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DAILY NEWS DIGEST BY BFSI BOARD

17 August 2024



ECONOMY

Spot Gold hits record high, surpasses \$2,500 an ounce as Fed Rate cut expectations grow: Spot Gold prices soared to a record high on August 16, topping \$2,500 an ounce, as increasing optimism that the U.S. Federal Reserve is nearing an interest rate cut fueled demand for the precious metal. Bullion for immediate delivery touched \$2,500.16 an ounce, surpassing the previous all-time high set last month. The surge followed a disappointing report on the U.S. housing market, which reinforced expectations that the Fed may implement swift and significant rate cuts to support the economy. The prospect of lower interest rates is typically bullish for gold, as the metal does not yield interest, making it more attractive to investors during periods of declining rates.

(Moneycontrol)

Urban unemployment rate declines to 6.6% in Q1FY25: PLFS data: India's urban unemployment rate declined marginally to 6.6 percent in the first quarter of FY25 from 6.7 percent in the previous quarter, results of a government survey released on August 16 showed. Unemployment rate remained unchanged from the previous year when growth had risen to 8.2 percent, according to periodic labour force survey released by ministry of statistics and programme implementation. Male unemployment reduced to 5.8 percent compared with 6.1 percent in the previous quarter. However, female unemployment rose during this period to a four quarter high of 9 percent.

(Moneycontrol)

Agri sector that feeds 140 crore is yet to reach 50% mechanisation: Indian farming sector, which feeds more than 140 crore population, is yet to reach the 50 per cent mark in overall mechanisation, if the available data on some major crops are any indication. Recent replies in Parliament showed that the overall average mechanisation level for crops such as rice, wheat, maize, sorghum and millets, pulses, oilseeds, cotton and sugarcane stands at 47 per cent.

(Business Line)



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BANKING & FINANCE



Karnataka government puts on hold circular ordering suspension of all transactions with SBI, PNB: The Karnataka government on Friday issued a new circular in which it has asked all its departments, boards, corporations, public sector units and universities to put on hold its earlier circular in abeyance for 15 days ordering suspension of all transactions with State Bank of India and Punjab National Bank. The Karnataka government had earlier asked departments, boards, corporations, public sector units, and universities to withdraw all their deposits and investments in the State Bank of India and the Punjab National Bank and stop transacting any business with these institutions. "On August 16, 2024, both banks submitted written representations to the government, requesting a 15-day period to resolve the matter. The same day, senior bank officials met with higher officials of the Finance Department and reiterated their request," said an official circular issued by the Karnataka government After considering the banks' requests, the Chief Minister has directed officials of the Finance Department to keep the circular in abeyance for 15 days.

(Moneycontrol)

RBI tightens rules for NBFC-P2P lending platforms: Reserve Bank of India on August 16 tightened rules for peer to peer lending platforms as some of these entities have violated regulations. The banking regulator said the platforms shall not assume any credit risk, provide credit enhancement or guarantee. "An NBFC-P2P shall not provide or arrange any credit enhancement or credit guarantee. NBFCP2P shall not assume any credit risk, either directly or indirectly, arising out of transactions carried out on its platform. In other words, entire loss of principal or interest or both, if any, in respect of funds lent by lenders to borrowers on the platform shall be borne by the lenders," said RBI in its master direction to the platforms. An NBFC-P2P shall not cross sell any product except for loan specific insurance products, said the banking regulator. An NBFC-P2P shall be required to disclose the following: publicly disclose portfolio performance including share of non-performing assets (NPAs) on a monthly basis and segregation by age on its website.

(Moneycontrol)

PSBs target healthcare, housing to boost deposits with new lucrative deals: Public sector banks (PSBs) are ramping up their accounts in less-explored areas such as healthcare and housing



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societies. They are also planning to offer lucrative deals with salary as well as women accounts to increase their deposit growth. Business Standard spoke to four senior bankers from state-owned banks. One of them said, "To enhance deposits, we have started exploring sectors like healthcare and housing societies, which were previously unexplored. Many banks, including ours, have introduced fixed deposit (FD) schemes such as the 444-day FD with attractive rates, which are helping us increase deposits," said the first senior bank official.

