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DAILY NEWS DIGEST BY BFSI BOARD

25 December 2024

ECONOMY

India's forex reserves drop $2 bn to $653 bn in December; RBI estimates 11-months of import amid multi-month low: India's foreign exchange (forex) reserves are sufficient to meet over 11 months of import needs and nearly 96 per cent of external outstanding debt requirements as of the end of June 2024, reported the news agency ANI citing the Reserve Bank of India (RBI) on Tuesday, December 24. The forex reserves rose $6.4 billion in the financial year 2024-25 to $652.9 billion as of December 13, as per the news report citing a monthly bulletin. India's "foreign exchange reserves remained robust," as reflected in the sustainable levels of reserve adequacy metrics, said the central bank.
(Mint)

RBI report sees economic recovery in Q3; FPI flows turns positive in Dec: India's gross domestic product (GDP) growth, which plunged to 5.4 per cent in the July–September quarter, is making a comeback in the October–December period, according to high-frequency indicators cited in the State of the Economy report by the Reserve Bank of India (RBI). "High-frequency indicators (HFIs) for the third quarter of 2024–25 indicate that the Indian economy is recovering from the slowdown in momentum witnessed in Q2, driven by strong festival activity and a sustained upswing in rural demand," the report, authored by RBI staff, including Deputy Governor Michael Patra, said. The report said India's growth trajectory is poised to lift in thesecond half of 2024-25, driven mainly by resilient domestic private consumption demand. "Supported by record-level foodgrain production, rural demand, in particular, is gaining momentum. Sustained government spending on infrastructure is expected to further stimulate economic activity and investment," it said. GDP growth is estimated at 6.8 per cent in Q3 and 6.5 per cent in Q4 of the current financial year. The RBI, in the December review of monetary policy, lowered the FY24 growth projection to 6.8 per cent from 7.2 per cent.
(Business Standard)

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BANKING & FINANCE

Insurers report rise in commission expenses: he insurance industry saw a significant jump in commission expenses in FY24 after the sector regulator removed caps on payouts. Life insurers saw commission expenses increase 22% while general insurers saw commission expenses double in FY24. This follows the Insurance Regulatory and Development Authority of India's (IRDAI) decision to remove commission caps in April 2023, showed the latest IRDAI Annual report.
(Economic Times)

UPI QR transactions jump 33% at retail stores in Bharat this year: UPI transactions at retail stores have increased by 33 per cent in semi-urban and rural areas this year, reflecting the growing adoption of digital payments, says a report. Moreover, insurance policy purchases and premium collections saw a 127 per cent increase in transaction volume and a 96 per cent growth in new customer adoption during the year, the report by branchless banking and digital network PayNearby said. "The data highlights the role digital retail stores play in overcoming the challenges of insurance penetration across Bharat," it stated. The report is based on an analysis of real transaction data derived from over 10,00,000 small retailers offering financial and digital services spread across India in rural and semi-urban regions.
(Economic Times)

Digital lenders disburse 3 crore loans worth Rs 37,000 crore in Q2FY25: Digital lenders disbursed 3 crore loans worth nearly Rs 37,000 crore at the end of the September quarter, with growth moderating to 19% on year versus a growth of 44% in the same period last year, the Fintech Association for Consumer Empowerment (FACE), an RBI-recognised Self-Regulatory Organisation said in a report. The report is based on data from 34 FACE member companies lending to customers, 23 of which have in-house NBFCs.
(Economic Times)

Business correspondents meet Irdai, seek consent to sell insurance products: Digital lenders disbursed 3 crore loans worth nearly Rs 37,000 crore The Business Correspondent Resource Council (BCRC) has made a pitch to the Insurance Regulatory and Development Authority of India (Irdai) that field agents be allowed to hawk insurance products. As of now, the business correspondents' (BCs') channel — introduced in 2007 — only offers last-mile banking services. BCRC's stance is that shocks from climate-related issues are affecting those at the bottom of the pyramid in a big way. It presents an opportunity to sell weather-indexed insurance: policies designed

to trigger payouts (livelihood support) based on specific weather conditions, such as low rainfall, extreme heat conditions, and similar events.
(Business Standard)

