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DAILY NEWS DIGEST BY BFSI BOARD

07 May 2024



ECONOMY

GST helped States earn 24% more than the old regime, says FM Sitharaman: Finance Minister Nirmala Sitharaman said on Monday that states had received nearly 24 per cent more revenue from the GST in the last six years compared to the erstwhile Value Added Tax/Sales Tax system. “Without GST, states’ revenue from subsumed taxes from FY19 to 2023-24 would have been ₹37.5 lakh crore. With GST, states’ actual revenue amounted to ₹46.56 lakh crore,” she said on social media. The FM was underlining two major milestones -- First, collection from GST exceeded ₹2 lakh crore in April. Second, with the appointment of retired Justice Sanjaya Kumar Mishra as President, the formation of GST Appellate Tribunal (GSTAT) was set in motion. The FM said GST has improved tax buoyancy from 0.72 (pre-GST) to 1.22 (2018-23). Despite compensation ending, state revenues remain buoyant at 1.15.

(Moneycontrol)

6-week long national election leaves RBI with liquidity dilemma: The Reserve Bank of India is stepping in to ease banking system liquidity conditions as a national election that stretches over six weeks is hurting government spending despite strong tax collections. Voting in India's national elections began on April 19 and will conclude on June 1, with counting on June 4. Typically, government spending slows during polls and picks up only after a new government is in place and a budget is presented. On Friday, the government announced a surprise buyback of bonds worth Rs 40,000 crore, which will infuse funds into the banking system. Yields on bonds maturing in 2-5 years fell 3-5 basis points on Monday. Longer-term yields also cooled. The buyback of securities is a liquidity injecting tool, and will help in easing liquidity in the system, a source familiar with the government's thinking said.

(Business Line)

RBI should move forward on internationalisation of rupee: Subbarao: The Reserve Bank of India should move forward on further internationalisation of the rupee, says former RBI Governor



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Duvvuri Subbarao. It should be less interventionist in the foreign exchange market, Subbarao told businessline during a promotion drive for his latest book 'Just a Mercenary?—Notes from my life and career. "Many things have to fall in place for that to happen. One of the things we have to do is actually remove capital controls and RBI to become more hands off," he said. Subbarao also said there is a pressing need for the government and the financial sector regulators to do more to 'Demystify' the Budget and its economic policies at a level the general public can understand.

(Business Line)

BANKING & FINANCE



Include RRB pay revision in industry-level wage settlement, urges AIBEA: On the heels of the wage revision for commercial bank employees, the All India Bank Employees' Association (AIBEA) now wants the Finance Ministry to announce wage revision for the staff of Regional Rural Banks (RRBs). AIBEA has written a letter to Finance Minister Nirmala Sitharaman seeking her attention on the matter of RRB wage revision. Finance Minister has also been requested to advise the Department of Financial Services (DFS) in the finance ministry to issue the necessary notification for the same, Venkatachalam said. The recent Bipartite settlement involving bank employees was signed on March 8 this year.

(Business Line)

RBI may try use of CBDCs in CPs, CDs on pilot basis: Shaktikanta Das: RBI Governor Shaktikanta Das on May 6 said the central bank may try usage of Central Bank Digital Currency (CBDC) in commercial papers and certificates of deposits going forward on a pilot basis. "Going forward, other instruments like commercial papers and certificates of deposits will be tried out in the pilots along with securities tokenisation features," Das said during an interaction at BIS Innovation Summit 2024, at Basel, Switzerland. Das further said the central bank still see preference for UPI among the retail users over CBDCs. The RBI launched the wholesale pilot of CBDC on November 1, 2022, to settle trades of G-Secs using the digital rupee.

(Moneycontrol)

Indian Bank's Q4FY24 net profit jumps 55% to ₹2,247 crore; plans to hire 1,800 people: Indian Bank has shown strong growth in its earnings and profit, with a net profit increase of over 50% for the March 2024 quarter and the full fiscal year FY24. S L Jain, the Managing Director & CEO of



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the bank, credited the substantial increase in net profit to the growth in operating profit, increase in interest and non-interest income, and reduced provisions. The Chennai-headquartered bank has posted a net profit of ₹2,247 crore for the quarter ended March 31, 2024, compared with ₹1,447 crore in the year-ago quarter, an increase of 55 per cent. Operating profit of India Bank stood at ₹4,305 crore in Q4FY24 as against ₹4,016 crore in Q4 of FY23. Gross NPA was lower at 3.95 per cent in the March 2024 quarter compared with 4.47 per cent in the December 2023 quarter and 5.95 per cent in the March 2023 quarter. Net NPA remained below one per cent and stood at 0.43 per cent.

(Business Line)

FSIB meet on May 21-22 to select State Bank of India's next chief: The Financial Services Institutions Bureau (FSIB) is likely to meet on May 21-22 to recommend a candidate for the post of chairman of State Bank of India (SBI), said a person familiar with the matter. “The FSIB will conduct interviews for the SBI chairman position on May 21-22 as the tenure of the current chairman (Dinesh Kumar Khara) is scheduled to end by August this year,” said the source. The FSIB is an autonomous body responsible for making recommendations for appointing senior executives to public-sector financial institutions. Established in 2022, the bureau is headed by former Secretary of the Department

(Business Line)

ICICI Bank introduces UPI for NRIs through international mobile numbers: ICICI Bank has rolled out a new facility allowing its non-resident Indian (NRI) customers to make Unified Payments Interface (UPI) transactions in India using their international mobile numbers. The announcement, made on Monday, is expected to enhance the ease of everyday payments for NRIs. Previously, NRIs had to register an Indian mobile number with their Non-Resident External (NRE) or Non-Resident Ordinary (NRO) bank accounts to use UPI, limiting their ability to make payments conveniently. The new facility allows ICICI Bank's NRI customers to use their international mobile numbers registered with their NRE/NRO accounts for UPI payments. This change applies to customers residing in ten countries, including the USA, UK, UAE, Canada, Singapore, Australia, Hong Kong, Oman, Qatar, and Saudi Arabia.

