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DAILY NEWS DIGEST BY BFSI BOARD

04 March 2025



ECONOMY

Centre to limit borrowing to fund effective capex from FY27; prods states to reduce revenue expenditure: The Union government is prodding states to lower their partiality towards revenue expenditure while also planning to entirely link the amount it will borrow from the bond market to its outlays for effective capital expenditure from FY27 onwards. The decision of choosing the debt-to-GDP ratio as a fiscal anchor from FY27 onwards has raised hopes for a sovereign rating upgrade. However, since international rating agencies look at the overall debt levels, efforts are underway to nudge states to follow suit. These efforts come amid plans to bring down the overall debt-to-GDP ratio of the Centre and states by improving the quality of expenditure by tempering Centre's borrowings from the market. The Indian government aims to reduce its debt-to-GDP ratio from the current 57.1 percent to 50 percent by March 31, 2031. In FY26, the Centre will borrow Rs 14.82 lakh crore from the bond market in gross terms, while the government's effective capital expenditure is projected at Rs 15.48 lakh crore. The Centre on its part has already taken steps in this regard by narrowing the gap between effective capital expenditure and the borrowing number to only Rs 21,000 crore for FY 26.

(Moneycontrol)

Government in 'wait and watch mode' as markets continue to tumble: There is a growing clamour for the government to intervene to arrest the fall in the equity markets. Some of the measures in the wish-list include a possible cut or abolishing of the long-term capital gains tax. There have also been renewed calls to reduce or even scrap the securities transaction tax (STT). However, government sources say that they are in a 'wait and watch mode' and are not planning any immediate interventions. "We expect the markets to recover in six weeks or so and any tax-related changes would have been announced in the budget," a source told. There is a 0.1% STT levied on purchase of equity share. Long Term Capital Gains tax is a tax levied on profits earned from the sale or transfer of certain long term assets such as stocks, real estate, mutual funds and so on. As of July 2024, a



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uniform 12.5% tax rate applies to long-term capital gains across all asset classes, regardless of indexation benefits.

(Moneycontrol)

India's factory activity growth dips to 14-month low in Feb due to cooling demand:

India's manufacturing activity grew at its weakest pace in over a year last month due to cooling demand, but employment generation rose at a healthy pace and inflation eased, a private survey showed on Monday. The softer manufacturing data suggests the growth rebound in Asia's third-largest economy may be short-lived after the government said gross domestic product expanded 6.2% last quarter from 5.6% in the previous one. Goods production, which accounts for less than a fifth of overall output grew 3.5% in October-December, only a slight rise from 2.2% in the previous quarter.

(Economic Times)

BANKING & FINANCE



Private banks more successful than PSU banks in attracting deposits this fiscal: Private banks have been more successful in attracting deposits compared to state-run lenders so far this fiscal, an IIFL Capital report has said on March 3. Further analysis of the deposit mobilization data has shown that deposit growth of private banks remained in the range of 5-29 percent during the December quarter, as compared to 4-15 percent by PSU banks in Q3FY25. “With private banks making inroads into semi-urban and rural (SURU) and weakening government business, their deposit/CASA growth is 1.7-2x of PSU banks,” said the report, quoting Rikin Shah, analyst with IIFL Capital. Among private banks, IDFC First Bank registered a growth of over 29 percent on-year in deposits during Q3FY25, followed by 20-22 percent growth by CSB Bank, DCB Bank, and Bandhan Bank, according to data from ACE Equities.

(Moneycontrol)

Paytm made investments in Singapore without reporting to RBI, says ED: Paytm's parent company, One 97 Communication (OCL), allegedly made certain foreign investments in Singapore without informing India's banking regulator, the Reserve Bank of India (RBI), reported the news agency PTI on Monday, March 3. According to the investigation, the Enforcement Directorate (ED) alleged that they found OCL “did not” file the necessary reporting meant to be filed with the national banking regulator RBI for the creation of a step-down subsidiary firm.

(Mint)



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Credit monitoring by women up 42% in 2024: Credit monitoring by women in India increased by 42% in 2024, with a significant rise in credit penetration among semi-urban and rural areas and borrowers under 30. The number of women availing credit grew primarily for consumption loans, though business loans also saw substantial growth, indicating increased financial participation and entrepreneurship among women.

(Economic Times)

Woman credit seekers up 3x in 5 years, says Niti Aayog & Cibil report: The number of women borrowers availing of retail credit in India has increased at a compound annual growth rate (CAGR) of 22 per cent between 2019 and 2024, nearly trebling during this period, according to a report by India's official policy think tank, NITI Aayog, and credit information company TransUnion Cibil, released on Monday. The report said this reflects a major shift in financial behaviour, with women increasingly leveraging credit to meet personal and professional goals.

(Business Standard)

INDUSTRY OUTLOOK



London court directs ex-Aircel promoter Sivasankaran to pay IDBI Bank ₹1,250 crore:

A London court has ruled in favour of IDBI Bank, directing a firm linked to former Aircel promoter Chinnakannan Sivasankaran to pay \$143.7 million (about ₹1,250 crore) towards principal and interest on a defaulted loan. The dispute stems from a \$67 million loan taken in 2014 by Axcel Sunshine Ltd, a British Virgin Islands-based subsidiary of Siva Industries and Holdings Ltd. Siva Industries had provided a letter of comfort for the loan, which was issued by the now-defunct Dubai International Financial Centre branch of IDBI Bank.

