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DAILY NEWS DIGEST BY BFSI BOARD

15 January 2025

ECONOMY

India to top G20 with 7.3% insurance premium growth over 2025-29: Report: India's insurance market is projected to be the G20's fastest-growing economy over the next five years, with total premium volumes -- life and non-life -- up 7.3 per cent in real terms on average each year aided by macroeconomic stability and the conducive regulatory environment, a report said on Tuesday. Life insurance, the mainstay of India's insurance market, accounts for 74 per cent of total premium volumes, according to a Swiss Re report on the insurance market outlook for India. Life premiums are estimated to grow by 4.8 per cent in 2024 in real terms and by 5 per cent in 2025 (2025-29: 6.9 per cent), following a meagre 0.7 per cent growth in 2023, when the savings segment was adversely impacted by regulatory and taxation changes, it said.
(Business Standard)

Wholesale price inflation soars to 2.37% in Dec; food prices see decline: India's wholesale price index (WPI) based inflation rose to 2.37 per cent in December from 1.89 per cent in November due to the rise in prices of manufactured items and a low base effect, according to the government data released on Tuesday. The WPI-based inflation stood at 0.86 per cent in December last year. But, inflation in food items declined slightly to 8.47 per cent in December from 8.63 per cent in November. This was led by deceleration in the prices of cereals (6.82 per cent), paddy (6.93 per cent), wheat (7.63 per cent) and pulses (5.02 per cent), according to data released by the Union Ministry of Commerce and Industry.
(Business Standard)

Centre to simplify decades-old income tax filing rules in upcoming Budget: India's government plans to simplify its income tax filing rules to make it less tedious for taxpayers to comply with the law and help cut down on disputes that have ballooned to more than $120 billion over the past decade. A proposed revamp of the Income-tax Act of 1961 is currently being finalized and will likely be issued for public consultation around mid-January, according to people familiar with the matter, who asked not to be identified as the information isn't public. The revised legislation will then be released in the government's budget, expected in early February, they said.

(Business Standard)

BANKING & FINANCE

Small Finance Banks' credit growth to slow in FY25; profitability to face challenges: Small finance banks' (SFBs) credit growth is expected to moderate in FY25 to 18-20 per cent from 24 per cent in FY24 in view of the industry-wide headwinds, specifically in the microfinance segment, according to ICRA. Further, higher credit costs will lead to a moderation in SFBs overall profitability in FY25. The credit rating agency sees credit growth to pick up in FY26 to 20-23 per cent. The agency noted that SFBs had witnessed strong growth momentum in FY23 and FY24, with expansion driven by buoyant credit demand and improved product offerings.

(Business Line)

Sale of IDBI Bank may carry over to FY26: The financial bids for the strategic sale of IDBI Bank will likely be received by March but the conclusion of the transaction may extend to the next financial year, sources said. In December, the Reserve Bank of India (RBI) issued the 'fit and proper' certificate to the shortlisted bidders. Since investment bankers were on extended leave due to Christmas and New Year, the due diligence process is only beginning now and will take some time, sources said. The bidders would get access to the banks' data room for assessment and clarifying doubts. The government had received multiple expressions of interest (EOI) on January 7, 2023 for a total of 60.72% stake in the bank, including 30.48% (approx. Rs 21,690 crore at current prices) from the government and 30.24% from promoter LIC, along with the transfer of management control in the bank. The bidders include Fairfax India Holdings (promoter of CSB Bank), Emirates NBD, and Kotak Mahindra Bank, according to reports.

(Financial Express)

Fintechs capture 76% of personal loans as banks slowdown in H1 FY25: With traditional banks adopting a cautious stance following repeated advisories from the RBI, fintech lenders have emerged as the top choice for personal loan borrowers in the first half of this fiscal (FY25). These digital-first NBFCs have leveraged technology and customer-centric models to secure a notable share of the market, even as the sector shows signs of slower growth, according to a recent report by the Fintech Association for Consumer Empowerment (FACE), a self-regulatory organisation recognised

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by the RBI. The report highlighted fintech lenders captured approximately 76 per cent of personal loan sanctions by volume between April and September 2024 — a rise of 9 percentage points compared to the same period in FY24. In contrast, banks experienced a 21 % drop in the volume of personal loans sanctioned, accompanied by a 30 % decline in loan value year-on-year.
(Business Standard)

PSU bank shares jump up to 20% after govt OKs stake sales, QIPs in UCO Bank, IOB, Bank of Maharashtra, others: Shares of PSU banks including Indian Overseas Bank, Bank of Maharashtra and Punjab & Sind Bank surged up to 20 percent on January 14 after the government approved fund-raising plans of up to Rs 10,000 crore for five PSBs through QIP, and additional stake sales via OFS. The government approval is for qualified institutional placement (QIPs) of Rs 2,000 crore each, and offer for sale (OFS) of five banks -- Indian Overseas Bank, Bank of Maharashtra, Punjab & Sind Bank, UCO Bank and Central Bank of India. The move aligns with the government's efforts to adhere to the 25 percent minimum public shareholding norm by August 2026. All five lenders are under the administrative control of the Department of Financial Services. The government holds a 79.6 percent stake in Bank of Maharashtra, while it owns a 98.25 percent stake in Punjab & Sind Bank, 96.38 percent stake in Indian Overseas Bank, 95.39 percent stake in UCO Bank and 93.08 percent stake in Central Bank of India.
(Moneycontrol)

