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DAILY NEWS DIGEST BY BFSI BOARD

07 September 2024



ECONOMY

India's forex reserves hit record high: India's foreign exchange reserves rose for a third straight week to a record high of \$683.99 billion as of Aug. 30, data from the Reserve Bank of India showed on Friday. The reserves rose by \$2.3 billion in the reporting week, after having risen by a total of \$11.6 billion in the prior two weeks. The RBI intervenes in the foreign exchange market to prevent undue volatility in the Indian rupee. Changes in foreign currency assets are caused by the RBI's intervention as well as the appreciation or depreciation of foreign assets held in the reserves.

(Moneycontrol)

ECBs in favour as domestic bank loans turns pricier for NBFCs after RBI directive: External Commercial Borrowings (ECBs) have picked up pace in recent quarters as Non-Banking Financial Companies (NBFCs) face challenges in raising domestic finance and private capex sees an uptick. Reserve Bank of India (RBI) data show ECB registrations continued to stay elevated in the first quarter of FY25 with total borrowings of \$11.1 billion across 336 deals. Jan-March 2024 witnessed 320 ECB loans raising \$13.1 billion and this tally stood at \$21 billion across 377 deals in Q1 of FY24. The Q1 FY24 spike was due to large external borrowings by Reliance Industries (\$3.5 billion), Reliance Jio (\$3.6 billion) and Arcelor Mittal Nippon Steel (\$5 billion).

(Business Line)

Sensex plunges 1,017 points, Nifty slips below 25,000 amid global sell-off: The Indian stock markets witnessed a sharp decline on Friday, with the benchmark indices falling over 1 per cent amid weak global cues and broad-based selling pressure. The BSE Sensex plummeted 1,017.23 points or 1.24 per cent to close at 81,183.93, while the Nifty 50 dropped 292.95 points or 1.17 per cent to end at 24,852.15.

(Business Line)



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BANKING & FINANCE



Finance ministry plans 'One State, One RRB' policy to boost efficiency: The Union Ministry of Finance is planning to consolidate the Regional Rural Banks (RRBs) under a policy of “One State, One RRB” to improve their efficiency and avoid undue competition among sponsoring public sector banks. “The ‘One State, One RRB’ policy is on the table, and work is underway. We aim to reduce the total number of RRBs from 43 at present to around 30,” said a senior government official requesting anonymity.

(Business Standard)

Banks to set up a Unified Recovery Interface to enhance efficiency: Eying benefits from digital banking, banks are now looking at building UPI for enhancing efficiency, reducing costs and getting good prices for properties of defaulters. This would be managed by PSB Alliance Ltd, a company set up by all public sector banks in the country. M V Rao, chairman, IBA, said: “Till now we had UPI, a product developed by NPCI. The second leg that is coming is Unified Lending Interface (ULI). There is a thought process in PSB Alliance that after the payment and lending side, the important aspect that is left out is recovery.” With the bank balance certificate process in place, now Unified Recovery Interface will come through PSB Alliance. This will give comfort to bankers that when they lend this, the process will run for the recovery also, so there may not be many challenges in collection management. This will bring down the cost of collections, Rao said.

(Business Standard)

Sanjeev Mehta quits Standard Chartered Bank, set to launch new venture: Sanjeev Mehta has stepped down as Standard Chartered Bank's managing director and head of transaction banking sales for corporate, commercial and institutional Banking for South Asia after a 17-year career at the bank. Mehta resigned in July this year with plans to launch a greenfield venture, a statement said on Friday. His departure from the bank comes at a time when the Indian financial landscape is undergoing rapid change, presenting both challenges and opportunities for new entrants, it said.

(Economic Times)



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INDUSTRY OUTLOOK



India aims for \$30 trillion economy by 2047 with focus on financial sector growth, says BCG report: India's ambition to achieve a \$30 trillion GDP by 2047 will require a 20 times growth in the financial services sector, with banks playing a pivotal role, according to a BCG report. As a predominantly bank-led economy, India will require the banking sector to play an anchor role while the other financial asset classes continue to grow much faster, per the report "Banking for a Viksit Bharat" released at the annual FICCI-IBA Conference. "This will require \$4 trillion of capital base in banks, 1/3rd of which will have to be fresh capital deployment. India's banking system is in a strong position today – characterised by high profitability, robust capital adequacy, and low levels of non-performing assets (NPAs)," the report said.