(Mint)

Tata Capital targets \$11 billion valuation in India's biggest IPO: Tata Group is aiming for a valuation of up to \$11 billion for its financial services arm, Tata Capital, in what could be India's largest initial public offering (IPO) of the year, Bloomberg reported, citing sources. The IPO could raise as much as \$2 billion, with the company's board recently approving the listing of up to 230 million shares alongside an offer for sale by existing shareholders. Additionally, Tata Capital has announced a rights issue of up to ₹1,504 crore (\$172 million). Tata Capital, a non-banking financial company (NBFC), specialises in providing loans and financial services to customers with limited



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access to traditional banking. With over 900 branches across India, it plays a crucial role in expanding financial inclusion. Despite market fluctuations, India's IPO market remains active, with several major firms preparing to go public. LG Electronics India is planning a \$1.5 billion IPO, while Prudential Plc has hired banks to explore a potential \$1 billion listing of its Indian unit. Last year, Hyundai Motor India Ltd successfully raised \$3.3 billion in its IPO.

(Business Today)

Government Scales Up PLI Budget to Accelerate Manufacturing: India's manufacturing sector is undergoing a transformative shift, driven by visionary policies aimed at redefining its global standing. At the heart of this transformation is the Production Linked Incentive (PLI) Scheme, a cornerstone of the government's strategy to establish India as a global manufacturing powerhouse while promoting innovation, efficiency, and competitiveness across key industries. In a strong push to accelerate industrial growth, the Government has significantly increased budget allocations for key sectors under the PLI Scheme in 2025-26, reaffirming its commitment to strengthening domestic manufacturing. Several sectors have witnessed substantial hikes, with allocations for Electronics and IT Hardware soaring from ₹5,777 crore (revised estimate for 2024-25) to ₹9,000 crore, and Automobiles and Auto Components seeing a remarkable jump from ₹346.87 crore to ₹2,818.85 crore. The Textile sector has also received a major boost, with its allocation surging from ₹45 crore to ₹1,148 crore.

(PiB)



REGULATION & DEVELOPMENT

Sebi brings in stricter disclosure norms for IPO-bound companies: The Securities and Exchange Board of India (Sebi) has introduced stricter Key Performance Indicator (KPI) disclosures for initial public offers (IPOs). These new standards, developed in collaboration with industry associations, aim to enhance transparency and provide investors with a clearer understanding of a company's valuation and business performance. The guidelines, issued by the Industry Standards Forum, mandate unambiguous definitions of KPIs, inclusion of non-traditional financial metrics relevant to valuation, and enhanced oversight by the audit committee and board of directors. Effective April 1, investment bankers and issuer companies must comply with these standards, ensuring proper disclosure of KPIs in draft and final offer documents.

(Business Standard)



NITI Aayog plans policy for medium-size firms to aid their growth: The NITI Aayog is formulating a policy to help medium enterprises become large companies, shedding their current inhibition about losing incentives meant for micro, small and medium enterprises (MSMEs). “The government schemes mostly fit micro and small enterprises, while medium enterprises are missing out. We need a policy that encourages these medium enterprises. Why should we have only 10 Indian multinationals? Why not 100?” a government official asked.

(Business Standard)

Sebi extends deadline for reporting differential rights issues by AIFs: Markets regulator Sebi on Monday extended the deadline by a month to March-end for reporting differential rights issues by Alternative Investment Funds (AIFs). A one-time reporting requirement was set for AIFs that filed their Private Placement Memorandum (PPM) with Sebi on or after March 1, 2020, and issued differential rights outside the standard guidelines. This report was initially due by February 28, 2025. Following the requests for more time from the AIF industry, the deadline has been extended to March 31, 2025, the Securities and Exchange Board of India (Sebi) said in a circular. Earlier, the regulator amended the AIF Regulations, 2012 in November regarding investor rights in AIF schemes. Thereafter in December, laid out guidelines for AIFs offering differential rights to certain investors.

(Business Standard)



FINANCIAL TERMINOLOGY

DeFi (decentralized finance)

- ❖ Decentralized Finance (DeFi) is a new financial paradigm that leverages distributed ledger technologies to offer services such as lending, investing, or exchanging crypto assets without relying on a traditional centralized intermediary.
- ❖ The fact that DeFi components can be programmed may open up new possibilities for more competitive financial markets, and could bring efficiency gains. However, DeFi introduces enormous technological and economic complexity that makes it increasingly difficult to assess the risks and potential of DeFi financial products. But financial institutions and regulators dealing with DeFi need just such a systematic evaluation of these factors.



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- ❖ A range of DeFi protocols implements these services as a suite of smart contracts, ie software programs that encode the logic of conventional financial operations. Instead of transacting with a counterparty, DeFi users thus interact with software programs that pool the resources of other DeFi users to maintain control over their funds.
- ❖ DeFi's core premise is that there is no centralized authority to dictate or control operations. It's a different approach than the traditional models of finance for fiat currency or centralized finance (CeFi) within the cryptocurrency markets. With centralized models, there is a core foundational authority that can influence and control the flow of transactions. The central authority often is also responsible for custody of assets.
- ❖ In the DeFi model, all transactions for buying, selling, loans and payments with cryptocurrency can occur without a central authority in a peer-to-peer (P2P) approach.



RBI KEY RATES

Repo Rate: 6.25%
SDF: 6.00%
MSF & Bank Rate: 6.50%
CRR: 4.00%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 87.3314
INR / 1 GBP : 110.0690
INR / 1 EUR : 90.9498
INR /100 JPY: 58.1000

EQUITY MARKET

Sensex: 73085.94 (-112.16)
NIFTY: 22119.30 (-5.40)
Bnk NIFTY: 48114.30 (-230.40)

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