



Daily Banking Digest

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Bankopedia

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Supply of medicines, drugs, consumables, food to in-patients of a hospital to be composite supply, exempted from GST: KAAR

The Karnataka Authority for Advance Ruling (KAAR) has determined that the supply of medicines, drugs, consumables, and food provided to in-patients in a hospital constitutes a composite supply under the GST regime and is therefore exempt from GST.



Key Points:

1. Bengaluru-based Spandana Pharma sought clarification on whether in-patient services and food could be considered a composite supply for GST exemption.
2. Composite supply is defined by the Central Board of Indirect Taxes and Customs (CBIC) as two or more naturally bundled taxable supplies, with the tax rate of the principal supply applying to the entire bundle.
3. KAAR concluded that healthcare services, being the principal supply, are the predominant element of the composite supply and are exempt from GST.
4. However, there is an exception for room rent exceeding ₹5,000 per day, which is subject to GST.
5. Experts advise that until further clarification or amendment, a 5% GST should be levied on the total charge if the cost of food and room exceeds ₹5,000 per day, not including food charges for visitors and attendants.

Government plans mega summit to woo global investors and Fortune 500 companies.

The Indian government is organizing a major global investment conference to promote India as a key investment destination. This event aims to gather prominent institutional investors and Fortune 500 leaders to explore economic opportunities within the country and foster international collaborations.



Key Points:

1. The conference intends to attract the top 100 institutional investors and executives from the top 100 Fortune 500 companies.
2. It is being touted as India's equivalent of the Davos forum, offering a platform for global financial leaders to engage with Indian government officials.
3. The government is seeking a strategic knowledge partner for the event, which was rescheduled from March 4 to a later date due to time constraints and upcoming elections.
4. The conference's goal is to build relationships between global investors and Indian policymakers, provide insights into government priorities, and solicit feedback on policy and regulatory matters.
5. This is the first formal attempt on such a scale to bring global investors together in India.

6. The conference aims to shift investors' focus from China to India within the emerging market investment segment, where India holds significant weight in the MSCI EM Index.
7. Foreign investors, like Advent International, have expressed plans to increase their investments in India, drawn by political stability and growth in sectors such as infrastructure, healthcare, fintech, and manufacturing.
8. The summit is designed to identify strategic partners for business in India and highlight investment opportunities, thereby enhancing India's attractiveness as an investment location.

IBBI heralds shift in liquidation process, brings relief to home buyers.



भारतीय दिवाला और शोधन अक्षमता बोर्ड

Insolvency and Bankruptcy Board of India

The Insolvency and Bankruptcy Board of India (IBBI) has revised the liquidation process to protect certain home buyers and enhance the role of the stakeholder consultation committee (SCC), which consists of the creditors of the company being liquidated. These changes aim to increase stakeholder confidence and make the liquidation process more inclusive and transparent.

Key Points:

1. Specific home buyers, who have been allocated and possess homes in stalled projects, will not have their homes included in the liquidation estate, safeguarding their interests.
2. The SCC will now have a significant say in the liquidation process, influencing decisions such as early dissolution, private asset sales, and the sale of the debtor as a going concern.
3. Previously, liquidators had considerable autonomy in decision-making during the liquidation process.
4. The amendments aim to impose checks and balances on the discretionary powers of liquidators, particularly in regards to compromise or arrangement schemes, auction decisions, price settings, litigation, and the discovery of sale mechanisms.
5. These regulatory changes are intended to ensure enhanced accountability, transparency, and stakeholder engagement, requiring that the SCC is consulted on important decisions to ensure the interests of stakeholders are protected.
6. The new regulations emphasize a committee-based approach in decision-making, potentially leading to more efficient timelines and value in the liquidation process.

Slowing inflation, smaller fiscal deficit will create ground for MPC to start cutting rates: Crisil



The Crisil Market Intelligence & Analytics report anticipates that the decreasing inflation rate, reduced fiscal deficit, and expected shifts in US Federal Reserve policy rates will provide a basis for India's Monetary Policy Committee to consider reducing interest rates. However, further insight into inflation trends might delay rate cuts until at least June 2024.

