



## RBI & Banking sector

### Rupee Depreciation and RBI's Forex Strategy:

**Rupee at a Record Low:** The Indian Rupee has hit a new record low, falling below 88 against the US dollar.

**Tariff Tensions:** This depreciation is largely attributed to the fallout from recent tariff impositions on Indian exports by the US.

**RBI's Stance:** The Reserve Bank of India (RBI) is reportedly showing a measured and less aggressive approach to intervention. Analysts suggest the central bank is allowing a gradual depreciation of the currency to help Indian exporters maintain competitiveness and offset the impact of the new tariffs. The RBI's interventions are focused on preventing excessive and disorderly volatility rather than targeting a specific exchange rate.

### 2. Bank Holidays:

**Regional Holiday:** On September 3, 2025, banks in Ranchi, Jharkhand, are closed on the occasion of Karma Puja.

**Nationwide Operations:** Banking operations in the rest of the country are functioning normally.

### 3. Banking Sector Performance and Outlook:

**Lending Rate Disconnect:** Despite the RBI's recent repo rate cuts (including a 50 basis point cut in June 2025), the weighted average lending rates for new loans increased in July.

**Reasons for the Disconnect:** This is attributed to a higher share of high-yielding loans to MSMEs and a lack of full transmission of rate cuts by banks. The rise in government bond yields, driven by concerns about future inflation and fiscal dynamics (such as a potential GST rate cut), is also a contributing factor.

**Private Capital Expenditure:** An article in the RBI's August bulletin projects a significant increase in private sector capital investment, aided by strong macroeconomic fundamentals and the policy rate cuts. This suggests a cautiously optimistic outlook for credit growth in the coming fiscal year.

### 4. Policy and Regulatory Developments:

**Aadhaar Enabled Payment System (AePS):** The RBI has issued a directive, effective January 1, 2026, to mandate stricter controls for the Aadhaar Enabled Payment System (AePS). The directive aims to enhance monitoring, improve KYC processes, and strengthen fraud risk management.

**Industry Consultation:** The RBI is expected to hold discussions with industry stakeholders in September to assess the sectoral impact of the new US tariffs. This meeting will be held before the next monetary policy committee review.

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### MCQS

1. What is the primary reason for the rupee's depreciation below 88 against the US dollar?

- A. Increased foreign direct investment
- B. A decline in global oil prices
- C. A new 50% tariff on Indian exports by the US
- D. A massive influx of foreign portfolio investment

**Answer:** C. A new 50% tariff on Indian exports by the US

The source material explicitly states that the rupee's depreciation is "largely attributed to the fallout from recent tariff impositions on Indian

exports by the US," which analysts suggest the RBI is allowing to support exporters.

2. Which of the following is a key reason for the "lending rate disconnect," where bank lending rates increased despite the RBI's repo rate cuts?

- A. Banks' increased focus on high-yielding corporate loans
- B. A higher share of loans provided to MSMEs (Micro, Small, and Medium Enterprises)
- C. A decrease in government bond yields
- D. Banks' decision to decrease lending to the housing sector

**Answer:** B. A higher share of loans provided to MSMEs (Micro, Small, and Medium Enterprises)  
The source indicates that the increase in weighted average lending rates is attributed to a "higher share of high-yielding loans to MSMEs" and a lack of full transmission of the RBI's rate cuts by banks.

3. The RBI has issued a new directive for the Aadhaar Enabled Payment System (AePS) that will come into effect on what date?

- A. October 1, 2025
- B. December 31, 2025
- C. January 1, 2026
- D. January 1, 2027

**Answer:** C. January 1, 2026

The RBI's new directive for the Aadhaar Enabled Payment System (AePS), which mandates stricter controls to combat fraud, is set to be effective from January 1, 2026.

4. On September 3, 2025, banks in which city were closed for the regional holiday of Karma Puja?

- A. Ranchi
- B. Patna
- C. Mumbai
- D. Kolkata







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**Answer: A. Ranchi**

The source confirms that on September 3, 2025, banks in Ranchi, Jharkhand, were closed on the occasion of Karma Puja.

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