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Telephones: +91-33- 2252-1031/1034/1035  
+ 91-33-2252-1602/1492/1619  
+ 91-33- 2252-7143/7373/2204  
Fax :+91-33-2252-7993  
+91-33-2252-1026  
+91-33-2252-1723

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

**06 August 2024**



## **ECONOMY**

### **Fear factor sets in as Dow, Nasdaq hit panic button, Indian markets in tense huddle:**

Global markets plummeted as fears of a slowing U.S. economy sparked investor panic, leading to one of the most volatile trading days on Wall Street in years. The Dow Jones Industrial Average plunged nearly 900 points, or 2.2%, while the S&P 500 fell 2.5%, and the Nasdaq dropped 2.9%. This turmoil extended to global markets, with Japan's Nikkei 225 suffering its largest single-day drop on record and cryptocurrencies like Bitcoin falling 7.4%. Analysts attribute the sell-off to worrisome economic data that pushed the Nasdaq into correction territory and disappointing financial results from the tech sector. In India, markets mirrored the global meltdown. The BSE Midcap index lost 3.6% while the BSE SmallCap fell 4.21%, and the Sensex dropped 2.74%. Both broader indices saw their steepest single-day decline since June 4. Despite strong gains over the past year, mid-cap and small-cap indices are now trading at expensive valuations, with potential signs of a reversal.

***(Business Today)***

### **52.81 crore PM Jan-Dhan accounts with deposit balance of Rs. 2,30,792 crore opened as on 19.07.2024 under PMJDY:**

The Government initiated the National Mission for Financial Inclusion (NMFI), namely, Pradhan Mantri Jan Dhan Yojana (PMJDY) in August, 2014 to provide universal banking services for every unbanked household based on the guiding principles of banking the unbanked, securing the unsecured, funding the unfunded and serving unserved and underserved areas. This was stated by Union Minister of State for Finance Shri Pankaj Chaudhary in a written reply to a question in Lok Sabha today. Since 14.08.2018, the objective of PMJDY has been to cover all unbanked adults, the Minister stated. The Minister further stated that the PMJDY has been successful in increasing banking penetration to promote financial inclusion across the country. A total of 52.81 crore Jan-Dhan accounts with a deposit balance of Rs. 2,30,792 crores have been opened as on 19.07.2024 under PMJDY. Out of the same, 29.37 crore (55.6%) Jan-Dhan accounts belong to



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women and about 35.15 crore (66.6 %) PMJDY accounts have been opened in rural and semi-urban areas.

**(PiB)**

## **BANKING & FINANCE**



**PSBs' net profit grows 16% to Rs 39,974 crore in Q1:** Public sector banks (PSBs) posted 16.1 per cent year-on-year (Y-o-Y) growth in net profit at Rs 39,974 crore during the June 2024 quarter. While net interest income (NII) showed subdued growth of 7.1 per cent, provisions and contingencies declined by 10.5 per cent Y-o-Y. This aided the bottom line to show steady growth. Sequentially, net profit declined by 6.7 per cent from Rs 42,847 crore in the March quarter, according to data compiled by BS Research Bureau for 12 listed PSBs.

**(Business Standard)**

**Public sector banks' NPAs on Mudra loans fall to 3.4 pc in 2023-24::** Public sector banks' non-performing assets associated with the Mudra loan category have declined to 3.4 per cent in the 2023-24 fiscal, Finance Minister Nirmala Sitharaman said on Monday. This marks an improvement from 4.77 per cent in 2020-21, 4.89 per cent in 2019-20, and 3.76 per cent in 2018-19, she said in response to a query in the Lok Sabha during the Question Hour. Sitharaman addressed questions regarding the NPA associated with Mudra loans, highlighting a significant reduction in NPA rates over the past few years. The finance minister informed the House that the NPA for public sector banks on Mudra loans has decreased to 3.4 per cent in the financial year 2023-24.

**(Economic Times)**

**RBI lays down regulatory principles for credit risk models:** Reserve Bank of India said on Monday that the entities it regulates will have to abide by certain broad principles when employing various credit models, as it attempts to ensure prudence and robustness in the use of these models. "Inherently, model outputs are exposed to uncertainties as they are based on assumptions which may not manifest in the envisaged ways and may take different forms in a real-world scenario," the RBI said. "This potentially exposes the regulated entities to model risk, which has implications on prudential aspects of credit risk management, compliance and reputational risk."

**(Economic Times)**



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**Private banks' CASA ratio dips in first quarter:** Private banks are grappling with declining current account-savings account (CASA) ratios as customers shift to fixed deposits (FDs) in search of higher interest rates. Private lenders have witnessed a decline of up to 370 basis points (bps) quarter-on-quarter in the CASA ratio during the first quarter of the current financial year. The decline is even steeper on a year-on-year basis, with the ratio dropping by up to 600 bps. As banks continue to raise interest rates on term deposits to attract customers, experts do not expect any relief for lenders in the next couple of quarters.

