INDUSTRY Insights

SEPTEMBER - OCTOBER 2024

MEMBERS IN INDUSTRY & PSUs COMMITTEE

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

www.icmai.in

Behind every successful business decision, there is always a CMA

Vision Statement

"The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally."

Mission Statement

"The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

Institute Motto

असतोमा सद्गमय	From ignorance, lead me to truth
तमसोमा ज्योतिर् गमय	From darkness, lead me to light
मृत्योर्मामृतं गमय	From death, lead me to immortality
ॐ शान्ति शान्ति शान्तिः	Peace, Peace, Peace

About the Institute

The Institute of Cost Accountants of India (ICMAI) is a statutory body set up under an Act of Parliament in the year 1959. The Institute as a part of its obligation, regulates the profession of Cost and Management Accountancy, enrols students for its courses, provides coaching facilities to the students, organizes professional development programmes for the members and undertakes research programmes in the field of Cost and Management Accountancy. The Institute pursues the vision of cost competitiveness, cost management, efficient use of resources and structured approach to cost accounting as the key drivers of the profession. In today's world, the profession of conventional accounting and auditing has taken a back seat and cost and management accountants increasingly contributing towards the management of scarce resources like funds, land and apply strategic decisions. This has opened up further scope and tremendous opportunities for cost accountants in India and abroad.

The Institute is headquartered in Kolkata having four Regional Councils at Kolkata, Delhi, Mumbai and Chennai, 117 Chapters in India and 11 Overseas Centres. The Institute is the largest Cost & Management Accounting body in the world with about 1,00,000 qualified CMAs and over 5,00,000 students pursuing the CMA Course. The Institute is a founder member of International Federation of Accountants (IFAC), Confederation of Asian and Pacific Accountants (CAPA) and South Asian Federation of Accountants (SAFA). The Institute is also an Associate Member of ASEAN Federation of Accountants (AFA) and member in the Council of International Integrated Reporting Council (IIRC), UK.

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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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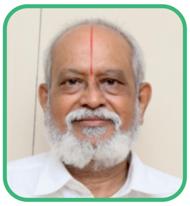
President



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The Institute of Cost Accountants of India

MESSAGE

Dear Esteemed Members,

We are delighted to welcome you to this issue of the "Industry Insight" bulletin, dedicated to the impactful and thought-provoking topic of **"Optimizing Hospitality Performance: Cost Management Accounting Techniques."**

This edition explores the critical role of integrating cost management accounting principles into hospitality management. By highlighting innovative strategies and practical applications, we aim to showcase how this synergy can optimize operations, enhance profitability, and promote sustainable growth within the industry and enhance customer satisfaction. By examining this synergistic approach, we highlight the importance of cost management in optimizing resources, budgeting, and decision-making processes within the hospitality industry. Throughout this issue, we will cover key concepts, best practices, and real-world examples of how hospitality managers and accountants can work together to create a more streamlined and cost-effective business environment.

As we strive to empower the role of CMAs in the hospitality sector, we invite you to join us on this transformative journey. Together, we can redefine the future of hospitality by fostering innovation, enhancing sustainability, and driving excellence—creating a brighter and more inclusive future for all.

We encourage you to actively engage with the content of this bulletin and participate in the initiatives and discussions that that will be followed.

Thank you for your continued support.

Warm regards,

CMA Avijit Goswami

Inside...

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Optimizing Hospitality Performance: Cost Management Accounting Techniques

The hospitality industry is a vital contributor to the global economy, offering diverse services such as accommodation, food and beverage, travel, and event management. This sector's focus on delivering exceptional customer experiences while maintaining operational efficiency makes it one of the most challenging yet rewarding industries to manage. Given its dynamic nature, the role of Cost Management Accounting (CMA) has emerged as a cornerstone in steering hospitality businesses toward profitability and sustainability. This article delves into the intricacies of hospitality management and explores how integrating CMA principles can enhance its effectiveness.

• Introduction to Hospitality Management

1. Defining Hospitality Management

Hospitality management involves overseeing and coordinating all activities related to providing lodging, food, travel, and leisure services. It is a multidisciplinary field requiring expertise in customer service, operational efficiency, human resources, marketing, and financial management. From boutique hotels to global hotel chains, and from local restaurants to international travel agencies, the hospitality sector touches countless facets of daily life.

2. Economic Significance of Hospitality

The hospitality industry is a critical driver of economic growth:

- **Global Contribution:** In 2023, the industry contributed over $9 trillion to global GDP, representing 10.4% of the global economy.
- **Employment Generation:** It supports one in ten jobs worldwide, providing employment opportunities across diverse skill levels.
- **Tourism Dependency:** Many economies, especially in developing countries, rely heavily on tourism, with hospitality serving as its backbone.

3. Core Principles of Hospitality Management

The success of hospitality businesses hinges on:

- **Customer-Centric Approach:** Delivering personalized experiences to enhance guest satisfaction.
- **Operational Excellence**: Ensuring seamless operations to uphold service quality.
- **Adaptability:** Quickly responding to changing market conditions and consumer preferences.

4. Challenges in Hospitality Management

Despite its immense potential, the hospitality industry faces numerous challenges:

- **Seasonality:** Peaks and troughs in demand due to weather, holidays, and economic cycles.

- **Rising Costs:** Increased expenses for labor, utilities, and raw materials.
- **Unforeseen Disruptions:** Global events like pandemics, natural disasters, or geopolitical tensions.
- **Technological Evolution:** Constant need to adopt new technologies for competitive advantage.

• Understanding Cost Management Accounting

1. What is Cost Management Accounting (CMA)?

CMA is a specialized field of accounting focused on analyzing, managing, and optimizing costs within an organization. Unlike traditional financial accounting, which reports past performance, CMA emphasizes forward-looking strategies to maximize efficiency and profitability.

2. Core Functions of CMA

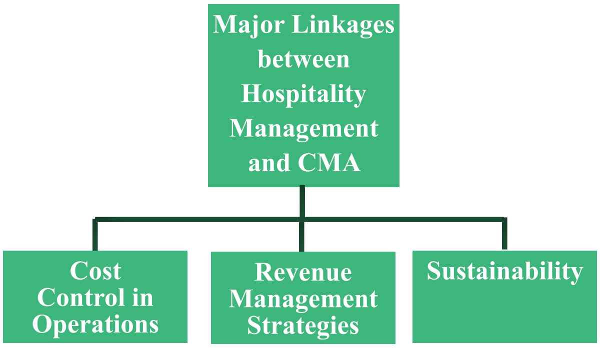
- **Cost Analysis:** Identifying and controlling costs across various business functions.
- **Budgeting:** Creating and managing financial plans aligned with organizational goals.
- **Performance Measurement:** Evaluating the efficiency of operations through metrics like cost per unit, profit margins, and variances.
- **Strategic Decision-Making:** Offering insights into resource allocation and investment opportunities.

3. Why CMA is Critical for Hospitality

The hospitality industry, characterized by high fixed costs and fluctuating demand, benefits significantly from CMA practices:

- **Cost Allocation:** Distributing costs accurately across departments like housekeeping, food and beverage, and maintenance.
- **Revenue Management:** Optimizing pricing strategies based on demand patterns.
- **Sustainability:** Assessing the financial feasibility of eco-friendly initiatives.

• Strategic Linkages: Hospitality Management and CMA



1. Cost Control in Operations

Hospitality businesses face unique operational challenges that require precise cost management:

- **Utility Expenses:** Hotels and resorts often incur high costs for electricity, water, and HVAC systems. CMAs play a vital role in identifying energy-saving measures, such as switching to LED lighting or installing smart thermostats.
- **Food and Beverage Costs:** Restaurants must optimize their supply chains to minimize food waste and ensure cost-effective procurement. By implementing inventory management systems, CMAs help prevent overstocking or stockouts.
- **Labor Costs:** Labor is a significant expense in hospitality. CMAs assist in workforce scheduling to align staffing levels with demand, avoiding underutilization or overstaffing.