INDUSTRY OUTLOOK

No disruption to Russian oil supply to India till March: Official: The government does not expect any disruption to Russian oil supply in the next two months, given that US-sanctioned tankers are allowed to deliver crude until March, a senior official said on Monday. "Because there is a buying period, cargoes which are already in transit will come to us. So you will not see an immediate disruption. In the next two months, we do not anticipate a major problem because ships that are already in transit will come through," the official said, adding the period of 6-8 weeks is a window for producers as well as buyers to work out alternative arrangements.
(Financial Express)

Insurance industry seeks tax incentives, Insurance Act amendment in Budget: The insurance industry is expecting amendments to the Insurance Act, along with additional tax exemptions for protection and health insurance products, as well as adjustments to the new tax

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regime, in this year's Union Budget to improve affordability and drive greater penetration and growth in the sector. The industry is also expecting capital infusion into state-owned general insurers to improve their solvency. According to industry insiders, amendments to the Insurance Act will bring a raft of changes, including opening the agency channel for insurers and changes to capital requirements for the companies. Moreover, the industry is expecting an increase in the foreign direct investment (FDI) limit to 100 per cent from the current 74 per cent.
(Business Standard)

Commerce ministry may seek 5-year extension of interest equalisation scheme: The commerce ministry is likely to seek further extension of the interest equalisation scheme in the forthcoming Budget on pre- and post-shipment rupee export credit for another five years to promote the country's outbound shipments, an official said. The scheme ended on December 31 last year. The scheme helps exporters from identified sectors and all MSME manufacturer exporters to avail of rupee export credit at competitive rates at a time when the global economy is facing headwinds. Exporters get subsidies under the Interest Equalisation Scheme for pre- and post-shipment rupee export credit. "The ministry may request for the extension of the scheme," the official said. ***(Business Standard)***

REGULATION & DEVELOPMENT

SEBI proposes mandatory issuance of new securities in demat form post stock split, mergers: To encourage demat holding of securities, Sebi on Tuesday proposed mandating listed companies to issue securities only in demat form following stock split, consolidation of face value of shares, and merger or demerger. In case an investor does not have a demat account, the issuer companies will be required to open a separate demat account with a suitable ledger of ownership or suspense escrow account for dealing with such securities, Sebi proposed in its consultation paper..
(Mint)

IFSCA considers greater flexibility for co-investment opportunities: A recent proposal by the International Financial Services Centres Authority (IFSCA) on allowing fund management entities (FMEs) to set up special purpose vehicles (SPVs) for co-investment will enable investors in GIFT City to choose their preferred portfolio companies, bring ease of business, and enhance transparency, said legal players. The unified financial regulator last week floated a consultation paper allowing SPVs co-

investment opportunities in FMEs. Legal players feel that the proposed changes will provide more flexibility to alternative investment funds (AIFs) and enhance transparency.
(Business Standard)

Sebi issues warning to J&K Bank for delayed disclosure of MD appointment: Capital markets regulator Sebi has issued an administrative warning letter to J&K Bank for regulatory non-compliance with regard to disclosure of appointment of its MD & CEO. The disclosure was made on December 25, 2024 at 4:53 PM with a delay of 1 hour 40 minutes beyond the stipulated timeline of 24 hours from the time for occurrence of the event (RBI's approval) i.e. December 24, 2024 at 3:14 PM, Sebi's letter posted by J&K Bank on stock exchanges on Tuesday said.
(Business Standard)

FINANCIAL TERMINOLOGY

CROWDING OUT EFFECT

- ❖ A situation when increased interest rates lead to a reduction in private investment spending such that it dampens the initial increase of total investment spending is called crowding out effect.
- ❖ Sometimes, government adopts an expansionary fiscal policy stance and increases its spending to boost the economic activity. This leads to an increase in interest rates. Increased interest rates affect private investment decisions. A high magnitude of the crowding out effect may even lead to lesser income in the economy.
- ❖ With higher interest rates, the cost for funds to be invested increases and affects their accessibility to debt financing mechanisms. This leads to lesser investment ultimately and crowds out the impact of the initial rise in the total investment spending. Usually the initial increase in government spending is funded using higher taxes or borrowing on part of the government.

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RBI KEY RATES

Repo Rate: 6.50%
SDF: 6.25%
MSF & Bank Rate: 6.75%
CRR: 4.00%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 86.5497
INR / 1 GBP : 105.6512
INR / 1 EUR : 88.6950
INR /100 JPY: 54.9000

EQUITY MARKET

Sensex: 76499.63 (+169.62)
NIFTY: 23176.05 (+90.10)
Bnk NIFTY: 48729.15 (+687.90)

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