

MASTER STROKE
FROM BANK OF BARODA

BANK OF BARODA

\$19

Bank of

BARODA

BARODA

\$

100 1020 1990 7900 7030

BANK OF BARODA

The advertisement features a central illustration of a smiling cricket player in a blue uniform with 'BARODA' on the sleeve, swinging a bat labeled 'Bank of'. The background is orange with yellow rays. To the left are cricket stumps and a '\$' symbol. To the right is a bar chart with five bars of increasing height (100, 1020, 1990, 7900, 7030) and a white stick figure jumping over the first three bars. The Bank of Baroda logo and name are at the bottom right.



Play The Masterstroke

with a Bank Trusted by Millions
and a Legacy of Over a Century.



TOTAL BUSINESS
₹ 25.07 Lakh Crores
10.22% YoY

NET PROFIT
₹ 5238 Crores
23.16% YoY

**RETURN ON ASSETS
(ANNUALIZED)** 1.30%
16 bps YoY

CRAR
16.26%
96 bps YoY

GROSS NPA
2.50%
-82 bps YoY

NET NPA
0.60%
-16 bps YoY

(₹ in lakhs)

Un-Audited Standalone/Consolidated Financial Results for the Quarter / Half Year Ended 30th September 2024

Sr. No.	Particulars	Standalone					Consolidated				
		Quarter Ended		Half Year Ended		Year Ended	Quarter Ended		Half Year Ended		Year Ended
		30.09.2024	30.09.2023	30.09.2024	30.09.2023	31.03.2024	30.09.2024	30.09.2023	30.09.2024	30.09.2023	31.03.2024
		Un-Audited	Un-Audited	Un-Audited	Un-Audited	Audited	Un-Audited	Un-Audited	Un-Audited	Un-Audited	Audited
1	Total Income from operations	3544470	3203275	6756065	6191082	12710131	3945498	3576600	7525592	6908413	14177870
2	Net Profit / (Loss) for the period (before Tax, Exceptional and / or Extraordinary items)	714128	585915	1329187	1173669	2488961	743375	602277	1377328	1224026	2579935
3	Net Profit / (Loss) for the period before tax (after Exceptional and / or Extraordinary items)	714128	585915	1329187	1173669	2488961	743375	602277	1377328	1224026	2579935
4	Net Profit / (Loss) for the period after tax (after Exceptional and / or Extraordinary items) (Refer Note 2)	523793	425289	969608	832296	1778878	535510	439431	1008291	884641	1876738
5	Total Comprehensive Income for the period [Comprising Profit / (Loss) for the period (after tax) and Other Comprehensive Income (after tax)]	Refer note 3									
6	Paid-up Equity Share Capital	103553	103553	103553	103553	103553	103553	103553	103553	103553	103553
7	Reserves (excluding Revaluation Reserve)					10617571					11361978
8	Securities Premium Account	3131215	3131215	3131215	3131215	3131215	3143151	3143095	3143151	3143095	3143095
9	Net worth	10902175	8617448	10902175	8617448	9385076	11594989	9186323	11594989	9186323	9993041
10	Paid up Debt Capital / Outstanding Debt**	2262500	2311150	2262500	2311150	2312500	2308477	2347194	2308477	2347194	2348544
11	Outstanding Redeemable Preference Shares	Not Applicable									
12	Debt Equity Ratio*	0.57	0.34	0.57	0.34	0.49	0.61	0.39	0.61	0.39	0.52
13	Earning Per Share (of ₹2/- each) (for continuing and discontinued operations) (not annualised) - Basic (in ₹.) Diluted (in ₹.)	10.13	8.22	18.75	16.09	34.40	10.36	8.50	19.50	17.11	36.29
14	Capital Redemption Reserve	Not Applicable									
15	Debenture Redemption Reserve	Not Applicable									

*Debt represents borrowings with residual maturity of more than one year. **Paid up Debt Capital / Outstanding Debt represents Tier-I & Tier-II bonds issued by Bank.

Note:

- The above is an extract of the detailed format of Quarterly Financial Results filed with the Stock Exchanges under Regulation 33 and 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The full format of the Quarterly Financial Results are available on the Stock Exchanges websites (BSE: www.bseindia.com and NSE: www.nseindia.com) and Bank's website (www.bankofbaroda.in)
- Net Profit / (Loss) for the period after Tax is including Share of earnings from associates & excluding minority interest.
- Information relating to Total Comprehensive Income and Other Comprehensive Income is not furnished as Ind AS not yet made applicable to the Bank.

Place: Mumbai
Date: 25.10.2024

Beena Vaheed
Executive Director

Lal Singh
Executive Director

Sanjay Vinayak Mudaliar
Executive Director

Lalit Tyagi
Executive Director

Debadatta Chand
Managing Director & CEO

Regd. Office: Baroda House, P B No. 506, Mandvi, Baroda-390 006 | Corporate Office: C-26, G-Block, Bandra Kurla Complex, Bandra (E), Mumbai-400 051.

● DEBADATTA CHAND, MD & CEO, BANK OF BARODA

'No pressure on Bank of Baroda to hike deposit rates'

Public sector lender Bank of Baroda does not see any pressure on increasing deposit rates in the near future and improvement in liquidity and its ability to raise funds from an alternative avenue. Its MD & CEO, Debadatta Chand, told Sachin Kumar that the bank wants to increase the share of retail, agriculture, and MSME loans to 65% in three to five years from current 58%. Excerpts:

Will Bank of Baroda hike deposit rates amid increasing competition to mobilise funds?

The liquidity scenario in the system has improved since June onwards and the Reserve Bank of India has also changed the stance.

As we are getting into busy season, a lot of cash would get back into the system.

In that scenario, we are also expecting a higher growth in deposit. Also, due to our ability to raise funds from alternate sources, there will not be much pressure on us to raise deposit

rates further from here onwards.

Do you aim to increase the share of retail loans?

We aim to increase share of RAM segment (Retail, Agriculture, MSME) in the next few years.

The share of RAM segment was at 58.2% as of March 2024. Our aspiration is to take it 65% but in three years to five years we want to grow on the RAM as we want to be a much more diversified.

With the interest rate likely to reverse soon, what impact will it have on the bank's net interest margin (NIM)?

We have kept the NIM guidance the same at 3.15% plus minus 5 bps. In the

second quarter, it stood at 3.10% compared to 3.07%. We are quite hopeful that possibly later in the third quarter or fourth quarter because of the improvement in global liquidity and rate stance change, there will be some moderation that should happen on the cost of deposit.

We are hopeful, at this point of time, to maintain the full year NIM at 3.15 plus minus five bps.

The bank's GNPA has come down to 2.5%; is there further scope to bring it down?

We do not give guidance on GNPA's but will keep making efforts to bring it downward.

Our recovery target is ₹12,000 crore and my slippage containment would be somewhere close to ₹9,000 to 10,000 crore, so that gives me a delta of ₹3,000 crore.

