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DAILY NEWS DIGEST BY BFSI BOARD

23 January 2025

ECONOMY

Digital economy to drive one-fifth of India's income by 2030, outpacing agriculture, manufacturing: Govt Report: India's digital economy is expected to grow almost twice as fast the overall economy, contributing to nearly one-fifth of national income by 2029-2030, said a new report by the Ministry of Electronics and Information Technology (MeitY). The report, "Estimation and Measurement of India's Digital Economy', released on January 22, is the first of its kind that estimates the value addition and employment generated from the digital economy. The report estimates that in less than six years, the share of the digital economy will become larger than that of agriculture or manufacturing in the country. "In the short run, the highest growth is likely to come from the growth of digital intermediaries and platforms, followed by higher digital diffusion and digitalisation of the rest of the economy. This will eventually lower the share of digitally enabling ICT industries in digital economy.
(Moneycontrol)

Cabinet hikes jute MSP by 6% to Rs 5,650 per quintal: The cabinet committee on economic affairs on Wednesday hiked the minimum support price (MSP) of raw jute by 6% to Rs 5,650/quintal for the 2025-26 marketing season. "This decision…is expected to provide farmers a return of 66.8% over the all-India weighted average cost of production," according to an official statement. It stated that the approved MSP of raw jute is in line with the principle of fixing MSP at a level of at least 1.5 times the production cost. The government has hiked MSP of raw jute by 2.35 times to Rs 5,650/quintal for the 2024-25 season from Rs 2,400/quintal in the 2014-15 season.
(Financial Express)

Trump administration's stance may open doors for bilateral FTA with India: India is encouraged by the shift in the stance of the United States (US) administration under President Donald Trump to engage with countries in negotiating bilateral free-trade agreements (FTAs) for greater market access. Government officials described this as a "positive development" for India. "It's

a positive approach because the US is looking at engaging with countries for sectoral and bilateral FTAs, where there are synergies," a senior government official said on Wednesday.
(Business Standard)

BANKING & FINANCE

HDFC Bank Q3 result: Profit inches up by 2% YoY, net NPAs rise: HDFC Bank on Wednesday, January 22, reported a 2.2 per cent year-on-year (YoY) rise in its standalone net profit to ₹16,735.50 crore for the December quarter of the current financial year (Q3FY25). The banking heavyweight's total standalone income for the quarter under review stood at ₹87,460.44 crore, up 7 per cent YoY against ₹81,719.65 crore. The bank's gross NPA for the quarter stood at ₹36,018.58 crore, up 16.15 per cent YoY from ₹31,011.67 crore in Q3FY4. The percentage of gross NPAs to gross advances grew to 1.42 per cent from 1.26 per cent in the corresponding quarter of the last financial year. Net NPA during the quarter jumped by 51.2 per cent YoY to ₹11,587.54 crore against ₹7,664.10 crore in the same quarter last year. The percentage of net NPAs to net advances rose to 0.46 per cent from 0.31 per cent year over year.
(Mint)

ASA India surrenders microfinance licence, seeks to continue as business correspondent for banks: ASA International India Microfinance plans to surrender its microfinance licence due to financial troubles and liquidity concerns. The lender has notified RBI and aims to operate as a business correspondent for banks. The decision aligns with ASA International's strategy to divest its Indian holdings and focus on other markets like the Philippines and East Africa.
(Economic Times)

Life insurance companies challenge GST exemption for term policies: Life insurance companies are opposing a proposed Goods and Services Tax (GST) exemption on term insurance policies. They argue that losing input tax credits (ITCs) on their expenses would increase costs, ultimately raising premiums for consumers. They argue that doing so will increase costs due to the loss of input tax credit. The companies suggest maintaining at least 12% GST or reducing the rate of insurance commission services to offset costs. The ministerial panel is reviewing the issue.
(Economic Times)

IOB mops up ₹17,000 cr fresh CASA business, targets ₹5,500 cr NPA Recovery for FY25: Indian Overseas Bank (IOB), a public sector lender, has successfully mobilised a substantial

