

# MONETARY & CREDIT INFORMATION REVIEW



MCIR

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## I. Monetary Policy

### Governor's Monetary Policy Statement on April 5, 2024

Shri Shaktikanta Das, Governor on April 5, 2024 delivered the Monetary Policy Statement. Speaking about the nine-decade journey of the Bank, Governor remarked that the Bank was always at the forefront, combining its developmental and regulatory roles, in steering the Indian financial system and the economy towards stability. While doing so, it has discharged its responsibilities with integrity and professionalism.

#### Decisions and Deliberations of the Monetary Policy Committee (MPC)

The MPC decided to maintain the policy repo rate at 6.50 percent, focusing on withdrawing accommodation to align inflation with the target while supporting growth. Consequently, the standing deposit facility (SDF) rate remains at 6.25 percent and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 percent.

Commenting on the Assessment of Growth and Inflation, Governor said that, the global economy exhibits resilience and is likely to maintain its steady growth in 2024, the domestic economy is experiencing strong momentum. As per the second advance estimates (SAE), real Gross Domestic Product (GDP) expanded at 7.6 per cent in 2023-24 on the back of buoyant domestic demand and headline inflation softened to 5.1 per cent during January-February 2024, from 5.7 per cent in December.

#### What do these Inflation and Growth Conditions mean for Monetary Policy?

Governor stated that inflation has come down significantly but remains above the 4 per cent target. Food inflation continues to exhibit considerable volatility impeding the ongoing disinflation process. High and persistent food inflation could unhinge anchoring of inflation expectations which is underway. Our ongoing effort is to ensure fuller transmission of policy actions and anchoring of household inflation expectations. The strong growth momentum, together with our GDP projections for 2024-25, give us the policy space to unwaveringly focus on price stability.

#### Liquidity and Financial Market Conditions

Speaking about the condition of liquidity and financial market, Governor in the February monetary policy statement said that liquidity conditions were driven by exogenous factors, which were likely to correct in the foreseeable future. Liquidity conditions eased during February and March in the wake of increased government spending, the Reserve Bank's market operations and the return-leg of a USD-INR sell buy swap auction.

#### Financial Stability

Governor mentioned that Indian banks and NBFCs display healthy capital and asset quality indicators. The Reserve Bank of India emphasizes governance and regulatory adherence, given the use of public funds. Efforts to simplify regulations include implementing RRA 2.0 recommendations, forming Internal Review Groups, and withdrawing over a thousand circulars. The RBI pledges to maintain a consultative approach to regulation amidst evolving financial dynamics.

#### External Sector

Governor said that India's current account deficit (CAD) narrowed significantly on account of a moderation in merchandise trade deficit coupled with robust growth in services exports and strong remittances. India's merchandise and services exports have grown at a healthy pace in Q4:2023-24. India continues to be the largest recipient of remittances in the world. The cost of receiving remittances is gradually coming down. Overall, the CAD for 2024-25 is expected to remain at a level that is both viable and eminently manageable.

Further, Governor announced certain additional measures during deliberation of his statement. Concluding his speech, Governor said inflation is on a declining trajectory and GDP growth is buoyant. Governor remarked that we should not lower our guard but continue to work towards ensuring that inflation aligns durably and sustainably to the target.. Recalling Mahatma Gandhi's saying, Governor quoted that, 'One must persevere and have patience. Success is the inevitable result of such effort.' To read the full statement, please click [here](#).

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## Note from the Editor

Welcome to another edition of the Monetary and Credit Information Review (MCIR). This monthly periodical of Reserve Bank of India helps keep abreast with new developments and important policy initiatives taken by the Reserve Bank during the month of April 2024 in the world of money and credit. MCIR can be accessed at <https://mcir.rbi.org.in> as well as by scanning the QR code.

Through this communication tool, we aim to share information, educate and stay in touch while ensuring factual accuracy and consistency in disseminating the information.

We welcome your feedback at [mcir@rbi.org.in](mailto:mcir@rbi.org.in)

Yogesh Dayal  
Editor

## Resolution of MPC

On the basis of an assessment of the current and evolving macroeconomic situation, the MPC at its meeting on April 5, 2024 decided to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.50 percent.

The standing deposit facility (SDF) rate remains unchanged at 6.25 percent and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 percent.

The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns to the target, while supporting growth. These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 percent within a band of +/- 2 percent, while supporting growth. To read more, please click [here](#).

## Developmental and Regulatory Policies

The Statement sets out various developmental and regulatory policy measures relating to

i) Financial Markets, ii) Regulations and iii) Payment Systems and Fintech.