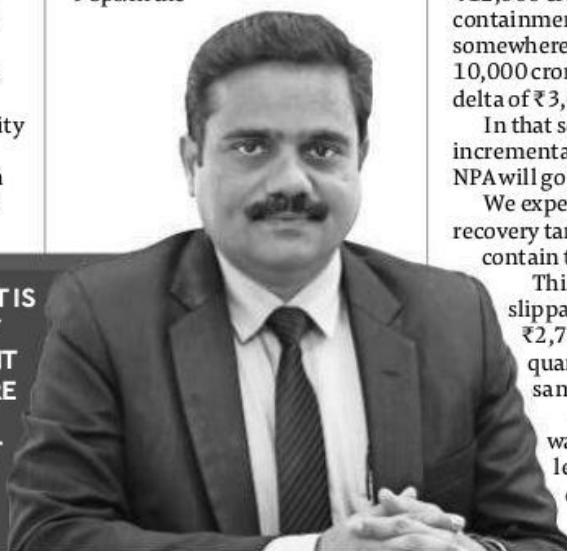
In that scenario, incrementally, the GNPA and net NPA will go down.

We expect to surpass this recovery target. We have to contain the fresh slippages.

This quarter, the fresh slippages have been ₹2,700 crore, and last quarter it was almost the same level.

On a full year basis, I want this slippage to be less than ₹10,000 crore, which will have positive impact on the GNPA.

OUR RECOVERY TARGET IS ₹12,000 CRORE AND MY SLIPPAGE CONTAINMENT WOULD BE SOMEWHERE CLOSE TO ₹9,000 TO 10,000 CRORE, SO THAT GIVES ME A DELTA OF ₹3,000 CRORE



Q2 RESULTS ROUNDUP

Recoveries drive BoB's bottom line up 23%

Bank's MD and CEO says the deposit costs have peaked with prospects for moderation

ABHIJIT LELE
Mumbai, 25 October

Bank of Baroda's (BoB's) net profit during the second quarter of 2024-25 (Q2FY25) rose 23.2 per cent year-on-year (Y-o-Y) to ₹5,238 crore, backed by a rise in non-interest income and decline in provisions for stressed loans.

Sequentially, the Mumbai-based lender's net profit rose 17.5 per cent from ₹4,458 crore in June 2024 (Q1FY25).

Its stock closed 2.26 per cent lower at ₹239.5 on the BSE on Friday.

BoB's net interest income (NII) expanded 7.33 per cent Y-o-Y to ₹11,622 crore in Q2FY25 as against ₹10,831 crore in the same quarter a year ago.

The net interest margin (NIM) improved to 3.10 per cent in Q2FY25 compared to 3.07 per cent in Q2FY24.

Sequentially, the NIM declined by eight basis points (bps) as against 3.18 per cent in Q1FY25.



Debadatta Chand, managing director and chief executive, said the deposit costs had peaked with prospects for moderation.

The bank does not see much change in yield on advances and is retaining the NIM guidance of 3.15 +/- five bps for FY25, Chand said in the post-result virtual media interaction.

The bank's non-interest income rose 24.2 per cent Y-o-Y to ₹5,181 crore. Of this, recovery from written-off accounts more than doubled to ₹2,525 crore in Q2FY25 from

₹1,231 crore in Q2FY24, according to the analyst presentation.

The lender's provisions for non-performing assets (NPAs) declined by 24.2 per cent at ₹1,733 crore in Q2FY25 as against ₹2,285 crore in Q2FY24.

The asset-quality profile improved with gross NPAs declining to 2.5 per cent in September 2024 from 3.32 per cent in September 2023.

Net NPAs declined from 0.76 per cent in September 2023 to 0.60 per cent in

Bank of Baroda consolidated figures			
	Q2FY25 (₹ cr)	Change %	
		Q-o-Q	Y-o-Y
NII	11,622.1	0.2	7.3
Net profit	5,237.9	17.5	23.2
Net NPA	6,764.3	-6.5	-11.0

Source: Company; Compiled by BS Research Bureau

September 2024.

The provision coverage ratio (PCR), including written-off accounts, stood at 93.61 per cent in September compared to 93.16 per cent a year ago.

Advances grew 11.6 per cent Y-o-Y to ₹11.43 trillion in Q2FY25. Retail advances went up 19.9 per cent Y-o-Y to ₹2.32 trillion in September 2024.

Chand said credit growth was estimated at 11-13 per cent with retail-segment expansion at more than 20 per cent in FY25.

The bank is planning to accelerate growth in agriculture and micro, small, and medium enterprises to 12-14 per cent from 11-12 per cent. The corporate loan books are estimated to expand at about 10 per cent Y-o-Y.

Deposits increased 9.1 per cent Y-o-Y to ₹13.63 trillion. The share of low-cost deposits — current account and saving account (Casa) — in the domestic business was almost flat at 39.84 per cent in September 2024 from 39.88 per cent a year ago.

Bank of Baroda Q2 net rises 23% to ₹5,238 cr on income growth

Our Bureau
Mumbai

Bank of Baroda reported a 23 per cent year-on-year increase in the second quarter (Q2FY25) standalone net profit at ₹5,238 crore on the back of moderate growth in net interest income and robust growth in non-interest income even as it increased provisioning for standard assets.

The public sector bank revised downwards credit and deposit growth projections for FY25. BoB had reported a net profit of ₹4,253 crore in the year ago quarter (Q2FY24). Debadatta Chand, MD & CEO, BoB, said: "We had earlier projected a credit growth of 12-14 per cent for FY25. But because of lower liability growth, we have reduced credit growth guidance to 11-13 per cent. "Similarly, we have reduced deposit growth guidance from 10-12 per cent to 9-11 per cent. At the same time, we are keeping the margin guidance intact at 3.15 per cent (+/- 5 basis points). We want to calibrate credit growth with deposit growth. We expect moderation in deposit cost

Q2 scorecard

Bank of Baroda	Q2FY25 ₹ cr	Q2FY24 ₹ cr	Change %
Net profit	5,238	4,253	23.2
Net interest income	11,622	10,831	7.3
Non-interest income	5,181	4,171	24.2
Operating profit	9,477	8,020	18.2
Total Provisions	2,336	2,161	8.1
GNPAs %	2.5	3.32	
NNPAs %	0.6	0.76	
Global deposits	13,63,486	12,49,647	9.1
Advances	11,43,039	10,24,501	11.6

in Q3 and Q4."

Net interest income/NII (difference between interest earned and interest expended) was up about 7 per cent y-o-y at ₹11,622 crore (₹10,831 in Q2FY24).

