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+ 91-33-2252-1602/1492/1619
+ 91-33- 2252-7143/7373/2204
Fax :+91-33-2252-7993
+91-33-2252-1026
+91-33-2252-1723

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DAILY NEWS DIGEST BY BFSI BOARD

26 December 2024



ECONOMY

Depreciation of rupees helps exports more than an appreciating currency helping in imports: RBI study: A cost-benefit analysis of exchange rate movements shows that the benefits of depreciation of the Rupee, adjusted for inflation, is more in the form of exports than an appreciation that appears to be better for importers, an RBI study shows. The metric is known as the Real Effective Exchange Rate, (REER). “ The empirical findings indicate that in India depreciation in REER improves trade balance while appreciation deteriorates it” the study titled “Real Effective Exchange Rate and its Implications for India’s Trade Balance” said. The study was published in the Reserve Bank’s latest monthly bulletin.

(Business Standard)

Govt aims to improve quality spending, cut fiscal deficit to 4.5% in FY26: The government will continue its focus on improving quality spending, strengthening the social security net and bringing down the fiscal deficit to 4.5 per cent of the GDP in FY26, a finance ministry document said. Finance Minister Nirmala Sitharaman is scheduled to present the Budget for 2025-26 in Parliament on February 1. The Union government is committed to pursuing the glide path of fiscal consolidation as announced in the Budget for FY 2021-22 and to attain a level of fiscal deficit lower than 4.5 per cent of GDP by FY 2025-26, according to finance ministry statements on the half yearly review of the trends in receipts and expenditure and deviation in meeting the obligations of the government under the Fiscal Responsibility and Budget Management Act, 2003.

(Economic Times)



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BANKING & FINANCE



PPI wallets register 20% drop to 1.14 bn in November, says RBI data: The total number of prepaid payment instrument (PPI) wallets saw a 20.4 per cent year-to-date (YTD) decline, dropping from 1.44 billion in January to 1.14 billion in November, according to data from the Reserve Bank of India (RBI). On a year-on-year (Y-o-Y) basis, PPI wallets declined 16.7 per cent from 1.37 billion in November 2023. The top two banking players for wallets – Paytm Payments Bank and Airtel Payments Bank – recorded a decline in the cumulative number of PPI wallets between January and November this year. The fall in numbers came after the banking regulator took action on Paytm Payments Bank in January.

(Business Standard)

In a first, micro insurance premium in life segment tops Rs 10k cr in FY24: In 2023-24, new business premium (NBP) in life insurance's micro-insurance segment, which targets low-income groups, surpassed Rs 10,000 crore for the first time, according to the financial year's Annual Report by the Insurance Regulatory and Development Authority of India (Irdai). Overall NBP rose to Rs 10,860.39 crore, rising 23.5 per cent from Rs 8,792.8 crore in FY23. Individual NBP dropped 23.78 per cent year-on-year (Y-o-Y) to Rs 152.57 crore while group NBP rose 24.61 per cent Y-o-Y to Rs 10,707.82 crore. Private life insurers drove the segment with over Rs 10,708.4 crore while Life Insurance Corporation of India (LIC), which is state-owned, accounted for nearly Rs 152 crore.

(Business Standard)

J&K Bank appoints Amitava Chatterjee as its new MD: J&K Bank on Wednesday announced the appointment of Amitava Chatterjee, currently Deputy Managing Director of State Bank of India (SBI), as its new managing director (MD) and CEO. Chatterjee will replace Baldev Prakash, whose term comes to an end on December 29. The Board of Directors in their meeting held on December 25, 2024, have appointed Amitava Chatterjee as Managing Director and Chief Executive Officer of the bank for a period of three years to be effective from December 30, 2024, J&K Bank said in a regulatory filing. Chatterjee, in his banking career spanning over more than three decades in diverse geographical locations and strategic positions, also served as MD and CEO of SBI CAPS

(Economic Times)



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Trump's policies may hinder RBI's rate cut plans: The policy measures of US President-elect Donald Trump could pose challenges to the Reserve Bank of India's (RBI) plans for monetary policy easing, stated a report by Standard Chartered Bank. The report noted that the uncertainty around Trump's policies, combined with inflationary pressures, might affect the timing of interest rate cuts by the RBI. It said, "Trump's policy could pose a hinderance to the timing of RBI's policy easing". According to the report, while domestic inflation is expected to ease, the volatility in food prices and the potential inflationary impact of Trump's policies could delay it. Inflationary pressures also have broader implications for the financial markets.

