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

**09 August 2024**



## **ECONOMY**

**RESOLUTION OF THE MONETARY POLICY COMMITTEE (MPC) AUGUST 6 TO 8, 2024:** The Monetary Policy Committee (MPC) at its meeting today (August 8, 2024) decided to:

- ❑ Keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at **6.50 per cent**.
- ❑ Consequently, the **SDF** rate remains unchanged at **6.25** per cent and the **MSF rate and the Bank Rate at 6.75** per cent.
- ❑ These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth.

### **OUTLOOK**

- ❑ The global economic outlook remains resilient although with some moderation in pace. Inflation is retreating in major economies but services price inflation persists.
- ❑ Domestic economic activity continues to sustain its momentum. After a weak and delayed start, the cumulative southwest monsoon rainfall has picked up with improving spatial spread. By August 7, 2024, it was 7 per cent above the long period average. Core industries rose by 4.0 per cent in June, against 6.4 per cent in May.
- ❑ Real GDP growth for **2024-25** is projected at **7.2 per cent** with Q1 at 7.1 per cent; Q2 at 7.2 per cent; Q3 at 7.3 per cent; and Q4 at 7.2 per cent. Real GDP growth for Q1:2025-26 is projected at 7.2 per cent.
- ❑ CPI inflation for 2024-25 is projected at 4.5 per cent with Q2 at 4.4 per cent; Q3 at 4.7 per cent; and Q4 at 4.3 per cent. CPI inflation for Q1:2025-26 is projected at 4.4 per cent.



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**STATEMENT ON DEVELOPMENTAL AND REGULATORY POLICIES DATED 08 AUG 2024:** The highlights of announcements made by RBI on 08 Aug 2024 in its Statement of Developmental and Regulatory policies are:

- ❑ **Public Repository of Digital Lending Apps:** To aid the customers in verifying the claim of Digital Lending App's (DLAs) association with REs, Reserve Bank is creating a public repository of DLAs deployed by the REs which will be available on RBI's website. The repository will be based on data submitted by the REs (without any intervention by RBI) directly to the repository and will get updated as and when the REs report the details, i.e., addition of new DLAs or deletion of any existing DLA.
- ❑ **Frequency of Reporting of Credit Information to Credit Information Companies:** At present credit institutions (CIs) are required to report the credit information of their borrowers to credit information companies (CICs) at monthly or such shorter intervals as mutually agreed between the CI and CIC. With a view to provide a more up-to-date picture of a borrower's indebtedness, it has been decided to increase the frequency of reporting of credit information to CICs from monthly intervals to fortnightly basis or at such shorter intervals as mutually agreed between the CI and CIC.
- ❑ **Enhancement in transaction limit for tax payment through UPI to Rs.5.00 Lakh:** Currently, the transaction limit for UPI is capped at ₹1 lakh except for a few categories like capital markets, IPO subscriptions, loan collections, insurance, medical and educational services etc. As direct and indirect tax payments are common, regular and high value, it has been decided to enhance the limit for tax payments through UPI from ₹1 lakh to ₹5 lakh per transaction.
- ❑ **Introduction of Delegated Payments through UPI:** It is proposed to introduce "Delegated Payments" in UPI. "Delegated Payments" would allow an individual (primary user) to set a UPI transaction limit for another individual (secondary user) on the primary user's bank account.
- ❑ **Continuous Clearing of Cheques under Cheque Truncation System (CTS):** Cheque Truncation System (CTS) currently processes cheques with a clearing cycle of up to two working days. To improve the efficiency of cheque clearing and reduce settlement risk for participants, and to enhance customer experience, it is proposed to transition CTS from the current approach of batch processing to continuous clearing with 'on-realisation-settlement'. Cheques will be scanned, presented, and passed in a few hours and on a continuous basis during business hours. The clearing cycle will reduce from the present T+1 days to a few hours

### ***(RBI Notification)***

**US pips UAE as largest buyer of Indian-made smartphones, but Russia pays more per piece:** From an importer of smartphones, India is shaping up to be a major exporter of the devices with the US importing the highest 7.6 million units, followed by 3.8 million shipped to the UAE. Russia, however, paid more per unit despite a 700 percent surge in volume. The top two importers of



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Indian-made smartphones together made up nearly half of the 26 million exports to 91 countries in the first five months of 2024, shows a Moneycontrol analysis of commerce ministry data. This is a big leap from 21.5 million smartphones India had exported in 2023 and 5.8 million in 2022. While India's smartphone exports grew 20 percent in January-May 2024 from the previous year, US shipments surged 71 percent. Exports to the UAE, on the other hand, declined 37.8 percent, with countries from the European Union raising the imports by over 30 percent from India.