### i) Financial Markets

#### 1. Trading of Sovereign Green Bonds in IFSC

Based on an announcement in the Union Budget for FY 2022-23, the Government of India issued Sovereign Green Bonds (SGrBs) in January 2023. SGrBs were also issued as part of the Government borrowing calendar in FY 2023-24. At present, foreign portfolio investors (FPIs) registered with SEBI are permitted to invest in SGrBs under the different routes available for investment by FPIs in government securities. With a view to facilitating wider non-resident participation in SGrBs, it has been decided to permit eligible foreign investors in the International Financial Services Centre (IFSC) to also invest in such bonds. A scheme for investment and trading in SGrBs by eligible foreign investors in IFSC is being notified separately in consultation with the Government and the IFSC Authority.

#### 2. RBI Retail Direct Scheme - Introduction of Mobile App

RBI Retail Direct Scheme, launched in November 2021, gives access to individual investors to maintain gilt accounts with RBI and invest in government securities. The Scheme enables investors to buy securities in primary auctions as well as buy/sell securities through the NDS-OM platform. To further improve ease of access, a mobile application of the Retail Direct portal is being developed. The app will enable investors to buy and sell instruments on the go, at their convenience. The app will be available for use shortly.

### ii) Regulations

#### 3. Review of LCR Framework

Banks covered under Liquidity Coverage Ratio (LCR) framework are required to maintain a stock of high-quality liquid assets (HQLA) to cover the expected net cash outflows in the next 30 calendar days. However, the recent episodes in some jurisdictions have demonstrated the increased ability of the depositors to quickly withdraw or transfer deposits during times of stress, using digital banking channels. Such emerging risks may require a revisit of certain assumptions under LCR framework. Therefore, certain modifications to the LCR framework are being proposed towards facilitating better management of liquidity risk by the banks.

A draft circular in this regard shall be issued shortly for comments of all stakeholders.

#### 4. Dealing in Rupee Interest Rate Derivative products – Small Finance Banks

Extant guidelines permit Small Finance Banks (SFBs) to use only Interest Rate Futures (IRFs) for the purpose of proprietary hedging. In order to expand the avenues available to the SFBs for hedging interest rate risk in their balance sheet and commercial operations more effectively as well as with a view to provide them with greater flexibility, it has now been decided to allow them to deal in permissible rupee interest derivative products in terms of Rupee Interest Rate Derivatives (Reserve Bank) Directions, 2019. A circular in this regard shall be issued shortly.

### iii) Payment Systems and Fintech

#### 5. Enabling UPI for Cash Deposit Facility

Cash Deposit Machines (CDMs) deployed by banks enhance customer convenience while reducing cash-handling load on bank branches. The facility of cash deposit is presently available only through use of debit cards. Given the popularity and acceptance of UPI, as also the benefits seen from the availability of UPI for card-less cash withdrawal at ATMs, it is now proposed to facilitate cash deposit facility through use of UPI. Operational instructions will be issued shortly.

#### 6. UPI access for Prepaid Payment Instruments (PPIs) through third-party applications

At present, UPI payments from bank accounts can be made by linking a bank account through the UPI App of the bank or using any third-party UPI application. However, the same facility is not available for PPIs. PPIs can currently be used to make UPI transactions only by using the application provided by the PPI issuer. To provide more flexibility to PPI holders, it is now proposed to permit linking of PPIs through third-party UPI applications. This will enable the PPI holders to make UPI payments like bank account holders. Instructions in this regard will be issued shortly.

#### 7. Distribution of CBDCs through Non-bank Payment System Operators

CBDC pilots in the Retail and Wholesale segments are underway with more use-cases and more participating banks. Continuing with this approach, it is proposed to make CBDC-Retail accessible to a broader segment of users in a sustained manner, by enabling non-bank payment system operators to offer CBDC wallets. This is expected to enhance access and expand choices available to users apart from testing the resiliency of the CBDC platform to handle multi-channel transactions. Necessary changes will be made to the system to facilitate this.

## Minutes of MPC

The 48<sup>th</sup> meeting of the Monetary Policy Committee constituted under section 45ZB of the Reserve Bank of India Act, 1934, was held during April 3 to 5, 2024.

Accordingly, under Section 45ZL of the Reserve Bank of India Act, 1934, the Reserve Bank published the minutes of the proceedings of the meeting on April 19, 2024, i.e., the 14<sup>th</sup> day after meeting of the MPC.

The MPC reviewed the surveys conducted by the Reserve Bank to gauge consumer confidence, households' inflation expectations, corporate sector performance, credit conditions, the outlook for the three sectors and the projections of professional forecasters. The MPC also reviewed in detail the staff's macroeconomic projections, and alternative scenarios around various risks to the outlook. To read more, please click [here](#).