Key Points:

1. Inflation has stayed within the Reserve Bank of India's acceptable range but hasn't hit the 4% target, prompting continued vigilance by the MPC.
2. Consumer Price Index inflation has dropped to a three-month low due to falling food prices, with core inflation reaching a 50-month low.
3. Declining core inflation across various categories suggests both low input costs and potentially weaker demand.
4. CPI inflation is projected to average 4.5% in fiscal 2025, down from an estimated 5.5% in the current fiscal year, with factors like normal monsoon and high food price bases contributing to this moderation.
5. The budget's focus on asset creation over direct cash support is seen as positive for core inflation.
6. Risks to inflation include unusual weather events and geopolitical tensions in the Red Sea region, as well as a diminishing low base effect for commodity prices.
7. Domestic demand may slow due to the RBI's past rate hikes and credit control measures.
8. Government capital expenditure may decrease next year, and exports face risks from global trade disruptions and slower global demand.
9. A slowdown in manufacturing and services is expected to lower GDP growth to an average of 6.4% next fiscal year, down from the current rate of 7.3%.

Wholesale inflation eases to 3-month low of 0.27% in January.

India's wholesale price index (WPI)-based inflation has dropped to a three-month low at 0.27% in January, largely due to a decline in food prices, particularly vegetables.

Key Points:

1. WPI inflation, which was negative from April to October, turned positive in November at 0.39%.
2. The year-on-year inflation rate for January 2024 is 0.27%, compared to 4.8% in January 2023 and 0.73% in December 2023.
3. Food inflation fell to 6.85% in January from 9.38% in December 2023, with significant easing in vegetable inflation.
4. Inflation was negative for potatoes and prices for fruits, eggs, milk, and fish have also declined.



5. In the fuel and power category, inflation was -0.51% in January, improving from -2.41% in December 2023.
6. Manufactured products saw deflation at -1.13%, more than the -0.71% in the previous month.
7. Despite the moderation in WPI, the Reserve Bank of India has maintained interest rates to target a CPI inflation of 4%, which is currently over 5%.
8. The WPI index fell by 0.33% from December 2023 to January 2024, with a decrease in the prices of primary articles, except for minerals which saw a slight increase.

Why legal guarantee for MSP will be difficult to implement.

Farmers from Punjab, Haryana, and Uttar Pradesh, represented by over 200 unions, are marching towards Delhi to demand a legal guarantee for the minimum support price (MSP). Despite MSP's role in stabilizing farm prices, less than seven percent of farmers benefit from it.



Key Points:

1. MSP is designed to shield farmers from price volatility and is set by the Commission for Agricultural Costs and Prices (CACP) at the start of the sowing season.
2. However, awareness of MSP among agricultural households is limited, and the amount of output sold under MSP is highly variable.
3. Studies suggest sectors with minimal government market intervention, like horticulture and fisheries, have shown significant growth compared to cereal sectors, which have substantial government intervention.
4. The Supreme Court's appointed committees suggest that MSP policy should be revisited and potentially left to states' discretion.
5. Punjab and Madhya Pradesh have notably benefited from MSP.
6. Government procurement-backed MSP is argued to be necessary in certain cases for food security, but extending it to all crops would be fiscally taxing.
7. Challenges with MSP include low procurement for non-wheat and non-paddy crops, delayed announcements, lack of farmer awareness, high transportation costs, and inadequate storage facilities.

MSP guarantee would leave very little money for other development and social goals: Govt officials

Government officials have warned that legally guaranteeing minimum support prices (MSP) for all crops would significantly strain India's financial resources, potentially leading to a fiscal crisis and hampering other development and social initiatives.

Key Points:

1. The total agricultural output's value is ₹40 lakh crore, with the market value of the 24 crops under MSP at ₹10 lakh crore.



