two officials who are aware of the policy. Some aspects are yet to be fine-tuned, they added.

(Business Standard)



REGULATION & DEVELOPMENT

ICAI to establish Section 8 company for mediation, arbitration activities: Chartered accountants' apex body ICAI will be setting up a Section 8 company for mediation and arbitration activities, its President Ranjeet Kumar Agarwal said on Friday. Section 8 companies are set for not-for-profit activities and the Institute of Chartered Accountants of India (ICAI) has so far set up five such companies. At the inaugural session of 'RESOLVE-2024: An International Convention on Insolvency Resolution & Valuation' in the national capital, he said the institute is in the process of setting up a Section 8 company, under the directives of Law Ministry, especially for mediation and arbitration. According to him, the Insolvency and Bankruptcy Board of India (IBBI) has asked the institute to help in developing valuation standards for the asset class 'Land & Building' and 'Plant & Machinery' on the lines of the valuation standards prepared by it for the asset class 'Securities or Financial Assets'.

(Business Standard)



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Can improve recovery rate under IBC to 40%: IBBI chairperson to RPs: The Chairperson of the Insolvency and Bankruptcy Board of India (IBBI), Ravi Mital, on Friday called for taking steps - including some innovative ones -- to improve the recovery to creditors from the current around 32 per cent to at least 40 per cent. "Currently, the recovery rate is around 32 per cent of admitted claims and 80-85 per cent of the fair value. If we try and improve our working, we can definitely improve this recovery to creditors to at least 40 per cent," Mital said, adding that in the current scenario, 10 per cent would mean an additional recovery of around Rs 1 trillion. Fair value is the valuation of a company when it comes for resolution under IBC. The Insolvency and Bankruptcy Code (IBC), which provides for a market-linked and time-bound resolution of stressed assets, has helped return more than Rs 3.4 trillion to creditors.

(Business Standard)

Net direct tax collections grows 24.07% touches Rs 5.74 lakh crore till July 11: The Central Board of Direct Taxes on Friday released the data on Direct Tax (DT) collections till July 11, 2024, for FY 2024-25. The net direct tax collections have increased by 24.07% to Rs 5.74 lakh crore. In FY23, the net collections stood at Rs 4.80 lakh crore. This includes corporate taxes of Rs 2.1 lakh crore and personal income tax of Rs 3.46 lakh crore. The personal income tax figure includes proceeds from securities transaction tax (STT). In June, CBDT said the Central government has collected Rs 4.62 lakh crore in direct taxes after adjusting for refunds, marking a 20.99% growth annually. This included corporate taxes of Rs 1.8 lakh crore and personal income tax of Rs 2.81 crore.

(Business Standard)



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FINANCIAL TERMINOLOGY

Qualified Longevity Annuity Contract (QLAC)

- ❖ A qualified longevity annuity contract (QLAC) is a deferred annuity funded with an investment from a qualified retirement plan or an individual retirement account (IRA). They are available for purchase through many insurance companies.
- ❖ A QLAC provides guaranteed monthly payments that begin after the specified annuity starting date. As long as the QLAC complies with Internal Revenue Service (IRS) requirements, it is exempt from required minimum distribution (RMD) rules until the owner reaches age 85.



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 : 83.5385
INR / 1 GBP : 107.8270
INR / 1 EUR : 90.7685
INR /100 JPY: 52.4900

EQUITY MARKET

Sensex: 80519.34 (+622.00)
NIFTY: 24502.15 (+186.20)
Bnk NIFTY: 52278.90 (+8.25)

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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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