



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

October 17, 2022

INDIA LIKELY TO BECOME THIRD BIGGEST ECONOMY BEHIND US AND

CHINA BY FY28: India could overtake Germany and Japan to become the third-biggest economy in the world by FY28, as per the International Monetary Fund (IMF) World Economic Outlook database. The top two economies will continue to be the US and China, a report by The Economic Times said. Another report by Capital Economics came out days after India surpassed UK to become the fifth largest economy at market exchange rates. The report projected that India is on course to be the third-largest economy by 2030, trailing the US and China. India's GDP per person stands at \$2,520, according to IMF data.

(Moneycontrol)

GOVT. NOTIFIES 12% WAGE HIKE FOR EMPLOYEES OF PSU GENERAL

INSURERS: Finance Ministry has notified an average 12 per cent wage hike for employees of four public sector general insurance companies effective from August 2017 with imposition of pay linked to performance of the company.

(Moneycontrol)

HDFC BANK POSTS 22.30 PC JUMP IN Q2 CONSOLIDATED NET PROFIT AT

RS 11,125 CR: HDFC Bank on Saturday reported a 22.30 per cent jump in its consolidated net profit for the September quarter at Rs 11,125.21 crore. On a standalone basis, the largest private sector bank's net profit rose by over 20 per cent to Rs 10,605.78 crore as against Rs 8,834.31 crore in the year-ago period and Rs 9,196 crore in the preceding June quarter. For the reporting quarter, its total income rose to Rs 46,182 crore from Rs 38,754 crore in the year-ago period. The overall share of gross non-performing assets improved to 1.23 per cent of the book as against 1.35 per cent in the year-ago period and 1.28 per cent three months ago.

(Financial Express)

PM MODI LAUNCHES 75 DIGITAL BANKING UNITS ACROSS 75 DISTRICTS:

Prime Minister Narendra Modi on Sunday launched 75 Digital Banking Units (DBUs) in 75 districts with an objective to promote financial inclusion. The setting up of 75 DBUs in 75 districts of the country was done to commemorate the 75 years of independence of the country. According to Prime Minister's Office (PMO), DBUs will be brick-and-mortar outlets which will provide a variety of digital banking facilities to people such as the opening of savings accounts, balance-check, printing passbooks, transfer of funds, investment in fixed deposits, loan applications, stop-payment instructions for cheques issued, applications for credit and



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debit cards, tax and bill payment and nominations. 11 public sector banks, 12 private sector banks and one small finance bank are participating in the endeavour.

(Economic Times)

WORLD BANK OFFERS TO TAKE INDIA'S DIGITISATION TO REST OF THE

WORLD: World Bank President David Malpass has offered to work with India to take its successful digitisation efforts to other countries so that they can also benefit from it, Finance Minister Nirmala Sitharaman has said. Speaking to Indian reporters on Saturday during a press conference towards the end of her trip to Washington city where she attended the annual meetings of the International Monetary Fund and the World Bank, Sitharaman said there was a request extended to India to showcase how Indian people have accepted the deepening digital applications. Sitharaman mentioned that during its Presidency, India would like the G20 to explore the potential for Multilateral Development Banks to enhance Climate Financing through leveraging and intermediating resources.

(Economic Times)

SIDBI'S 59-min MSME LOAN SCHEME: GROWTH IN LOANS SANCTIONED AND

DISBURSED DROPS: SIDBI's 59-minute loan approval scheme PSB Loans in 59 Minutes for MSMEs sanctioned 2,42,812 loans involving Rs 82,822 crores as of September 30, 2022, vis-a-vis 2,34,905 loans involving Rs 78,409 crores sanctioned as of September 30, 2021, registering a year-on-year increase of only 3.36 per cent, official data indicated. Importantly, the rate of growth in loans sanctioned and disbursed under the scheme has in fact dropped from the corresponding period in 2020.

(Financial Express)

GOVT CONSIDERING PROPOSALS FOR EXTENDING RS 35,000 CR PLI

SCHEME TO MORE SECTORS: The government is considering proposals to extend Rs 35,000 crore PLI scheme to different sectors such as leather, bicycle, some vaccine materials, and certain telecom products with an aim to boost domestic manufacturing and create jobs, an official said. PLI (production linked incentive) benefits are also being considered for toys, some chemicals and shipping containers. The proposals are at discussion stage. The government has already rolled out the scheme with an outlay of about Rs 2 lakh crore for as many as 14 sectors, including automobiles and auto components, white goods, pharma, textiles, food products, high efficiency solar PV modules, advance chemistry cell and speciality steel. The objective of the scheme is to make domestic manufacturing globally competitive and create global champions in manufacturing.

(Financial Express)



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CENTRE HIKES WINDFALL TAX ON DOMESTIC CRUDE OIL, JET FUEL AND DIESEL EXPORT:

The Centre has increased the Special Additional Excise Duty, commonly known as windfall tax, on domestically produced crude oil and export of aviation turbine fuel and diesel following the recent decision by the Organization of the Petroleum Exporting Countries and allies' (OPEC+) to cut their oil production. The new rates will be effective October 16. OPEC+'s move has pulled global prices, showing an average price of over \$90 per barrel. According to the government notification on Saturday, it has hiked tax on domestically produced crude oil to Rs 11,000 per tonne from Rs 8,000 per tonne. It has also hiked the tax on the export of aviation turbine fuel (ATF) to Rs 3.50 per litre from nil. Similarly, the windfall tax on the export of diesel has been increased from Rs 5 per litre to Rs 10.50 per litre, taking the total excise duty on the export of diesel to Rs 12 per litre (including Rs1.50 per litre regulated investment company).