2. The government's total expenditure for 2023-24 is ₹45 lakh crore, with ₹11,11,111 crore allocated for capital expenditure on infrastructure.
3. Officials argue that fulfilling a universal MSP would exceed the annual average infrastructure spending over the last seven years and is economically unviable.
4. The government is open to discussions with farmer groups, who are also demanding the implementation of the Swaminathan Commission's recommendations, pensions, debt waivers, and other issues.
5. The farmers' demands include justice for victims of the Lakhimpur Kheri violence, reinstating the 2013 Land Acquisition Act, withdrawing from the WTO, and compensation for families of farmers who died in previous protests.

Moody's revises outlook on 4 Adani Group cos to 'Stable' from 'Negative' after a year

Moody's Investors Service has changed the outlook for four Adani Group companies from "Negative" to "Stable" a year after a critical report by Hindenburg Research prompted concerns about their financial health and governance.



Key Points:

- The outlook revision applies to Adani Green Energy, Adani Green Energy Restricted Group, Adani Transmission Step One, and Adani Electricity Mumbai.
- The initial change to "Negative" was due to allegations of corporate misgovernance by Hindenburg Research, leading to a rapid decline in Adani Group's market value.
- Adani Group has since demonstrated access to debt capital at reasonable costs through debt transactions, refinancing, and securing new loans.
- Fresh equity investments from entities like GQG Partners and Qatar Investment Authority have also boosted confidence.
- The Securities and Exchange Board of India (Sebi) is still investigating the group, but the Supreme Court's trust in Sebi has mitigated downside risks.
- The rating outlook for Adani Green Energy has improved due to plans to repay \$750 million in senior notes and financial maneuvers involving stake sales and preferential allotments.
- Moody's has also maintained a "Stable" outlook for other Adani entities, including Adani Ports and SEZ and various restricted groups under Adani Green Energy and Adani Energy Solutions Limited.

PM Surya Ghar: Muft Bijli Yojana; How to apply for new rooftop solar power scheme to avail 300 units free a month.

The Indian government has launched the PM Surya Ghar: Muft Bijli Yojana, an initiative offering free monthly electricity up to 300 units for 1 crore households via rooftop solar panels, with an investment of over ₹75,000 crores.



Key Points:

1. The scheme aims to promote sustainable energy, reduce electricity bills, and create employment opportunities.
2. To apply for a rooftop solar panel under the scheme, residents must register on the official portal, provide personal and electricity details, and follow the instructions for installation and subsidy receipt.
3. The benefits of the Grid-Connected Rooftop Solar System include savings on electricity bills, utilization of roof space without needing extra land, reduction in transmission losses, improved grid voltages, ecological benefits through carbon emission reduction, and assistance in managing peak daytime loads.
4. Rooftop solar systems can be installed on any roof that can support their weight.
5. A 1 kWp solar power plant can generate between 4 to 5.5 units of electricity on a clear sunny day.

Odisha to introduce Nua-O scholarship, students to get at least Rs 9,000 annually.

The Odisha government has announced the Nua-O scholarship program, providing financial assistance to undergraduate and postgraduate students, with enhanced amounts for female and SC/ST students, and those from Nirman Shramik families.

Key Points:

- Annual scholarships will be given: ₹9,000 for male students, ₹10,000 for female students, with SC/ST and Nirman Shramik males receiving ₹10,000 and females ₹11,000.
- The scheme, part of the Nutana Unnata Abhilasha (NUA) Odisha initiative, focuses on empowering youth through education and skills development, especially in tribal and remote areas.
- A budget of ₹385 crore is allocated for three fiscal years, aiming to cover all 30 districts of Odisha.
- The scholarships will be available for students at state universities and both government and non-government aided colleges, including Sanskrit colleges.
- Ineligible for the scholarship are students whose parents pay income tax or are permanent government employees.
- The scholarship funds for the current academic year will start being deposited into eligible students' bank accounts from February 20.
- Additional benefits for students will include a 'Nua-O magic smart card' by August, offering bus or train travel, free WiFi, online courses, and access to skill development and coaching programs.
- About 4.5 lakh undergraduate and 32,000 post-graduate students are expected to benefit from this scholarship initiative.

India, UAE conclude 7 pacts including BIT & IGA on IMEC

India and the UAE have formalized seven significant agreements, including investment and economic corridor treaties, as well as MoUs for financial and digital cooperation, following discussions between Prime Minister Narendra Modi and President Sheikh Mohamed bin Zayed Al Nahyan.