(Business Line)

INDUSTRY OUTLOOK



Swiggy targets 100K female delivery partners by 2030: Food delivery major Swiggy plans to have at least 100,000 female delivery partners by 2030, according to company MD and group CEO Sriharsha Majety. Majety, while speaking at an event at the NSE headquarters on Tuesday, added that more women delivery partners on the road is a positive signal. Swiggy has joined hands with NSE to roll out a financial literacy programme, with special focus on female delivery partners. "Earlier this year, when we launched 'She the Change' programme, finance minister Nirmala Sitharaman, made a very pertinent observation when she said that in areas where women are visibly seen to be running more enterprises such as food and beverage businesses, crime and anarchy will gradually reduce. I believe that the presence of women delivery partners on the road is an equally positive signal."

(Financial Express)

Steel ministry urges FinMin to hike Customs duty to counter Chinese threat: The steel ministry has urged the Ministry of Finance to double the basic Customs duty on imported finished steel products to 15 per cent from the current 7.5 per cent in the upcoming Union Budget for 2025–26, people aware of the matter said. The steel ministry believes that a higher import duty, if implemented, could mitigate the adverse effects of a rise in cheaper imports of finished steel, particularly from China.

(Business Standard)



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+91-33-2252-1026
+91-33-2252-1723



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REGULATION & DEVELOPMENT

Government appoints Arunish Chawla as Revenue Secretary: The government on Wednesday in an official circular announced the appointment of Arunish Chawla as the new revenue secretary. Arunish Chawla will succeed Sanjay Malhotra who was earlier appointed as the governor of Reserve Bank of India for a period of three years. Chawla, a 1992 batch Indian Administrative Service (IAS) officer of the Bihar cadre, is currently the pharmaceuticals secretary. He has been appointed secretary, Department of Revenue, Ministry of Finance, according to a personnel ministry order.

(Moneycontrol)

FinMin rejects the plan to establish body for procuring green steel: The finance ministry has rejected a proposal by the steel ministry to establish a central organisation for the bulk procurement of green steel. It cited that most steel procured for government projects is purchased indirectly through contractors rather than directly by the government, making such an organisation unnecessary, officials told Business Standard. The steel ministry did not respond to queries sent by Business Standard on this matter. Green steel refers to steel produced using environmentally friendly methods that reduce carbon emissions, typically by replacing fossil fuels with renewable energy sources

(Business Standard)



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FINANCIAL TERMINOLOGY

ANCHORING IN INVESTING

- ❖ Anchoring is a behavioral finance term to describe an irrational bias towards an arbitrary benchmark figure.
- ❖ This benchmark then skews decision-making regarding a security by market participants, such as when to sell the investment.
- ❖ Anchoring can be used to advantage in sales and price negotiations where setting an initial anchor can influence subsequent negotiations in your favor.
- ❖ Anchoring is a cognitive bias in which the use of an arbitrary benchmark such as a purchase price or sticker price carries a disproportionately high weight in one's decision-making process. The concept is part of the field of behavioral finance, which studies how emotions and other extraneous factors influence economic choices.
- ❖ In the context of investing, one consequence of anchoring is that market participants with an anchoring bias tend to hold investments that have lost value because they have anchored their fair value estimate to the original price rather than to fundamentals. As a result, market participants assume greater risk by holding the investment in the hope the security will return to its purchase price.



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 : 85.1932
INR / 1 GBP : 106.7851
INR / 1 EUR : 88.5646
INR /100 JPY: 54.2500

EQUITY MARKET

Sensex: 78472.87 (-67.30)
NIFTY: 23727.65(-25.80)
Bnk NIFTY: 51233.00 (-84.60)

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