NON-INTEREST INCOME

Total non-interest income, comprising fee income (loan processing charges, miscellaneous fee income, etc), forex income, profit or loss on sale/revaluation of investments, and recovery from technically written-off accounts, etc, rose about 24 per cent to ₹5,181 crore (₹4,171 crore). Provisions for standard assets rose to ₹336 crore against write-back of ₹360 crore in the year ago quarter. Provisions for bad loans &

bad debts written-off declined 24 per cent to ₹1,733 crore (₹2,285 crore). Provision for non-performing investment rose 33 per cent to ₹122 crore (₹92 crore). Asset quality improved, with gross non-performing assets (NPAs) declining to 2.5 per cent of gross advances as at September-end 2024 against 3.32 per cent as at September-end 2023. NNPA's nudged lower to 0.6 per cent of net advances from 0.76 per cent. Net interest margin edged up to 3.10 per cent in the reporting quarter against 3.07 per cent in the year ago quarter. As on March-end 2024, global advances increased by 11.6 per cent y-o-y to ₹11,43,039 crore. Global deposits were up 9.1 per cent to ₹13,63,486 crore.

IDBI Bank's Q2 profit rises 39% to ₹1,836 crore

Q2 scorecard

IDBI Bank	Q2FY25 (₹ cr)	Q2FY24 (₹ cr)	Change %
Net Profit	1,836	1,323	39.00
Net interest income	3,875	3,067	26.00
Other income	1,313	889	48.00
Operating profit	3,006	2,072	45.00
Provisions	1,170	748	56.42
Deposits	2,77,602	2,49,434	11.30
Net advances	2,00,944	1,68,502	19.25

Our Bureau

Mumbai

IDBI Bank reported a robust 39 per cent increase in second quarter (Q2FY25) standalone net profit at ₹1,836 crore on the back of healthy growth in net interest income as well as other income despite a rise in provisions for standard assets.

INTEREST INCOME

The private sector lender had reported a net profit of ₹1,323 crore in the year ago quarter.

Net interest income (difference between interest earned and interest expended) in the reporting quarter was up about 26 per cent y-o-y at ₹3,875 crore (₹3,066 crore in the year ago period).

Other income, including

fee-based income, treasury income, and the recovery in written-off accounts, rose about 48 per cent y-o-y to ₹1,313 crore (₹889 crore).

While the bank received a write-back of ₹165 crore from provisioning for non-performing assets (NPAs) against a write-back of ₹113 crore in Q2FY24, the provisioning for standard assets jumped to ₹1,147 crore against a write-back of ₹260 crore in Q2FY24. Provisions towards bad debts written-off rose to ₹307 crore (₹84 crore). Net interest margin (NIM) improved to 4.87 per cent against 4.33 per cent in the year ago period. Gross Non-Performing Assets (NPAs) position improved to 3.68 per cent of gross advances as at September-end 2024, compared to 4.90 per cent as of September-end 2023.

IndusInd suffers worst crash, excluding Covid year

Nishanth Gopalakrishnan
bl.research bureau

The stock of IndusInd Bank crashed a massive 19 per cent yesterday in reaction to Q2 results. This is its worst single day crash in over 15 years, if you exclude the Covid phase when economies were under lockdown.

ELEPHANT IN THE ROOM

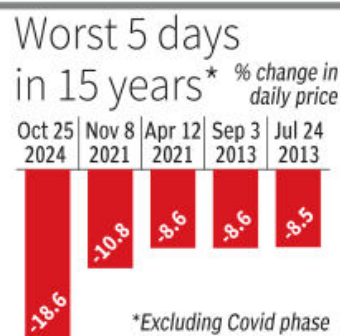
The key factor that triggered the rout in the stock is the deterioration in asset quality. Though the headline gross NPA ratio rose marginally by 10 bps q-o-q to 2.1 per cent, the asset quality deterioration in the microfinance (MFI) segment (9 per cent of the loan book) was the most pronounced. The gross NPA ratio in this segment shot up 138 bps to 6.54 per cent sequentially, and this seems to have spooked the street.

The MFI segment has been experiencing stress

lately, with a rise in over-leveraged borrowers. The bank has been cautious on growth in this segment and so, the MFI book degrew 12 per cent on a q-o-q basis.

The bank has one of the most granular microfinance loan books with an average outstanding loan per borrower of around ₹40,000. Borrowers indebted only to IndusInd Bank make 44 per cent of the MFI book, and those indebted to one other lender make 27 per cent of the book; only 9 per cent borrowers are indebted to 3 or more lenders.

The management reckons that the MFI portfolio will recover in the third and the fourth quarter and indicated to investors to watch out for disbursements going forward, which would act as a barometer of stress in the segment (higher disbursements will mean the management has enough conviction in the underwriting).



KEY MONITORABLE

Net profit declined 39 per cent y-o-y. This decline is primarily attributable to the management's decision to hike the contingent provision by ₹525 crore to ₹1,525 crore.

Even before provisions could make a dent to earnings, the pre-provisioning operating profit (PPOP) itself was down 8.5 per cent q-o-q and 7.5 per cent y-o-y.

The management tried to allay the concerns of investors that the additional contingent provisions were made only as a measure of

prudence owing to a "challenging operating environment" and that they do not expect to dip into these provisions. However, the fact that the timing of these provisions coincides with ongoing stress in the MFI segment raises eyebrows.

In general, banks make counter-cyclical provisions in times of good profits. But it is not the case here, given the poor show in terms of PPOP.

Commentary on the microfinance segment by lenders such as Kotak Mahindra Bank and Fusion Finance's estimated massive ₹550 crore provisions for Q2 only raise red flags on the performance of this sector. Therefore, investors need to keenly watch out for indicators that signal the health of this sector, going forward.

The stock currently trades at a P/B multiple of 1.2 times versus its 5-year average of 1.7 times.

Bandhan Bank profit jumps 30% to ₹937 cr

Our Bureau
Kolkata

Private sector lender Bandhan Bank on Friday reported around 30 per cent year-on-year jump in its net profit to ₹937.44 crore for the second quarter this fiscal as its operating profit witnessed over 17 per cent y-o-y rise during the period.

The Kolkata-based lender had posted a net profit of ₹721.16 crore for the first quarter last fiscal. On a quarter-on-quarter basis, net profit witnessed an 11.85 per cent decline in the period under review.

The bank's operating profit during the second quarter of FY25 grew 17.16 per cent y-o-y at ₹1855.09 crore as against ₹1583.39



Ratan Kumar Kesh, MD CEO (Interim), Bandhan Bank

DEBASISH BHADURI

crore for the corresponding period of FY24, according to stock exchange filing.

During the quarter, Net interest income (NII) rose 20.66 per cent y-o-y to ₹2948.26 crore from ₹2443.36 crore for the year-ago period.

Net interest margin increased to 7.4 per cent from

Q2 scorecard (in ₹ cr)

	Q2FY25	Q2FY24
Net Profit	937.44	721.16
Operating profit	1,855.09	1,583.39
Net interest income	2,948.26	2,443.36
Net interest margin	7.4	7.2
Gross NPA ratio	4.68	7.32

Source: Bandhan Bank

7.2 per cent in Q2FY24.

During Q2FY25, gross advances grew 21 per cent y-o-y, while deposits grew 27 per cent y-o-y.