Key Points:

1. The Bilateral Investment Treaty (BIT) aims to boost investment flows between India and the UAE.
2. The agreements include linking instant payment platforms UPI (India) and AANI (UAE), and domestic card systems RuPay (India) with JAYWAN (UAE), promoting financial transactions and RuPay card usage in the UAE.
3. An MoU on cooperation in electrical interconnection and energy trade opens new avenues for collaboration in energy security and trade.
4. The Intergovernmental Framework Agreement on the India-Middle East-Europe Economic Corridor will enhance regional connectivity and build upon existing cooperation.
5. The MoU on digital infrastructure projects will enable cooperation in investment and technical knowledge sharing.
6. Protocols between national archives and an MoU on heritage and museums will support cultural and historical preservation and cooperation.
7. The discussions also covered strengthening the energy partnership, with the UAE being a key supplier of crude, LPG, and now LNG to India through long-term contracts.
8. RITES Limited's agreement with Abu Dhabi Ports Company and Gujarat Maritime Board aims to develop port infrastructure and improve connectivity.
9. PM Modi's visit to the UAE is part of ongoing efforts to enhance bilateral relations, marking his seventh trip to the Gulf nation since 2015.



Bharat Mart: All you need to know about India's big Middle Eastern trade push.

Prime Minister Narendra Modi, during his visit to the UAE, inaugurated Bharat Mart—a warehouse facility aimed at boosting Indian trade internationally. This facility will serve as a hub for Indian exporters to display their products, enhancing trade links with Africa, Europe, and the United States.



Key Points:

1. Bharat Mart is intended to function similarly to China's Dragon Mart and is scheduled to be operational by 2025.
2. The facility, spanning 1 lakh square meters, will combine warehouse, retail, and hospitality units and is located in Jebel Ali Free Zone (JAFZA).
3. It is expected to streamline the process and reduce the costs of shipping goods between India and other nations.
4. India-UAE trade relations have been strengthening, with recent developments like the India-Middle East-Europe Economic Corridor (IMEC) and a free trade agreement aiming for \$100 billion in bilateral trade.
5. The PM's UAE visit also included the signing of MoUs in various sectors, including energy security and trade, underlining the deepening economic ties between India and the UAE.

Irdai proposes to set up online marketplace 'Bima Sugam'.



The Insurance Regulatory and Development Authority of India (Irdai) has proposed the creation of 'Bima Sugam', an online marketplace, to boost insurance penetration by making it more available, accessible, and affordable.

Key Points:

1. Bima Sugam aims to be a comprehensive digital platform serving all stakeholders in the insurance sector, including customers, insurers, and agents.
2. The platform is designed to foster transparency, efficiency, and innovation while striving for the goal of universal insurance coverage by 2047.
3. Proposed as a not-for-profit entity, Bima Sugam will focus on providing various services to its users.
4. Shareholding in Bima Sugam will be distributed among life, general, and health insurance companies, with no single stakeholder having a controlling interest.
5. Irdai's draft outlines the regulatory framework for the establishment and operation of Bima Sugam and is open for public comment until March 4.

RBI Governor asks bank CEOs to maintain vigil around risks build-up

RBI Governor Shaktikanta Das has advised public sector banks to remain cautious and vigilant regarding the potential accumulation of risks in the financial sector.



Key Points:

1. In a meeting with bank CEOs, the first since July of the previous year, Das emphasized the importance of sustainable business models and prudent growth in personal loans.
2. Banks were commended for their improved financial performance but were warned about emerging risks.
3. Discussions included bank exposure to the non-banking financial companies (NBFC) sector, liquidity risk management, IT and cybersecurity, operational resilience, digital frauds, and the need to strengthen internal rating frameworks.
4. The RBI had previously increased risk weights on unsecured consumer loans and bank lending to NBFCs to control growth in these areas.
5. Maintaining customer grievance mechanisms and protecting customer interests were highlighted as critical for the stability of the financial system.
6. Das urged banks to engage with RBI's FinTech initiatives and promote Digital Banking Units (DBUs).