2. **Revenue Management Strategies**

CMA tools can significantly enhance revenue generation:

- **Dynamic Pricing Models:** Adjusting room rates, event costs, or dining prices based on demand trends.
- **Customer Segmentation:** Analyzing customer behavior to create tailored packages or promotions.
- **Upselling Opportunities:** Identifying add-on services, such as spa treatments or guided tours, to increase revenue per guest.

3. **Sustainability and CMA**

Sustainability is a growing priority for hospitality businesses, and CMAs play a crucial role in integrating eco-friendly practices:

- **Energy Efficiency:** Conducting cost-benefit analyses of renewable energy installations, such as solar panels.
- **Waste Management:** Evaluating the financial impact of reducing single-use plastics or composting organic waste.
- **Green Certifications:** Assessing the return on investment for achieving certifications like LEED (Leadership in Energy and Environmental Design).

• Case Studies: CMA Applications in Hospitality

1. **Hotel Chains**

Large hotel chains face significant operational complexity:

- **Activity-Based Costing (ABC):** Marriott International uses ABC to allocate costs to specific services, such as housekeeping or laundry, ensuring better financial transparency.
- **Energy Management:** Hilton Hotels saved over $1 billion in energy costs between 2009 and 2019 by adopting energy-efficient technologies, guided by CMA principles.

2. **Restaurant Management**

Restaurants operate in a highly competitive market, where cost efficiency is paramount:

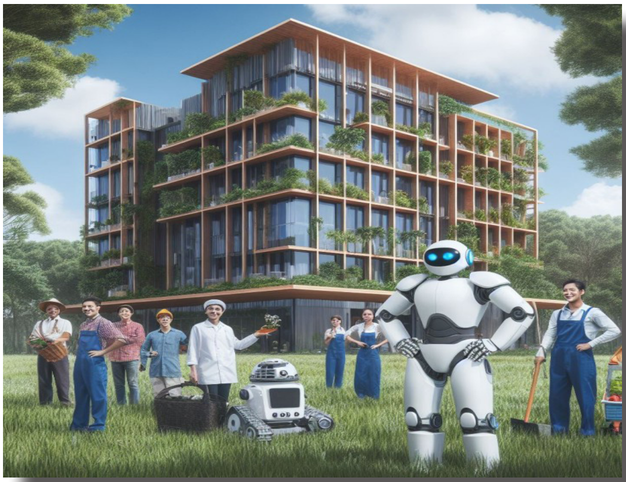
- **Menu Engineering:** Restaurants like McDonald's analyze the profitability of individual menu items to optimize offerings and pricing.
- **Supply Chain Optimization:** Fine dining establishments partner with local suppliers to reduce transportation costs and enhance sustainability.

3. **Event Management Firms**

Event planners manage diverse costs, from venue rentals to catering:

- **Project Cost Estimation:** Firms like Cvent use CMA tools to estimate costs for large-scale conferences or weddings, ensuring profitability.
- **ROI Analysis:** Evaluating the success of promotional events by analyzing costs versus generated revenue.

• Technological Integration in CMA for Hospitality



1. **Role of Technology in CMA**

   Modern CMA practices are increasingly reliant on technology:

   - AI and Machine Learning: Predicting demand patterns and optimizing pricing strategies.
   - Automation Tools: Streamlining cost tracking and financial reporting.
   - Data Visualization: Presenting complex cost data through intuitive dashboards for **better decision-making.**

2. **Digital Transformation in Hospitality**

   - Cloud-Based Solutions: Tools like Oracle Hospitality and SAP simplify financial management for hotels and restaurants.
   - IoT Integration: Devices monitor real-time energy consumption, helping CMAs implement cost-saving measures.
   - Mobile Apps: Allowing managers to track financial performance on the go.

• The Future of CMA in Hospitality

1. **Enhancing Decision-Making**

   CMAs will increasingly collaborate with hospitality managers to make data-driven decisions, balancing customer satisfaction with financial sustainability.

2. **Addressing Global Challenges**

   - **Post-Pandemic Recovery:** CMAs are crucial in developing strategies to recover from revenue losses due to events like COVID-19.
   - **Inflation Management:** Mitigating the impact of rising costs through efficient resource allocation.

3. **Focus on ESG Goals**

   As stakeholders demand greater transparency, CMAs will lead the charge in aligning hospitality operations with environmental, social, and governance (ESG) criteria.

   - **Benefits of Linking Hospitality Management with CMA**
   - **Operational Efficiency:** By identifying cost-saving opportunities, CMAs help streamline operations, improving service delivery without compromising quality.
   - **Financial Resilience:** Hospitality businesses gain a buffer against market fluctuations through better financial forecasting and risk management.
   - **Enhanced Customer Experience:** Cost savings enable reinvestment in customer-centric innovations, such as personalized services or upgraded facilities.
   - **Sustainability and Long-Term Growth:** Strategic cost management supports sustainable practices, bolstering brand reputation and customer loyalty.

Conclusion

The synergy between Hospitality Management and Cost Management Accounting is a game-changer in navigating the complexities of the modern hospitality industry. By leveraging CMA tools and techniques, businesses can achieve operational excellence, enhance profitability, and ensure sustainable growth. As the industry continues to evolve, integrating CMA principles will be essential for maintaining a competitive edge and delivering value to customers, employees, and stakeholders alike. This collaborative approach offers a clear roadmap for the future, emphasizing innovation, sustainability, and resilience in an increasingly dynamic global marketplace.

INDUSTRY TITBITS

CMA Industry Insights: September - October 2024 Issue

Entrepreneurship and Startup News

- **IIT Bombay's incubator plans to launch Rs 100 crore venture capital fund**

IIT Bombay's technology business incubator Society for Innovation & Entrepreneurship (SINE) is set to launch its 100 crore rupees (around $11.8 million) maiden venture capitalists fund to back the Indian tech focussed startups. IIT Bombay aims to invest in 1,000 startups over the next 10 years with an average ticket size of rupees 2 to 15 crore which will back startups across sectors, including biotech, science, medtech, space and defence sectors.

(Source:https://timesofindia.indiatimes.com/city/mumbai/iit-bombays-incubator-plans-to-launch-rs-100-crore-venture-capital-fund/articleshow/115552752.cms)

- **India's startup ecosystem sees rebound, late-stage deals take lead**

India's startup ecosystem has seen a 10% YoY increase in funding in 2024, reaching $9.78 billion, compared to $8.88 billion in the same period last year. The recovery is attributed to the country's strong markets, which are inspiring confidence in IPO-bound startups offering viable exit opportunities. Late-stage deals dominated the funding landscape in September, contributing to the ₹12,715 crore (~$1.5 billion) raised across 107 transactions. Sectoral focus has been driven by growth-stage companies in fintech, D2C, and deeptech, with deeptech startups raising over $45 million in just one week in October.

(Source: https://www.business-standard.com/companies/start-ups/india-s-startup-ecosystem-sees-rebound-late-stage-deals-take-lead-124111700524_1.html)

- **Venture capitals cautious on AI: Startups must show clear value, returns**

Venture Capital (VC) funds in India are increasingly becoming more cautious about investing in Artificial Intelligence (AI) startups such that they are shifting away from the hype and demanding business models that show clear returns on investment and impact. VCs funds has been a big player in the secondary market but it's changing since some funds look to boost disappointing liquidity and return for investors. Further, India's AI market is expected to reach $17 billion by 2027, growing at a 25-35% annualized rate from 2024 to 2027, according to a report by the National Association of Software and Service Companies and BCG. This highlights the sector's significant potential.

- **ETtech Deals Digest: Indian startups raised $908 million this week buoyed by Flipkart's mega funding**

Indian startups raised $908 million in a single week in late 2024, driven by Flipkart's significant funding activity. This surge in funding reflects investor confidence despite global economic uncertainties. Flipkart's substantial investment round, led by Walmart, showcased strong backing for e-commerce giants in India. Other startups across fintech, deeptech, and healthtech sectors also contributed to the funding total. This funding wave aligns with an ongoing trend where late-stage and growth-focused startups secure substantial investments, signaling robust maturity in the ecosystem. This milestone underscores India's growing status as a hub for innovation and entrepreneurial growth.

