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DAILY NEWS DIGEST BY BFSI BOARD

02 January 2025



ECONOMY

December GST collections rise 7.3% YoY to Rs 1.77 lakh crore: Goods and Services Tax collections rose to Rs 1.77 lakh crore in December, staying above the Rs 1.7 lakh crore mark for a tenth consecutive month, data released on January 1 showed. Tax collections were 7.3 percent higher than in December 2023, when they stood at Rs 1.65 lakh crore, but were lower than the Rs 2.1 lakh crore mark hit in April. The pace of growth was also the slowest in three months. "India's recent GST collections have slowed down slightly, which is typical after the holiday season. It's well in line with expectations as we have been witnessing slight decrease in consumer spending over past few months," said Saurabh Agarwal, Tax Partner, EY India. GST collections averaged Rs 1.82 lakh crore in the October-December period compared with Rs 1.77 lakh crore in the previous quarter. In the December quarter GST collections were 8.3 percent higher than the previous year.

(Moneycontrol)

New govt infrastructure projects down by over 20% in December quarter: The private sector has pulled back on spending for new factories and other long-term assets, while government infrastructure projects, such as new roads, have also slowed. The total value of new project announcements in the December 2024 quarter declined 22 per cent year-on-year to Rs 6 trillion, according to data from tracker Centre for Monitoring Indian Economy (CMIE). Meanwhile, the value of completed projects plummeted 52 per cent year-on-year to less than Rs 1 trillion. Both new and completed project values as of December 2024 remain below pre-pandemic levels seen in 2019.

(Business Standard)



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BANKING & FINANCE



Banks unlikely to face shocks, but tech can't fix all the cost worries: Indian banks are preparing for higher compliance costs, tighter margins, and tougher fee competition, potentially affecting 2025 earnings. Operational costs may stay high despite technology use. Banks face regulatory changes needing more provisions and resources. Well-capitalized banks with reduced bad loans offer some stability but cyber fraud threats persist. Enhanced regulatory oversight increases management focus on compliance impacts.

(Economic Times)

Microfinance company VFS Capital applies for small finance bank licence: VFS Capital, one of the oldest microfinance companies that operate in the country, has filed an application for a small finance bank licence, the Reserve Bank of India (RBI) said. The lender with a Rs 942 crore portfolio outstanding is seeking the licence for the second time after being rejected earlier in 2015. "During the quarter ended December 31, 2024, the Reserve Bank of India has received one application under the guidelines for 'on tap' licensing of small finance banks in the private sector dated December 05, 2019 from VFS Capital Limited," RBI announced Wednesday. The Kolkata-headquartered micro lender started working with the bottom of the pyramid borrowers in 1996-97 and was one of the earlier ones to get an NBFC license. At present, it has nearly half a million borrowers across over 22,021 villages in 15 states.

(Economic Times)

Bank lending slowed across sectors in November: Bank lending slowed down across sectors in November except credit to industries which posted a 8.1 percent growth compared to 5.5 percent in the same period a year ago. Significantly, credit card outstanding and vehicle loans rose by almost half the pace of previous year. Vehicle loans slowed by 10.3 percent as of end November (y-o-y) compared yo 20.6 percent a year ago and credit card outstanding slowed 18.1 percent compared to 34.2 percent a year ago. Loans against gold on the other hand increased by 66 percent compared to 15.5 percent in the same period a year ago. Overall non food credit slowed to 11.8 percent compared to 16.5 percent in the same period a year ago, according to the sectoral data on bank credit released by the Reserve Bank of India.

(Economic Times)



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UPI transactions surge to record 16.73 bn in Dec; value at Rs 23.25 trn: Unified Payments Interface (UPI) transactions saw an 8 per cent month-on-month increase in volume to 16.73 billion in December, the highest volume for the digital system since it became operational in April 2016. The value also increased by 8 per cent to Rs 23.25 trillion, up from Rs 21.55 trillion in November. According to data from the National Payments Corporation of India (NPCI), for the year 2024, the volume increased by 46 per cent to around 172 billion transactions against 118 billion in 2023. In value terms, transactions increased by 35 per cent to around Rs 247 trillion during the entire year compared with Rs 183 trillion in 2023.

(Business Standard)

98.12% of Rs 2,000 notes returned, Rs 6,691 cr worth still with public: RBI: The Reserve Bank on Wednesday said 98.12 per cent of the Rs 2000 banknotes have been returned to the banking system, and only Rs 6,691 crore worth such notes are still with the public. On May 19, 2023, the Reserve Bank of India (RBI) announced the withdrawal of Rs 2000 denomination banknotes from circulation. The total value of Rs 2000 banknotes in circulation, which was Rs 3.56 trillion at the close of business on May 19, 2023, declined to Rs 6,691 crore at the close of business on December 31, 2024, RBI said. "Thus, 98.12 per cent of the Rs 2000 banknotes in circulation as on May 19, 2023, has since been returned," it said in a statement.