Warehousing & Logistics leasing in 2023 exceeded pre-pandemic level by 15%.

The Warehousing & Logistics sector in India saw significant growth in 2023, with a 15% increase in absorption compared to 2019 and a 21% increase from 2022. Despite global economic uncertainty leading to a drop in investments, the sector has been buoyed by third-party logistics companies, contributing to a major part of the absorption.

Key Points:

1. Warehousing & Logistics sector's absorption was at 37.8 million sq ft in 2023, with a consistent rise since 2021.
2. The sector attracted \$646 million in investments, representing 15% of the total institutional investments in real estate, although this was a decrease from the previous year.
3. Third-party logistics (3PL) companies are increasingly preferred, accounting for 44% of total absorption in 2023, followed by engineering, manufacturing, and retail.
4. Mumbai led the absorption with 27%, a significant increase from the previous year, and experienced a 4% rental appreciation due to high demand.
5. Kolkata faced a decline in absorption due to a lack of Grade A warehouses, leading to a 5% drop in rentals.
6. The National Capital Region saw a 21% increase in absorption, with steady share overall, driven by strategic location and e-commerce.
7. Pune's absorption grew by 35%, attributed to its trade hub and logistics parks.
8. The southern cities experienced a decrease in absorption, contributing 27% to the total.
9. The sector is projected to grow annually by 10%-13% in the coming years, driven by third-party logistics and e-commerce sectors.

Supply chain delays impact investment in speciality steel

PLI: Govt

The Indian government anticipates an investment of Rs 15,900 crore in the specialty steel sector under the PLI scheme, with an expected commitment of Rs 21,000 crore up to the current fiscal year. This projection accounts for three-fourths of the investment commitment during fiscal years 2023 and 2024 from companies participating in the scheme.

Key Points:

1. The investment pace and amount are influenced by supply chain delays due to geopolitical issues, unforeseen events, natural disasters, and market changes.
2. Investments in steel have a long gestation period, often requiring equipment sourced internationally.
3. As of December, selected companies have invested Rs 12,900 crore, with an additional Rs 3,000 crore expected in the fiscal year 2024.
4. The Ministry of Steel expects an investment of Rs 10,000 crore for the next fiscal year, with five units already in production and nine more to start this quarter.
5. Under the PLI scheme for specialty steel, 57 MoUs aim for an investment of Rs 29,500 crore, creating an additional capacity of 25 MT and about 17,000 jobs by 2028.
6. The scheme, initiated in July 2021, focuses on enhancing the production of specialty steel grades in India.

Defence ministry procurement via GeM portal crosses Rs 1 trillion mark.

India's Ministry of Defence (MoD) has reached a procurement milestone of Rs 1 lakh crore through the Government e-Marketplace (GeM), with about Rs 45,800 crore worth of transactions occurring in the current fiscal year alone.



Key Points:

1. The GeM platform was launched in August 2016 for online procurement by central government ministries and departments.
2. The MoD has executed over 5.47 lakh orders on GeM, becoming the first central government entity to surpass the Rs 1 lakh crore transaction mark.
3. A significant portion (50.7%) of the MoD's orders, valued at Rs 60,593 crore, were awarded to Micro and Small Enterprises (MSEs).
4. Defence Public Sector Undertakings (PSUs) have also engaged with GeM for both procurement and sales.
5. The total procurement via GeM is expected to exceed Rs 4 lakh crore by the end of this fiscal year due to increased buying activities.
6. GeM has more than 63,000 government buyer organizations and over 62 lakh sellers and service providers.
7. It serves various government entities, including state governments and central armed police forces, offering products ranging from stationery to vehicles, and services such as transportation and logistics.
8. GeM is currently the third largest such e-marketplace globally, after South Korea's KONEPS and Singapore's GeBIZ.

16th Finance Commission: Chairman Panagariya discusses ToR in first meet.



The 16th Finance Commission of India, chaired by Arvind Panagariya, held its inaugural meeting to deliberate on its mandate, including the equitable division of tax proceeds between the Union and states, and the financial support of local governance bodies.