(Economic Times)



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INDUSTRY OUTLOOK



PLI for all could hurt competitive export sectors: Panagariya: To the extent India's production-linked incentives (PLIs) are targeted at larger firms, rather than smaller, "inefficient" ones, these shouldn't be equated with indiscriminate protection for domestic industry, Arvind Panagariya, chairman of the 16th Finance Commission, said on Monday. He, however, cautioned that if the incentives were made available to "all sectors and everybody," with focus on import-substitution industries, it would amount to "punishing competitive export industries". "If we use PLIs selectively to promote two or three sectors, that's one thing. But, if (these are used as tool for) overall industrialisation, I think that's a hard thing to do. The capital is limited... the whole industry or sectors you can't expand by subsidising everybody. You have to ultimately rely on expansion of the industry into the global market place," the noted trade economist told FE in an interview.

(Financial Express)

Blackstone in talks to acquire Adani Realty's BKC office tower for Rs 2,000 cr: Blackstone Group is in advanced talks to buy Adani Realty's commercial real estate project Inspire BKC, situated on the edge of Mumbai's bustling business district Bandra-Kurla Complex (BKC). The US-based private equity major is expected to shell out between Rs 1,800 crore to Rs 2,000 crore for the office tower with 800,000 sq ft space, they said. Adani Group's real estate development arm has been exploring monetisation of this 10-storey office tower for the last few years and held discussions with global and domestic investors including Brookfield India and Shapoorji Pallonji Investment Advisors.

(Business Standard)

Central PSUs' buys from GeM rise by 36%, exceed target: India's Central Public Sector Enterprises (CPSEs) continued to bolster economic activity, exceeding the mandated procurement from Micro, Small, and Medium Enterprises (MSMEs) by 36.34% in the Financial Year 2024, surpassing the required 25%. In total, 54 CPSEs and five government departmental entities, including the Railways Board and the National Highways Authority of India, procured goods through Government e-marketplace (GeM), amounting to ₹2.62 lakh crore by March 31, 2024.

(Economic Times)



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REGULATION & DEVELOPMENT

Sebi no to market hour extension proposal due to lack of consensus: NSE: The Securities and Exchange Board of India (Sebi) has returned the proposal by the National Stock Exchange (NSE) for market time extension in the derivatives segment due to a lack of consensus among the broker community. The NSE filed a plea with the market regulator to keep the derivatives market open for three extra hours between 6 pm and 9 pm to help market participants gauge and act on global news flows in the evening. However, not all stock brokers have been inclined to support this, owing to additional costs.

(Business Standard)

CBDC pilot programmes for CPs, CDs likely: RBI governor Shaktikanta Das: The Reserve Bank of India (RBI) may start a pilot programme for the wholesale segment of Central Bank Digital Currency (CBDC) in commercial papers (CPs) and certificates of deposits (CDs), said Governor Shaktikanta Das on Monday. Das said the daily retail transaction volume of CBDC through interoperability with the United Payments Interface (UPI) has reached one million a day but retail users continue to show a strong preference for the UPI. He said a more extensive volume of transactions is required to fully grasp the broader economic impact of CBDC, particularly on monetary policy and the banking sector. Das added that permanent deletion of transactions can make the e-rupee or the CBDC anonymous and at par with paper currency. "Anonymity can be addressed through legislation and/or through technology. For example, through permanent deletion of transactions," Das said. "The basic principle is that CBDC can have the same degree of anonymity as cash, no more and no less," he added.

(Business Standard)



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FINANCIAL TERMINOLOGY

TREATY REINSURANCE

- ❖ When an insurance company enters into a reinsurance contract with another insurance company, then the same is called treaty reinsurance.
- ❖ In the case of treaty reinsurance, the company that sells the insurance policies to another insurance company is called ceding company. Reinsurance frees up the capital of the ceding company and helps augment the solvency margin. It also enables the ceding company to increase the underwriting abilities by reducing the underwriting costs. Under treaty reinsurance, the reinsurer assumes the insurance liability. However, in the event of a default by the reinsurer, the onus of settling the claims falls on the ceding company.
- ❖ Facultative reinsurance and reinsurance treaties are two types of reinsurance contracts. When it comes to facultative reinsurance, the main insurer covers one risk or a series of risks held in its own books. Treaty reinsurance, on the other hand, is insurance purchased by an insurer from another company. With facultative reinsurance, the reinsurer can review the risks involved in an insurance policy and either accept or reject them. But the reinsurer in a treaty reinsurance policy, on the other hand, generally accepts all the risks involved with certain policies.



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 : 83.4725
INR / 1 GBP : 104.7836
INR / 1 EUR : 89.8309
INR /100 JPY: 54.2800

EQUITY MARKET

Sensex: 73895.54 (+17.39)
NIFTY: 22442.70 (-33.15)
Bnk NIFTY: 48895.30 (-28.25)

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