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Telephones: +91-33- 2252-1031/1034/1035  
+ 91-33-2252-1602/1492/1619  
+ 91-33- 2252-7143/7373/2204  
Fax :+91-33-2252-7993  
+91-33-2252-1026  
+91-33-2252-1723



Fax

## **DAILY NEWS DIGEST BY BFSI BOARD**

**19 July 2024**



## **ECONOMY**

**Need to stay the course on the straight and narrow path of aligning inflation with 4% target: RBI bulletin:** Even as the second quarter of FY25 has begun with signs of quickening momentum in the economy, it is prudent to eschew the temptation of time inconsistency (placing more value on the present than on the future) and stay the course on the straight and narrow path of aligning inflation with the 4 per cent target, according to RBI's latest monthly bulletin. RBI officials observed that this does not imply that inflation should reach 4 per cent and stay there before monetary policy considers a change in stance; instead, based on a careful evaluation of the balance of risks, an enduring movement towards the target should provide signals to forward-looking monetary policy to respond. "When monetary policy authorities committing to price stability renege on that commitment in the pursuit of short-run gains of increasing growth, they can end up losing credibility, unhinging inflation expectations and triggering a surge in inflation. This can also undermine growth sustainability," central bank officials said in an article on "State of the Economy".

### ***(Business Line)***

**77% Indian start-ups invest in AI and advanced technologies, 40% tech start-ups originate in Tier II, III:** SAP India, in collaboration with Dun & Bradstreet, has released a study revealing that over 77% of Indian start-ups invest in advanced technologies such as Artificial Intelligence (AI), Machine Learning (ML), Internet of Things (IoT), and blockchain. Another significant aspect of the study is the rise of Tier II and III cities as innovation hubs, with 40% of tech start-ups emerging from these regions, leveraging local talent and cost advantages. The study titled 'Value Creation and Sustainable Growth: The Blueprint for Startup Profitability in India' examines 113 Indian start-ups, showcasing their strategic advancements and investments to enhance competitiveness. This tech-driven evolution reinforces India's global stature as a leading start-up powerhouse, supported by robust corporate governance, and a favourable regulatory environment. In the age of digital disruption, Indian start-ups are proactively integrating advanced technologies to



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achieve operational efficiency, drive growth, and elevate customer experiences. This trend highlights the rapid technological adoption and innovation within the Indian start-up ecosystem, now ranked third globally, following the United States and China.

***(Business Today)***

**RBI Bulletin: Hike in retail inflation due to food prices has halted overall disinflation process: Report:** In its latest monthly bulletin, the Reserve Bank of India noted that inflation is still a concern for the economy. It said that inflation due to rising food prices has derailed the disinflation process. "Consumer price inflation ticked up in June 2024 after three consecutive months of moderation as a broad flare-up in the vegetable prices halted the overall disinflation that had been underway," the RBI said. It further noted: "In India, the second quarter of 2024-25 has begun with signs of quickening momentum in the economy. The improvement in the outlook for agriculture and the revival of rural spending have turned out to be the bright spots in the evolution of demand conditions." According to the statistics ministry data, retail inflation measured by the consumer price index (CPI) increased to 5.08% year-on-year last month, following a decline to a 12-month low of 4.75% in May. The uptick in June can be attributed to the heightened food inflation, which holds a significant weightage of almost 40% in the consumer price basket.

***(Business Today)***

## **BANKING & FINANCE**



**HDFC Bank CEO says profitable growth a priority, no compromise on asset quality:** HDFC Bank will be prioritizing profitable growth without sacrificing its asset quality, and is looking at a different liability profile after the merger of HDFC Limited into the bank, Managing Director and Chief Executive Officer Sashidhar Jagdishan wrote in his address to the shareholders in the annual report released on July 18. CEO Jagdishan said the bank has added over 900 branches in the year gone by, and will continue to add more this financial year. "These phygital branches are our investments. They will undoubtedly help garner deposits in the future," he added. The older bank branches will act as 'engines of deposit mobilisation', HDFC Bank CEO said. The bank is looking at a different liability profile after the merger, CEO said, adding that it will continue to focus on granular deposit mobilisation, with growth in advances slightly slower than deposit growth.

***(Moneycontrol)***



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**IOB, UCO Bank likely to raise funds through QIP route next month:** Public-sector lenders Indian Overseas Bank (IOB) and Uco Bank are likely to raise funds through qualified institutional placement (QIP) next month. Punjab & Sind Bank is likely to follow suit later this financial year to meet the public shareholding norm of 25 per cent. When a public-sector unit raises funds through QIP, the money goes to the company because it involves issuing new shares whereas in the case of offer for sale (OFS), the money raised goes to the government because its shares are sold.

***(Business Standard)***

**Central Bank of India Q1 results: PAT rises 110% on-year to Rs 880 crore:** Central Bank of India on July 18 reported a 110 percent on-year growth in its profit after tax to Rs 879.94 crore in the first quarter of the current financial year. Gross non-performing asset (NPA) ratio of the bank improved a year basis to 4.54 percent as on June 30, as compared to 4.95 percent in a year ago period. However, on a quarterly basis, gross NPA ratio rose marginally. In a quarter ago period, it stood at 4.50 percent. The total business of the grew by 8.97 percent on-year to Rs 6.36 lakh crore in the reporting quarter, from Rs 5.84 lakh crore in a year ago period. Net NPA ratio of the bank improved to 0.73 percent as on June 30, as compared to 1.23 percent as on March 31, and 1.75 percent as on June 30, 2023.

