

# MONETARY & CREDIT INFORMATION REVIEW



MCIR

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## I. Monetary Policy

### Governor's Monetary Policy Statement on August 8, 2024

Shri Shaktikanta Das, Governor on August 8, 2024 delivered the Monetary Policy Statement. In his opening remarks, Governor mentioned that this was the 50<sup>th</sup> meeting of the Monetary Policy Committee (MPC). It marks nearly eight years of the flexible inflation targeting (FIT) framework, which has successfully maintained macroeconomic stability even during periods of extreme stress, such as the pandemic and geopolitical crises like the Ukraine war. Despite these challenges, India's growth remains robust, inflation is on a declining path, and the country's strong macroeconomic fundamentals have bolstered confidence in its future prospects.

#### 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 is expanding steadily but unevenly, with a slowdown in manufacturing and steady growth in services activity. Inflation is gradually receding across major economies, though services prices remain sticky. Monetary policies are diverging, with some central banks signaling policy shifts and others tightening further. Global financial markets are volatile, with softened bond yields and the dollar index.

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

Governor stated that the continued food price shocks have slowed disinflation and highlighted the significant role of food inflation, which constitutes about 46% of headline inflation. Given its impact on household inflation expectations and the potential spillover to core inflation through wage increases and higher prices, the MPC cannot overlook persistent food inflation. Although the MPC may typically look through transitory food inflation, the current prolonged high food inflation necessitates vigilance to prevent second-round effects and maintain monetary policy credibility.

#### Liquidity and Financial Market Conditions

Speaking about the condition of liquidity and financial market, Governor mentioned that System liquidity shifted from deficit in June to surplus in July, leading the Reserve Bank to conduct two-way operations under the LAF to keep the inter-bank overnight rate aligned with the policy repo rate. This resulted in the weighted average call rate (WACR) remaining near the middle of the LAF corridor. Yields on CDs and T-bills eased, while CP yields stayed stable, and the 10-year G-Sec yield softened. The INR remained range-bound, reflecting India's strong macroeconomic stability and an improving external sector outlook.

#### Financial Stability

Governor stated that the Indian financial system remains robust, benefiting from broader macroeconomic stability, with well-capitalized balance sheets and improvements in the NBFC and Urban Cooperative Banks. However, challenges persist, particularly in funding as banks face competition from alternative investment avenues and rely more on short-term deposits, raising potential structural liquidity risks. Banks should focus on mobilizing household savings and monitoring the rapid growth in personal loans, which could lead to excess leverage.

#### External Sector

Governor mentioned that India's current account deficit (CAD) reduced to 0.7% of GDP in 2023-24 from 2.0% in 2022-23, driven by a lower trade deficit and strong services and remittance inflows. Despite a widening merchandise trade deficit in Q1:2024-25, robust services exports and remittances are expected to keep CAD within sustainable levels for the year. Foreign portfolio investments turned positive from June 2024, and foreign direct investment (FDI) flows significantly increased, while external commercial borrowings slowed. India's foreign exchange reserves reached a record high of \$675 billion in August 2024, reflecting the resilience and strength of the external sector. To read the full statement, please click [here](#).

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## Note from the Editor

Welcome to the August 2024 edition of the Monetary and Credit Information Review (MCIR). This monthly periodical of Reserve Bank of India helps keep abreast with the latest developments and important policy initiatives taken by the Bank during this month in the areas of money and credit. Our endeavor to share information, impart knowledge and to stay in touch, ensuring factual accuracy and consistency in disseminating the information. MCIR can be accessed at <https://mcir.rbi.org.in> as well as by scanning the QR code.

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

Puneet Pancholy  
Editor

## Resolution of MPC

On the basis of an assessment of the current and evolving macroeconomic situation, the MPC at its meeting on August 8, 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

This Statement sets out various developmental and regulatory policy measures relating to (i) Regulations; and (ii) Payment Systems.