- **FM Nirmala Sitharaman extends an invitation to Mexican companies to work with academic institutions and startups**

Finance Minister Nirmala Sitharaman urged Mexican firms to explore collaborations with startups as well as academic institutions and take advantage of India's business friendly policies. She emphasised on responsibilities and opportunities for similar type economies and how India and Mexico can leverage and collaborate with each other.

- **Karnataka Govt Partners DRDO to Back Defence Startups**

Karnataka government has inked a pact with the Defence Research and Development Organisation (DRDO) to aid defence startups. With this partnership, defence startups will have access to DRDO's testing facilities. The DRDO, under the Ministry of Defence's Technology Development Fund (TDF), has supported more than 80 tech startups across the country which accounts to around rupees 400 crore overall.

(Source: https://inc42.com/buzz/karnataka-govt-partners-drdo-to-back-defence-startups/)

- **Govt introduces foreign currency banking norms for startups**

India's amended Foreign Exchange Management Regulations, 2024 is set to simplify authorised dealers to allow opening of foreign currency bank accounts of DPIIT recognised startups, aligning with the new definition of startups which was set to include entities upto 10 years from 5 years earlier with a with a higher turnover threshold of rupees 100 crore as against rupees 25 crore earlier. The RBI also permits non-resident to hold interest bearing accounts in rupees or foreign currency.

- **SEBI approves Growth Sense Venture Fund as Category-1 AIF (Angel Fund) for early-stage startups**

The Securities and Exchange Board of India (SEBI) has granted approval to Growth Sense Venture Fund as a Category-1 Alternative Investment Fund (Angel Fund), with a corpus of rupees 100 crore, which aims to support early stage and high impactful startups across various sectors in India. The approval by SEBI seeks to boost India's entrepreneurial ecosystem by providing startups with financial backing and access to strategic resources.

- **Nestle to help young entrepreneurs with kiosk business model**

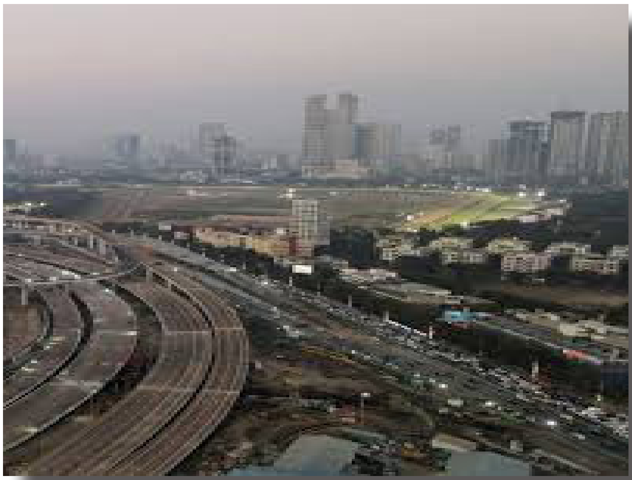
Nestlé India, a leading FMCG company, has unveiled a new initiative to support aspiring entrepreneurs. As part of its global youth program, "Nestle Needs Youth," the company aims to nurture young talent and create opportunities through a kiosk-based franchise model. This initiative is designed to assist young individuals in navigating the challenges of the current economic climate and encourage them to pursue their entrepreneurial aspirations. By providing a structured business model, Nestle India aims to empower young entrepreneurs to start and successfully run their own businesses, contributing to job creation and economic growth. Nestle India Chairman and Managing Director, Suresh Narayanan, expressed the company's commitment to fostering youth entrepreneurship. He stated, "Through this initiative, we aim to inspire young people to believe in their entrepreneurial dreams. By offering a supportive working environment and a straightforward financial model, we are confident that this platform will empower young individuals to showcase their potential, build successful businesses, and become valuable members of the Nestle family."

- **Loan default by women borrowers lower than men**

Lenders are increasingly viewing women as a more reliable demographic for loan repayment compared to men. This shift in perception is evident in recent data, which reveals that women have a lower default rate on loans. According to industry data in FY23, the gross non-performing asset (GNPA) ratio for women stood at 1.9%, significantly lower than the 2.5% for men. This trend has been consistent, with women's default rates declining from 2.1% in the previous fiscal year. According to data released by CRIF High Mark, a credit bureau, the number of women borrowers has surged in recent times, outpacing the growth in male borrowers. In 2023, the number of women borrowers increased by 18%, while the figure for men was 13%. This growth is observed across various retail loan products, including home loans, personal loans, and auto loans.

Infrastructure News

- **India's infrastructure output in September increased by 2% annually**



India's infrastructure output, which accounts for 40% of the country's industrial production, saw a 2% growth in September, driven by strong cement and refined product output. However, infrastructure output contracted for the first time in over three years in August at a revised 1.6%. Coal production increased by 2.6% in September, while electricity generation fell by 0.5%. Steel production grew by 1.5%, cement output rose by 7.1%, and fertiliser production increased by 1.9%. Refinery product output rose by 5.8%, while crude oil production fell by 3.9% and natural gas output decreased by 1.3%.

(Source:https://www.reuters.com/world/india/indias-september-infrastructure-output-grows-2-year-2024-10-30/)

- **PM Modi's 100 days 3.0 Government: ₹ 3.3 lakh crore worth of infrastructure projects are approved**

The Narendra Modi 3.0 government has started with a strong focus on infrastructure, with core sector projects worth ₹ 3.31 lakh crore receiving Cabinet approvals within three months of taking office. Capital expenditure in July was almost double that of May and June, which were the peak election months. The main focus area is the road sector, with private sector participation remaining low in key areas like highways and railways. However, the government is working to mitigate the burden on the exchequer through monetization of brownfield assets, such as operational highway stretches and railway stations, land parcels, etc. The government's plan for infrastructure creation is shifting from the grand vision of Bharatmala Pariyojana to "Vision 2047." The first tranche of eight National High Speed Corridor projects was cleared by the Cabinet in August this year, totaling around ₹ 50,655 crore and resulting in the building of 936 km of highways. By December, a total of ₹ 2 trillion worth of highway projects would be approved. The government's plan is to have 50,000 km of expressways in the country functional, with 4,000 km already functional and construction work of 6,000 km more in progress. The government's aim is to increase logistics efficiency, breaking into the top 25 of the ranking by 2030. The enhancement of the highway network seeks to increase the average speed of a freight truck to more than 90 km per hour by 2047. The increase in capacity of roads also aims to bring down costs by half to ₹ 1.6 per tonne per km by 2047. In addition to the focus on expressways, the government has approved the fourth leg of the Pradhan Mantri Gram Sadak Yojana, which will cost ₹ 70,000 crore to build 62,500 km of rural roads. The focus is also on reducing freight costs by 2047 through investments that increase the speed of freight trains. In the shipping sector, the long-term vision is to bring the turnaround time to less than 20 hours by 2030 and have two Indian ports in the world's top 10 by 2047.

(Source:https://www.financialexpress.com/business/infrastructure-100-days-of-modi-3-0-govt-infra-projects-worth-rs-33-lakh-crore-get-greenlight-3611615/)

- **Indian Railways' Rishikesh-Karnaprayag BG rail line project: 11 stations under construction; 176 km of tunnel work done**

The Ministry of Railways has announced progress in the Rishikesh-Karnaprayag New BG Rail Line project, which aims to improve connectivity in Uttarakhand's Devbhoomi region. The project, which spans 125.20 kilometers, aims to improve accessibility to Char Dham pilgrimage sites and boost infrastructure in five key districts. Out of the planned 213 kilometers of tunnels, 176 kilometers have been completed. The project also involves the development of 11 stations along the route, ensuring a smoother travel experience for pilgrims and locals. Once completed, the rail line will enhance rail connectivity across the five districts it will serve, benefiting both residents and pilgrims.

(Source:https://www.financialexpress.com/business/railways-indian-railways-rishikesh-karnaprayag-bg-rail-project-11-stations-under-construction-176-km-of-tunnel-work-completed-3615763/)

- **DMRC to receive the first 'Make in India' autonomous metro trainset**

The Delhi Metro Rail Corporation (DMRC) has acquired the first metropolis metro trainset with driverless technology as part of its maiden project outsourced to an original equipment manufacturer (OEM). The trainsets, designed to operate at a safe speed of up to 95 kmph and an operational speed of up to 85 kmph, will serve three lines of the Delhi Metro, including two extensions and the new Gold Line 10, covering 64.67 km in total. The project, valued at 312 million euros, includes 15 years of maintenance, making it the first outsourcing by DMRC to an OEM.