GOOD SHOW

"On a year-on-year basis the EEB portfolio (erstwhile microfinance segment) grew 10.6 per cent, but quarter-on-quarter we have decided to hold onto the portfolio, given the overheating and over leveraging in the mi-

crofinance industry and decided not to grow rapidly at this stage and contain portfolio quality," Bandhan Bank MD and CEO Ratan Kumar Kesh told reporters.

"We should see a better turnaround going forward, if the market condition improves for the overall microfinance industry by the fourth quarter," Kesh added. The lender's collection efficiency for EEB loans was marginally lower at 98.1 per cent for the second quarter this fiscal.

Gross non-performing assets (GNPA) ratio improved to 4.7 per cent in Q2FY25 from 7.3 per cent in Q2FY24. Net NPA ratio improved to 1.3 per cent in the second quarter this fiscal compared to 2.3 per cent in the year-ago period.

Banks increased their overseas presence during 2023-24: RBI

EXPANSION DRIVE. Number of branches, staff of foreign banks in India also saw a rise

Our Bureau
Mumbai

Indian banks increased their overseas presence during 2023-24 both in terms of balance sheet size as well as in terms of number of branches and employees, according to the Reserve Bank of India's 2023-24 round of its survey on international trade in banking services.

Banks' employee strength increased by 8.2 per cent in overseas branches and 1.7 per cent in subsidiaries. During the year, the number of branches and employees of foreign banks in India also expanded by 0.6 per cent and 1.4 per cent, respectively.

Consolidated balance sheets of overseas branches and subsidiaries of Indian banks grew by 4.3 per cent and 0.4 per cent, respectively, during the year whereas that of foreign banks in India recorded higher increase of 7.2 per cent, in US dollar terms.

In US dollar terms, overseas branches of Indian banks recorded a 8.8 per cent growth in deposits while



GROWTH MODE. Banks' staff strength increased by 8.2 per cent in overseas branches and 1.7 per cent in subsidiaries REUTERS

their lending declined marginally by 0.8 per cent during the year; these changes, inter alia, also reflected cross-currency movements.

SUBSTANTIAL INCREASE

Continued tightening of the global monetary policy cycle resulted in a substantial increase in interest income and expenses across all the three cohorts during the year; interest income and interest expenses of overseas branches of Indian banks

grew by 72 per cent and 87.5 per cent, respectively, whereas the corresponding growth for foreign banks in India were 27.1 per cent and 47.7 per cent, respectively.

Total income to assets ratio of overseas branches of Indian banks increased to 6.2 per cent in 2023-24 (3.9 per cent in 2022-23) but it remained lower than that of Indian banks' subsidiaries (7.3 per cent) and foreign banks' operating in India (7.6 per cent).

A big rise in interest rates resulted in acceleration in total income during 2023-24; fee income of overseas branches of Indian banks and the foreign banks operating in India also increased during the year but it declined for the relatively minor segment of overseas subsidiaries of Indian banks.

SHARE OF FEE

A major share of fee income for overseas branches of Indian banks was generated by rendering (a) credit-related services; (b) derivative, stock, securities and foreign exchange trading services; and (c) trade finance-related services.

In the case of the foreign bank branches operating in India, a significant portion of fee income accrued from (a) derivative, stock, securities, foreign exchange trading services; (b) payment and money transmission services; and (c) trade finance-related services. Branches of Indian banks in the UK generated highest fee income, followed by those in the UAE, Singapore and Hong Kong.

PNB Housing Finance to expand corporate lending portfolio to boost margins, says CEO

OPTIMISTIC OUTLOOK. Confident of sustaining Q2 bottomline growth performance in remaining quarters this fiscal

KR Srivats
New Delhi

PNB Housing Finance (PNBHFL), the country's third-largest housing finance lender, plans to resume expanding its corporate lending portfolio this quarter as part of a strategy to enhance overall margins, according to Girish Kousgi, Managing Director & CEO. The corporate book will however remain below 10 percent of the total portfolio at all times, Kousgi emphasised in an interview with *businessline* following the Q2 results announcement.

Currently, PNBHFL is primarily a retail focused player with overall assets un-

der management of ₹69,500 crore, of which corporate book is just ₹1,500 crore. "It is more for strategic reasons that we are restarting corporate book. Portfolio of corporate within the overall mix is going to be less than 10 per cent. When we get into corporate funding (construction finance), it will help us on the margins," Kousgi said.

CHANGE OF PLAN

He highlighted that earlier it was a conscious call not to grow corporate book. However, there is now change of plan to restart corporate lending in Q3, Kousgi added.

PNBHFL on Thursday reported a 22.7 per cent increase in consolidated net profit for the quarter ended



Girish Kousgi, CEO, PNBHFL

September 30, 2024 at ₹470 crore (₹383 crore). The latest bottomline performance is also higher than the net profit of ₹433 crore recorded in June 2024 quarter. For the first half of the current fiscal, PNBHFL recorded a net profit of ₹903 crore, up 24 per cent over net

profit of ₹730 crore recorded in the same period last year.

Kousgi expressed confidence that PNBHFL would be able to sustain its latest bottomline growth performance in the coming quarters as well. "In the second quarter, there has been all-round performance. We have done well in eight out of the last nine quarters. Q2 was the best ever quarter for us," he said.

For the quarter under review, the retail book growth has touched 16.2 percent on a year-on-year basis. This is against a growth guidance of 17 per cent for the current fiscal. This 16.2 percent increase is the highest ever retail book growth in the last

five years. "The 16.2 percent growth is reflection of demand and good performance by the company. I am confident that we will sustain and further improve on disbursement growth and we will be able to sustain our profits," he said. On net interest margins (NIM), Kousgi said that NIM now is 3.6 to 3.75 per cent.

"We will be able to maintain that for next two to three quarters time. After that we expect NIM to start inching up," he added, without giving a specific guidance on this front.

Kousgi said that PNBHFL would be able to achieve book size of ₹5,000 crore by March 2025 in this segment. Already the company's af-

fordable home loan book has touched ₹3,000 crore. The company had commenced lending for the affordable housing segment in January 2023.

To a question on capital raising, Kousgi said the company has sufficient capital for the next three and half or four years time. "Our leverage is 3.59. We can go up to 6. We have enough room to grow our business without raising capital," he said. On RBI rate cut expectations, Kousgi said that it would definitely happen this financial year. "I feel the first rate cut will happen in Q4 and not in Q3. I hope RBI will go in for 25 bps cut as cost is going up for banks, HFCs and NBFCs," he said.

Move to ensure FPI outflows, festival-related cash demand do not drive up banks' cost of funds

RBI Injects Funds to Rein in Bank Funding Costs Amid FX Outflows

Bhaskar Dutta

Mumbai: The Reserve Bank of India's move on Friday to inject funds into the banking system despite the prevalence of a headline liquidity surplus reflects an adroit strategy by the central bank to ensure that recent overseas outflows from local capital markets and festival-related cash withdrawals do not drive up banks' cost of funds, analysts said.

The RBI's provision of a short-term liquidity window on Friday comes around two weeks after the central bank shifted its stance of monetary policy to neutral from one of withdrawal of accommodation. Money market experts broadly were of the view that the neutral stance, which provides the option for rates to be lowered or raised, signalled more central bank tolerance of easier liquidity conditions than the stance of withdrawal.