INDUSTRY OUTLOOK

Number of non-farm firms grew 13% to 7.3 crore: Govt survey: The number of non-farm firms in the country comprising proprietorships, partnerships and self-help groups increased 12.84% to 7.34 crore, the Union statistics ministry said, citing an annual survey of enterprises other than companies for the period October 2023 to September 2024. The ministry said in a statement that its 'annual survey of unincorporated sector enterprises results for 2023-24' highlighted "significant growth in establishments, employment, and productivity in the unincorporated non-agricultural sector," showing its recovery from pandemic-related challenges and its resurgence with renewed momentum.
(Mint)

Fund mobilisation by Indian companies surged 10 times over last ten years: Over the last ten years, fund mobilisation by Indian companies has grown tenfold. A report by the State Bank of India (SBI) says that fund mobilisation through capital markets has increased from Rs 12,068 crore in 2014 to Rs 1.21 lakh crore in FY25 (up to October). This significant growth reflects the strengthening of India's economy and the rising confidence of investors. It said, "In the last 10-years, funds mobilized by Indian companies from capital markets has increased more than 10-fold." The report also highlighted that a 1 per cent rise in the stock market's, market capitalization contributes to a 0.06 per cent increase in the country's GDP growth rate.
(Economic Times)

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REGULATION & DEVELOPMENT

GST on popcorn: Varying rates may be difficult to implement, lead to classification disputes, say experts: The humble popcorn is in the eye of a storm with the recent clarification by the Goods and Services Council that different kinds of popcorns will attract different rates of tax. The move has not only raised the hackles of consumers and economists and unleashed a series of memes on social media, but could also be difficult to implement and lead to classification disputes according to tax experts. The GST Council in its meeting on December 21 clarified that popcorn will attract three kinds of GST rates based on its spice mix. Accordingly, ready-to-eat popcorn that is mixed with salt and spices attracts 5% GST if supplied as other than pre-packaged and labelled and 12% GST if supplied as pre-packaged and labelled. However, when popcorn is mixed with sugar thereby changing its character to sugar confectionary, such as caramel popcorn, it would attract 18% GST.
(Business Today)

NFRA flags deficiencies in BSR & Co's audit of related party transactions: The National Financial Reporting Authority (NFRA) has highlighted significant shortcomings in the audit practices of BSR & Co LLP, a KPMG sub-licensee, particularly in related party transactions. The audit regulator's inspection was conducted in August 2024, which reviewed three BSR audit engagements from the FY ending March 2022 and March 2023. In a 13-page inspection report, NFRA found lapses related to auditing standards and compliance with the Companies Act 2013. Among the critical observations were deficiencies in verifying related party transactions. The inspection report also revealed a complex series of transactions initiated by an unnamed company, involving its promoter entity.
(Business Standard)

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FINANCIAL TERMINOLOGY

LEVERAGED BUYOUT

- A leveraged buyout (LBO) is the acquisition of another company using a significant amount of borrowed money (bonds or loans) to meet the cost of acquisition. The assets of the company being acquired are often used as collateral for the loans, along with the assets of the acquiring company.
- The buyer typically wishes to invest the smallest possible amount of equity and fund the balance of the purchase price with debt or other non-equity sources. The aim of the LBO model is to enable investors to properly assess the transaction and earn the highest possible risk-adjusted internal rate of return (IRR).
- In an LBO, the goal of the investing company or buyer is to make high returns on their equity investment, using debt to increase the potential returns.

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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 : 85.1932
INR / 1 GBP : 106.7851
INR / 1 EUR : 88.5646
INR /100 JPY: 54.2500

EQUITY MARKET

Sensex: 78472.87 (-67.30)
NIFTY: 23727.65(-25.80)
Bnk NIFTY: 51233.00 (-84.60)

Courses conducted by BFSI Board

- Certificate Course on Concurrent Audit of Banks
- Certificate Course on Credit Management of Banks
- Certificate Course on Treasury and International Banking
- Certificate Course on Investment Management
- Certificate Course on General Insurance.
- Advance Certificate Course on FinTech

For details please visit BFSIB portal of the ICMAI

Publications by BFSI Board

- 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 2nd Edition)

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