



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

February 16, 2023

INDIA POST PAYMENTS BANK PLANS TO CONVERT TO A UNIVERSAL BANK:

India Post Payments Bank (IPPB) plans to approach the RBI with a request to get itself converted to a universal bank, Chief Executive Officer J Venkataramu said. IPPB, a division of the vast postal service, has so far not made any formal application with the central bank on the subject yet.

(Moneycontrol)

RBI GRANTS IN-PRINCIPLE AUTHORISATION FOR 32 EXISTING ONLINE PAYMENT AGGREGATORS:

RBI on February 15 has granted in-principle authorisation for 32 existing payment aggregators to act as online payment aggregators. Amazon (Pay) India Pvt Ltd, Google India Digital Services Pvt Ltd, Infibeam Avenues Ltd, Reliance Payment Solutions Ltd, Zomato Payments Pvt Ltd, among others have been granted in-principle authorisation. Applications are under process for an additional 18 existing payment aggregators, the RBI said.

(Moneycontrol)

RBI RETURNS PA APPLICATIONS OF Paytm, Freecharge, PayU: The Reserve Bank of India (RBI) has returned the applications of prominent online non-bank Payment Aggregators (PAs) such as Freecharge Payment Technologies, PayTM Payments Services, and PayU Payments for authorisation under the Payment and Settlement Systems Act, 2007 (PSS Act). The central bank also returned the application of Tapits Technologies. However, these four PAs have been allowed to apply afresh within 120 days from the date of return.

(Business Line)

CABINET APPROVES SIGNING OF MOU BETWEEN INDIA AND CHILE FOR COOPERATION IN THE FIELD OF AGRICULTURE AND ALLIED SECTORS:

The Union Cabinet, has approved the signing of Memorandum of Understanding(MoU) between the Government of the Republic of India and the Government of the Republic of Chile for cooperation in the field of Agriculture and Allied sectors. The MoU provides for cooperation in the field of agriculture and allied sectors. The main areas of cooperation envisaged are Agricultural policies for development of modern agriculture, Organic agriculture to facilitate the bilateral trade of organic products, as well as promote the exchange of policies aimed to develop organic production in both countries, Science and innovation to explore partnerships to promote innovation in the agricultural sector among Indian Institutes and Chilean institutes as well as collaborate to confront common challenges.

(PiB)



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CABINET APPROVES “VIBRANT VILLAGES PROGRAMME” WITH FINANCIAL ALLOCATION OF RS. 4800 CRORE:

The Union Cabinet, has approved Centrally Sponsored Scheme- “Vibrant Villages Programme” (VVP) for the Financial Years 2022-23 to 2025-26 with financial allocation of Rs. 4800 Crore for comprehensive development of villages of blocks on northern border thus improving the quality of life of people living in identified border villages. Out of financial allocation of Rs. 4800 Crore 2500 crore rupees will be used for roads. This will help in encouraging people to stay in their native locations in border areas and reversing the outmigration from these villages adding to improved security of the border. The scheme will provide funds for development of essential infrastructure and creation of livelihood opportunities in 19 Districts and 46 Border blocks 4 states and 1 UT along the northern land border of the country. In the first phase 663 Villages will be taken up in the programme. The scheme aids to identify and develop the economic drivers based on local natural human and other resources on “Hub and Spoke Model”

(PiB)

CABINET APPROVES STRENGTHENING COOPERATIVE MOVEMENT IN THE COUNTRY:

The Union Cabinet, has approved strengthening cooperative movement in the country and deepening its reach up to the grassroots. Ministry of Cooperation, has formulated a plan to establish viable PACS in each uncovered Panchayat, viable dairy cooperatives in each uncovered Panchayat/village and viable fishery cooperatives in each coastal Panchayat/village as well as Panchayat/village having large water bodies, and strengthen the existing PACS/dairy/fishery cooperatives through convergence of various schemes of Ministry of Fisheries, Animal Husbandry & Dairying by leveraging the ‘whole-of-Government’ approach. Initially, 2 lakh PACS/ Dairy/ Fishery cooperatives would be established in next five years. The action plan for implementation of the project shall be prepared by NABARD, National Dairy Development Board (NDDB) and National Fishery Development Board (NFDB). In order to increase the viability of PACS and diversify their business activities to make them vibrant economic entities at Panchayat level, model byelaws of PACS have been prepared by the Ministry after consultation with all the stakeholders. These Model byelaws of PACS will enable them to undertake more than 25 business activities such as, dairy, fishery, setting up of godowns, procurement of foodgrains, fertilizers, LPG/CNG/Petrol/Diesel distributorship, short-term & long-term credit, custom hiring centers, common service centers, Fair Price Shops, community irrigation, Business Correspondent, Common Service Centre, etc.