On Friday, the RBI infused funds worth ₹25,000 crore through a Variable Rate Repo (VRR) auction, the first such operation since September 24 when a combination of quar-



terly advance tax outflows and goods and services tax payments had drained the system of funds. At Friday's auction, the RBI received bids worth ₹48,700 crore from banks versus the notified amount of ₹25,000 crore, reflecting the need for funds from lenders.

"This appears like a fine-tuning exercise because headline liquidity as on October 24 is still in surplus. The reason is maybe because over the last few weeks, there has been some amount of pressure in the currency market, and it is likely that the RBI

would have intervened," said Vivek Kumar, economist, Quanteco Research.

"The second aspect is that some part of the recent decline in liquidity surplus is because of the GST outflows while the third reason is that we are entering the Diwali phase which is typically a phase of very cash-heavy demand," he said.

With foreign portfolio investors having pulled out funds worth a record \$9.6 billion, or ₹80,954 crore, from Indian equity markets so far in October, the rupee has faced pressure,

weakening past the 84/\$1 mark for the first time earlier this month. The pace of depreciation in the currency, however, has been contained, likely due to interventions by the RBI in the form of dollar sales, analysts said. The RBI's stated position is that it intervenes in the currency market to prevent excess volatility in the exchange rate.

India's foreign exchange reserves fell by another \$2.163 billion in the week ending October 18 to \$688.26 billion. This is the third week in a row that the forex reserves fell — cumulatively by \$16.61 billion from the all-time high of \$704.88 billion, according to RBI data.

Dollar sales by the RBI drain the banking system of rupee liquidity. On Wednesday, surplus liquidity in the banking system — as measured by absorption of funds by the RBI — dropped to a one-month low of ₹57,428.30 crore, central bank data showed. The shrinking cash surplus with banks pushed up the weighted average call rate (WACR) to 6.75% on Wednesday, 25 basis points higher than the repo rate of 6.50%.

Insurance Regulator Tightens Fraud Rules Post Hacking Incidents

Insurers to adopt measures like board-approved anti-fraud policies, independent fraud monitoring units

Our Bureau

Mumbai: The Insurance Regulatory and Development Authority of India (IRDAI) has proposed stricter guidelines in an effort to stem online fraud after recent high-profile cases at insurers like Star Health Insurance Company.

The Insurance Fraud Monitoring Framework Guidelines, 2024 requires insurers to adopt strict measures, including board-approved anti-fraud policies, independent Fraud Monitoring Units (FMUs), enhanced cybersecurity defences, and regular fraud awareness programmes.

"Cyber fraud can have far-reaching consequences, including identity impersonation, financial frauds, reputational damage etc,"

IRDAI said in the draft guidelines. "Personal information such as KYC details, financial details, and medical records are highly coveted by cybercriminals, who exploit vulnerabilities in security defences to gain unauthorised access to these sensitive data available with insurers or distribution channels."

The initiatives by IRDAI follow a breach linked to Star Health Insurance's chief information security officer after a hacker going by the alias "xenZen" claimed that the company executive had sold

the data, and later tried to renegotiate for more money in exchange for continued backdoor access. The hacker has now posted the



data for sale at \$150,000, or in smaller chunks for \$10,000 each, threatening widespread exposure of policyholder data.

The regulator has asked insurers to implement a board-approved anti-fraud policy aimed at ensuring zero tolerance for fraud, outline steps for fraud detection, internal controls, and investigative processes.

IRDAI has also asked insurers to set up fraud monitoring units (FMUs) to oversee all fraud-related activities, including monitoring, investigation, and collaboration with law enforcement. The FMUs will work alongside the Fraud Monitoring Committee (FMC), which

will report every quarter to the risk management committee on all fraud cases.

The regulator has asked insurers to raise their defences against digital fraud, with robust cybersecurity frameworks that protect sensitive data and detect fraud risks from digital channels. Insurers must ensure regular audits and use advanced technologies to identify suspicious activities.

IRDAI also asked insurers to conduct regular fraud awareness programmes for employees, agents, and policyholders. The goal is to foster a culture of vigilance and transparency within the insurance industry to mitigate potential fraud risks.

● **YS CHAKRAVARTI, MD & CEO, SHRIRAM FINANCE**

'Gold loans should take off by Nov'

Shriram Finance plans to expand its supply chain and irrigation books in the next few years. MD and CEO YS Chakravarti tells Anupreksha Jain that the majority of stress in the personal loan segment is coming from the salaried class who use these for consumption. Excerpts:

By the end of the current financial year, what are your outlook on growth in AUM and net interest margins?

There is no specific target, but we would ideally like to grow at a rate of 15-18%. If anything happens beyond that, we are happy, but we are not striving to grow 20-25%. We would like to be conservative in our approach. On the NIMs side, we don't see NIM changing dramatically, probably +/- 3-4 basis points, but I think we will be able to hold it there.

There has been a slight moderation in the growth of personal loan and gold loan segments. Why?

This is a temporary slowdown in disbursements and for the next

couple of quarters, it will continue to be slow due to tightening from the regulator. We are in discussion with the central bank to have a look at our books, then we again start pushing the pedal there. If you look at our personal loan portfolio, 95% of loans are given to our existing customers. That's why I am not worried about my personal

loan book as majority of loan is going to my two-wheeler customers and they are mostly self-employed or small businessmen. The stress

is there in salary class personal loans taken for consumption. These are people who take a loan even to party. We don't have any exposure to that kind of segment.

What about gold loans,

RIGHT NOW, WE WILL BE FOCUSING ON SUPPLY CHAIN AND BUILDING A BOOK ON IRRIGATION LOANS. WE HAVE ACTUALLY CREATED A SEPARATE VERTICAL FOR GREEN FINANCING

and why has there been a moderation here?

Earlier, we were under the impression that 75% LTV is at the time of entry, but RBI said it is at the time of exit. So, if the principal plus interest has crossed 75%, you are booking it as an NPA. Now, the banking regulator has said that we cannot even classify it as an NPA. So, you need to restrict yourself to lower LTV. So, we have changed our LTV norms and today, we don't

give 75% anymore. So, it is restricted to between 60 to 62%. I think we expect that probably by end of November disbursement should come back to normal.

Shriram Finance and Valiant Partners have entered into a share purchase agreement to sell their stakes in Shriram Housing Finance. What is the rationale behind this?

In the housing finance segment, the AUM will keep on growing and every two years we need to pump in capital. There is only so much cash that I can take out of the parent company. Therefore, we decided to dilute the stakes. We are now better off using the money in the parent company. It will increase our capital adequacy ratio by 80 basis points.

Any further plans of capital raising or borrowing plans?

We will continue to borrow from the overseas market. We have applied to the RBI for issuing fresh bonds because we have crossed our 750 million dollar limit. If we get the approval, we will raise between 300 to 500 million this fiscal.