(Source: https://economictimes.indiatimes.com/industry/transportation/railways/dmrc-to-get-first-make-in-india-driverless-metro-trainset/articleshow/113607588.cms?from=mdr)

- **Noida Airport to begin flight operations in April 2025**

Noida International Airport, also known as Jewar Airport, is set to open commercial operations on April 17, 2025, with around 30 flights scheduled for both domestic and international routes. The airport is expected to become Asia's largest and the world's fourth-largest, significantly enhancing air travel capacity in the National Capital Region (NCR) of India. The first international flights will be bound for Singapore, Dubai, and Zurich, with Zurich as the airport's concessionaire. Domestically, the airport will connect major cities like Mumbai, Bengaluru, Lucknow, Hyderabad, Dehradun, and Hubli. The airport is being developed in four phases, with the first phase focusing on establishing a passenger terminal complex and supporting facilities. The airport is expected to handle up to 70 million passengers per year and facilitate 489,700 aircraft movements annually.

(Source: https://www.business-standard.com/india-news/noida-airport-to-start-flight-operations-from-april-2025-key-details-124102200886_1.html)

- **IAF jet makes its initial arrival at the planned Navi Mumbai airport**

An Airbus C-295 of the Indian Air Force (IAF) made its formal inaugural flight landing at Navi Mumbai International Airport (NMIAL) on Friday. The airport, which will serve the Mumbai Metropolitan Region, will have a capacity of handling 20 million passengers in the first two phases of operations. The capacity is expected to grow to around 90 million passengers per year by 2032. The airport will eventually have two parallel runways, the first for a airport in the Mumbai Metropolitan Region. Near the airstrip, an air traffic control (ATC) tower will be in service for six to seven years after it commences commercial operations in 2025. Another tower will be constructed near terminal buildings to provide coverage to two parallel runways. The entire construction of the airport is expected to be completed in five phases, with the first two phases operationalized by March 2025. The project is expected to cost around ₹ 18,000 crore. It is the first airport in the country to have multi-modal connectivity, including a linkage to the project via road, rail, and a metro system. In the near future, it is set to be connected via a waterway. NMIAL, a subsidiary of the Adani Group, is a jointly owned subsidiary of Adani Airport Holding Limited and Airport Authority of India (AAI). MIAL holds 74% of the shares, while the rest is owned by Cidco.

(Source: https://www.business-standard.com/india-news/indian-airforce-force-tests-inaugural-flight-at-navi-mumbai-airport-124101100483_1.html)

- **PM Gati Shakti: A landmark in India's infrastructure development**

India's PM Gati Shakti National Master Plan, marking its third anniversary, has significantly impacted the country's infrastructure development. The initiative has revolutionized infrastructure development by fostering a coordinated, efficient, and integrated approach, focusing on multi-modal connectivity. It has assessed over 208 major infrastructure projects worth more than $180 billion and played a pivotal role in identifying and rectifying 156 critical infrastructure gaps, particularly in last-mile connectivity for key sectors like coal, steel, fertilizer, and food distribution. In transportation, the Ministry of Road Transport and Highways (MoRTH) has planned over 8,891 km of new roads, while the Ministry of Railways has mapped more than 27,000 km of new railway lines. The Gati Shakti platform was instrumental in designing a 300 km coastal corridor in Gujarat, cutting across procedural hurdles by reducing the number of NoC (No Objection Certificate) permissions from 28 to 13. These achievements underscore the broad scope and significant impact of PM Gati Shakti on India's infrastructure keeping in pace with existing and future demand, creating a solid foundation for sustained economic growth. The robust framework of PM Gati Shakti is driving unprecedented growth in infrastructure investment, with Morgan Stanley anticipating that investments are projected to grow at an impressive 15.3% compound annual growth rate (CAGR) over the next five years, with cumulative spending expected to reach $1.45 trillion. This wave of infrastructure investments will fuel India's growth trajectory, helping the nation maintain its position as an emerging global economic powerhouse. A key feature of the Gati Shakti initiative is its integration of advanced technologies, such as Geospatial Information Systems (GIS) and data analytics, to revolutionize infrastructure planning. The platform hosts over 1,600 layers of data, covering critical areas like land, forests, highways, and urban centers, which reduces duplication of efforts and accelerates project approvals. This data-centric approach ensures real-time decision-making, minimising redundancies, and enabling projects to be completed within budget and on time. As PM Gati Shakti moves into its next phase, the initiative's focus will expand to district-level projects, industrial corridors, and smart city development, promoting inclusive development that benefits all regions and communities. The government is also in discussions to create a PM Gati Shakti District Master Plan portal, decentralizing infrastructure planning and driving growth at the local level.

(Source: https://www.business-standard.com/economy/analysis/pm-gati-shakti-a-milestone-in-india-s-infrastructure-development-124102100708_1.html)

Banking Sector News

- The Reserve Bank of India (RBI) and the Maldives Monetary Authority have signed an agreement to allow cross border transactions with the Maldivian Rufiyaa and Indian Rupee which aims to promote bilateral trade, reduce transaction costs, and also to strengthen economic ties between the two nations.

- State Bank of India (SBI) partnered with Uber to offer customised vehicle loans to Uber fleet partners. The loans aim to support both existing and new partners to expand their businesses. This collaboration leverages SBI's extensive financial network and Uber's technology. The goal is to ensure efficient financial management and hassle free loan disbursement for fleet partners.

- The Reserve Bank of India (RBI) focused on plugging gaps in Know Your Customer (KYC) checks, punishing them through monetary policies and also imposing business transactions. RBI is strictly enforcing KYC guidelines that mandates banks and other lenders before opening their bank account and thus the regulatory push by the RBI has seen banks becoming more cautious in using services of third party employees.

- According to the latest Banking CEO Outlook 2024 report by KPMG, retaining and attracting skilled talent remains a concern in the banking sector when it comes to transforming business to be more technologically driven. But the chief executives of the banking sector remains optimistic about the banking sectors growth potential despite navigating significant challenges such as cyber security threats, talent shortages, and the evolving economic landscape in recent times.
- Out of 53.9 crore Pradhan Mantri Jan-Dhan Yojana accounts, 11.2 crore are inoperative and 10.5 crore accounts are pending for re-KYC and therefore the finance ministry has instructed all the major public sector banks to fast track the pending re-KYC verification. The government has also directed the major banks to coordinate with gram panchayats in village to mobilise people for completing the re-KYC process.
- Most Indian public sector banks (PSBs) are ready to launch the credit risk assessment model for micro, small and medium enterprises (MSMEs) with a loan amount between rupees 25 lakh and rupees 5 crore to be assessed by the model for different banks.
- State Bank of India (SBI) plans to add 300 to 400 branches annually to its existing network in the medium term to increase penetration of financial services in India. SBI had 22,640 branches at the end of September 2024, up from 15,870 in March 2014 and it is set to increase more branches because of large number of residential colonies are coming up in India and are in need of branches.
- Digital payments in India continue to surge, with a year-on-year (YoY) transactional volume growth of 42% in FY 2023–24, which is poised to grow by three times in FY 2028–29.
- UPI continues its remarkable growth trajectory with a YoY growth in transaction volume of 57%. In FY 2023–24, the total transaction volume was slightly over 131 billion and is expected to grow to 439 billion by FY 2028–29. UPI now accounts for over 80% of the overall retail digital payments in India and is expected to contribute to 91% by 2028-29.
- Indian instant payment system Unified Payment Interface (UPI) transaction volumes recorded a 52 per cent year-on-year surge to 78.97 billion in the first six months of 2024, according to a report.
- October 2024 marked a significant milestone in India's digital payments landscape, with UPI leading the charge in breaking transaction records. The festive season pushed person-to-merchant transactions to new highs, with UPI, IMPS, FASTag, and AePS each showing impressive growth.
- In October 2024, UPI saw 16.58 billion transactions worth Rs 23.5 lakh crore, which was a 10% increase in volume and 14% in value compared to September. This was the first time UPI crossed 16 billion in volume and Rs 23 trillion in value. Data from previous months shows that the growth in transactions is driven by person to merchant transactions (for buying goods or services), which got a festival season push in October.
- Daily UPI transactions in October crossed 535 million in volume and ₹75,801 crore in value, compared to 501 million transactions and ₹68,800 crore in September.