(Business Line)

Centre to extend sugar export ban to boost local supplies, ethanol output: India plans to extend a ban on sugar exports for the second straight year as the world's biggest consumer of the sweetener grapples with the prospects of lower cane output, government sources said. New Delhi also plans to raise the price at which oil companies buy ethanol from sugar mills as part of efforts to boost supplies of the biofuel, said the sources with direct knowledge of the matter. They did not wish to be identified as deliberations were not public.

(Business Standard)

India emerges as second-largest global 5G smartphone market, overtakes US: According to a new report from Counterpoint Research, India has emerged as the world's second-largest market for 5G smartphones, trailing only behind China. 5G smartphones are becoming increasingly prominent across various price ranges in India. "India became the second-biggest 5G handset market during the first half, overtaking the US. The strong shipments from Xiaomi, Vivo, Samsung, and other brands in the budget segment were the main reasons for this trend.

(Business Standard)



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REGULATION & DEVELOPMENT

Nabard to tap global agencies to set up carbon fund: Chairman Shaji K V: National Bank for Agriculture and Rural Development (Nabard) is in talks with international agencies to set up a carbon fund to meet the challenges posed by climate risk, said chairman Shaji K V on Friday. Speaking at the FIBAC conference in Mumbai, Shaji said, "...we are working with some international agencies to set up a carbon fund. This is because in the West a lot of developments are happening in the carbon credit market. We need to leverage those developments and our appetite for India." In addition, Nabard has also set up a climate change fund of Rs 100 crore, which will be utilised for developing capacities of institutions working in rural areas. The fund will help these institutions in developing innovative products that will help mitigate the challenges raised by climate change, Shaji said.

(Business Standard)

ADB to devote half of its annual lending to climate finance by 2030: The Asian Development Bank said on Friday it approved a new goal to devote 50% of its annual lending to climate finance by 2030 and boost private sector capital mobilization as part of a sweeping strategy update for the rest of the decade. The lender said the new goal is a big jump from the current 35% ambition and comes with a dollar-based target of \$100 billion in cumulative climate finance between 2019 and 2030, with only \$30 billion contributed so far. "We want to be the climate change bank in the region," ADB strategy director Tomoyuki Kimura told Reuters in an interview.

(Business Standard)



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FINANCIAL TERMINOLOGY

Pearson Coefficient

- ❖ The Pearson coefficient is a type of correlation coefficient that represents the relationship between two variables that are measured on the same interval or ratio scale. The Pearson coefficient is a measure of the strength of the association between two continuous variables.
- ❖ To find the Pearson coefficient, also referred to as the Pearson correlation coefficient or the Pearson product-moment correlation coefficient, the two variables are placed on a scatter plot. The variables are denoted as X and Y. There must be some linearity for the coefficient to be calculated; a scatter plot not depicting any resemblance to a linear relationship will be useless. The closer the resemblance to a straight line of the scatter plot, the higher the strength of association.
- ❖ For an investor who wishes to diversify a portfolio, the Pearson coefficient can be useful. Calculations from scatter plots of historical returns between pairs of assets, such as equities-bonds, equities-commodities, bonds-real estate, etc., or more specific assets—such as large-cap equities, small-cap equities, and debt-emerging market equities—will produce Pearson coefficients to assist the investor in assembling a portfolio based on risk and return parameters.



RBI KEY RATES

Repo Rate: 6.50%
SDF: 6.25%
MSF & Bank Rate: 6.75%
CRR: 4.50%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 83.9308
INR / 1 GBP : 110.6275
INR / 1 EUR : 93.3092
INR /100 JPY: 58.9500

EQUITY MARKET

Sensex: 81183.93 (-1017.23)
NIFTY: 24852.15 (-292.95)
Bnk NIFTY: 50576.85 (-896.20)

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