(Business Standard)

INDUSTRY OUTLOOK



RJio readying up to ₹40,000 cr IPO with \$120 billion valuation: Billionaire Mukesh Ambani is understood to have started the process for the initial public offer of Reliance Industries' telecom arm, Reliance Jio Infocomm, and sources estimated the size of the offer in the range of ₹35,000-40,000 crore. The public offer will consist of an offer for sale component and a fresh issue with a pre-IPO placement, sources said. They added that the Reliance group was aiming for the issue to hit the market in the second half of the year and if it goes through as per schedule, it will be the largest IPO in India.

(Business Line)

MSME bodies seek audit exemption for firms below Rs 5 crore turnover: Industry bodies representing micro, small, and medium enterprises (MSMEs) have urged the government to exempt MSMEs with turnovers below Rs 5 crore from unnecessary audits and inspections unless major



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discrepancies are detected. “Additionally, the budget should include guidelines and funding to train compliance officials to handle honest errors by MSMEs with leniency, promoting a supportive regulatory environment. A comprehensive error-forgiveness program should be established, waiving penalties for minor GST filing mistakes or delays, and providing simplified reinstatement processes for canceled GST registrations with minimal fines,” stated the India SME Forum, which represents over 98,200 MSMEs as direct paid members.

(Business Standard)

NPCI lifts WhatsApp Pay's user cap: The National Payments Corporation of India (NPCI) has announced a significant development for WhatsApp Pay by allowing the platform to extend its Unified Payments Interface (UPI) services to its entire user base in India. The decision, effective immediately, removes the previous cap of 100 million users that put a limit on the inclusion of new customers. With over 500 million users in India, WhatsApp Pay can now fully leverage its vast user base to enhance its presence in the competitive digital payments landscape. WhatsApp Pay will continue to adhere to all existing UPI guidelines and circulars for Third-Party Application Providers (TPAPs), according to NPCI.

(Business Standard)



REGULATION & DEVELOPMENT

Cabinet approves enhancement in allocation for PM Fasal Bima Yojana to Rs 69,515 crore: Union Cabinet has approved the continuation of PM Fasal Bima Yojana and Restructured Weather Based Crop Insurance Scheme. In the first Cabinet meeting of 2025 on January 1, the allocation of PM Fasal Bima Yojana was enhanced to Rs 69,515 crore. "The decision will help in risk coverage of crops from non-preventable natural calamities for farmers across the country till 2025-26," said government in a press release. Also, the Cabinet has approved creation of Fund for Innovation and Technology (FIAT) with corpus of Rs 824.77 crore. The fund will be utilised towards funding technological initiatives under the scheme namely, YES-TECH, WINDS, etc as well as Research and Development studies.

(Moneycontrol)

Bhuvnesh Kumar, IAS from Uttar Pradesh cadre assumes charge as CEO of UIDAI: Bhuvnesh Kumar assumed charge as the Chief Executive Officer (CEO) of Unique Identification Authority of India (UIDAI) on Wednesday, according to a statement issued by Ministry of Electronics



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& IT. He is an officer of the 1995 batch IAS from the Uttar Pradesh cadre. Kumar also continues to be an Additional Secretary in the Ministry of Electronics and Information Technology (MeitY).

(Moneycontrol)

Gift vouchers comprise feature of money, not to attract GST: Gift vouchers will not attract GST, Central Board of Indirect Taxes & Custom (CBIC) clarified in a circular on Wednesday. “It is clarified that irrespective of whether voucher is covered as a pre-paid instrument recognized by RBI or not, the voucher is just an instrument which creates an obligation on the supplier to accept it as consideration or part consideration and the transactions in voucher themselves cannot be considered either as a supply of goods or as a supply of services,” the CBIC said in its circular. This means there will be no GST per se on voucher. However, supply of underlying goods and/or services, for which vouchers are used as consideration or part consideration, may be taxable under GST, CBIC said.

(Business Line)



FINANCIAL TERMINOLOGY

RATIONAL CHOICE THEORY

- ❖ Rational choice theory states that individuals use rational calculations to make choices and achieve outcomes that are aligned with their own personal objectives.
- ❖ These results are also associated with maximizing an individual's self-interest. Using rational choice theory is expected to result in outcomes that provide people with the greatest benefit and satisfaction, given the limited options they have available.
- ❖ Rational choice theory is based on the assumption of involvement from rational actors. Rational actors are the individuals in an economy who make rational choices based on calculations and the information that is available to them. Rational actors form the basis of rational choice theory. Rational choice theory assumes that individuals, or rational actors, try to actively maximize their advantage in any situation and, therefore, consistently try to minimize their losses.



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 : 85.7090
INR / 1 GBP : 107.2631
INR / 1 EUR : 88.7597
INR /100 JPY: 54.5100

EQUITY MARKET

Sensex: 78507.41 (+368.40)
NIFTY: 23742.90 (+98.10)
Bnk NIFTY: 51060.60 (+200.40)

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