(Business Standard)

Gold loan demand rises despite cash based disbursement curbs & price fluctuation: The demand for an analysis by rating agency Crisil showed that gold loans grew more than 20% in June over May 2024. Most banks and NBFC have maintained an LTV ratio of 60-65% despite regulatory requirement of 75% which gave them a cushion when gold prices fell after the import duty was lowered in the budget. "Early evidence of growth momentum is seen in the disbursements for June 2024, which were 12% higher than the average monthly disbursements in the preceding quarter," said Ajit Velonie, Senior Director, Crisil Ratings.

(Economic Times)

INDUSTRY OUTLOOK



SEBI chief Buch earned revenue in potential rules violation, documents show: The head of India's markets regulator, Madhabi Puri Buch, continued to earn revenue from a consultancy firm during her seven-year tenure, potentially breaching rules for regulatory officials, according to public documents reviewed by Reuters. Hindenburg Research has alleged a conflict of interest in Buch's investigations surrounding the Adani Group due to her previous investments. The allegations against the Gautam Adani-led conglomerate, made in January last year, triggered a big drop in the share prices of the flagship Adani Enterprises and other group firms which later recovered, prompting an ongoing investigation by the Securities and Exchange Board of India (SEBI). Buch, in a statement on Aug. 11, denied allegations of a conflict of interest and termed them as an attempt at "character assassination". Separately, the U.S. shortseller, in its latest report, highlighted two consultancy firms operated by Buch and her husband - Singapore-based Agora Partners and India-based Agora Advisory.

(Business Line)

FDI in food processing industry falls 30% to Rs 5037 crore in 2023-24: The foreign direct investment (FDI) fell by 30 per cent to Rs 5,037.06 crore in India's food processing industry in the



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last fiscal year, shows the official data. In FY2023, the food processing industry saw FDI of Rs 7,194.13 crore. The Food Processing Industries Ministry submitted data to the Lok Sabha indicating that the food processing sector received foreign direct investment (FDI) of Rs 5,290.27 crore in FY22 and Rs 2934.12 crore in FY21. FDI was Rs 6,414.67 crore in FY20; Rs 4430.44 crore in FY19; Rs 5,835.62 crore in FY18; Rs 4,865.85 crore in FY17; and Rs 3,312 crore in FY16 in the food processing sector.

(Financial Express)

RBI imposes penalties on BoM, Hinduja Leyland Finance, Poonawalla Fincorp: RBI said it has imposed a penalty of Rs 1.27 crore on Bank of Maharashtra (BoM) for violating its directions, including on Know Your Customer. The Reserve Bank of India (RBI) has, by an order dated August 8, 2024, imposed a monetary penalty of Rs 1.27 crore on Bank of Maharashtra for non-compliance with certain directions issued by RBI on 'Loan System for Delivery of Bank Credit', 'Cyber Security Framework in Banks' and 'Know Your Customer', the central bank said in a statement. Besides, the RBI has imposed a monetary penalty of Rs 4.90 lakh on Hinduja Leyland Finance Ltd for non-compliance with certain provisions of the Know Your Customer (KYC) Directions, 2016.

(Economic Times)



REGULATION & DEVELOPMENT

Govt appoints new expenditure, banking, and corporate affairs secretaries:

In the first major bureaucratic reshuffle in its third term in office, the Narendra Modi government on Friday appointed new expenditure, banking, corporate affairs, and defence secretaries, among others. The secretary in the Ministry of Corporate Affairs and 1991 Madhya Pradesh cadre civil servant, Manoj Govil, has been appointed as the secretary in the Department of Expenditure in the Ministry of Finance. The Appointment Committee of the Cabinet (ACC) also approved the appointment of Nagaraju Maddirala, a 1993 batch IAS officer of the Tripura cadre, as the new secretary in the Department of Financial Services (DFS). Maddirala will replace the current DFS secretary, Vivek Joshi, a 1989 batch Haryana cadre IAS officer, who has been moved to the Department of Personnel and Training as its secretary. Deepti Gaur Mukherjee, a 1993 batch Madhya Pradesh cadre IAS officer who is currently the chief executive officer of the National Health Authority, will be the new Ministry of Corporate Affairs (MCA) secretary.