(PiB)

PRIVATE BANKS TO HOLD NIM BETTER THAN PSU PEERS:

Top private sector banks are better placed to maintain their net interest margins (NIM) for a couple of quarters going ahead, compared to their public sector peers, analysts said. The benefit private banks have in terms of holding their margin comes from the impact of the latest 25 basis point (bps) repo rate hike by the RBI. The transmission of repo rate hike takes place at a slower pace in case of MCLR, compared to external benchmark lending rates (EBLR), which are pegged to policy rate or treasury bills. The share of EBLR-linked loans is higher in case of private banks while the share of MCLR loans is higher in case of PSBs. With the latest rate hike by the RBI, around 150 bps has been passed on



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to deposit rates, while on fresh loans, the transmission is only 125 bps, as around 52% of loans are in MCLR or base rate, SBI economics research wing said in a report. However, the latest policy rate hike will play out in next three to six months, giving private banks enough tailwind to sustain the margin till Q1FY24, said Karan Gupta, director at India Ratings and Research. Beyond that, the MCLR benefit might play out in favour of PSBs

(Financial Express)

SBI INCREASES MCLR-BASED LENDING RATES BY 10 BPS TO 7.95-8.70 PER

CENT: State Bank of India on Wednesday marginally increased the short-term lending rates overnight to three-year maturities by 10 basis points (bps) with immediate effect. While banks have almost fully passed on the 250 bps interest rate hikes by the Reserve Bank since last May, they have not yet increased deposit rates commensurately, leading to a funding gap and forcing them to borrow from the market. For the fortnight ending January 13, 2023, credit growth rose 16.5 % annualised as against 10.6 % growth in deposits. According to the SBI website, the bank has increased the overnight lending rate, based on the marginal cost of funds-based lending rate, by 10 bps to 7.95 %, while the same for one-and three-month maturity has been increased to 8.10 %.

(Financial Express)

TRADE DEFICIT HITS 1-YEAR LOW AT \$17.75 BILLION; EXPORTS, IMPORTS

CONTRACT: India's trade deficit in January hit its lowest in a year at \$17.75 billion, as both merchandise exports and imports contracted for the second consecutive month amid tepid external demand and a sharp decline in gold imports. Merchandise exports dropped 6.5 per cent year-on-year (YoY) to \$32.91 billion last month following a slowdown in demand from key developed economies due to monetary policy tightening and high inflation, data released by the commerce and industry ministry showed on Wednesday. On a sequential basis, the decline was 4.5 per cent. Imports contracted 3.6 per cent YoY to \$50.66 billion. The decline was sharper on a sequential basis at 13 per cent. This was due to a combination of factors such as the government's curbs on non-essential imports, weak domestic demand, and easing commodity prices.

(Business Standard)

INDIAN LENDER HDFC'S BIGGEST-EVER BOND ISSUE TO SEE STRONG

DEMAND: The biggest-ever bond issue by India's Housing Development Finance Corp is expected to go smoothly without any major increase in interest costs for the financier as long-term investors will likely absorb the sale, bankers said. HDFC aims to raise at least 50 billion rupees (\$603.4 million) through the sale of 10-year bonds on Thursday, with an option to retain an additional 200 billion rupees. If the company garners full the quantum, this would also be the biggest-ever privately placed debt issue by an Indian company. "(India's) large state-run insurance and provident fund house have both likely committed (to invest) half the total amount," one of the merchant bankers to the issue said. "The remaining amount could be raised by tapping other investors and banks."

(Business Standard)



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FINANCIAL TERMINOLOGY/CONCEPTS

COUNTERVAILING DUTIES

- ❖ Duties that are imposed in order to counter the negative impact of import subsidies to protect domestic producers are called countervailing duties.
- ❖ In cases foreign producers attempt to subsidize the goods being exported by them so that it causes domestic production to suffer because of a shift in domestic demand towards cheaper imported goods, the government makes mandatory the payment of a countervailing duty on the import of such goods to the domestic economy.
- ❖ This raises the price of these goods leading to domestic goods again being equally competitive and attractive. Thus, domestic businesses are cushioned. These duties can be imposed under the specifications given by the WTO (World Trade Organization) after the investigation finds that exporters are engaged in dumping. These are also known as anti-dumping duties.



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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 : 82.8621
INR / 1 GBP : 100.5869
INR / 1 EUR : 88.7276
INR /100 JPY : 62.1800

EQUITY MARKET

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NIFTY: 18015.80 (+86.00)
Bnk NIFTY: 41731.05 (+82.75)

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- ❖ **Aide Memoire on lending to MSME Sector (including restructuring of MSME Credit).**
- ❖ **Guidance Note on the Internal Audit of General Insurance Companies.**
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CMA Chittaranjan Chattopadhyay

Chairman,

Banking, Financial Services & Insurance Board

The Institute of Cost Accountants of India

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