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DAILY NEWS DIGEST BY BFSI BOARD

18 May 2024



ECONOMY

VRR auction sees banks bidding ₹1.95-lakh crore, overshooting RBI target of ₹1.25-lakh crore : Banks bid enthusiastically on Friday at the variable rate repo (VRR) auction to draw liquidity from the Reserve Bank of India amid liquidity tightness in the banking system. At the 14-day VRR auction, the central bank received bids for liquidity infusion aggregating ₹1,95,115 crore from banks, against the notified amount of ₹1.25-lakh crore. The central bank accepted bids aggregating ₹1,25,009 crore at a weighted average rate (WAR) of 6.68 per cent. The auction came in the backdrop of maturity of the VRR auctions conducted on May 3 (14-day), May 13 (4-day) and May 14 (3-day).

(Moneycontrol)

UN raises India's 2024 growth forecast to 6.9%: The United Nations raised India's 2024 growth forecast to 6.9% from 6.2% projected earlier, on the back of a strong domestic economy. "India's economy is forecast to expand by 6.9% in 2024 and 6.6% in 2025, mainly driven by strong public investment and resilient private consumption," the UN Department of Economic and Social Affairs said in its 'World Economic Situation and Prospects' report's mid-year update, highlighting that New Delhi is committed to reducing fiscal deficit while increasing capital investment. The revision by the UN follows similar moves by other multilateral agencies following India's strong economic performance last fiscal. The International Monetary Fund projected India to grow 6.8% in FY25, whereas the Asian Development Bank raised the country's FY25 growth forecast to 7%.

(Economic Times)

India can become third largest economy by '27-28: Arvind Panagariya: India can become the third largest economy globally by 2027-28 if it continues to push ahead with the growth momentum witnessed in the last two decades, Sixteenth Finance Commission Chairman Arvind Panagariya said Friday. "A lot of what we have today has transpired in the last two decades. During this period, we dealt with the global financial crisis and Covid shocks. It is that growth, which has put us in the fifth spot in international GDP ranking in dollar terms, " he said. He said that the country



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has made a great deal of progress in the last two decades as the economy grew at 8% in dollar terms, despite facing global economic crisis and the pandemic. "The growth in nominal dollar terms had been at about 10.2% during this period (2004-2024) and mind you that during this period we had to deal with the global financial crisis and then with Covid," Panagariya said, in his address at CII annual business summit.

(Economic Times)

BANKING & FINANCE



NCGTC audit on Bandhan Bank's books should get over soon, says CEO Ghosh: Bandhan Bank is expecting the National Credit Guarantee Trust Company (NCGTC) audit of its claims under the Credit Guarantee Fund for Micro Units (CGFMU) and Emergency Credit Line Guarantee Scheme (ECLGS) to be completed soon, said Chandra Shekhar Ghosh, the bank's managing director and chief executive officer (MD and CEO). "We expect the CGFMU audit to be completed soon. As per the communication, we are expecting a positive response," Ghosh said at the post-results analyst call on May 17. This comes after Bandhan Bank had taken insurance of the portfolio of Rs 20,800 crore under the CGFMU scheme and disbursed over Rs 1,950 crore under the ECLGS in FY 2020-21. The NCGTC has flagged that the loans were either evergreen or that Bandhan Bank created fictitious accounts to obtain the maximum guarantee cover.

(Moneycontrol)

The 'default' path: PSBs classify Reliance Infrastructure's SPV as NPA: Several large public-sector banks have classified loans to HK Toll Road, a special purpose vehicle (SPV) of Anil Ambani-run Reliance Infrastructure (RInfra), as non-performing during the January-March quarter, according to sources in some of the big PSBs. In January this year, Acuite Ratings downgraded the long-term rating on its Rs 502.39 crore loan to D from B. The agency also downgraded the long-term rating to C from B on a Rs 15.61 crore loan. Acuite said the company defaulted on the principal of the term loans. "...there are no instances of delay in the repayment of interest. The default was on account of the stretched liquidity position of the company," Acuite Ratings had said.

(Business Standard)

HDFC Bank raises USD 500 mn from IFC for on lending to women borrowers: HDFC Bank said it has raised USD 500 million from IFC for onlending to underserved women borrowers.



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The lender will extend finance for income generation, fostering financial inclusion and socio-economic growth, as per an official statement. It will extend the microloans to self-help groups and joint liability groups of women enrolled under the Sustainable Livelihoods Initiative (SLI) of the lender.