Home loan growth slows on rising interest rates, property prices

Jayant Pankaj
Chennai

The steep 250 basis points increase in policy rates by the Reserve Bank of India (RBI) since May 2022 appears to be impacting loans taken by retail borrowers. While growth in most retail loan categories have slowed, the slowdown in housing loans is significant since it accounts for almost half of the retail loans.

DATA FOCUS.

Recent data from the RBI on gross bank credit by major sectors show that the year-on-year growth in housing loans was 13.1 per cent in August 2024, a steep drop from 40.5 per cent in August 2023.

In August 2022, housing loans stood at ₹17.8 lakh crore, growing to ₹25 lakh crore by August 2023. However, by August 2024, the amount increased to only ₹28.3 lakh crore, showing a sluggish growth.

WHY THE SLOWDOWN

The slowdown in housing loans appears to be driven mainly by rising interest rates as RBI's policy rate hikes are transmitted to bank lending rates. In 2021, the State Bank of India offered home loans at rates between 6.8 per cent and 7.2 per cent, which have now increased to 8.5 per cent to 9.7 per cent in 2024.

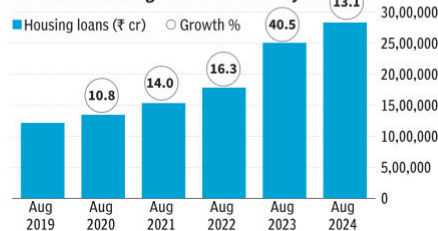
Similarly, Bank of Baroda's home loan rates went up from 6.5 per cent in 2021 to 8.4 per cent in 2024. ICICI Bank saw its rates climb from 6.8 per cent in 2021 to 8.8 per cent in 2024, and Kotak Mahindra Bank's rates increased from 6.5 per cent in 2021 to 8.8 per cent in 2024.

Vivek Iyer, Partner at Grant Thornton Bharat, explained, "Housing EMI consumes a significant portion of an individual's budget, and interest rates have a big role to play in the same."

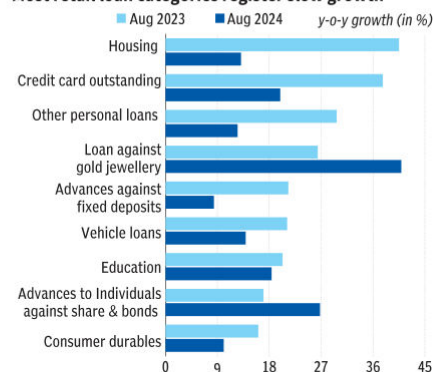
"Elevated interest rates have played a large role in subduing this demand (for housing loans). We expect the housing demand to go up in the last quarter of FY25 as

Home loan offtake slows

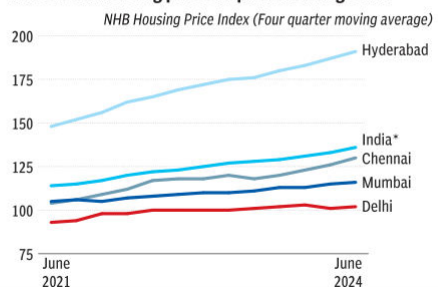
Growth in housing loans halves this year



Most retail loan categories register slow growth



Increase in housing prices impacts housing loans



Source: RBI, NHB

*Composite HPI for 50 cities

we expect an interest rate cut in the February 2025 MPC."

Rahul Mehrotra, MD and CEO of Religare Housing Development Finance Corporation Ltd, pointed out that rising interest rates, economic uncertainty, regulatory changes, and increased rental demand are among the key factors contributing to the decline in housing loans in India.

The increase in home prices could also be suppressing demand. Data from

National Housing Bank's Housing Price Index (HPI), which tracks the growth of property prices, shows consistent growth across India.

The four-quarter moving average for India's HPI rose from 128 in June 2023 to 131 in December 2023, reaching 136 in June 2024. Among cities, Hyderabad experienced the fastest growth, with its HPI moving from 176 in June 2023 to 191 in June 2024. Other cities also recorded increases in housing prices in June 2024.

RBI calls for affordable credit from MFIs, slams high-cost lending

WAY FORWARD. Risk sharing by switching to lean management techniques could help: RBI Executive Director

KR Srivats
New Delhi

The Reserve Bank of India (RBI) has delivered a sharp message to microfinance institutions (MFIs), urging them to realign their lending practices and prioritise affordability in their credit offerings.

MFIs can no longer hide behind the facade of limited access as a rationale for steep interest rates, Jayant Kumar Dash, Executive Director of the RBI, said, challenging the very foundation of the sector's traditional defence.

Speaking at the Sa-Dhan-organised 'National Conference on Financial Inclusion' in the capital, Dash made it clear that this "specious argument of high-cost credit is unavoidable in the absence of access to credit" had lost its relevance. He called on MFIs to innovate and find new, sustainable ways to offer credit at affordable rates, emphasising that financial inclusion should not come at

the cost of exploiting the vulnerable.

"Risk sharing through blended finance and switching to lean management techniques could hold some answers (to ensure affordable rates)," Dash suggested. His remarks are significant as MFIs in India on average levy interest rates of 24 per cent per annum on borrowers.

Dash also said there is an onerous responsibility on MFIs to ensure that they are not abetting over indebtedness or participating in predatory lending. He said at an aggregate level, more than 12 per cent of total microfinance borrowers had four or more active loans in March 2024 and which could go up to 18 per cent in some States.

TIGHTENING GRIP

The RBI's rebuke signals a tightening grip over MFIs, which now face increasing pressure to strike a balance between business viability and social responsibility.



MFIs can no longer hide behind the facade of limited access as a rationale for steep interest rates

JAYANT KUMAR DASH
Executive Director, RBI



Meanwhile the 'Bharat Microfinance Report,' released by Sa-dhan, highlighted that a reduction of interest rates from 20 per cent per annum to 19.5 per cent per annum will not make a difference in the weekly or monthly instalment payment of the poor household.

The report said that the combined loan outstanding of India's growing microfinance sector stood at ₹4,42,700 crore, as outstanding against 1,613 lakh loan accounts, as on March 31, 2024. The share of different institutions in loan out-

standing stood as: NBFC-MFIs: ₹1,73,504 crore (39 per cent); banks - ₹1,46,909 crore (33 per cent); SFBs - ₹74,712 crore (17 per cent); NBFCs - ₹45,236 crore (10 per cent) and non-profit MFIs - ₹2,338 crore (1 per cent).

The report observed that the MFIs, particularly the 'for-profit' organisations like NBFC-MFIs, NBFCs and SFBs should exercise more caution for ensuring better quality of assets and growth while exploring the ways of sustainable inclusive finance.

FINANCIAL INCLUSION

Dash said that time is ripe for a vision of financial inclusion 2.0 for India to emerge. It is likely to be characterised by augmented impact of inclusive and all-round financial services for low-income and vulnerable persons, households or enterprises. It needs to expand beyond just 'breadth' or 'depth' of financial inclusion and shift focus to maximising the utility of financial inclusion.