Key Points:

1. The 16th Finance Commission will engage in comprehensive research and collaborate with fiscal federal relations experts.
2. Its responsibilities include recommending the distribution of tax revenues between the Union and states and the allocation among states themselves.
3. It will also consider the principles for grants-in-aid to states from the Consolidated Fund of India and ways to enhance the states' own Consolidated Funds to aid local bodies.
4. Extensive consultations with stakeholders are planned, with the involvement of state governments, local bodies, central government ministries, and subject matter experts.

5. Recommendations are to be submitted by October 31, 2025, for the period starting April 1, 2026.
6. The Commission's membership comprises former government officials with fiscal expertise and an executive director from a research organization, with a part-time member from the State Bank of India.
7. The Finance Commission is constitutionally tasked with formulating the tax distribution framework every five years.
8. Currently, the Union shares 41% of federal taxes with states as per the 15th Finance Commission's suggestions.

Government bonds, rupee weaken post higher than expected US inflation data

Following the release of the U.S. Consumer Price Index data, which exceeded expectations, both the Indian rupee and government bonds weakened. The CPI data suggested persistent inflation, dampening prospects of an immediate rate cut by the U.S. Federal Reserve and affecting global markets.



Key Points:

1. The 10-year benchmark government bond yield in India increased slightly to 7.11%, and the rupee weakened to Rs 83.03 against the dollar.
2. The Indian capital market's recovery, led by banking stocks, provided some support to the rupee.
3. The liquidity deficit in the Indian banking system has impacted short-term bond yields more significantly than long-term yields.
4. Market expectations for the RBI to ease liquidity have been delayed, with minimal liquidity provision anticipated.
5. The US inflation data's resilience has reduced the probability of a rate cut by the Federal Reserve in the upcoming months, shifting expectations to June.
6. The US Treasury yields have seen a substantial rise, and the Dollar index has reached a three-month high.
7. The domestic overnight indexed swap (OIS) rate curve signals a potential repo rate cut by the RBI starting in August.
8. Technical resistance for the Indian government bond yield is at 7.15%, and further global economic data could influence yield levels.

Financial Concept of the Day – Cash Reserve Ratio

The Cash Reserve Ratio (CRR) is a monetary policy tool used by central banks to regulate the amount of funds that commercial banks must keep in reserve, either as cash or as deposits with the central bank, against their total deposits. This is a crucial measure that helps central banks in controlling liquidity in the banking system, influencing lending rates, and managing inflation.

How CRR Works:

- **Regulating Money Supply:** By altering the CRR, a central bank can control the amount of money that banks can lend. A higher CRR means banks have less money to lend, which

can help cool down an overheating economy or curb inflation. Conversely, a lower CRR frees up more money for banks to lend, which can stimulate economic activity.

- **Impact on Interest Rates:** Changes in the CRR can affect the interest rates banks charge on loans. A higher CRR often leads to higher interest rates because banks have less money to lend and may charge more for loans. A lower CRR can lead to lower interest rates, encouraging borrowing and investment.
- **Safety and Liquidity:** The CRR ensures that banks always have a minimum amount of cash on hand to meet withdrawal demands, thereby promoting stability and confidence in the banking system.

Example of CRR:

Suppose the central bank sets the CRR at 4%. This means that for every 100 units of customer deposits, a bank must keep 4 units in reserve as cash or as a deposit with the central bank. It cannot use this reserved amount for lending or investment purposes.

Let's say Bank A has customer deposits totaling 1,000 units. With a CRR of 4%, Bank A must keep 40 units as reserves ($1,000 \times 0.04 = 40$). This leaves Bank A with 960 units ($1,000 - 40 = 960$) that it can use for loans, investments, or other purposes. If the central bank decides to increase the CRR to 5%, Bank A would then have to reserve 50 units, reducing the amount available for lending to 950 units.

This simple example illustrates how the central bank can influence the banking sector's capacity to create credit and, by extension, impact the overall economy's liquidity and growth rates through the manipulation of the CRR.