₹17,000 crore in fresh CASA (current account and savings account) business over the past 21 months through the onboarding of over 50 lakh new customers. This achievement follows a strategic overhaul of its deposit portfolio, a move that has paid off handsomely. Ajay Kumar Srivastava, Managing Director and CEO of IOB, explained the bank's approach, and said, "We chose not to aggressively pursue bulk deposits as part of our strategy, allowing them to naturally roll off. Instead, we focused on CASA and retail term deposits, which are more sustainable and cost-effective in the long run." As part of its expanded CASA strategy, the bank has been aggressively onboarding new customers. In FY24, IOB added 25 lakh new CASA customers, with another 27 lakh customers added in the first nine months of FY25.

(Business Line)

Sebi proposes Rs 250 SIPs with subsidised charges, incentives for inclusion: The Securities and Exchange Board of India (Sebi) has proposed bit-sized systematic investment plans (SIP) of Rs 250 in a step to increase the mutual fund footprint in the underserved section of the country. While several asset management companies (AMCs) already offer small size SIPs, the market regulator is of the opinion that the "sachetisation" of SIPs will help the entire industry to participate in financial inclusion. The market regulator has proposed measures to address the cost aspect of smaller SIPs in a consultation paper floated on Wednesday

(Business Standard)

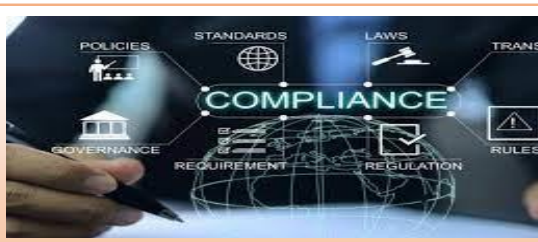
INDUSTRY OUTLOOK

SC refers to another bench pleas of RBI, others related to writing off AT-1 bonds of Yes Bank: The Supreme Court on Wednesday referred to another bench the pleas of the Reserve Bank of India and others challenging a Bombay High Court order that quashed a decision of the Yes Bank administrator to write off additional tier 1 bonds worth Rs 8,415 crore as part of a bailout. Additional Tier 1 (AT-1) are perpetual bonds issued by banks to increase their capital base and they are riskier than traditional bonds having higher interest rates. The RBI can ask a bank to cancel them if the bank is in trouble. A bench comprising Chief Justice Sanjiv Khanna and Justices Sanjay Kumar and KV Viswanathan said it will not hear the four pleas filed against the high court's decision. Without assigning any reason, the CJI said the pleas will now be heard by a bench headed by Justice A S Oka after a week.

(Financial Express)

IDBI selloff picks up pace as suitors get data access: IDBI Bank's potential suitors have been granted confidential data access to carry out due diligence on the lender after a 12-month hiatus, during which their applications underwent government scrutiny, said people familiar with the matter. The development marks a step forward in the disinvestment process, through which the Union government and Life Insurance Corporation (LIC) are looking to sell 60.72% stake in the lender. They collectively own 95% of the bank. The suitors - Fairfax Financial, Emirates NBD, Oaktree Capital and Kotak Mahindra Bank - had submitted expressions of interest in January last year, the people said ***(Economic Times)***

Tata AIA Life Insurance launches 'Shubh Muhurat' to meet wedding expenses: Tata AIA Life Insurance has launched 'Shubh Muhurat,' a life insurance solution and help parents save for their child's wedding. A report by investment banking and capital market firm Jefferies India hosted over 80 lakh weddings last year with an estimated spend of ₹10.7 lakh crore. On average, Indian weddings cost about ₹12.5 lakh—twice as much as the expenditure on education from pre-school to graduation. Luxury weddings dominate the market, with expenses often rising above Rs 1 crore.Venky Iyer, Managing Director and Chief Executive Officer, Tata AIA said a marriage is not only a celebration of love and togetherness but also a testament to family aspirations and Shubh Muhurat intends to help families plan well in advance. It also provides a solution that in the unforeseen event of the loss of life of the parent, the goal is protected, he added.-
(Business Line)