"That would gradually render the term 'financial inclusion' remodel itself in to 'economic inclusion'," he said.

"Economic inclusion is when people, on the top of meeting their basic subsistence needs, are productive with all market opportunities, and empowered to make choices about their economic lives.

"Done right, the three goals of sustainability, inclusion, and growth can be a quintessential self-reinforcing triad," Dash added.

IndusInd Bank Q2 PAT tanks 40% on increased provisions

Q2 scorecard

Period	Q2FY25	y-o-y % change
Advances	₹3.57 lakh crore	13
Deposits	₹4.12 lakh crore	15
Net interest income	₹5,347 crore	5
Net NPA (%)	0.64	7 basis points
Net profit	₹1,331 crore	-40

Piyush Shukla
Mumbai

Private sector lender IndusInd Bank on Thursday reported a sharp 40 per cent year on year (y-o-y) and 39 per cent quarter-on-quarter (q-o-q) fall in its Q2FY25 consolidated net profit at ₹1,331 crore, largely on account of higher provisions due to bad loans from the unsecured credit segment.

The bank's gross and net non-performing asset (GNPA, NNPA) ratio rose to 2.11 per cent and 0.64 per cent respectively, from 2.02 per cent and 0.6 per cent a quarter ago. Segment wise, two-wheeler loans had 8 per cent GNPA ratio, micro loans had 6.5 per cent GNPA and credit card NPAs stood at 3.3 per cent. The bank is among the largest MFI lenders in the country with ₹32,723 crore of outstanding micro loans as on September 30.

As bad loans rose, provisions and contingency funds rose 87 per cent y-o-y and 73 per cent q-o-q to ₹1,820 crore. The bank's pre-provisioning operating profit stood at ₹3,600 crore, down 8 per cent y-o-y.

"The unsecured business over the last three years has grown at a very rapid pace. As a consequence of that, whether it is lower ticket size or higher ticket size, loans have grown at fast pace. I think there is a pause, as everybody is seeing a slight uptick in delinquencies specifically in the credit card and personal loan," said Sumant Kathpalia, MD & CEO, IndusInd Bank.

On the micro loan front, he said NPAs may appear higher due to the denominator effect, wherein disbursements are lower as the bank is being cautious in growing MFI book in certain pockets of Bihar, Jharkhand and Maharashtra due to over-leveraging of customers.

"We have been very cautious on disbursement in these States as a prudent measure...the business (MFI) will normalise only if you see normalisation of disbursement cycle. Today, I think we are 60-65 per cent there, not 100 per cent," he said, adding that with upcoming festivals, the disbursements may rise and micro loan delinquencies may flatten in Q3 or Q4.

CORE BUSINESS

The bank's overall deposits grew at a faster pace than credit, leading to a slower core income growth and lower margin. Total deposits were up 15 per cent y-o-y to ₹4.12 lakh crore, and overall advances rose 13 per cent to ₹3.57 lakh crore. Its net interest income grew 5 per cent to ₹5,347 crore, while net interest margin stood at 4.08 per cent.

IndusInd Bank expects NIM to rise to 4.2-4.3 per cent level in H2FY25 if the microfinance industry comes back from the woods, and disbursals rise.

The bank's other income, which includes fees from third-party services, treasury and forex income, was down 4 per cent y-o-y to ₹2,185 crore. Its capital adequacy ratio was at 16.51 per cent as of September-end.

GROSS DOLLAR DEALS MUCH HIGHER TILL AUGUST THAN LAST YEAR

RBI's Playing Aggressively in Currency Mkt in FY25

Central bank intervention up to stabilise rupee amid rising global mkt volatility

Bhaskar Dutta

Mumbai: The Reserve Bank of India's (RBI) gross currency market interventions until August in FY25 have registered a sharp increase from a year ago, reflecting the central bank's efforts to mitigate volatility in the exchange rate in a turbulent global economic environment.

Latest data published by the RBI showed that in April and May, the central bank purchased dollars worth \$8 billion and \$23.6 billion, respectively, in the currency market, while making sales worth \$11.7 billion and \$19.4 billion.

In June and July, the RBI bought \$15.9 billion and \$23.6 billion, while selling \$18 billion and \$16.6 billion, respectively. The purchase in August was at \$16.14 billion while the sales were at \$22.6 billion. The data showed the RBI's activity in the onshore and offshore currency markets. On a monthly basis, the interventions are far higher than that carried out by the RBI the same time last year.

"The gross dollar transaction shows a pick-up in activity on both gross dollar sales and gross dollar purchase in FYTD25 (April to August), which reflects two-way intervention by the RBI to minimize USD/INR volatility. The pick-up in intervention is led by the Balance of Payments surplus remaining low in

Fighting Volatility PURCHASE & SALE OF US DOLLARS

2023	PURCHASE	SALE	2024	PURCHASE	SALE
April	8,404	700	April	8,006	11,653
May	7,371	0	May	23,647	19,425
June	7,785	3,281	June	15,936	18,043
July	5,315	1,843	July	23,569	16,635
August	500	4,356	August	16,141	22,635

Figures in \$ million

Source: RBI Bulletin

H1FY25," said Gaura Sengupta, chief economist, IDFC First Bank.

STABILITY & PREDICTABILITY

The central bank's stated position is that it intervenes in the currency market to prevent excessive volatility in the exchange rate. Sengupta pointed to the rupee's low 30-day standard deviation as a gauge for the stability of the local monetary unit, despite a significant pick-up in global market volatility due to a recent escalation of tensions in West Asia, uncertainty over the outcome of the US elections and a reduction of rate cut expectations by the Federal Reserve.

These factors, along with concerns of overvaluation of Indian stocks amid

efforts by China to boost its economy, have prompted foreign investors to pull out a record \$9.6 billion from local equities this month.

Pressured by the foreign outflows, the rupee has marked new lows versus the US dollar, weakening past the 84/\$1 level for the first time earlier this month. So far in 2024, however, the local currency has depreciated 1% versus the US dollar.

"The objective is pretty clear, which the governor has emphasised again and again – that the RBI wants to use the built-up FX reserves to smoothen out volatility. That's the main driving factor. The FPI outflows have been large this time," said Anubhuti Sahay, head, India, economic research, Standard Chartered Bank.

'Unsecured Loans may Remain a Source of Pain for NBFCs this Fiscal'

Our Bureau

Mumbai: Unsecured loans such as micro finance, personal loans, credit cards and business loans will continue to be a source of stress for non-bank financial companies (NBFCs) this fiscal year as borrowers' repayment capacities are likely to be hit due to higher interest rates, rating agency ICRA said.

This rising stress is expected to cause slowdown in growth in microfinance loans by 10% to 12%, and a 19% to 21% in other unsecured loans.



The stress will also spill over to secured loans like small mortgages, vehicle loans and other small ticket loans, the rating agency said.

High credit growth in the previous two years has potentially resulted in over leveraging in some assets, and a slower credit growth due to higher risk weights by the regulator, can damage the refinancing ability of some borrowers.