### i) Regulations

#### 1. Public Repository of Digital Lending Apps

Guidelines on Digital Lending addressing protection of customers interest, data privacy, concerns on interest rates and recovery practices, mis-selling, etc. were issued on September 02, 2022. However, media reports have highlighted continued presence of unscrupulous players in digital lending who falsely claim their association with RBI regulated entities (REs). Accordingly, to aid the customers in verifying the claim of Digital Lending App's (DLAs) association with REs, Reserve Bank is creating a public repository of DLAs deployed by the REs which will be available on RBI's website. The repository will be based on data submitted by the REs (without any intervention by RBI) directly to the repository and will get updated as and when the REs report the details, i.e., addition of new DLAs or deletion of any existing DLA. Detailed instructions in this regard shall be issued shortly.

#### 2. Frequency of Reporting of Credit Information to Credit Information Companies

At present credit institutions (CIs) are required to report the credit information of their borrowers to credit information companies (CICs) at monthly or such shorter intervals as mutually agreed between the CI and CIC. With a view to provide a more up-to-date picture of a borrower's indebtedness, it has been decided to increase the frequency of reporting of credit information to CICs from monthly intervals to fortnightly basis or at such shorter intervals as mutually agreed between the CI and CIC. The fortnightly reporting frequency would ensure that credit information reports provided by CICs reflect a more recent information. This will be beneficial to both borrowers and lenders (CIs). Borrowers will have the benefit of faster updation of information, especially when they have repaid the loans. Lenders will be able to make better risk assessment of borrowers and also reduce the risk of over-leveraging by borrowers. Necessary instructions will be issued shortly.

### ii) Payment Systems

#### 3. Enhancing Transaction Limits for Tax Payments through UPI

UPI has become the most-preferred mode of payments, due to its seamless features. Currently, the transaction

limit for UPI is capped at ₹1 lakh. Based on the various use-cases, the Reserve Bank has periodically reviewed and enhanced the limits for a few categories like capital markets, IPO subscriptions, loan collections, insurance, medical and educational services etc. As direct and indirect tax payments are common, regular and high value, it has been decided to enhance the limit for tax payments through UPI from ₹1 lakh to ₹5 lakh per transaction. Necessary instructions will be issued separately.

#### 4. Introduction of Delegated Payments through UPI

The Unified Payments Interface (UPI) has a very large user base of 424 million individuals. There is, however, potential for further expansion of the user base. It is proposed to introduce "Delegated Payments" in UPI. "Delegated Payments" would allow an individual (primary user) to set a UPI transaction limit for another individual (secondary user) on the primary user's bank account. This product is expected to add to the reach and usage of digital payments across the country. Detailed instructions will be issued shortly.

#### 5. Continuous Clearing of Cheques under Cheque Truncation System (CTS)

Cheque Truncation System (CTS) currently processes cheques with a clearing cycle of up to two working days. To improve the efficiency of cheque clearing and reduce settlement risk for participants, and to enhance customer experience, it is proposed to transition CTS from the current approach of batch processing to continuous clearing with 'on-realisation-settlement'. Cheques will be scanned, presented, and passed in a few hours and on a continuous basis during business hours. The clearing cycle will reduce from the present T+1 days to a few hours. Detailed guidelines in this regard shall be issued shortly.

## Minutes of MPC

The 50<sup>th</sup> meeting of the Monetary Policy Committee constituted under section 45ZB of the Reserve Bank of India Act, 1934, was held during August 6 to 8, 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 August 22, 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 industrial, services and infrastructure 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. Drawing on the above and after extensive discussions on the stance of monetary policy, the MPC adopted a resolution. To read more, please click [here](#).

## II. Regulation

### Draft circular on 'Regulatory Principles for Management of Model Risks in Credit'

The Reserve Bank on August 5, 2024 released a draft circular on 'Regulatory Principles for Management of Model Risks in Credit' aimed at mitigating risks associated with the use of models in credit management

## 609<sup>th</sup> Meeting of Central Board of the Reserve Bank of India

The Reserve Bank on August 10, 2024 conducted the 609<sup>th</sup> meeting of the Central Board of Directors at New Delhi under the Chairmanship of Shri Shaktikanta Das, Governor.

Smt. Nirmala Sitharaman, Hon'ble Union Minister of Finance and Corporate Affairs addressed the Central Board of Directors, outlining the vision, focus areas, and financial sector expectations of the Union Budget 2024-25. She also emphasised the priorities for achieving 'Viksit Bharat.' The Directors praised the Finance Minister for the Budget and shared their perspectives.