- In October 2024, there were 467 million Immediate Payment Service (IMPS) transactions, which was a 9% increase from September.
- In September 2024, Aadhaar Enabled Payment System (AePS) transactions surpassed 100 million.
- With 345 million transactions, FASTag saw an 8% increase in volume and 10% in value compared to September, showing consistent growth in digital toll payments.
- UPI delegate payments – this was launched in August 2024 and is a feature that allows a primary bank account holder to give permission to secondary users to do UPI transactions from the primary bank holder's account. There is both partial (every transaction needs to be approved by the primary) and full delegation (INR 15,000 per month limit with no individual approval needed within that limit).

Insurance Sector News

• India's insurance sector growth surpasses China, Thailand: McKinsey

According to McKinsey report, India's insurance sector clocked a robust 11% compound annual growth rate to cross the $130 billion mark during FY2020-23, surpassing Asian peers China and Thailand, which grew at less than 5%.

The report titled 'Steering Indian Insurance from Growth to Value in the Upcoming Techade', said that while the country's life insurance industry grew to $107 billion as of 2023, the general insurance industry touched $35.2 billion. This high growth for India's insurance industry over the last few years may be due to the greater awareness, a growing middle class, supportive regulations and rising healthcare costs, report added.

• IRDAI looks at new supervision norms

The Insurance Regulatory and Development Authority of India (IRDAI) is spearheading a transformative shift in insurance supervision. This was a central theme at the 8th Bima Mantha, a two-day summit that brought together key industry stakeholders to discuss the future of the insurance sector. With a focus on global best practices, discussions revolved around critical areas such as risk management, updated financial reporting standards, and the implementation of a Risk-Based Supervisory Framework (RBSF). This innovative approach, adopted by numerous countries worldwide, empowers regulators to prioritize their oversight efforts on insurers that pose the highest risk to the financial system. By meticulously evaluating factors like financial stability, governance practices, and historical compliance, regulators can tailor their supervisory strategies and intervene proactively when necessary.

ESG Related News

- Deutsche Bank and DZ Bank announced that they have been mandated by the Federal Republic of Germany as joint ESG coordinators for the planned update of the government's Green Bond Framework. Germany released its initial Green Bond Framework in 2020, which sets out its environmental and sustainable finance objectives, management of green securities, eligible use of proceeds, expenditure evaluation and selection process, and reporting obligations for green bond issuances. The government has been one of the most active sovereign green bond issuers since its initial €6.5 billion, 10-year green bond offering in August 2020, with over €73 billion green bonds now outstanding. Proceeds from green bond issuances are allocated to expenditures in the Federal budget that have an environmental impact. As part of its efforts to help develop the sustainable finance market, Germany launched a "twin bond" concept with its inaugural 2020 offering, by matching its green bonds with existing conventional securities with matching characteristics, including maturity and coupon, in order to highlight the value of the sustainability characteristics of the green securities, or the "Greenium."

  (Source: https://www.esgtoday.com/germany-hires-deutsche-bank-dz-bank-for-update-of-green-bond-framework/)

- Morgan Stanley revealed the introduction of a new range-based approach to its financed emissions reduction targets, introducing a new lower band to reflect the fact that the global economy and policy is not currently on track to with the ambition to limit the global temperature increase to 1.5°C above pre-industrial levels, which was the basis of its prior targets. In a new report issued by Morgan Stanley revealing the new approach, however, the firm reiterated its commitment to its net zero goals, and noted that its new targets remain within the range of the Paris Agreement goal to limit temperature rise to well below 2°C. In a statement provided by the firm to ESG Today, In its new report, however, Morgan Stanley warns that "our clients, and our firm, may not meet net-zero-aligned targets," driven by the fact that "current government policies, technology adoption and consumption habits are not yet aligned with the Paris Agreement's ambition to limit the global temperature increase to 1.5°C above pre-industrial levels." The report included updated 2030 emissions reduction targets for the Power, Energy and Auto Manufacturing sectors, as well as new targets for the Aviation, Chemicals and Mining sectors, noting that together the sectors represent around 65% of Morgan Stanley's corporate relationship lending portfolio's total absolute financed emissions. While the firm's targets currently only cover corporate relationship lending, Morgan Stanley said that over time it will assess its facilitated emissions and include capital markets and event lending in its targets.

  (Source: https://www.esgtoday.com/morgan-stanley-softens-climate-targets/)

- Google announced on October 15, 2024 an agreement with nuclear technology company Kairos Power aimed at deploying a fleet of small advanced nuclear power projects across the U.S. to provide up to 500 MW of carbon-free energy, and helping the technology giant to meet its climate and clean energy goals, as its growing data center footprint consumes increasing amounts of electricity and produces more greenhouse gas emissions. The deal marks the first-ever agreement to purchase nuclear energy from multiple small modular reactors (SMRs), as well as Google's first advanced nuclear deal, according to Google Senior Director, Energy and Climate, Michael Terrell. The agreement comes as Google and its tech giant peers look to address the growing emissions impact of their rapidly expanding data center footprints. While Google has set 2030 goals to reach net zero emissions across its operations and value chain, and to reduce 50% of its combined Scope 1, 2, and 3 absolute emissions, on a 2019 basis, the company recently reported that its emissions increased by 13% in 2023, and are up by 48% since 2019, as its growing data center electricity consumption has outpaced its ability to bring carbon free energy projects online. Microsoft also recently announced a purchase power agreement enabling the restart of the Three Mile Island Unit 1 nuclear reactor in Pennsylvania to help match the power its data centers in PJM grid area with carbon-free energy. Google has also set a goal in 2020 to operate on 24/7 carbon-free energy (CFE) by 2030, matching electricity demand with CFE supply every hour of every day, in every region where the company operates.

(Source:https://www.esgtoday.com/google-signs-first-nuclear-energy-deal-to-address-growing-ai-carbon-footprint/)

- Amazon announced a series of new deals, and a $500 million investment, kicking off an expanded move to nuclear energy as a component of its strategy to address the increasing climate impact of its rapidly growing data center footprint. The announcement marks the latest in a series of nuclear deals signed by the world's largest tech companies, including Google's small modular reactor agreement with Kairos Power earlier this week, and Microsoft's PPPA with Constellation Energy in September to enable the restart of the Three Mile Island Unit 1 nuclear reactor in Pennsylvania. Amazon's new nuclear announcements focus on the use of small modular reactors (SMR), providing a significant boost for the emerging technology, following Google's recent SMR-focused deal. SMRs are advanced nuclear reactors that are substantially smaller than traditional nuclear power plants, providing benefits including faster build times and the ability to be deployed closer to the grid. Amazon's new agreements include a deal with state public utilities consortium Energy Northwest in Washington for the development of four SMRs, anticipated to generate 320 MW of capacity, with an option to increase to 960 MW, and with utility company Dominion Energy to explore the development of an SMR project that will bring at least 300 MW of power to the Virginia region. Amazon also announced that it is anchoring a $500 million investment in SMR reactor and fuel developer X-Energy, with the company's reactor design to be used in the Energy Northwest project. Amazon's investment. Amazon and X-Energy stated that they are collaborating to bring more than 5 GW of new projects online across the U.S. by 2039, marking the largest commercial deployment target of SMRs to date.

(Source:https://www.esgtoday.com/amazon-joins-tech-giant-peers-in-move-to-nuclear-to-tackle-ai-carbon-footprint/)

- Denmark-based investment group A.P. Moller Holding announced on October 1, 2024 the launch of Vioneo, a new venture that will seek to develop and manufacture fossil-free plastic, with the aim of significantly reducing the carbon footprint associated with plastics production.