(Business Line)

RBI warns NBFCs against algo credit models: RBI) has warned non-banking financial companies (NBFC) to exercise caution regarding over-reliance on algorithm-based credit models and avoid excessive lending in specific segments. Deputy governor Swaminathan Janakiraman highlighted potential inaccuracies in rule-based credit-assessment models, in a speech published on the central bank's website on Thursday. He was addressing the heads of assurance functions, such as chief compliance and risk officers, and heads of internal audit of select non-bank lenders. The conference was attended by around 280 representatives of more than 100 non-bank lenders.

(Financial Express)

INDUSTRY OUTLOOK



Centre's new electric vehicle policy to be open to all companies: The Centre plans to allow all companies, including existing automakers, to make greenfield investment commitments under the recently announced electric vehicle (EV) policy, a senior government official said on Friday. This will be clarified and announced as part of the detailed guidelines that are being finalised by the heavy industries ministry. "The second round of industry consultations will start," the official said. The comment comes close to a month after US-based EV major Tesla's Elon Musk canceled plans to meet Prime Minister Narendra Modi stating "very heavy Tesla obligations". His visit will be delayed to later this year.

(Business Standard)

CII Summit: Azim Premji stresses companies' social responsibilities: Speaking at the Confederation of Indian Industry (CII) Annual Business Summit 2024 in Delhi on Friday, Wipro founder Azim Premji said, "Today's companies in India must be looked at from beyond the frameworks we've set for ourselves." In his address, Premji further elaborated on the need to adopt a broader view regarding corporate social responsibility (CSR). "We keep talking about CSR but we have to understand that we have no limits to our responsibility," he added. Premji, who is also a philanthropist, emphasised the need for business houses to operate with the highest standards of



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integrity and stated that a lack of integrity signifies a lack of character. The 78-year-old business tycoon further urged businesses to be "clear, clean, honest, and firm" in their daily operations.

(Moneycontrol)

Despite UPI's success...Cash continues to be king: At a time, when transactions through Unified Payment Interface or UPI are growing at a tremendous clip of 40%, the demand for cash hasn't gone down at all. In fact, the value of transactions is on the rise. A recent report by CMS Info Systems – which provides logistics and technology solutions to banks, among others – said that the monthly average cash withdrawals from automated teller machines (ATMs) rose about 6% year-on-year (YoY) in FY24 to Rs 1.43 crore per ATM, from Rs 1.35 crore in FY23.

(Financial Express)



REGULATION & DEVELOPMENT

RBI flags supervisory concerns over functioning of debt recast companies: The Reserve Bank of India (RBI) on Friday raised supervisory concerns on the functioning of asset reconstruction companies (ARCs) during its interactions with debt recast firms. "Deputy Governor J Swaminathan, in his address, emphasised that setting the right tone from the top is crucial in fostering a culture of integrity and ethical conduct. He highlighted several supervisory concerns in the functioning of ARCs," the RBI statement said. The deputy governor urged ARCs to adopt a regulation-plus approach where there is compliance with both the letter of the regulation and also its spirit. "Boards should accord due importance to assurance functions, namely, risk management, compliance, and internal audit.

(Business Standard)

IRDAI directs insurers to put in place a board-approved policy on commission for agents: The Insurance Regulatory and Development Authority of India (IRDAI) has directed all insurers to have a board-approved policy on commission structure for insurance agents to ensure fairness and reasonable payments. In the master circular on expenses of management, including commission, of insurers, 2024, the insurance regulatory said : "As the insurance agents, intermediaries or insurance intermediaries play a crucial role in the distribution of insurance products, it is essential for the insurers to have a clear and transparent board policy on their commission structure to ensure fairness, transparency, compliance, efficiency and industry reputation in the insurance distribution process."

(Financial Express)



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FINANCIAL TERMINOLOGY

OPEN NETWORK FOR DIGITAL COMMERCE (ONDC)

- ❖ The Open Network for Digital Commerce (ONDC) acts as a middleman in the world of online shopping, connecting buyers and sellers. It functions similarly to the Unified Payment Interface (UPI), a popular mobile payment system that allows people to make mobile payments regardless of the specific payment app they use.
- ❖ Govt. has taken this initiative to reduce the dominance of e-commerce giants like Flipkart and Amazon.
- ❖ ONDC is based on open-sourced methodology, using open specifications and open network protocols independent of any specific platform.
- ❖ The foundations of ONDC are to be open protocols for all aspects in the entire chain of activities in exchange of goods and services, similar to hypertext transfer protocol for information exchange over internet, simple mail transfer protocol for exchange of emails and unified payments interface for payments.
- ❖ Buyers get access to more sellers which ultimately leads to more finest choices. Sellers can cut the advertising and commission cost associated with intermediaries. Buyers can enjoy lower rates of goods & services due to the elimination of intermediaries.



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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 : 83.4815
 INR / 1 GBP : 105.7226
 INR / 1 EUR : 90.6832
 INR /100 JPY: 53.6300

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