The Union Finance Minister was accompanied by Shri Pankaj Chaudhary, Hon'ble Minister of State for Finance; Dr. T.V. Somanathan, Finance Secretary and Secretary, Department of Expenditure; Shri Tuhin Kanta Pandey, Secretary, Department of Investment and Public Asset Management; and Dr. V. Anantha Nageswaran, Chief Economic Advisor.

The Board also reviewed the global and domestic economic situation and outlook, including the challenges posed by geopolitical developments and global financial market volatility.

Deputy Governors Dr. Michael Debabrata Patra, Shri M. Rajeshwar Rao, Shri T. Rabi Sankar, Shri Swaminathan J. and other Directors of the Central Board – Shri Satish K. Marathe, Shri S. Gurumurthy, Smt. Revathy Iyer, Prof. Sachin Chaturvedi, Shri Anand Gopal Mahindra and Shri Pankaj Ramanbhai Patel – attended the meeting. Shri Ajay Seth, Secretary, Department of Economic Affairs, also attended the meeting.

by Regulated Entities (REs). The draft outlines guidelines to ensure the robustness of model deployment in areas such as credit appraisal, borrower scoring, pricing, and risk management. Public and stakeholder comments on the draft are invited by September 4, 2024. To read more please click [here](#).

### Master Direction - Non-Banking Financial Company – Peer to Peer Lending Platform

The Reserve Bank on August 16, 2024 reviewed the Master Direction – NBFC – Peer to Peer Lending Platform. The Reserve Bank has noted that certain Non-Banking Financial Company – Peer to Peer Lending Platforms (NBFC-P2P Lending Platforms) have violated the Master Direction - Non-Banking Financial Company – Peer to Peer Lending Platform (Reserve Bank) Directions, 2017. These violations include improper funds transfer mechanisms, misrepresenting P2P lending as an investment product with guaranteed returns, and engaging in deposit-taking and lending activities rather than functioning purely as an intermediary platform.

To address these issues and ensure proper implementation, the Reserve Bank has decided to amend and clarify certain provisions of the Directions. The amended provisions are detailed in the Annex to this circular, with most changes taking effect immediately. However, item I(f)(ii) of the Annex will be effective ninety days from the date of this circular. The Master Direction – Non-Banking Financial Company – Peer to Peer Lending Platform (Reserve Bank) Directions, 2017, will be updated accordingly to incorporate these modifications, ensuring compliance and better alignment with regulatory standards. To read more, please click [here](#).

## III. FinTech

### Recognition of SROs in the FinTech Sector (SRO-FT)

The Reserve Bank on August 28, 2024 reviewed three applications for recognition as a Self-Regulatory Organisation in the FinTech Sector (SRO-FT) under the recently issued Framework. The Fintech Association for Consumer Empowerment (FACE) has been recognized as an SRO-FT. One application was returned for resubmission after addressing specific requirements, while the third application is still under examination. To read more, please click [here](#).

## IV. Financial Market

### Framework for Recognition of SROs in Financial Markets – Invitation of applications

The Reserve Bank on August 19, 2024 issued a framework for recognising Self-Regulatory Organisations (SROs) in financial markets, aiming to enhance compliance culture and provide a consultative platform for policy-making. This framework, based on the 'Omnibus Framework for recognition of SROs for Regulated Entities of the Reserve Bank' issued on March 21, 2024, outlines key parameters such as objectives, responsibilities, eligibility criteria, governance standards, and the application process for SRO recognition. Interested entities can apply via email or by contacting the Chief General Manager, Financial Markets Regulation Department, RBI. To read more, please click [here](#).

## V. Consumer Education and Protection

### RBI cautions against Fraudulent Activities in its name

The Reserve Bank on August 29, 2024 issued cautionary advice against fraudulent activities in its name. The Reserve Bank has observed that fraudulent individuals are misusing its name to deceive the public. Common tactics include enticing victims with fake offers of lottery winnings, fund transfers, or government schemes using forged RBI letterheads or email addresses. Fraudsters often request payments for processing fees or security deposits under the guise of official schemes or contracts, convincing victims to part with money.