  (Source:https://www.esgtoday.com/a-p-moller-launches-e1-5-billion-fossil-free-plastics-production-platform/)

- 3M announced a series of new and updated climate-related goals, including a new target to reduce absolute Scope 3 greenhouse gas (GHG) emissions by 42% by 2030, on a 2021 basis. The company also announced that its near-term emissions reduction goals have been validated by the Science Based Targets initiative (SBTi) as being in line with the 1.5° C trajectory of the Paris Agreement. The new targets follow the announcement by 3M in 2021 of commitments to achieve carbon neutrality in its operations by 2050, and interim goals to reduce Scope 1 and 2 emissions by at least 50% by 2030 and 80% by 2040, on a 2019 basis. In its Q1 2024 Global Impact Summary Report, 3M revealed that it has already achieved a 48.6% reduction in Scope 1 and 2 emissions. The company's SBTi-approved updated near-term goal targets a 52.6% Scope 1 and 2 reductions by 2030.

  (Source: https://www.esgtoday.com/3m-commits-to-reduce-emissions-from-supply-chain-products-by-more-than-40-by-2030/)

- The Hong Kong Mortgage Corporation Limited (HKMC) has successfully concluded its third Social Bond issuance, raising around HK$23.8 billion (US$3 billion) equivalent. This marks the largest social bond issuance in Asia Pacific, surpassing the previous record set by HKMC in September 2023.

  Details of the Issuance:

  - HK$7 billion 2-year bond
  - HK$8 billion 5-year bond
  - CNH2 billion 7-year bond
  - US$850 million 3-year bond

  Amid favourable market conditions, the issuance was well-received by a diverse group of high-quality local and overseas institutional investors—including banks, investment funds, government-related funds, and private banks. The combined peak orderbook reached approximately HK$55 billion equivalent, with final allocations to over 200 accounts.

  (Source: https://esgnews.com/hkmc-issues-record-3-billion-social-bond-largest-in-asia-pacific/)

- The H&M Foundation has announced on October 22, 2024 a significant strategic shift, now focusing on promoting just and fair climate solutions to achieve a net-zero textile industry by 2050. The first initiative under this new mission is the revamped Global Change Award (GCA).

  (Source: https://esgnews.com/hm-launches-global-change-award-to-accelerate-net-zero-textile-industry-by-2050/)

- Ruth Davis OBE, a leading environmental expert, has been appointed as the UK's first Special Representative for Nature, ahead of COP16 in Colombia. Davis will focus on tackling the global biodiversity crisis, drawing on her extensive experience in environmental policy and international negotiations. Her role, jointly reporting to the Environment and Foreign Secretaries, underscores the UK's commitment to integrating nature recovery and climate action into foreign policy.

  (Source: https://esgnews.com/uk-appoints-ruth-davis-as-first-special-representative-for-nature-ahead-of-cop16/)

- Aviva Investors has launched an innovative Carbon Removal Fund (CRF) that offers institutional investors access to a range of high-integrity carbon removal solutions aimed at supporting their long-term net zero ambitions while delivering strong investment returns. The fund, which has received initial seeding from Aviva's Investment, Wealth, and Retirement business, will invest in both nature-based and engineered carbon removal solutions. This includes projects such as afforestation, peatland and mangrove restoration, commercial forestry, and private equity-backed nature tech companies. Beyond delivering carbon removal credits, the CRF seeks projects with measurable co-benefits, including biodiversity enhancement, improved water quality, and job creation. This aligns with Aviva's broader mission to deliver positive environmental outcomes while providing attractive investment opportunities.

(Source:https://esgnews.com/aviva-investors-launches-carbon-removal-fund/)

Updates from MSME Sector

- The Ministry of Micro, Small & Medium Enterprises (MSME), along with its organisations and field offices, is conducting Special Campaign 4.0 from 2nd to 31st October 2024 with full zeal. As part of the ongoing implementation phase from 2nd October, 2024, the Ministry of MSME has undertaken various focused initiatives and targeted activities for achieving the goals of institutionalising Swachhata and minimising pendency.
- During the ongoing Implementation Phase of the Campaign (2nd October-31st October, 2024), the Ministry is making concerted efforts for disposal of identified pending references. Consequently, till 17th October, 2024 which is the mid campaign stage, there has been a reduction in pendency by a successful disposal of 86% of Public Grievances, 50% of PMO references, 52% of MP references.
- Further, 19% of the reviewed physical files have been weeded out and 21% of the reviewed e-files have been closed so far and the exercise is ongoing. Towards, cleanliness campaign, the completion rate is 28% while other activities are under active progress. The revenue earned through scrap disposal is ₹18,65,156/- so far.
- International Conference on EESS 2024 - This conference was held on September 12–13, 2024, to promote sustainable practices among Micro, Small, and Medium Enterprises (MSMEs). The conference was organized by the National Institute for Micro, Small and Medium Enterprises (ni-msme) and Andhra University Incubation Council (a-Hub).
- MSME Form 1 due date - The due date for the MSME Form 1 for the first half-year return (April 2024 to September 2024) is October 31, 2024.
- India has extended the Interest Equalisation Scheme (IES) for Pre- and Post-shipment Rupee Export Credit until December 31, 2024, with the same terms and conditions as before. Previously, the scheme was extended by one month until 30 September 2024, with the additional condition that the fiscal benefits for each MSME would be capped at ₹5 million (~$59,648.60) for the current fiscal 2024-25.
- The Ministry of Commerce and Industry issued a trade

notice (No. 18/2024-2025) regarding this extension. MSME manufacturer-exporters who have already availed equalisation benefits of ₹5 million or more during the period up to September 30, 2024, will not be eligible for any further benefits during the extended period.

- This extension will be valid for three months or until a revised approval is received before the end of the three-month period. Under the scheme, banks offer loans to exporters at reduced interest rates, with the government compensating lenders for the difference. Exporters have also urged an increase in the subvention rates from 3 per cent to 5 per cent, citing a sharp rise in repo rates over the past two years.

(Source: Compiled from various newspaper reports and government websites)

Updates from Indian Space Research

- The union cabinet has approved the mission to moon, named Chandrayaan-4 to develop and demonstrate the technologies to come back to Earth after successfully landing on the Moon and also collect moon samples and analyse them on Earth.

- Department of Space gears up for Special Campaign 4.0 commencing from 2nd October 2024 for improving Swachhata and disposal of pending matters. In consonance with the announcement of the Government of India for conducting "Special Campaign 4.0", the Department of Space, Government of India is going to organize Special Campaign 4.0 for improving Swachhata and disposal of pending references from 2nd October to 31st October, 2024, on the lines of the Special Campaigns held in the preceding 3 years.
- Union Cabinet approves establishment of ₹1,000 crore Venture Capital Fund for Space Sector under aegis of IN-SPACe. The Union Cabinet, chaired by the Prime Minister Shri Narendra Modi, has approved setting up of ₹1000 crore Venture Capital Fund dedicated to space sector, under aegis of IN-SPACe. The deployment period of the proposed ₹1,000 crore VC fund is planned to be up to five years from the actual date of start of the fund operations. The average deployment amount could be ₹150-250 crore per year, depending on the investment opportunities and fund requirements.
- Indian Space Weather Conference: The 3rd Indian Space Weather Conference (ISWC) will be held from October 7 – 9, 2024. The conference will feature presentations and panel discussions to share knowledge and recent advancements.

- Space Weather Science and Opportunities Workshop: The 2nd workshop on Space Weather Science and Opportunities will be held from October 5–6, 2024. The workshop will feature lectures, interactions, and lab visits.
- Webinar on Thermo-Structural Design & Analysis of Space Systems: This webinar will be held on October 23, 2024.
- Bengaluru Space Expo (BSX) 2024: The 8th edition of BSX will be held on September 18, 2024.
- Registrations for World Space Week 2024: Registrations for World Space Week 2024 will begin on September 25, 2024 and end on October 15, 2024.
- Department of Biotechnology (DBT), Ministry of Science and Technology and Indian Space Research Organisation (ISRO), Department of Space (DoS) signs Framework Memorandum of Understanding on Cooperation in Space Biotechnology. Dr.Jitendra Singh remarked that under the visionary leadership of Hon'ble Prime Minister Shri Narendra Modi, the national space sector has been opened up and India is taking new strides in space with the Gaganyaan programme and the Bharatiya Antariksh Station. He further emphasised that BioE3 is a game changer in the field of Biotechnology and would lead the national Bioeconomy towards 300 Billion USD by 2030.