*(Financial Express)*

## INDUSTRY OUTLOOK



**LIC says its office in Bangladesh to remain closed till Aug 7:** Public sector LIC on Monday said its office in Bangladesh will remain closed till August 7. Over 100 people were killed in the last two days in fierce clashes between security forces personnel and anti-government protesters in different parts of Bangladesh, according to reports from Dhaka. In a regulatory filing, LIC said, "The office of LIC of Bangladesh Ltd will remain closed during the period from August 05, 2024 to August 07, 2024, due to the prevailing socio-political situation in Bangladesh." The government of Bangladesh has declared a curfew for 3 days from August 05, 2024, to August 07, 2024, LIC said.

*(Economic Times)*

**Google, Amazon, Walmart seek to join RBI's digital currency project:** GooglePay, Walmart-backed PhonePe and AmazonPay are among five payment firms seeking to join the Indian central bank's digital currency pilot by offering transactions via the e-rupee, three sources directly involved in the discussions said. Indian fintech firms Cred and Mobikwik are the other two that have applied to join the pilot, the sources added. The Reserve Bank of India (RBI) started a pilot for the e-rupee, a digital alternative to the physical currency, in December 2022. After an initial surge, e-rupee transactions have declined, reflecting the struggle central banks globally have faced in popularising digital currencies.

*(Economic Times)*



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## REGULATION & DEVELOPMENT

**Sebi unveils measures to check front running, insider trading at mutual funds:** In an effort to identify and deter instances of front-running and fraudulent transactions in securities at asset management companies, capital market regulator has put in place an 'institutional mechanism', a circular by Sebi said on August 5. The measures are aimed at curbing misconducts such as front running, insider trading, or misuse of sensitive information, putting the onus of responsible conduct on the CEO or managing director, and the Chief Compliance Officer of the AMC to implement the deterrence. AMCs shall also have to lay down written policies and take action in case of potential market abuse by employees and connected entities, and these policies will have to be approved by the board of the asset management company. Any potential market abuse will have to be dealt with sternly by the AMC, including suspension or termination of such persons/entities. The fund houses will have to implement a mechanism by way of alerts get automatically generated in the system, if there is any suspicious activity detected. SEBI has said that AMCs will need to record a list of such alerts, their observations and what they action they take. This report will be part of the mandatory half-yearly reports that AMCs give to SEBI.

***(Economic Times)***

**Govt collects Rs 8,263 cr towards GST on health insurance premium in FY'24:** The government has collected Rs 8,263 crore towards GST on health insurance premium in 2023-24 fiscal year, Parliament was informed on Monday. The Minister of State for Finance Pankaj Chaudhary said the government has received representations requesting for exemption or reduction in the rate of GST on life insurance and health insurance. Since its inception, GST @18 per cent rate is levied on premium paid towards health insurance, the Minister of State said in a written reply in the Lok Sabha. However, certain insurance schemes catering to poor sections of the society and differently-abled, such as Rashtriya Swasthya Bima Yojana (RSBY), Universal Health Insurance Scheme, Jan Arogya Bima Policy and Niramaya Health Insurance Scheme are exempt from GST.

***(Economic Times)***





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## FINANCIAL TERMINOLOGY

### SAHM RULE

- ❖ The Sahm Rule, developed by former Federal Reserve and White House economist Claudia Sahm, signals the onset of a recession when the three-month average unemployment rate rises 0.5 percentage points or more above its lowest point in the past year.
- ❖ The so-called Sahm Rule has observed without fail that the initial phase of a recession has started when the three-month moving average of the U.S. unemployment rate is at least half a percentage point higher than the 12-month low.
- ❖ The time-tested indicator, which is widely recognized for its simplicity and ability to quickly reflect the onset of a recession, was named after economist Claudia Sahm when it was first introduced as part of a policy proposal in 2019.
- ❖ A weaker-than-expected July 24 jobs report on Friday officially triggered the Sahm Rule. The data led investors to worry that the Federal Reserve may be behind the curve in cutting interest rates to fend off a recession.



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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 : 83.8390  
INR / 1 GBP : 106.7114  
INR / 1 EUR : 91.4387  
INR /100 JPY: 58.8200

### **EQUITY MARKET**

Sensex: 78759.40 (-2222.55)  
NIFTY: 24055.60 (-662.10)  
Bnk NIFTY: 50092.10 (-1258.05)

### **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.**

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### **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 2<sup>nd</sup> Edition)**
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### **TEAM BFSIB**

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