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DAILY NEWS DIGEST BY BFSI BOARD

23 July 2024



ECONOMY

Economic Survey 2023-24 Highlights: Union Finance Minister Nirmala Sitharaman Monday tabled the Economic Survey 2023-24, which **projects a real GDP growth of 6.5 to 7 per cent**. It adds that the Reserve Bank of India expects inflation to be 4.5 per cent in FY 25 and 4.1 per cent in FY26. The highlights of the survey are;

- The Indian economy recovered swiftly from the pandemic, with its real GDP in FY24 being 20 per cent higher than the pre-COVID, FY20 levels.
- On supply side, Gross value added (GVA) grew by 7.2 per cent in FY24 (at 2011-12 prices) and net taxes at constant prices grew by 19.1 per cent in FY24.
- Shares of the agriculture, industry and services sectors in overall GVA at current prices were 17.7 per cent, 27.6 per cent and 54.7 per cent respectively in FY24.
- The **fiscal deficit** of the Union Government has been brought down from 6.4 per cent of GDP in FY23 to **5.6 per cent of GDP** in FY24.
- **Current Account Deficit (CAD) stood at 0.7 per cent** of the GDP during FY24, an improvement from the deficit of 2.0 per cent of GDP in FY23.
- The capital expenditure for FY24 stood at ₹9.5 lakh crore, an increase of 28.2 per cent on a YoY basis, and was 2.8 times the level of FY20.
- After averaging 6.7 per cent in FY23, retail inflation declined to **5.4 per cent in FY24**.
- The profitability of SCBs remained steady, with the return on equity and return on assets ratios at 13.8 per cent and 1.3 per cent, respectively, as of March 2024.
- Agriculture sector faced challenges due to extreme weather events, depleted reservoirs, and crop damage, which impacted farm output and food prices. Food inflation stood at 6.6 per cent in FY23 and increased to 7.5 per cent in FY24.
- India has made significant progress on climate action in terms of an increase in its renewable energy capacity and improvement in energy efficiency. As of 31 May 2024, the share of non-fossil



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sources in the installed electricity generation capacity has reached 45.4 per cent.

- Government issued sovereign green bonds amounting to ₹16,000 Crore in January-February 2023 followed by ₹20,000 Crore in October-December 2023.
- Gini coefficient, an indicator of inequality, has declined from 0.283 to 0.266 for the rural sector and from 0.363 to 0.314 for the urban sector of the country.
- The Economic Survey brings in perspective Prime Minister Shri Narendra Modi's vision of **Mission LiFE**. It embodies a 'Lifestyle For Environment' seeking to address the 'wants' of the people without letting them hurt Nature. The approach seeks to bring individual responsibility to the forefront of the fight against climate change, as sustenance is at the core of Indian ethos.
- The survey called upon the private sector to create jobs and boost investments while emphasising the need for the government to "let go" or more deregulation.
- The **capex for FY24 stood at Rs9.5 lakh crore**, an increase of 28.2 percent from a year earlier and 2.8 times the level of FY20. Focus on capex has been broad-based across sectors such as road transport, highways, transport, railways, and defence services.
- The Survey asked the private sector to contribute to the creation of approximately eight million jobs annually until 2036. It also cautioned companies against being overly reliant on capital-intensive technologies like artificial intelligence (AI) to reduce employment.

(The Banking updates collections)

Economic Survey makes a case for FDI from China despite ban: India's quest to become a global manufacturing hub hinges on attracting Chinese businesses to set up factories and boost exports, according to the nation's top economic adviser. This strategy requires the government to ease its current restrictions on Chinese investments, a move that could significantly enhance India's manufacturing sector. In its annual Economic Survey report released on Monday, the office of the chief economic adviser outlined two paths for India: increasing imports from China or attracting more foreign direct investment (FDI) from the country. The latter is deemed more beneficial, given India's substantial trade deficit with China. Encouraging Chinese investments would not only help reduce this deficit but also foster domestic technical expertise.

