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## **DAILY NEWS DIGEST BY BFSI BOARD**

**31 December 2024**



### **ECONOMY**

**Real GDP growth to recover in Q3, Q4 of FY25, says RBI's report:** The real Gross Domestic Product (GDP) growth is expected to recover in the third and fourth quarter of the current financial year on back of pick up in domestic drivers, mainly public consumption and investment, strong service exports and easy financial conditions, the Reserve Bank of India's (RBI) Financial Stability Report said. "Despite this recent deceleration, structural growth drivers remain intact. Real GDP growth is expected to recover in Q3 and Q4 of 2024-25," the report said. During H1:2024-25, real GDP growth (y-o-y) moderated to 6.0 percent from 8.2 percent and 8.1 percent growth recorded during H1 and H2 of 2023-24, respectively. India's GDP growth slumped to its lowest level in seven quarters at 5.4 percent in the second quarter of FY25.

***(Moneycontrol)***

**Centre's fiscal deficit in FY25 may be a tad lower than the budgeted 4.9% of GDP:** Amidst challenging economic conditions, the Centre is likely to have some cheer on its fiscal management with its fiscal deficit seen to be a tad better than the budgeted 4.9% of GDP for the current fiscal year 2024-25. This is also likely to help the Centre keep its fiscal deficit target for 2025-26 at an ambitious 4.3%. According to sources, tax collections, particularly of the goods and services tax, have been doing well in the current fiscal while direct tax collections have also been robust, despite a slight slowdown in the corporate tax mop-up. It is expected that at least income tax collections could exceed the Budgeted target of Rs 11.87 lakh crore for the fiscal.

***(Business Today)***

**India's BoP strengthened by robust inflows from NRI deposits, external commercial borrowing in last quarter: Report:** India's Balance of Payments (BoP) saw a significant improvement in the second quarter driven by strong inflows from Foreign Portfolio Investments (FPIs), External Commercial Borrowings (ECBs), and Non-Resident Indian (NRI) deposits, according to a report by Bank of Baroda. The report highlighted a notable increase in the capital account



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surplus, which rose to \$11.9 billion in Q2 FY25 from \$10.3 billion in Q2 FY24. It said "India's balance of payments recorded an accretion of \$18.6 bn in Q2 FY25, compared with \$2.5 bn in Q2 FY24. This was supported by robust inflows from FPIs, ECBs and NRI deposits".

***(Business Line)***

**External debt rises to \$711.8 billion as of Sep, 4.3% up from June: FinMin:** India's external debt rose to \$ 711.8 billion as of September this year, up 4.3 per cent over June 2024, as per the data released by the Finance Ministry. At the end of September 2023, the external debt stood at \$ 637.1 billion. In September 2024, India's external debt was placed at \$711.8 billion, recording an increase of \$29.6 billion over its level at June-end 2024, India's Quarterly External Debt Report said. The external debt to GDP ratio stood at 19.4 per cent in September 2024 against 18.8 per cent as of June 2024, it added.

***(Business Standard)***

## **BANKING & FINANCE**



**Introduction of beneficiary bank account name look-up facility for RTGS and NEFT Systems:** To ensure that remitters using RTGS and NEFT systems can verify the name of the bank account to which money is being transferred before initiating the transfer and thereby avoid mistakes and prevent frauds, a solution for fetching the beneficiary's name is being implemented. Based on the account number and IFSC of the beneficiary entered by the remitter, the facility will fetch the beneficiary's account name from the bank's Core Banking Solution (CBS). This facility shall be made available to remitters through Internet banking, Mobile banking and also be available to remitters visiting branches for making transactions. All banks who are direct members or sub members of RTGS and NEFT are advised to offer this facility no later than April 1, 2025.

***(RBI Press Release)***

**RBI Governor Sanjay Malhotra projects bright economic outlook for 2025 amid criticism:** After facing criticism for prioritising inflation control over economic growth, the Reserve Bank of India's (RBI) new Governor, Sanjay Malhotra, expressed optimism about India's economic prospects for 2025. In his foreword to the Financial Stability Report released on Monday, Malhotra highlighted robust consumer and business confidence as pivotal drivers of the country's economic progress. "Consumer and business confidence for the year ahead remain high and the investment



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scenario is brighter as corporations step into 2025 with robust balance sheets and high profitability,” said Malhotra who took over as 26th Governor earlier this month, as PTI reported.

***(Financial Express)***

**Gross NPAs of banks decline to 12-year low of 2.6%: RBI report:** The Reserve Bank on Monday said asset quality of banks improved further and their gross non-performing assets (GNPA) or bad loans ratio declined to a 12-year low of 2.6 per cent in September 2024 on the back of falling slippages and steady credit demand. The RBI also flagged concern over a sharp rise in write-offs, especially among private sector banks (PVBs), which could be partly masking worsening asset quality in unsecured lending segment and dilution in underwriting standards.

