



**THE INSTITUTE OF
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DAILY NEWS DIGEST BY BFSI BOARD

December 30, 2022

INDIA'S CURRENT ACCOUNT DEFICIT SURGES TO ALL-TIME HIGH OF \$36.4 BILLION IN JULY-SEPTEMBER:

India's current account deficit (CAD) surged to an all-time high of \$36.4 billion in July-September, data released on December 29 by the Reserve Bank of India (RBI) showed. The latest CAD figure is double the \$18.2 billion posted in April-June and nearly four times of what it was in the second quarter of FY22. The previous record for the highest CAD was \$31.77 billion, posted in the third quarter of 2012-13. For 2021-22 as a whole, the CAD was \$38.77 billion. "Underlying the current account deficit in Q2:2022-23 was the widening of the merchandise trade deficit to \$83.5 billion from \$63.0 billion in Q1:2022-23 and an increase in net outgo under investment income," the RBI said in a statement. As a percentage of GDP, India's July-September CAD is 4.4 percent as against 2.2 percent in April-June and 1.3 percent in July-September 2021. For the half-year ended September, the deficit is 3.3 percent of GDP, sharply higher than the 0.2 percent in April-September 2021.

(Moneycontrol)

BAD LOANS OF BIG COOPERATIVE BANKS WORSENERD IN SEPTEMBER: Bad loans of bigger co-operative banks worsened in September 2022, the Reserve Bank of India (RBI)'s Financial Stability Report (FSR) showed on December 29. According to the report, the GNPA ratios of UCBs, which had a significant improvement in March 2022, worsened for such banks. GNPA ratios for scheduled urban cooperative banks rose to 9.1 percent from 7.5 percent and for non-scheduled urban cooperative banks rose to 15.8 percent from 11.6 in September 2022. Also, the net non-performing assets (NNPA) ratios also deteriorated in H1:2022-23 to 4.1 percent and 9.5 percent respectively, the RBI report showed. Despite an increase in provisions, there was a decline in the provisioning coverage ratio (PCR) of NSUCBs and SUCBs to 47.3 percent and 59.9 percent, respectively, the report showed. Further, the report noted that the concomitant rise in capital to risk-weighted assets ratio (CRAR) and decline in PCR indicate lower provisioning relative to GNPA.

(Moneycontrol)

HIGHLIGHTS OF RBI FINANCIAL STABILITY REPORT, DECEMBER 2022:

Reserve Bank released the 26th issue of the Financial Stability Report (FSR), which reflects the collective assessment of the Sub-Committee of the Financial Stability and Development Council (FSDC) on risks to financial stability and the resilience of the financial system. The highlights of the report are hereunder;

- The global economy is facing formidable headwinds with recessionary risks looming large. The interplay of multiple shocks has resulted in tightened financial conditions and heightened volatility in financial markets.



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- Buoyant demand for bank credit and early signs of a revival in investment cycle are benefiting from improved asset quality, return to profitability and strong capital and liquidity buffers of scheduled commercial banks (SCBs).
- The gross non-performing asset (GNPA) ratio of scheduled commercial banks (SCBs) fell to a seven-year low of 5.0 per cent and net non-performing assets (NNPA) have dropped to ten-year low of 1.3 per cent in September 2022.
- Macro stress tests for credit risk reveal that SCBs would be able to comply with the minimum capital requirements even under severe stress scenarios. The system-level capital to risk weighted assets ratio (CRAR) in September 2023, under baseline, medium and severe stress scenarios, is projected at 14.9 per cent, 14.0 per cent and 13.1 per cent, respectively.

(RBI Press Release)

IN A RELIEF FOR INDIA INC, MCA EXTENDS VIRTUAL AGMS TILL

SEPTEMBER 2023: In what could be a relief for India Inc, the Corporate Affairs Ministry has now allowed Companies whose Annual General Meetings (AGMs) are due in the year 2023 to hold them through Video Conference (VC) mode till September 30 next year. The MCA, in a separate move, has allowed companies to hold their extraordinary general meetings (EGMs) via video conference and transact items through postal ballot till end September next year.

(Business Line)

AGRICULTURE GVA GROWTH LIKELY AT 3.9% IN FY23: ICRA: India's agricultural GVA growth is likely to be 4 per cent during third quarter (October-December) of current fiscal, but may slide to a record 3 per cent growth in next quarter. Improved fertiliser availability and healthy reservoir storage levels along with a likely increase of rabi sowing areas by 1-2 per cent from year-ago level will help the farm sector's overall growth, according to a report by rating agency ICRA.