***(Moneycontrol)***

## **BANKING & FINANCE**



**LIC Q1 results: State-run insurance giant reports 9 percent jump in consolidated profit at Rs 10,544 crore:** The country's largest insurer Insurance Corporation of India (LIC) reported a 9 percent year-on-year (YoY) increase in consolidated net profit at Rs 10,544 crore for the first quarter ended June 2024 compared to Rs 9,635 crore in the corresponding quarter last year. The state-run insurer on August 8 reported a 16 percent YoY gain in net premium income during the quarter at Rs 1.14 lakh crore as against Rs 98,755 crore in the corresponding quarter of the previous year. In terms of market share measured by First Year Premium Income (FYPI) (as per IRDAI), the insurance giant commands an overall market share of 64.02 percent. LIC had a market share of 39.27 percent in individual business and 76.59 percent in the group business for the quarter ended June 2024. The total premium income for June quarter was at Rs 1.13 lakh crore in the reporting period compared to Rs 98,363 crore a year ago.

***(Business Today)***

**Some banks and NBFCs are not following top-up loan norms, says RBI:** The Reserve Bank of India (RBI) on Thursday said some banks and non-banking financial companies (NBFCs) were not following norms on topup loans pertaining to the "loan to value" (LTV) ratio and the monitoring of the end use of funds. It highlighted high growth in credit card outstanding despite increase in risk weightings. Observing that home-equity loans or topup housing loans were growing at a "brisk" pace, Governor Shaktikanta Das said regulatory prescriptions were not being strictly adhered to by certain entities. "...Banks and NBFCs have been offering topup loans also on other collateralised loans like



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gold loans,” Das said, adding banks and NBFCs would, therefore, be advised to review their practices and take remedial action.

***(Business Standard)***

**Canara Bank expected to replace Bandhan Bank in Bank Nifty during September reshuffling:** Brokerage firm Nuvama Institutional Equities suggests that Canara Bank is expected to be added to the Bank Nifty index during the September reshuffle. Additionally, the brokerage firm indicates that Trent Limited, a retail company under the Tata Group, and Bharat Electronics Limited, a state-owned defense manufacturer, are potential new additions to the Nifty 50 index. They may replace LTIMindtree and Divi’s Laboratories in the September adjustment.

***(Mint)***

**RBI cautions banks over mismatches in loans & deposits:** Reserve Bank of India governor Shaktikanta Das on Thursday cautioned banks that the wide gap between the deposits and credit growth could create structural liquidity issues. “The divergence between deposits and loans could potentially create liquidity management issues for lenders,” Das said while presenting the monetary policy statement. The governor exhorted banks to come up with innovative products and leverage their extensive branch networks to garner deposits. The growth in deposits has been trailing the growth in loans, and this has resulted in elevated credit-deposit ratios for some lenders.

***(Financial Express)***

## INDUSTRY OUTLOOK



**Bajaj could make a difference in healthcare space:** The ₹1.5 lakh crore Bajaj group's foray into hospitals augurs well for the Indian healthcare industry. It comes at a time when the private-sector hospital chains have been performing well-logging double-digit topline growth, improving profitability and expanding capacities. This is also reflected in their stock market valuations going up. The pandemic proved to be the inflection point for the industry-highlighting the dearth of good quality healthcare facilities and increasing the investor interest in the sector. Hospital companies have emerged from the pandemic financially stronger, managing to cut down debt, improving average revenue per operating bed and investing in technology such as robotics to improve the healthcare outcomes.