***(Economic Times)***

**Private banks outrun public sector peers in priority lending benchmarks:** For the first time, private sector banks as a group met priority sector lending targets, including sub-targets for major heads in 2023-24, particularly in agriculture, according to central bank data. Although all bank groups managed to achieve their stipulated overall targets and sub-targets, private sector banks did better than their public sector peers.

***(Economic Times)***

## INDUSTRY OUTLOOK



**Adani Enterprises to exit FMCG business:** Adani Enterprises Limited (AEL) will exit from Adani Wilmar, the FMCG joint venture between its subsidiary Adani Commodities LLP (ACL) and Wilmar International owned Lence Pte (Lence), to focus investments on its core infrastructure business, the firm said in an exchange filing on Monday. The divestment of its share in Adani Wilmar will raise \$2billion for the Adani Group flagship AEL, which it said will be used to “turbocharge its investments in the core infrastructure platforms in energy & utility, transport & logistics and other adjacencies”.

***(Financial Express)***

**Health insurance payouts fall short: Only 71.3% of claims settled in FY24:** Health insurance companies in India paid out 71.3% of the ₹1.2 lakh crore in health insurance claims filed during the 2023-24 financial year, according to data from the Insurance Regulatory and Development Authority of India (IRDAI). Insurers received over 3 crore new claims totaling ₹1.1 lakh crore and



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faced an additional ₹6,290 crore in outstanding claims from previous years. Nearly 2.7 crore claims, worth ₹83,493 crore, were paid. This represents 82% of the claims by volume and 71.3% by value .

***(Economic Times)***

**NBFCs' loan growth moderates significantly to 6.5% in H1FY24: RBI report:** Non-banking financial companies (NBFCs) remain healthy with substantial capital buffers, robust interest margins, strong earnings, and improving asset quality, according to the Reserve Bank of India (RBI). Loan growth in the shadow banking sector moderated significantly to 6.5 per cent on a half-year-on-half-year (HoH) basis in September 2024, following the RBI's decision to increase risk weights on NBFC lending to specific consumer credit categories and on bank lending to NBFCs, as detailed in the Financial Stability Report.

***(Business Standard)***



## REGULATION & DEVELOPMENT

**DFS, GIC and LIC pitches for GST rate rejig on insurance premia but with ITC:** As the Group of Ministers (GoM) get ready for another round of discussions, three key stakeholders, Financial Services Department, GIC and LIC support lowering GST on insurance premia but with input tax credit (ITC). According to sources, GoM received references from various stakeholders. Financial Services Department made a case for cutting GST on individual health insurance and individual term life insurance premia to 5 per cent with input tax credit (ITC). General Insurance Corporation suggested cutting GST on health insurance premia to 12 per cent with ITC. In its submission, LIC did not mention any specific rate, though it said "ITC should be available if GST on term life insurance is rationalised." As on date, the premia for health insurance, term and unit-linked insurance plans attracts 18 per cent GST. On endowment plans, the GST is applied differently. While it is 4.5 per cent for premium paid during the first year, it is 2.25 per cent from the second year. For life insurance in the form of single premium annuity policies, the GST rate is 1.8 per cent. Rates are the same for all age groups

***(Business Line)***

**Government extends deadline for direct tax Vivad Se Vishwas Scheme:** The Central Board of Direct Taxes (CBDT) on Monday announced an extension of the deadline for taxpayers participating in the Vivad Se Vishwas scheme. Initially set for December 31, 2024, the new deadline is now January 31, 2025. The CBDT stated that the extension allows taxpayers additional time to





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determine the amount payable as specified in column (3) of the relevant table in the scheme. In her Budget 2024 speech, Union Finance Minister Nirmala Sitharaman announced the Vivad Se Vishwas scheme, aimed at helping taxpayers resolve disputes with the income tax department. The scheme enables taxpayers to settle their outstanding tax liabilities by paying the disputed amount along with a specified percentage.

**(Business Standard)**



## ON-US & OFF-US TRANSACTION

- ❖ An on-us transaction is a payment made at a bank or financial institution's own terminal, while an off-us transaction is a payment made at a different bank's terminal.
- ❖ **On-us transaction:** The issuing and acquiring banks are the same, so the transaction is processed internally. This means there are fewer or no charges for the cardholder or the financial institution because no external entity is involved. On-us transactions are often quicker to process because they don't involve an interbank network..
- ❖ **Off-us transaction:** The issuing and acquiring banks are different, so funds are moved between banks and an interbank settlement is required. Off-us transactions may incur fees, especially when using ATMs owned by other banks. There may also be security risks associated with using ATMs or payment terminals outside of one's bank, such as card skimming or fraud.



**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 : 85.4655  
INR / 1 GBP : 107.5686  
INR / 1 EUR : 89.1360  
INR /100 JPY: 54.1000

**EQUITY MARKET**

Sensex: 78248.13 (-450.90)  
NIFTY: 23644.90 (-168.50)  
Bnk NIFTY: 50952.75 (-358.55)

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