(Business Standard)

AADHAAR ENROLMENT FOR NEWBORNS TO BE EXPANDED TO ALL STATES IN FEW MONTHS:

Aadhaar enrolment for newborns along with birth certificates is expected to be available in all states in the next few months, expanding beyond 16 states currently offering the facility, government sources said. At present, 16 states have Aadhaar Linked Birth Registration. The process began more than one year ago, with various states getting added over time.

(Business Standard)

PM MODI TO RELEASE FUNDS WORTH RS 16,000 CR DURING PM KISAN SAMMAN SAMMELAN:

Prime Minister Narendra Modi will inaugurate "PM Kisan Samman Sammelan 2022" on October 17 at Indian Agricultural Research Institute in the national capital. During the event, the PM will release the 12th installment amount of Rs 16,000 crore under the Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) through Direct Benefit Transfer. The Prime Minister will inaugurate 600 Pradhan Mantri Kisan Samruddhi Kendras (PMKSK) under the Ministry of Chemicals & Fertilizers. Under the scheme, the fertilizer retail shops in the country will be converted into PMKSK in a phased manner. PMKSK will cater to a wide variety of needs of the farmers and provide agri-inputs (fertilizers, seeds, implements); testing facilities for soil, seeds, fertilizers; generate awareness among farmers; provide information regarding various government schemes and ensure regular capacity building of retailers at block/ district level outlets. More than 3.3 lakh retail fertilizer shops are planned to be converted into PMKSK.

(Business Standard)

HDFC LIFE COMPLETES MERGER OF EXIDE LIFE A DAY AFTER IRDAI'S APPROVAL:

A day after IRDAI's final approval, HDFC Life Insurance on Friday announced completion of Exide Life merger. This marks the completion of the first-ever merger and



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acquisition (M&A) transaction in the Indian life insurance sector.HDFC Life had completed the acquisition of Exide Life in January 2022.

(Business Standard)

FPIs WITHDRAW RS 7,500 CR FROM INDIAN EQUITIES IN OCT ON RATE

HIKE CONCERNS: Foreign investors have pulled out nearly Rs 7,500 crore from the Indian equity markets in the first two weeks of October on concerns of monetary policy tightening by the US Federal Reserve and other central banks globally, which could hamper global economic growth. This came following an outflow of over Rs 7,600 crore in September on the hawkish stance of the US Fed and the sharp depreciation in the rupee.

(Business Standard)



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FINANCIAL TERMINOLOGY/CONCEPTS

RISK ADJUSTED RETURN ON CAPITAL (RAROC)

- ❖ Risk-adjusted return on capital (RAROC) is a risk-adjusted measure of the return on investment. As it became clearer that banks needed to add an appropriate capital charge in the pricing process, the concept of risk adjusting the return or risk adjusting the capital arose.
- ❖ The value-producing capacity of an asset (or a business) is expressed as a ratio that allows comparisons to be made between assets (or businesses) of varying sizes and risk characteristics. The ratio is based either on the size of the asset or the size of the capital allocated to it.
- ❖ When an institution can observe asset prices directly (and/ or infer risk from observable asset prices) then it can determine how much capital to hold based on the volatility of the asset. This is the essence of the mark-to-market concept. If the capital to be held is excessive relative to the total return that would be earned from the asset, then the bank will not acquire it. If the asset is already in the bank's portfolio, it will be sold.
- ❖ RAROC allocates a capital charge to a transaction or a line of business at an amount equal to the maximum expected loss (at a 99% confidence level) over one year on an after-tax basis. As may be expected, the higher the volatility of the returns, the more capital is allocated. The higher capital allocation means that the transaction has to generate cash flows large enough to offset the volatility of returns, which results from the credit risk, market risk, and other risks taken. The RAROC process estimates the asset value that may prevail in the worst-case scenario and then equates the capital cushion to be provided for the potential loss. RAROC is an improvement over the traditional approach in that it allows one to compare two businesses with different risk (volatility of returns) profiles. A transaction may give a higher return but at a higher risk.

$$RAROC = (r - e - el + ifc) / c$$

r = Revenue, e = Expenses

el = Expected loss which equals average loss expected over a specified period of time.

ifc = Income from capital which equals (capital charges) \times (the risk-free rate)

c = Capital



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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 : 82.3877
INR / 1 GBP : 93.3277
INR / 1 EUR : 80.6845
INR /100 JPY: 55.8900

EQUITY MARKET

Sensex: 57919.97 (+684.64)
NIFTY : 17185.70 (+171.40)
Bank NIFTY: 39305.60 (+681.60)

(CMA Chittaranjan Chattopadhyay)

Chairman,

Banking, Financial Services & Insurance Board

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