***(Economic Times)***

**Ambanis & Birlas top Hurun India Most Valuable Family Business list;** Prominent business families including the Ambani, Bajaj, Birla & Jindal families were part of the top ten 2024





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Barclays Private Clients Hurun India Most Valuable Family Businesses released on Thursday. However, Gautam Adani's conglomerate was not part of the list. The Mukesh Ambani-led Ambani Family, with a value of Rs 25,75,100 crore topped the list followed by Niraj Bajaj-led Bajaj Family (Rs 7,12,700 crore) and Kumar Mangalam Birla family (Rs 5,38,500 crore). However, the Adani-led energy conglomerate, with a value of Rs 15,44,500 crore did not feature in the top 10, as it is a first-generation family business.

*(Economic Times)*

**RBI MPC Meet: Governor Shaktikanta Das warns banks on asset-liability risks:** BI governor Shaktikanta Das has warned banks about asset liability mismatches that could occur if banks raise a higher amount of short-term bulk deposits. He asked banks to be innovative in garnering deposits at a time when households are shifting savings to other avenues. "It is observed that alternative investment avenues are becoming more attractive to retail customers and banks are facing challenges on funding front with bank deposits trailing loan growth. As a result, banks are taking greater recourse to short-term, non-retail deposits and other instruments of liability to meet credit demand. This may potentially expose the banking system to structural liquidity issues," Das said.

*(Economic Times)*



## REGULATION & DEVELOPMENT

**No backdoor entry for defaulting promoters: FM Nirmala Sitharaman:** Defaulting promoters are not allowed to rebid for their own company so that we do not have them coming through the backdoor and getting it for a lesser price, Finance Minister Nirmala Sitharaman said while replying on the Finance Bill in Rajya Sabha on Thursday. The union minister's reply follows concerns raised by some members over haircuts in insolvency cases. An integrated technology platform was proposed in the July 23 Budget for all stakeholders involved in the debt resolution of distressed companies, including the Insolvency and Bankruptcy Board of India (IBBI), lenders, and tribunals, for quick, uniform, and efficient rescue of companies. With this, Parliament on Thursday completed its Budget process with the passage of the Finance Bill in Rajya Sabha. Keeping in line with the vote on account budget, which was passed in February, the Budget 2024 was presented on July



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23, 2024. It highlights and continues the feature that capital expenditure will be sustained, as was indicated earlier at Rs 11.11 trillion, the union minister said.

***(Business Standard)***

**NPCI's decision to block C-Edge from retail payments system averted a systemic impact: RBI Governor:** The National Payments Corporation of India's (NPCI) decision to temporarily block C-Edge Technologies from the retail payments system averted a systemic impact, Reserve Bank of India Governor Shaktikanta Das said on Thursday. Nearly a fortnight ago, IT service provider C-Edge Technologies had been possibly impacted by a Ransomware attack impacting the retail payment systems of a few regional rural banks and co-operative banks. "The NPCI's decision to block further transactions wherever this service provider had been engaged was to isolate the problem, and if that had not been done it could have produced a system wide impact," said Shaktikanta Das, Governor, RBI. "That would have been far more costly."

***(Economic Times)***



## FINANCIAL TERMINOLOGY

### JUNK BOND

- ❖ Junk bonds are bonds that carry a higher risk of default than most bonds issued by corporations and governments.
- ❖ Junk bonds represent bonds issued by companies that are financially struggling and have a high risk of defaulting or not paying their interest payments or repaying the principal to investors.
- ❖ Junk bonds are also called high-yield bonds since the higher yield is needed to help offset any risk of default. Because of the higher risk, investors are compensated with higher interest rates, which is why junk bonds are also called high-yield bonds.



### **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 : 83.9584  
INR / 1 GBP : 106.6719  
INR / 1 EUR : 91.8320  
INR /100 JPY: 57.4000

### **EQUITY MARKET**

Sensex: 78886.22 (-581.79)  
NIFTY: 24117.00 (-180.50)  
Bnk NIFTY: 50156.70 (+37.70)

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- ❖ **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)**
  - ❖ **Handbook on Stock & Book Debts Audit (Revised and Enlarged 2<sup>nd</sup> Edition)**
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### **TEAM BFSIB**

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