"The NBFCs in unsecured and digital lending will face a higher squeeze in funds compared to others as slower credit growth often results in weaker borrowers falling behind in their repayment schedule, increasing the pressure on asset quality for lenders," said AM Karthik, senior vice-president, financial sector ratings at ICRA.

live**mint**

Mid-income earners' share shrinks in income tax kitty

The declining share of this group is the result of a series of relief measures over the years

Gireesh Chandra Prasad
gireesh.p@livemint.com
NEW DELHI

While individuals have been paying more income tax than businesses for two years, that masks a less-obvious shift: the share of middle-income earners in the kitty has fallen over the past five years, thanks to deductions and incentives, even as the contribution of wealthier taxpayers has risen.

Although the tax department makes no such distinction, typically, a middle-income earner would be someone who pays ₹1.5 lakh in taxes, putting their total earnings at ₹11.25 lakh under the old tax system and ₹15 lakh under the new one.

Taxes paid by this group slipped from 19.2% of overall personal tax collections in the assessment year 2020 (AY20) to 13.3% in AY24, according to a *Mint* analysis of the income tax department's data for five years.

The number of return filers with zero liability jumped about 50% from 27.4 million in AY20 to 47.4 million in AY24.

An assessment year is one in which returns are filed for the income earned in the previous financial year.

To be sure, the aggregate tax paid by middle-income earners rose in absolute terms—except for the pandemic-hit

Shifting weight

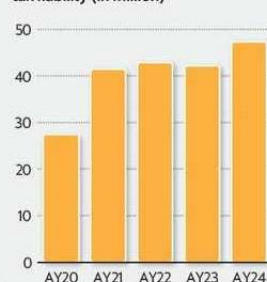
The share of taxes paid by middle-income earners in the overall income tax receipts has declined sharply over five years.

Share of Individual tax contribution in total tax paid



mint

Number of returns showing zero tax liability (in million)



Source: Income tax department

AY21—tracking the buoyancy in the government's overall personal tax revenue in a growing economy.

That's most likely because the number of such taxpayers rose. The returns filed by those with an annual liability of up to ₹1.5 lakh rose steadily between AY20 and AY24, except in the pandemic year.

However, the growth in the aggregate tax for this group in each of these assessment years has been slower than that of those paying higher taxes.

The declining share of this cohort in the overall personal tax collection, along with a higher number of zero-tax filers, is the result of a series of relief measures over the years.

Former finance minister Arun Jaitley introduced a standard deduction of ₹40,000 for salaried employees in AY20, which was raised to ₹50,000 later. In the interim budget of 2019-20, then finance minister Piyush Goyal exempted people earning up to ₹5 lakh (after deductions) from having to pay income tax.

Finance minister Nirmala Sitharaman introduced the new personal income tax regime with lower rates in 2020 and sweetened the incentives by raising the tax rebate to ₹7 lakh from the earlier ₹5 lakh and increased the basic exemption limit to ₹3 lakh from ₹2.5 lakh. She also introduced a standard deduction in the

Union Budget for FY24.

The new tax regime with reduced, concessional rates helped empower the middle class, offering a rebate for a total income up to ₹7 lakh and a standard deduction of ₹75,000, said Sandeep Sehgal, partner, tax, at AKM Global, a tax and consulting firm.

Earlier, a tax liability of up to ₹1.5 lakh would cover middle- and upper-middle-income earners, who paid 30% tax on part of their income under the old tax regime.

Individuals aged under 60 years and earning up to ₹11.25 lakh would pay a tax of ₹1.5 lakh under the old tax regime if they didn't claim any exemptions. To be sure, depending on deductions and age, even those with a higher income would fall into this bracket.

However, under the new regime, those with an annual income of ₹15 lakh would face a tax liability of ₹1.5 lakh.

Meanwhile, there has been an uptick in the share of wealthier taxpayers with a higher liability in three income slabs—₹5 lakh to ₹10 lakh; ₹10 lakh to ₹20 lakh; and ₹20 lakh to ₹50 lakh. Absolute collections rose for all these groups as well.

The new tax regime limits the scope for traditional deductions and exemptions, but despite that, many people, including high net-worth individuals, are increasingly opting for it, said Sehgal.

To read an extended version of this story, go to livemint.com.

47.4 mn

Number of return filers with zero liability in AY24

₹75k

Standard deduction under the new tax regime

Income disparity down 74% since FY14: SBI study

PRESS TRUST OF INDIA
New Delhi, 25 October

There has been a cumulative 74.2 per cent decline in income disparity coverage for those earning up to ₹5 lakh annually between financial years 2013-14 and 2022-23, said a State Bank of India (SBI) report released on Friday.

The research report from the Economic Department of SBI analysed the income disparity curves of assessment years (AY) 2014-15/FY14 and AY24/FY23.

A comparison of disparity in income during AY15 and AY24 shows that there is a clear rightward shift in the income distribution curve, signifying people in lower income brackets are increasing their income to converge towards their share in population, it said.

"Our analysis shows that there has been a cumulative 74.2 per cent decline in income disparity coverage for those earning up to ₹5 lakh. This shows the continuous efforts of government are reaching bottom of the pyramid — that is leading to increase in income of 'lower income group' people," said the report titled 'How Tax Simplification has given a necessary fillip to ITR Filing'.

KEY FINDINGS

AMONG INCOME GROUPS

■ **₹3.5 lakh:** Disparity down to 12.8% (FY21) to 31.8% (FY14)

■ **Less than ₹5.5 lakh:** Saw positive growth rate for all years, except FY20

■ **Traditional leader states** like Maharashtra, Delhi, Gujarat, Karnataka near saturation in ITR filings

■ **Uttar Pradesh** leads the tally in increasing share in income tax file base

■ **56.7%** contribution of direct taxes to total tax revenue in AY24, highest in 14 years

For people with income up to ₹3.5 lakh, the share in income disparity has reduced from 31.8 per cent in FY14 to 12.8 per cent in FY21, signifying share of this bucket group has increased by a sharp 19 per

cent income in comparison to their population, it added.

Lower income group (less than ₹5.5 lakh) has registered a positive growth rate for all years in last decade (except AY20 — due to Covid), it added.

States like Maharashtra, Delhi, Gujarat, and Karnataka, which have been leaders in income tax base are nearing saturation in Income Tax Returns (ITR) filing and their share in overall tax file base is decreasing. Uttar Pradesh is the leader in increasing share in income tax file base, followed by Bihar, Andhra Pradesh, Punjab, and Rajasthan.

The SBI study further said that with an increasing alignment with progressive taxation regime, contribution of direct taxes to total tax revenue reached 56.7 per cent in AY24 (54.6 per cent in AY23), the highest in 14 years.

Direct taxes to GDP ratio rose to 6.64 per cent in AY24, highest since 2000-01, vindicating the results of improving tax compliance, it said.

ITRs filed during AY24 witnessed a surge, standing at about 8.6 crore (against about 7.3 crore in AY22).