(Business Today)

GDP growth in FY25 may surpass Economic Survey's prediction: India Inc: Extending their support to the reforms proposed in the Economic Survey tabled by Finance Minister Nirmala Sitharaman in Parliament on Monday, industry bodies said that the pace of India's economic growth might surpass the predictions in the document. The survey has predicted that India is expected to grow at 6.5-7 per cent in 2024-25. It is in line with the estimates of the International Monetary Fund and the Asian Development Bank but less than the 7.2 per cent predicted by the RBI

(Business Standard)



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BANKING & FINANCE



UCO Bank Q1 result: Net profit jumps 147% to Rs 551 crore: UCO Bank on Monday reported a 147% year-on-year (y-o-y) rise in its net profit for the quarter ended June 2024 at Rs 551 crore, led by higher other income, and interest margin. The lender's non-interest income grew 32% y-o-y to Rs 835 crore during Q1FY25, whereas net interest income (NII) was up 12% y-o-y at Rs 2,254 crore. Global net interest margin (NIM), too, rose to 3.09% in the reporting quarter from 2.86% a year ago. The lender is aiming to maintain its NIM in the 2.9%-3% range going ahead.

(Financial Express)

IDBI Bank Q1 Results: Profit surges by 40.4% YoY, NII at Rs 3233 crore: IDBI Bank on Monday posted a standalone profit of Rs 1719.27 crore during the first quarter of FY25, recording a growth of 40.4 per cent in comparison to Rs 1224.18 crore during the corresponding quarter of previous financial year. On a consolidated basis, Q1 profit was reported at Rs 1739.15 crore. The Net Interest Income (NII) for the period came in at Rs 3233 crore as against Rs 3998 crore during the last year. The bank's gross NPA was recorded at Rs 7795.42 crore and net NPA for the quarter was at Rs 453.57 crore. Gross NPA ratio, meanwhile, improved to 3.87 per cent as on June 30, 2024 as against 5.05 per cent as on June 30, 2023. Net NPA ratio stood at 0.23 per cent during Q1FY25 as against 0.44 per cent during the same period last year.

(Financial Express)

RBI approves appointment of former Kotak exec KV Subramanian as CEO & MD of Federal Bank: The Reserve Bank of India has approved Krishnan Venkat Subramanian as Managing Director & Chief Executive Officer of Federal Bank. Subramanian, who previously served as the Joint Managing Director of Kotak Mahindra Bank Limited, will start his three-year term on September 23, 2024.

(Economic Times)

Economic Survey flags misselling, claims issue in insurance sector: Product misselling is rampant in the insurance sector and can't be dismissed as a few rogue agents, the Economic Survey 2024 said while emphasising on the need for prompt and reasonable claim settlements and a lower rejection rate to boost insurance penetration. While referring to financial products misselling, the



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survey said that misselling and misrepresentation need acknowledgment, with firms compensating for consequential losses. This practice is important for stockbroking, fund management, banking, and insurance firms, the survey said.

(Economic Times)

INDUSTRY OUTLOOK



Tamil Nadu launches instant online approval for building permits: The Tamil Nadu government on Monday introduced a new scheme offering instant online approval for building permits for houses built on plots up to 2,500 sq ft, with a maximum construction area of 3,500 sq ft. Applications can be submitted online.

(Business Line)

Boost to PLI, MITRA schemes to unlock non-farm job growth: The Indian economy has to generate an average of 7.8 million jobs annually until 2030 in the non-farm sector to cater to the rising workforce, female participation in labour force, and labour shifting out of agriculture, the Economic Survey 2023-24 released on Monday said. The survey attempted a broad estimation of the requirement for job creation in the non-farm sector, assuming that the share of agriculture in the workforce will decline from 45.8 per cent in 2023 to “one-fourth” in 2047. The survey notes that in order to meet this demand in the non-farm sector per year, there is scope to supplement the existing schemes like production-linked incentive (6 million employment generation over five years), PM MITRA textile scheme (2 million jobs), and MUDRA, etc.

(Business Standard)

Threshold-based relief for MSMEs must have sunset clauses:: The threshold-based concessions and exemptions for the micro, small, and medium enterprises (MSME) sector create the unintended effect of incentivising enterprises to cap their sizes below the thresholds and therefore, must have sunset clauses, the Economic Survey 2023-24 said. An enterprise is classified as an MSME based on a set of criteria. A micro enterprise is where an investment in plant and machinery or equipment does not exceed Rs 1 crore and turnover does not surpass Rs 5 crore. A small enterprise is where the investment in plant and machinery or equipment does not exceed Rs 10 crore, and turnover does not exceed Rs 50 crore. And, in a medium enterprise, the investment in plant and machinery or equipment must not exceed Rs 50 crore, and turnover should not surpass Rs 250 crore. The Survey said that MSMEs face extensive regulation, compliance requirements and significant bottlenecks with



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access to affordable and timely funding being some of the core concerns. "Licensing, inspection and compliance requirements that MSMEs have to deal with, imposed particularly by sub-national governments, hold them back from growing to their potential and being job creators of substance," said the survey.