(Business Standard)



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Govt revises windfall gains tax on petroleum products, new rates effective from August 17: The government on Friday revised the windfall gains tax on petroleum products, reducing the levy on domestic crude oil to Rs 2,100 per tonne, down from the previous Rs 2,400 per tonne. However, the windfall gains tax on the export of petrol, diesel, and aviation turbine fuel (ATF) remains unchanged at NIL.

(Economic Times)

Cabinet okays 3 metro rail projects in Karnataka and Maharashtra for over Rs 30,000 cr: The Union Cabinet on August 16 approved three metro rail projects in the states of Karnataka and Maharashtra, with a total estimated cost of about Rs 30,765 crore. The Cabinet approved two corridors of Bangalore Metro Rail Project Phase-3, having a total project completion cost estimated at Rs 15,611 crore. The first corridor will run from JP Nagar 4th Phase to Kempapura with 21 stations, while the second will be from Hosahalli to Kadabagere with nine stations. The project will be operational by 2029. Approval was also given for the Thane integral Ring Metro Rail Project at a total cost of Rs 12,200 crore. This project will connect prominent areas like Naupada, Wagle Estate, Dongripada, Hiranandani Estate, Kolshet, Saket, among others, according to a government statement. The cabinet also approved Pune Metro Phase-1 project extension towards south from Swargate to Katraj spanning 5.46 km. The total completion cost of the project is Rs 2,954.53 crore and is to be operational by 2029.

(Moneycontrol)



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FINANCIAL TERMINOLOGY

BHAVISHYA (Promoting Digital Empowerment and Ease of Living for Pensioners)

- ❖ To overcome the problems of delay & clerical errors in processing the pension cases, as well as financial loss and harassment to the pensioners, the DOPPW introduced, a unique innovative centralized pension processing software called 'Bhavishya' for all central government Ministries/Departments.
- ❖ "Bhavishya" was made mandatory for all central civil Ministries and Departments w.e.f 01.01.2017. At present, 99 Ministries/ Departments, 1020 Offices and 8320 DDOs are on Board and 2,50,845 PPOs have been issued till 14.08.2024. This software brought all the stakeholders who were till date decentralized on a single platform. The system laid down a common methodology incorporating all the rules and regulations of CCS Pension Rules, 2021.
- ❖ Auto Registration of Retirees: the 'Bhavishya' software was integrated with payroll package and would auto fill of basic data of the retiring employees and provide the necessary MIS to the various departments as well as to the DOPPW the number of employees due to retire in the next 15 months.
- ❖ Automatic Calculation of all the Retirement Benefits: The automatic pension calculation cutting across all Ministries/Departments is accurate since it removes manual intervention and reduce the grievances.
- ❖ e-PPO: The 'Bhavishya' has also been integrated with the PFMS module of CGA and due to this it has now become possible to issue electronic PPOs (e-PPO). The e-PPO is transmitted by the concerned Ministry/Department's PAO to CPAO from where it goes to the Bank. The paying branch can view e-PPO online.



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 : 83.9561
INR / 1 GBP : 108.1478
INR / 1 EUR : 92.2185
INR /100 JPY: 56.3700

EQUITY MARKET

Sensex: 80436.84 (+1330.96)
NIFTY: 24541.15 (+397.40)
Bnk NIFTY: 50516.90 (+789.60)

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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.
 - ❖ BFSI Chronicle (quarterly issue of BFSIB)
 - ❖ Handbook on Stock & Book Debts Audit (Revised and Enlarged 2nd Edition)
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TEAM BFSIB

**Banking, Financial Services & Insurance Board
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