(Business Line)

PUNJAB & SIND BANK, SBI CARD LAUNCH CO-BRAND CREDIT CARDS:

Punjab & Sind Bank has partnered with SBI Card, the country's largest pure-play credit card issuer, to launch co-brand credit cards for the bank's customers. This collaboration also marks the entry of PSB into 'credit cards' as a new product segment under the bank's portfolio. Both partners have rolled out three card variants PSB SBI Card ELITE, PSB SBI Card PRIME, and PSB SimplySAVE SBI Card

(Business Line)

SMALL FINANCE BANKS SEE HIGHEST CREDIT GROWTH IN Q2 VIS-A-VIS

PRIVATE BANKS, PSBS, FOREIGN BANKS, OTHERS: Small finance banks (SFBs) have reported the highest credit growth of 37.6 per cent in the second quarter (July-



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September) of the current fiscal from the year-ago quarter among other banks, according to a report by the credit rating agency CareEdge Ratings on Thursday. Compared to SFBs, private banks recorded 20.9 per cent credit growth in Q2 FY23 from Q2 FY22 while public sector banks (PSBs) saw 15 per cent growth and foreign banks reported 13.8 per cent growth. Regional rural banks settled Q2 with 12.5 per cent credit growth from the year-ago quarter. Likewise, in terms of deposits as well, SFBs led the tally with 45.5 per cent growth in Q2 FY23 from Q2 FY22 vis-a-vis 12.9 per cent growth in deposits for private banks, 9.5 per cent growth for foreign banks, 8 per cent growth for PSBs, and 5.6 per cent growth for regional rural banks.

(Financial Express)

BANKS USE QUALITY LIQUID ASSETS TO FUND CREDIT GROWTH: RBI

REPORT: The decadal high credit growth amid slow deposit accretion and tight liquidity conditions have meant that banks are drawing down their high-quality liquid assets (HQLAs) to fund the demand for credit in the economy, the Reserve Bank of India's (RBI) Financial Stability Report said. This is evident from the fact that the liquidity coverage ratio (LCR) has come down from a high of 173 per cent as of September 2020 to 135.6 per cent as of September 2022. It, however, still remains comfortably above the minimum regulatory requirement of 100 per cent. Incidentally, the LCR of private banks have fallen more than public sector banks and foreign banks. According to the RBI data, bank credit has grown at 17.4 per cent year-on-year (YoY) as on December 16, 2022 while deposits growth moderated to 9.4 per cent during the same period.

(Business Standard)

ICICI PRUDENTIAL LIFE INSURANCE'S ASSET UNDER MANAGEMENT

CROSSES RS 2.5 TRN: Private insurer ICICI Prudential Life Insurance Company's assets under management (AUM) have crossed Rs 2.5 trillion mark, the company said in a release. According to the statement, it was the company's customer-centric products, increase in new business premium, industry-leading persistency ratios, customer service, and risk-adjusted returns that contributed to building the AUM.

(Business Standard)

INDIA'S EXTERNAL DEBT DECLINES BY USD 2.3 BILLION IN Q2 FY23: India's external debt stood at USD 610.5 billion in the second quarter of 2022-23, down by USD 2.3 billion from end-June 2022, the finance ministry said on Thursday. The external debt to GDP ratio stood at 19.2 per cent as at end-September 2022 as compared to 19.3 per cent at end-June. "At end-September 2022, India's external debt was placed at USD 610.5 billion, recording a decrease of USD 2.3 billion over its level at end-June 2022," it said.

(Economic Times)



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ILLEGAL FOR BANKS, NBFCS TO OFFER LOANS FOR TUITION VIA EDTECH FIRMS LIKE BYJU'S, CLARIFIES NCPCR CHIEF:

As per RBI guidelines on education loans, there is no provision to allow loans to parents for tuition of their children and, therefore, it is illegal for financial institutions to get into corporate tie-ups with edtech platforms like BYJU's to enable such loans, Priyank Kanoongo, head of National Commission for Protection of Child Rights (NCPCR), said

(Business Today)



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FINANCIAL TERMINOLOGY/CONCEPTS

ARBITRAGE

- ❖ Buying an asset in one market and simultaneously selling an identical asset in another market at a higher price. Sometimes these will be identical assets in different markets, for instance, shares in a company listed on both the London Stock Exchange and New York Stock Exchange. Often the assets being arbitrated will be identical in a more complicated way, for example, they will be different sorts of financial securities that are each exposed to identical risks.
- ❖ Some kinds of arbitrage are completely risk-free-this is pure arbitrage. For instance, if EUROS are available more cheaply in dollars in London than in New York, arbitrageurs (also known as arbs) can make a risk-free PROFIT by buying euros in London and selling an identical amount of them in New York. Opportunities for pure arbitrage have become rare in recent years, partly because of the GLOBALISATION of FINANCIAL MARKETS. Today, a lot of so called arbitrage, much of it done by hedge funds, involves assets that have some similarities but are not identical. This is not pure arbitrage and can be far from risk free.
- ❖ The arbitrage pricing theory says that the price of a financial asset reflects a few key risk factors, such as the expected rate of interest, and how the price of the asset changes relative to the price of a portfolio of assets. If the price of an asset happens to diverge from what the theory says it should be, arbitrage by investors should bring it back into line.



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RBI KEY RATES

Repo Rate: 6.25%
SDF: 6.00%
MSF & Bank Rate: 6.50%
CRR: 4.50%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 82.8346
INR / 1 GBP : 99.7213
INR / 1 EUR : 88.0040
INR /100 JPY : 62.0000

EQUITY MARKET

Sensex: 61133.88 (+223.60)
NIFTY : 18191.00 (+68.50)
Bnk NIFTY: 43252.30 (+424.60)

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**
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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)**

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CMA Chittaranjan Chattopadhyay

Chairman,

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