## II. Regulation

### Reserve Bank of India (Asset Reconstruction Companies) Directions, 2024

The Reserve Bank issues the Master Direction - Reserve Bank of India (Asset Reconstruction Companies) Directions, 2024, to regulate ARCs. ARCs play a vital role in resolving stressed financial assets, improving the financial system's health. These directions aim to ensure prudent and efficient functioning of ARCs and protect investor interests. They are issued under the powers of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.. To read more, please click [here](#).

### Unauthorised foreign exchange transactions

The Reserve Bank on April 24, 2024 directed AD-I banks to be vigilant about the unauthorized foreign exchange transactions. The RBI has found instances of unauthorized entities offering forex trading facilities to Indian residents promising high returns. These entities employ local agents to open accounts at multiple bank branches for fund collection. Accounts are under individuals' names or trading firms, with transactions often not aligning with the stated purpose. To read more, please click [here](#).

### Key Facts Statement (KFS) for Loans & Advances

The RBI on April 15, 2024 has harmonized instructions on Key Facts Statement (KFS) and Annual Percentage Rate (APR) to improve transparency in financial products, applying to retail and MSME term loan products by regulated entities (REs). The KFS, provided to prospective borrowers, contains essential loan details in a standardized format, including a unique proposal number, validity period, APR computation, and loan amortization schedule. Charges recovered by REs from borrowers for third-party services are part of APR and must be disclosed. Any fees not mentioned in the KFS cannot be charged without borrower consent. These guidelines take effect for new loans sanctioned on or after October 1, 2024, with exemptions for credit card receivables. Legal provisions for these instructions fall under various banking acts. To read more, please click [here](#).

### Fair Practices Code for Lenders

The Reserve Bank on April 29, 2024 directed all REs to review their practices regarding mode of disbursement of loans, application of interest and other charges and take corrective action, including system level changes, as may be necessary, to address the Unfair interest charging practices which include charging of interest from sanction/agreement date and not disbursement date. To read more, please click [here](#).

### Hedging of Gold Price Risk in Overseas Markets

The RBI on April 15, 2024 has announced that resident entities can now hedge their gold price risk using OTC

derivatives alongside derivatives on IFSC exchanges, as per the February 08, 2024, Statement on Developmental and Regulatory Policies and the 2022 Master Direction on Foreign Exchange Management. These instructions are effective immediately and are issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999, without prejudice to other required permissions. To read more, please click [here](#).

### Guidelines for 'on tap' Licensing of Small Finance Banks

The Reserve Bank has received 13 applications for bank licenses under the 'on-tap' Licensing of Universal Banks and Small Finance Banks guidelines, with decisions announced for nine applications. However, Dvara Kshetriya Gramin Financial Services Private Limited and Tally Solutions Private Limited were deemed unsuitable for in-principle approval to set up a small finance bank. The examination of two more applications is complete, with the remaining two still under assessment. To read more, please click [here](#).

### Requirement of Counter-Cyclical Capital Buffer

The RBI on April 23, 2024 has decided against activating the countercyclical capital buffer (CCyB) at this time, following a review and empirical analysis of CCyB indicators. The framework, established on February 5, 2015, advises activating CCyB when warranted, with the credit-to-GDP gap as the primary indicator, possibly supplemented by others. This decision indicates that current economic conditions do not necessitate CCyB activation. To read more, please click [here](#).

### Dealing in Rupee Interest Rate Derivative products - SFBs

The Reserve Bank of India (RBI) on April 24, 2024 has expanded their options to include permissible rupee interest rate derivative products. This change allows SFBs to hedge interest rate risk more effectively in line with the Rupee Interest Rate Derivatives (Reserve Bank) Directions, 2019. The decision aims to enhance risk management capabilities and provide greater flexibility to SFBs in managing interest rate exposures. It aligns with the RBI's efforts to adapt regulatory frameworks to evolving market needs. This development is outlined in Paragraph 4 of the Bi-monthly Monetary Policy Statement for 2024-25 and Paragraph 1.10 of the 'Operating Guidelines for Small Finance Banks. To read more, please click [here](#).

### Conference of Directors of select UCBs of Northern Zone

The Reserve Bank of India on April 6, 2024 held a Conference of Directors of select UCBs of Northern Zone in Lucknow. The theme of the Conference was 'Governance in UCBs: Risk Management, Compliance and Audit'. Shri M. Rajeshwar Rao, Deputy Governor in his keynote address highlighted the critical role played by UCBs in providing banking services, especially to the unbanked. He emphasized the importance of a robust and comprehensive risk management framework in ensuring sound banking operations. To read more, please click [here](#).