Market Report: A Recap of the Key Developments for the month of September and October 2024

Developments in Indian stock market

In September and October 2024, the Indian stock market exhibited notable volatility and encountered various challenges, indicative of a complex interaction between domestic and global factors. The market exhibited initial strength in September, succeeded by a significant decline in October.

In September, Indian stock indices ranked among the highest globally, with the NSE Nifty 50 increasing by 18.5% and the S&P BSE Sensex rising by 16.5% for the year to date. In October, the Nifty 50 experienced a decline of approximately 6.5%, while the Sensex fell below the 80,000 threshold for the first time since mid-August.

In October, the market experienced substantial pressure due to unprecedented foreign institutional investor (FII) outflows, with net withdrawals reaching ₹ 114,445.89 crore, marking the highest figure for the year. The selloff resulted from multiple factors, such as inflated valuations, unsatisfactory quarterly earnings, and global economic uncertainties.

The performance across sectors during this period exhibited variability. The Non-Energy Minerals, Transportation, and Consumer Durables sectors exhibited positive growth, whereas the Technology Services, Utilities, and Retail Trade sectors experienced declines. The consumer sector, especially in automotive and fast-moving consumer goods, encountered difficulties stemming from weak demand and elevated input costs.

Significant developments occurred in the regulatory landscape, as the Securities and Exchange Board of India (SEBI) introduced stricter regulations for equity derivatives trading in October to mitigate excessive speculation. This action was integral to a comprehensive strategy aimed at maintaining market stability and safeguarding investors, especially amid heightened volatility.

Global economic factors, such as the impending U.S. elections, Middle Eastern tensions, and adjustments in China's economic policy, have contributed to market volatility. The stabilization of elevated global interest rates, especially in the United States, significantly influenced the flows of foreign institutional investors.

In the context of the overall market downturn, significant corporate actions were observed, including successful initial public offerings such as Waaree Energies, which launched with a premium of 69.7%. The period witnessed sustained interest in mergers and acquisitions, propelled by India's strong economic growth and appeal to international companies.

The Indian stock market in September and October 2024 exhibited a dynamic environment, characterized by the interplay of domestic economic challenges and global market influences, underscoring the necessity for strategic investment decisions within a complex financial landscape.

Emerging Market Trends That Are Important

During September and October 2024, several emerging trends shaped various sectors globally, reflecting shifts in consumer behavior, technology, and economic landscapes.

One of the most significant trends was the acceleration of remote and hybrid work models. Companies increasingly adopted flexible work arrangements, prompting investments in digital collaboration tools and cybersecurity solutions. This shift led to a surge in demand for software platforms that facilitate virtual teamwork, creating opportunities for tech startups and established firms alike.

Sustainability continued to gain momentum, with a marked increase in consumer awareness around eco-friendly products. Brands that prioritized sustainable practices, such as reducing carbon footprints and using recyclable materials, saw enhanced customer loyalty and sales growth. The fashion and food industries particularly embraced this trend, with many companies launching green initiatives and products to attract environmentally-conscious consumers.

In the financial sector, the rise of decentralized finance (DeFi) and blockchain technology became more pronounced. As traditional financial institutions explored partnerships with fintech companies, innovations in digital currencies and smart contracts gained traction. Regulatory discussions surrounding cryptocurrency also intensified, shaping the future landscape for digital assets.

Health and wellness trends saw significant advancements, particularly in mental health and personalized medicine. The demand for telehealth services remained high, driven by an ongoing focus on accessible healthcare solutions. Additionally, wearable technology gained popularity as consumers sought personalized health monitoring tools, leading to innovations in fitness tracking and health management.

Finally, the entertainment industry witnessed a shift towards immersive experiences, with virtual reality (VR) and augmented reality (AR) gaining traction in gaming and content consumption. Streaming platforms began investing in VR content, aiming to provide users with more engaging and interactive experiences.

Overall, the emerging trends during September and October 2024 highlighted a dynamic interplay between technology, sustainability, and evolving consumer preferences, setting the stage for future innovations across industries.

Global Market Performance

In September and October 2024, the global stock market exhibited considerable volatility, indicative of a complex interaction among economic, geopolitical, and sector-specific factors. Major indices exhibited varied performances, with the S&P 500 achieving record highs in September, followed by a minor decline in October, while sustaining a strong year-to-date return of 19.62%. In October, the Nikkei 225 exhibited remarkable performance, exceeding its prior all-time high of 39,081.25 points set in 1989. The FTSE 100 and Shanghai Composite encountered difficulties stemming from economic uncertainties and policy-related issues.

Emerging markets maintained investor interest owing to their growth potential, representing nearly 80% of global GDP growth. They faced distinct challenges, including currency devaluations in nations such as Nigeria and Argentina, which affected cross-border payment firms like dLocal. The period experienced significant foreign institutional investor (FII) outflows in certain markets, indicative of the volatility and unpredictability associated with emerging market investments.

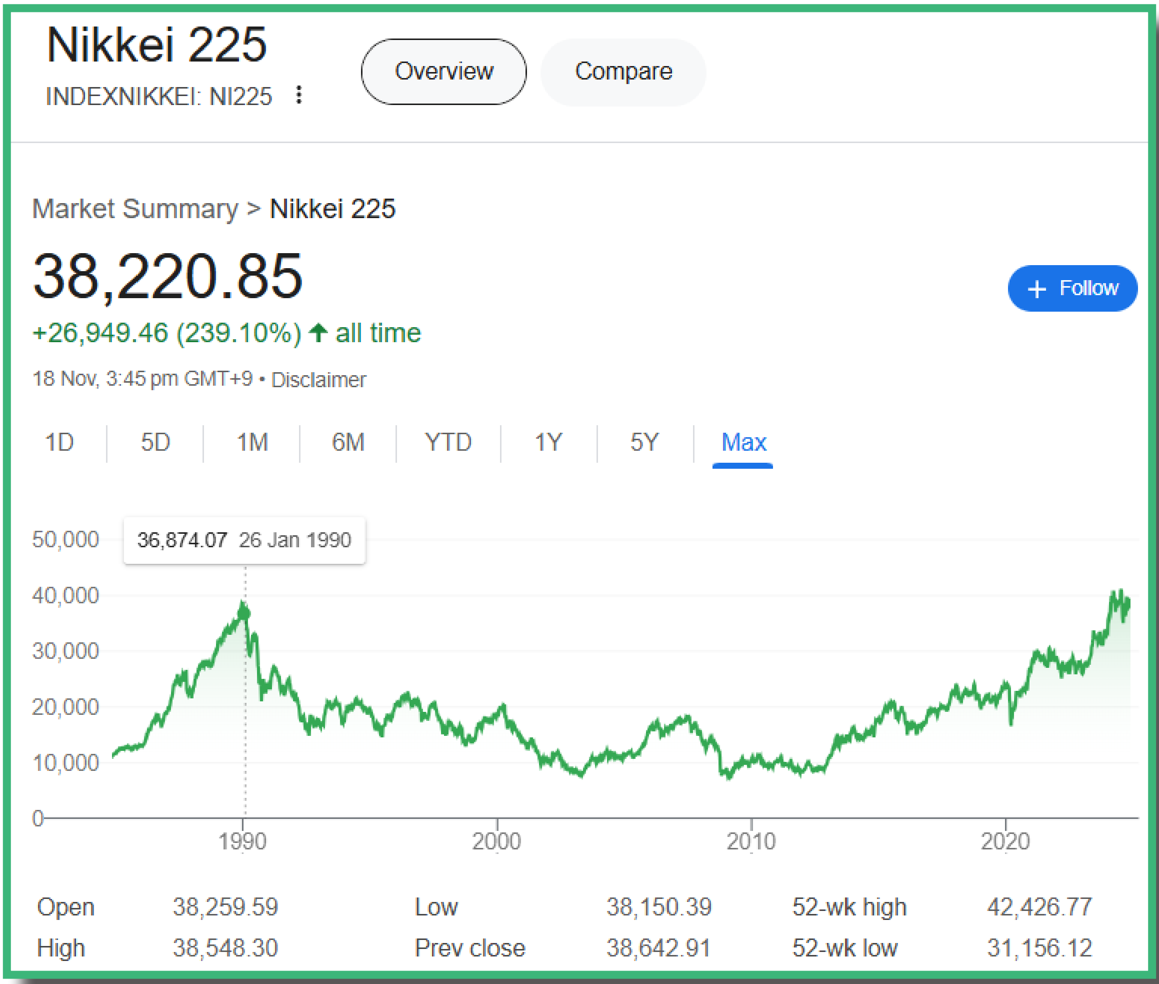


Fig 1: Nikkei 225 crossed the high since 1990s for the first time

In terms of sector performance, technology and finance led with year-to-date returns of 31.08% and 28.26%, respectively. The semiconductor sector demonstrated notable performance, achieving a year-to-date return of 78.80%. The healthcare and energy sectors exhibited moderate growth, addressing the challenges and opportunities arising from technological advancements and regulatory changes.