***(Moneycontrol)***

**RBI forms panel to review fee structure for white-label ATMs:** RBI has set up a review committee to revise the fee structure for white-label ATMs (WLAs) to propose a fair and sustainable model. The committee, led by Indian Banks' Association CEO Sunil Mehta, will assess current policies, ATM infrastructure, and global best practices, reporting to RBI deputy governor T Rabi Sankar. India's ATM market is forecasted to grow at a 9.2% CAGR from 2024 to 2032, with four authorized non-bank entities currently operating WLAs. The interchange fee remains at ₹17 for financial and ₹6 for non-financial transactions.

***(Economic Times)***

## INDUSTRY OUTLOOK



**India's top 3 IT firms report over 4,500 headcount reductions in Q1:** India's top three information technology (IT) companies have reported a reduction in headcount by 4,536 in the first quarter ending June 30, 2024, amid a continuing uncertain demand environment. IT companies have been decreasing their bench strength and deploying previously recruited employees. Human Resource heads unanimously said they would first put the existing workforce to use, and hiring will resume if



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and when demand picks up pace. However, behemoth Tata Consultancy Services (TCS) is the sole outlier among these IT firms, which reported an increase of 5,452 employees for the quarter. Infosys and HCLTech cumulatively saw their headcount drop by 9,988 in Q1.

### ***(Moneycontrol)***

#### **WazirX temporarily halts withdrawals after tokens worth \$230 million get stolen:**

Crypto exchange WazirX on July 18 confirmed facing security breach and temporarily stopped INR and crypto withdrawals, following the suspicious transfer of assets worth \$230 million from one of its multisig wallets earlier in the day. A multisig wallet is a crypto wallet which requires two or more private keys to unlock and withdraw funds. "We're aware that one of our multisig wallets has experienced a security breach. Our team is actively investigating the incident. To ensure the safety of your assets, INR and crypto withdrawals will be temporarily paused. Thank you for your patience and understanding. We'll keep you posted with further updates," WazirX said in a post on X. The exchange later, said in a blog post detailing its preliminary findings, "This is a force majeure event beyond our control, but we are leaving no stone unturned to locate and recover the funds. We have already blocked a few deposits and reached out to concerned wallets for recovery. We are in touch with the best resources to help us in this endeavor." According to third party blockchain analytics tool, Lookonchain, the stolen assets from WazirX included \$102 million of Shiba Inu, \$52.5 million in Ethereum, \$11.24 million in Matic, \$7.6 million in Pepe coin, \$135 million in Tether, and \$3.5 million in Gala.

### ***(Moneycontrol)***



## **REGULATION & DEVELOPMENT**

**MCA streamlines IEPFA-related reporting, revamps forms:** Corporate Affairs Ministry (MCA) has streamlined reporting of payments or transfer of securities under the Investor Education and Protection Fund Authority (IEPFA) administered framework, improving the overall filing experience for companies. Besides revamping the forms, MCA has also done away with the previously stipulated requirement of depositing funds into a specific Punjab National Bank account. However, a designated timeline of 30 days for crediting the funds to the IEPF has now been stipulated, which was hitherto absent. As part of the overall exercise, the contents of two existing forms (IEPF 3 and IEPF 7) have been subsumed into IEPF 4 and IEPF 1 respectively. Also now revised set of forms — IEPF 1, IEPF 1A, IEPF 2 — have now been issued by MCA, informed sources said. Also, the previously



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stipulated requirement for depositing funds into a specific Punjab National Bank account has been eliminated with acceptance of online credits.

***(Business Line)***

**Outward remittances fell 16% in May due to increase in TCS: RBI bulletin:** Outward remittances under the Reserve Bank of India's (RBI's) Liberalised Remittance Scheme (LRS) declined by over 16 per cent in May 2024 from the year-ago period due to the base effect. The LRS scheme was introduced in 2004, allowing all resident individuals to remit up to \$250,000 per financial year for any permissible current or capital account transaction, or a combination of both, free of charge. In the initial phase, the scheme was introduced with a limit of \$25,000, which was revised gradually. According to the latest RBI bulletin, remittances under the scheme stood at \$2.42 billion in May 2024, 16.18 per cent lower than the year-ago period.

***(Business Standard)***



## FINANCIAL TERMINOLOGY

### OPEN BANKING

- ❖ In financial services, open banking allows for financial data to be shared between banks and third-party service providers through the use of application programming interfaces (APIs).
- ❖ Traditionally, banks have kept customer financial data within their own closed systems. Open banking allows customers to share their financial information securely and electronically with other authorized organizations, such as fintech companies, payment providers, and other banks.
- ❖ Proponents argue open banking provides greater transparency and data control for account holders, and could allow for new financial services to be provided. Proponents also say that it aims to promote competition, innovation, and customer empowerment in the banking and financial sectors. Opponents argue that open banking can lead to greater security risk and exploitation of consumers.



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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 : 83.6393  
INR / 1 GBP : 108.7428  
INR / 1 EUR : 91.4384  
INR /100 JPY: 53.5300

### **EQUITY MARKET**

Sensex: 81343.46 (+626.91)  
NIFTY24800.85 (+187.85)  
Bnk NIFTY: 52620.70 (+223.90)

### **Courses conducted by BFSI Board**

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- ❖ **Certificate Course on Treasury and International Banking**
- ❖ **Certificate Course on Investment Management**
- ❖ **Certificate Course on General Insurance.**

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- ❖ **Aide Memoire on Infrastructure Financing.**
  - ❖ **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 2<sup>nd</sup> Edition)**
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