(Business Standard)



REGULATION & DEVELOPMENT

India seen curbing fiscal gap, cutting taxes: In India's first budget under a new coalition government, Prime Minister Narendra Modi is expected to stick to a plan of curbing the fiscal deficit, while still cutting taxes and boosting welfare spending to keep his allies happy. Modi's government is expected to reduce its deficit target slightly from the 5.1% of gross domestic product projected before the elections, according to economists in a Bloomberg survey. It's also likely to focus on measures to lift consumer spending and jobs, especially in rural areas, after voters signaled their discontent with Modi's Bharatiya Janata Party at the polls. A large windfall from the central bank and a surge in tax revenues as the economy expands more than 7% this fiscal year gives the government ample resources to lift spending without damaging its deficit plans.

(Economic Times)

CPI base year to be moved to 2024 from 2012: In a move aimed at boosting the accuracy and relevance of economic data, the Ministry of Statistics and Programme Implementation (MoSPI) has begun the process to update the base year of the Consumer Price Index (CPI) from 2012 to 2024, the Economic Survey report said on Monday. The base year provides a reference point for measuring changes in economic variables and comparing relative performances of indicators over time. "The ongoing efforts to construct the producer price index for goods and services may be expedited to have a greater grasp of episodes of cost-push inflation," the survey said. Simultaneously, an Advisory Committee on National Accounts Statistics has been formed to deliberate and decide on updating the base year for the Gross Domestic Product (GDP) calculation.

(Economic Times)

ITR deadline extended to August 31? Beware of fake news, warns Income Tax Department: The Income Tax department has issued a warning about fake news that was published in a popular newspaper in Gujarat. The department stated that a clipping of the news is circulating on social media, claiming that the date for e-filing of ITR has been extended to August 31, 2024. The



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department clarified that this information is fake, and that the last date to file ITR for FY2023-24 is July 31, 2024.

(Economic Times)



FINANCIAL TERMINOLOGY

MISSION LiFE

- ❖ The Economic Survey 2023-24, clearly states that current global strategies for climate change are flawed and not universally applicable.
- ❖ The process of meat production adopted in the developed world presents credible food security risks and a threat of permanently degrading the land, water and natural resources critical for human survival. Similarly, the adoption of nucleated families akin to the Western model of living places significant land and resource requirements on the environment, as the growth in urban nucleated settlements gives rise to the tendency of 'urban sprawl'.
- ❖ In order to profess a solution to these issues, the Economic Survey brings in perspective Prime Minister Shri Narendra Modi's vision of Mission LiFE. It embodies a 'Lifestyle For Environment' seeking to address the 'wants' of the people without letting them hurt Nature. The approach seeks to bring individual responsibility to the forefront of the fight against climate change, as sustenance is at the core of Indian ethos.
- ❖ The Mission encompasses a comprehensive but non-exhaustive list of 75 LiFE Actions for adoption by individuals to live more sustainably. At its heart, it promotes mindful consumption instead of overconsumption, encourages a circular economy and the reuse of waste products, eating local plant-based cuisines with a low ecological footprint, saving water and energy.
- ❖ The document quotes the International Energy Agency and states that adoption of the kinds of actions and measures targeted by the LiFE initiative worldwide would reduce annual global carbon di-oxide emissions by more than 2 billion tonnes in 2030 (20% of the emissions reductions needed by 2030) and in consumer savings of about USD 440 billion.



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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 : 83.6654
INR / 1 GBP : 108.0327
INR / 1 EUR : 91.0581
INR /100 JPY: 53.4100

EQUITY MARKET

Sensex: 80502.08 (-102.57)
NIFTY: 24509.25 (-21.65)
Bnk NIFTY: 52235.05 (+14.80)

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