REGULATION & DEVELOPMENT

CBDT: Past investments from Mauritius, Singapore and Cyprus to be grandfathered under tax treaty: India will grandfather past investments from countries with which it has certain tax treaties including Mauritius, Singapore and Cyprus and the income tax department will not re-open these for scrutiny. This stance has been made clear in a new circular by the Central Board of Direct Taxes where it has clarified the applicability of the provision of the Principal Purpose Test (PPT) that seeks to curb revenue leakage by preventing treaty abuse.
(Business Today)

Government of India and Republic of Korea conduct Signing of Exchange of Notes for NCERT's Technical Cooperation project titled "Strengthening Vocational Education and Training in Mechatronics in India" with KOICA: The Government of India and the Republic of

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Korea conducted signing of Exchange of Notes for the Technical Cooperation Project titled 'Strengthening Vocational Education and Training in Mechatronics in India', on 20th January 2025, in New Delhi. The project will be implemented in collaboration with Korea International Cooperation Agency (KOICA) of Government of Republic of Korea. This is the first project being implemented with assistance of KOICA in India. The Project, which spans over two years, aims to establish a basis of vocational education and training in mechatronics in India and will be implemented by NCERT at the Regional Institute of Education (RIE), Bhopal, where it will help build environment to pilot also facilitating networking between industry and RIE, Bhopal.
(Financial Express)

Davos: Bankers want regulatory grip eased, flag cost of compliance: Regulators must not over-burden banks with numerous regulations that demand higher capital and increase the paperwork - all of which ends up suffocating the economy, said bankers at the World Economic Forum. Tight regulations are necessary for a smooth functioning of the system, but it should not lead to businesses shunning going public to avoid the costs of compliance, they said. "Once you get to an appropriate level of capital and liquidity, it is entirely necessary to step back hugely from micro-prudential regulations that banks are subjected to," Standard Chartered CEO Bill Winters said during a panel discussion at the WEF in Davos. "Thousands of man-hours spent complying with micro-rules with highly intrusive regulations. When we are talking about regulations, we are being asked to have too much capital, I say forget about that we are guaranteed by the US government."
(Economic Times)

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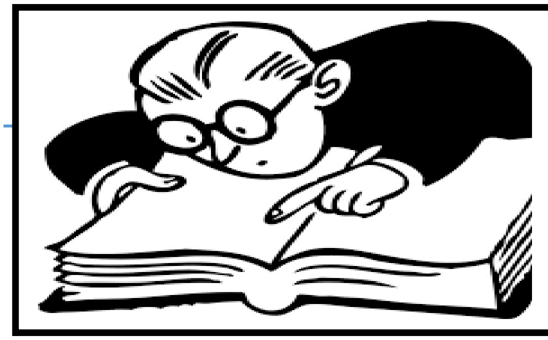

FINANCIAL TERMINOLOGY

CREDIT DEFAULT SWAP

- A credit default swap (CDS) is a financial derivative that allows an investor to swap or offset their credit risk with that of another investor. To swap the risk of default, the lender buys a CDS from another investor who agrees to reimburse them if the borrower defaults. It may involve bonds or forms of securitized debt—derivatives of loans sold to investors.
- Most CDS contracts are maintained via an ongoing premium payment similar to the regular premiums due on an insurance policy. A lender who is worried about a borrower defaulting on a loan often uses a CDS to offset or swap that risk.
- For example, suppose a company sells a bond with a $100 face value and a 10-year maturity to an investor. The company might agree to pay back the $100 at the end of the 10-year period with regular interest payments throughout the bond's life. Because the debt issuer cannot guarantee that it will be able to repay the premium, the investor assumes the risk. The debt buyer can purchase a CDS to transfer the risk to another investor, who agrees to pay them in the event the debt issuer defaults on its obligation.

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RBI KEY RATES

Repo Rate: 6.50%
SDF: 6.25%
MSF & Bank Rate: 6.75%
CRR: 4.00%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 86.5661
INR / 1 GBP : 106.7031
INR / 1 EUR : 90.0807
INR /100 JPY: 55.5200

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Sensex: 76404.99 (+566.63)
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Bnk NIFTY: 48724.40 (+153.50)

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