In other cases, scammers use intimidation tactics by impersonating RBI officials through calls, SMS, or emails, threatening to freeze or block bank accounts unless personal details, account information, or OTPs are provided. RBI clarifies that it does not hold individual or company funds, nor does it communicate offers like lottery winnings. The public is advised to disregard such fraudulent communications, avoid sharing sensitive personal information, and verify the authenticity of any claims or accreditations through RBI's official website. Any suspicious activity should be reported to law enforcement agencies immediately. To read more, please click [here](#).

## Nomination on RBI Central Board

The Central Government on August 30, 2024 nominated Shri Nagaraju Maddirala, Secretary, Department of Financial Services, Ministry of Finance, Government of India as a Director on the Central Board of Reserve Bank of India vice Dr. Vivek Joshi. The nomination of Shri Nagaraju Maddirala is effective from August 30, 2024 and until further orders.

### VI. DSIM

#### Expert Committee on Benchmarking of its Statistics

The Reserve Bank on August 12, 2024 constituted an Expert Committee to review and enhance the quality of statistical data disseminated by the Bank. The Committee's mandate includes benchmarking statistics against global standards, assessing the quality of data where benchmarks do not exist, and providing guidance on potential data refinements.

The Committee is chaired by Dr. Michael Debabrata Patra, Deputy Governor of the RBI, and includes notable members such as Dr. R. B. Barman, Prof. Sonalde Desai, and Dr. Partha Ray, among others. Dr. O.P. Mall will serve as the Convenor. The Committee is expected to submit its report by the end of November 2024, with the RBI's Department of Statistics and Information Management providing secretarial support. To read more, please click [here](#).

### VII. Financial Inclusion and Development

#### Nationwide Quiz for Undergraduate Students

The Reserve Bank on August 20, 2024 is pleased to announce the launch of the RBI90Quiz for college students at the undergraduate level. The quiz is a nationwide competition being held as part of the events to commemorate 90 years of RBI's functioning.



Launching the RBI90Quiz online platform, Governor Shri Shaktikanta Das, expressed confidence that the contest would help create greater awareness about the Reserve Bank and the financial eco system among the students. He further added that RBI has been encouraging the youth to cultivate responsible financial behaviour and develop the habit of safe and secure usage of digital financial products through its public awareness campaigns. The participating teams of this RBI90Quiz program stand to win attractive prizes at various levels. To read more, please click [here](#).

### VIII. Issuer of Currency

#### Withdrawal of ₹2000 denomination Banknotes

The Reserve Bank on September 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 ₹7261 crore at the close of business on August 30, 2024. Thus, 97.96 percent of the ₹2000 banknotes in circulation as on May 19, 2023 has since been returned. To read more, please click [here](#).

### IX. Publication

#### RBI Bulletin

The Reserve Bank on August 19, 2024 released the August 2024 issue of its monthly Bulletin. The Bulletin includes Monetary Policy Statement of August 8, 2024, five speeches, seven articles and current statistics. The seven articles are:

- State of the Economy
- Are Food Prices Spilling Over?
- Union Budget 2024-25: An Assessment
- Estimate of Spare Capacity for India's Services Sector
- Evolution of FinTech and Central Banks: A Text Mining-Based Survey
- Private Corporate Investment: Growth in 2023-24 and Outlook for 2024-25
- Measuring Progress in Sustainable Development Goals (SDGs): An Application of Natural Language Processing (NLP) on Budget Documents. To read more, please click [here](#).

### X. Data Release

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

S/N	Title
1	<a href="#">Scheduled Banks' Statement of Position in India as on Friday, August 09, 2024</a>
2	<a href="#">Overseas Direct Investment for July 2024</a>
3	<a href="#">Lending and Deposit Rates of Scheduled Commercial Banks – August 2024</a>
4	<a href="#">Consumer Confidence Survey (CCS) – July 2024</a>
5	<a href="#">Inflation Expectations Survey of Households (IESH) – July 2024</a>
6	<a href="#">India's International Trade in Services for the Month of July 2024</a>
7	<a href="#">Survey of Professional Forecasters on Macroeconomic Indicators – Results of the 89<sup>th</sup> Round</a>
8	<a href="#">Services and Infrastructure Outlook Survey for Q1:2024-25</a>
9	<a href="#">OBICUS Survey on manufacturing sector – Q4:2023-24</a>