## Reappointment of Deputy Governor

Shri T. Rabi Sankar re-appointed as Deputy Governor of Reserve Bank of India. The Central Government on April 24, 2024 extended the term of Shri T. Rabi Sankar as Deputy Governor, Reserve Bank of India, for a period of one year with effect from May 03, 2024 until further orders, whichever is earlier. Earlier, Shri Sankar was appointed as the Deputy Governor of the Reserve Bank of India in May 2021 for a period of three years.

## Guidance Note on Operational Risk Management

The Reserve Bank of India on April 30, 2024 has published the "Guidance Note on Operational Risk Management and Operational Resilience" aligning with Basel Committee on Banking Supervision Principles. This note integrates global best practices, including those on operational resilience. The provided systems, procedures, and tools are indicative and should be complemented by relevant RBI instructions. The previous "Guidance Note on Management of Operational Risk" from October 14, 2005, is now superseded. To read more, please click [here](#).

## Voluntary transition of SFBs to Universal Banks

The Reserve Bank of India (RBI) on April 26, 2024 has published the guidelines for Small Finance Banks (SFBs) to transition into Universal Banks subject to certain conditions like requiring a minimum net worth of ₹1,000 crore, listing of shares on recognized stock exchanges, and a track record of profitability and asset quality. Applications must include a detailed rationale for such transition and adhere to RBI guidelines for Universal Banks' licensing. To read more, please click [here](#).

## III. Payment and Settlement Systems

### Regulation of Payment Aggregators (PAs) – Draft Directions

The Reserve Bank of India has published two draft directions for public review regarding the regulation of Payment Aggregators (PAs). The first draft focuses on regulating physical Point-of-Sale activities of PAs, as previously announced, while the second draft proposes amendments to existing regulations on PAs to accommodate the evolving digital transaction landscape, including aspects like KYC, due diligence of merchants, and operations in Escrow accounts. Interested parties are invited to submit comments or feedback via email or post to the specified address at the Reserve Bank of India's Central Office in Mumbai by May 31, 2024. To read more, please click [here](#).

## IV. Supervision

### Action against Kotak Mahindra Bank Ltd.

The Reserve Bank of India on April 24, 2024, in exercise of its powers under Section 35A of the Banking Regulation Act, 1949, directed Kotak Mahindra Bank Limited (hereinafter referred to as 'the bank') to cease and desist, with immediate effect, from (i) onboarding of new customers through its online and mobile banking channels and (ii) issuing fresh credit cards. To read more, please click [here](#).

## V. Issuer of Currency

### Withdrawal of ₹2000 denomination Banknotes

The Reserve Bank on May 2, 2024 released the status of withdrawal of ₹2000 denomination banknotes. As per the data, the total value of ₹2000 banknotes in circulation declined to ₹ 7961 crore at the close of business on April 30, 2024. Thus, 97.76% percent of the ₹2000 banknotes in circulation as on May 19, 2023, has since been returned. To read more, please click [here](#).

## VI. Publication

### RBI Bulletin

The Reserve Bank on April 23, 2024 released the April 2024 issue of its monthly Bulletin. The Bulletin includes Monetary Policy Statement of April 5, 2024, five speeches, six articles and current statistics. The six articles are:

- i) State of the Economy;
- ii) What Drives India's Services Exports?
- iii) Food and Fuel Prices: Second Round Effects on Headline Inflation in India
- iv) India's Foreign Exchange Reserves in High Volatility Episodes - An Empirical Assessment
- v) Gauging Linguistic Complexity of Regulatory Communication: A Case Study for India
- vi) Off-site Monitoring System for Surveys (OMOSYS): A Geographic Information System (GIS) Based Approach for Quality Assurance.

To read more, please click [here](#).

## VII. Data Release

Important data released by the Reserve Bank during the month of April 2024 are as follows:

S/N	Title
1	<a href="#">Scheduled Banks' Statement of Position in India as on Friday, April 19, 2024</a>
2	<a href="#">Data on ECB / FCCB / RDB for February 2024</a>
3	<a href="#">Industrial Outlook Survey of the Manufacturing Sector for Q4:2023-24</a>
4	<a href="#">Overseas Direct Investment for March 2024</a>
5	<a href="#">Lending and Deposit Rates of Scheduled Commercial Banks – April 2024</a>
6	<a href="#">Consumer Confidence Survey- March 2024</a>
7	<a href="#">Survey of Professional Forecasters on Macroeconomic Indicators – Results of the 87th Round</a>
8	<a href="#">Bank Lending Survey for Q4:2023-24</a>