Global economic indicators presented a varied assessment. The U.S. economy exhibited significant growth, with GDP increasing at an annual rate of 3% in the second quarter of 2024. Inflation rates exhibited a general downward trend, with the U.S. Consumer Price Index increasing by 2.4% year-over-year in September. The Eurozone encountered economic difficulties, as GDP growth was adjusted downward to 0.2% for the second quarter.

The M&A landscape exhibited cautious optimism, reflecting a 10% increase in global aggregate M&A value during the first nine months of 2024 relative to the corresponding period in 2023. Significant corporate activities featured robust earnings reports from firms such as RTX and ICON plc.

The global stock market in September and October 2024 exhibited a dynamic environment, characterized by sector-specific growth alongside broader economic challenges and geopolitical uncertainties. Investors faced a complex environment, where emerging markets and technology sectors presented both opportunities and risks within a changing global financial system.

Developments in Indian Banking Sector:

In September and October 2024, the Indian banking sector underwent notable developments across multiple areas, influenced by technological advancements, regulatory changes, and shifting consumer preferences.

The sector experienced significant growth, with the economy increasing at a rate of 6.7% in the first quarter of fiscal 2024-2025, thereby creating a stable environment for banking operations. The growth was underpinned by robust private consumption and manufacturing activities, with the World Bank forecasting a 7% increase for FY24/25.

Digital transformation continued to be a priority, as banks significantly invested in digital infrastructure and dual core technology to improve flexibility and scalability. The implementation of blockchain technology in trade finance, spearheaded by the Indian Banks' Digital Infrastructure Company (IBDIC), seeks to enhance transaction efficiency and security. API banking and fintech collaborations have increased, exemplified by banks such as ICICI launching API portals to enable seamless integration with fintech startups.

There has been a notable shift in customer behavior towards digital banking, with 50-70% of customers expressing a preference for digital services over traditional methods. The Unified Payments Interface (UPI) has significantly transformed the payments landscape through the introduction of features such as UPI credit lines.

Regulatory changes involved the Reserve Bank of India holding the repo rate steady at 6.5% and forecasting a real GDP growth of 7.2% for FY 2024-25. The RBI raised the per-transaction limit for UPI 123 Pay from ₹5,000 to ₹10,000, thereby enhancing digital transactions.

In the third quarter of 2024, major banks exhibited diverse financial outcomes. Bank of India recorded an 11.29% year-over-year growth in Global Advances, whereas State Bank of India experienced a 35% decrease in standalone net profit attributed to elevated operating expenses.

The sector experienced strategic acquisitions, exemplified by the Life Insurance Corporation of India obtaining a 9.99% stake in HDFC, reflecting a trend of consolidation and partnerships.

The Indian banking sector during this period exhibited resilience and adaptability, effectively balancing technological innovation, regulatory compliance, and customer-centric strategies within a rapidly evolving financial environment.

Developments with RESERVE BANK OF INDIA

In September and October 2024, the Reserve Bank of India (RBI) adopted a proactive stance regarding monetary policy, digital innovation, and regulatory reforms, underscoring its dedication to promoting economic stability and enhancing the resilience of the financial sector. The Reserve Bank of India (RBI) has decided to keep the repo rate at 6.5% for the tenth consecutive time, as determined by a 5:1 majority vote in the Monetary Policy Committee (MPC) meeting. The RBI altered its policy stance from "withdrawal of accommodation" to "neutral," indicating a more balanced approach and possible preparedness for future rate adjustments. This modification grants the central bank enhanced flexibility to adapt to changing economic conditions. The RBI maintained its GDP growth projection for FY 2024-25 at 7.2% and the CPI inflation forecast at 4.5%, indicating a stable economic outlook. The RBI implemented various initiatives to improve the financial ecosystem in the digital domain. The preparation for launching the United Lending Interface (ULI) aims to simplify credit access, streamlining the lending process for both lenders and borrowers . The proposed digital payments intelligence platform aims to reduce fraud and enhance consumer confidence in digital transactions. Regulatory reforms constituted a primary emphasis during this period. The RBI implemented changes to Know Your Customer (KYC) regulations, streamlining procedures for financial institutions while improving security measures. The announcement regarding the harmonization of regulations for Non-Banking Financial Companies (NBFCs) and Housing Finance Companies (HFCs) seeks to establish a uniform regulatory framework across financial sectors. The RBI has proposed a draft disclosure framework for climate-related financial risks, which aligns with global standards and incorporates climate considerations into India's regulatory framework.

Developments with SEBI

During September and October 2024, the Securities and Exchange Board of India (SEBI) implemented several significant regulatory changes and policy updates that had a substantial impact on the Indian financial landscape.

One of the most notable developments was SEBI's focus on enhancing governance in market infrastructure institutions (MIIs). The regulator mandated the separation of critical operations, regulatory compliance, and business development functions within MIIs, aiming to strengthen market integrity and boost investor confidence. This move is expected to ensure that regulatory roles are not compromised by business ambitions, thereby fostering a more transparent and stable market environment.

SEBI also made significant strides in promoting sustainable finance. The regulator expanded its green bonds framework to include projects focused on pollution prevention and the circular economy, while also introducing blue and yellow bonds for oceanic resources and solar energy, respectively. This initiative aligns the Indian financial markets with global environmental goals and is likely to attract environmentally conscious investors.

In an effort to simplify mutual fund investments, SEBI approved a framework for execution-only platforms (EoPs) and introduced the concept of 'Mutual Fund Lite'. These measures aim to make mutual fund transactions more accessible to retail investors and offer low-cost, passively managed funds with reduced regulatory burdens. This is expected to increase retail participation in the mutual fund segment and provide more diverse investment options.

SEBI also implemented changes to enhance market efficiency and investor protection. The regulator expanded the scope of the optional T+0 settlement cycle to the top 500 scrips by market capitalization, aiming to improve market liquidity and attract more institutional and foreign portfolio investors. Additionally, SEBI relaxed the eligibility and compliance requirements for Investment Advisers (IAs) and Research Analysts (RAs), which is expected to increase the availability of advisory services for retail investors.

On the enforcement front, SEBI remained vigilant, imposing penalties on entities engaged in non-genuine trades and initiating investigations into potential market irregularities. These actions underscore SEBI's commitment to maintaining market fairness and transparency.

The cumulative impact of these developments is expected to be significant. SEBI's actions are likely to enhance market integrity, improve investor protection, and foster sustainable growth in the Indian financial markets. By balancing regulatory oversight with market development initiatives, SEBI is positioning India's financial sector for increased efficiency, transparency, and global competitiveness.

Conclusion

September and October 2024 witnessed strategic developments and notable peaks in the Indian stock market. The market's resilience and growth potential were highlighted by sectoral gains, strategic corporate actions, and record performances by key indices. Despite this, investors were advised to proceed with caution due to the prevailing economic and geopolitical uncertainties.

Emerging markets are leading significant economic and digital transformations. The future of these markets is influenced by the rapid adoption of digital technologies, the increasing focus on sustainable investing, and the changing regulatory environments. Despite ongoing challenges, including the digital divide and geopolitical tensions, the overall outlook is optimistic due to strategic investments and technological advancements.

NOTES

NOTES

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