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FD Rates May Rise As Loans Grow Faster Than Deposits

Growth in bank credit has outpaced the increase in deposits during the first five months of the current fiscal. As a result, bank deposit rates are likely to move up further, with banks' weighted average term deposit rates inching up 27 basis points in April-Aug 2023. According to RBI data, bank deposits grew by 6.6% to Rs 149.2 lakh crore in April-August 2023. For the same period, growth in bank credit rose 9.1% to Rs 124.5 lakh crore. The figures factor in the merger of HDFC with HDFC Bank, which widened the credit-deposit gap as the housing finance company's deposits were lower than its loans.

Conclusion

The banking industry is facing challenges related to maintaining liquidity while ensuring competitive deposit rates, especially in the context of rising credit growth and mergers. These dynamics will continue to be closely monitored by economists and financial institutions.

(POOJA TIWARI/ TYBMS/ 27)

Gen Insurance: PSU market share below a 3rd for 1st Time

For the first time, state-owned general insurers account for less than a third of the industry, with the larger private non-life companies consolidating their position and increasing market share. Public sector insurers saw their premium income decline by 1% during the year's first five months. Compared to Rs 37,100 crore last year, their premium this year stood at Rs 34,203 crore. As a result, their [market share](#) dipped to 32.5% from 33.4% last year. In another first, standalone health insurers' market share rose to double digits at 10.4%. In the previous year, the share stood at 9.2%. According to industry players, premium growth is driven by health insurance.

Conclusion

State-owned general insurers have seen a decrease in their market share, accounting for less than a third of the industry. Private non-life insurance companies have strengthened their position and increased their market share. Public sector insurers also experienced a decline in premium income. Additionally, standalone health insurers have seen substantial growth in their market share, reaching double digits. Overall, the general insurance market appears to be evolving with private insurers gaining ground and health insurance showing significant growth.

(SHAIKH SANIYA /TYBMS /20)

RBI to release 1L Cr deposit in phases

Over the next month, over Rs 1 lakh crore impounded by RBI since August will be gradually released to banks. RBI has announced that it will gradually remove the need for banks to set aside 10% of the additional money they received from deposits between May 19 and July 28. This process will be gradual until October 7 so that system liquidity is not subjected to sudden shocks and money markets function in an orderly manner, RBI said. Following last month's MPC meeting, the central bank imposed a 10% incremental cash reserve ratio (CRR) requirement on deposits raised after May 19 - the date it announced the withdrawal of the Rs 2,000 banknotes. The central bank reasoned that this was needed to absorb the temporary surge of cash in banks because of the public rushing to deposit Rs 2,000 notes. According to the timetable provided by RBI, 25% of the CRR funds would be released on September 9, and a second tranche of 25% of the funds would be released on September 23. The balance 50% would be released on October 7.

Conclusion

Reserve Bank of India (RBI) has announced the gradual release of over Rs 1 lakh crore impounded since August. This move is aimed at removing the need for banks to set aside 10% of additional money received from deposits between May 10 and July 21. The release of these funds will be phased until October 7 to ensure that system liquidity is not subject to sudden shocks, allowing money markets to function smoothly. This measure was implemented in response to a surge in cash deposits following the withdrawal of Rs 2,000 banknotes. *(PRACHI RAI/ TYCOM-A /67)*

NVIDIA ties up with TATA Reliance for AI tech infra

NVIDIA, a US-based chip maker, announced partnerships with two Indian conglomerates -- Reliance Industries and Tata Group -- on September 8. The company, along with Reliance Jio, tied up to build a state-of-the-art cloud-based AI computing infrastructure. RIL said this new infrastructure will speed up a wide range of India's key initiatives and AI projects, including AI chatbots, drug discovery, climate research and more.

As part of the collaboration, NVIDIA will provide Jio with end-to-end AI supercomputer technologies including CPU, GPU, networking, and AI operating systems and frameworks for building the most advanced AI models. Jio will manage and maintain the AI cloud infrastructure and oversee customer engagement and access. "As India advances from a country of data proliferation to creating technology infrastructure for widespread and accelerated growth, computing and technology super centres like the one we envisage with NVIDIA will provide the catalytic growth just like Jio did to our nation's digital march. I am delighted with the partnership with NVIDIA and looking forward to a purposeful journey together," said Mukesh Ambani, Chairman and MD, of RIL

Conclusion

Nvidia has formed significant partnerships with Reliance Industries and Tata Group to establish artificial intelligence (AI) infrastructure in India. These partnerships aim to capitalize on the massive customer base and data of Reliance and leverage Tata Group's infrastructure capabilities. Nvidia's CEO, Jensen Huang, predicts that India could become a major exporter of AI expertise, given its diverse data, languages, and local market, with the potential to create AI models and services for various applications. The infrastructure will also support the training of IT professionals in AI, potentially making India a hub for AI innovation and exports.

(SHAIKH ALIZA/ TYBMS/19)