



## I. Monetary Policy

### Governor's Monetary Policy Statement on December 6, 2024

Shri Shaktikanta Das, Governor on December 6, 2024 delivered the Monetary Policy Statement. In his opening remarks, Governor reflected the eventful journey of 2024. Central banks are constantly adapting to the new global economic and financial landscape created by geopolitical conflicts, geoeconomic fragmentation, financial market volatility and continuing uncertainties, all of which are testing the resilience of the global economy. The last mile of disinflation is turning out to be prolonged and arduous, both for advanced and emerging market economies (EMEs). Despite these global headwinds, India remains on a steady path of balanced growth and resilience, poised to capitalize on emerging opportunities in a reshaping global economy while prioritizing macroeconomic and financial stability.

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

The MPC decided to maintain the policy repo rate at 6.50 percent, continuing its stance to 'neutral' 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 highlighted that the global economy has shown unusual resilience in 2024 despite several headwinds. Inflation is gradually moving towards target from its multi-decadal highs, prompting several central banks to embark on policy pivots. Global trade remains resilient with increasing volumes confined within geopolitical blocs. Since the last MPC meeting, financial markets have remained edgy amidst rising US dollar and hardening bond yields, resulting in large capital outflows from emerging markets and volatility in equity markets. Going forward, the outlook is clouded by rising tendencies of protectionism which have the potential to undermine global growth and push inflation higher.

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

Governor mentioned that the near-term inflation and growth outcomes in India have turned somewhat adverse since the October policy. The medium-term prognosis on inflation suggests further alignment with the target, while growth is expected to pick up its momentum. Persistent high inflation reduces the purchasing power of consumers and adversely affects both consumption and investment demand. The overall implication of these factors for growth is negative. Therefore, price stability is essential for sustained growth. On the other hand, a growth slowdown – if it lingers beyond a point – may need policy support.

#### Liquidity and Financial Market Conditions

Speaking about the condition of liquidity and financial market, Governor mentioned that system liquidity continued to remain in surplus during October-November on account of higher government spending, despite a significant increase in currency in circulation during the festive season and capital outflows. Given these conditions, the Reserve Bank mainly conducted variable rate reverse repo (VRRR) operations to absorb surplus liquidity.

#### Financial Stability

Governor stated that the financial parameters of banks and NBFCs continue to be strong. The incoming data suggests that the gap between growth of credit and deposits of scheduled commercial banks (SCBs) has narrowed with deposits keeping pace with loan growth. The Reserve Bank's supervision of the financial sector and its entities continues to be vigilant and proactive. Incipient signs of stress, if any, either at the systemic or entity levels, are monitored closely and proactive action is initiated.

#### External Sector

Governor mentioned India's merchandise exports expanded at a 28-month high pace in October. Merchandise imports also increased for the seventh consecutive month. Services exports sustained buoyancy and posted double-digit growth in Q2:2024-25 as well as in October 2024. The robust services exports, coupled with strong remittance receipts, are expected to keep the current account deficit (CAD) within sustainable levels during 2024-25. To read the full statement, please click [here](#).

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### Note from the Editor

As we bid farewell to 2024, the Indian economy stands as a testament to resilience and adaptability, reflecting remarkable progress and paving the way for growth opportunities. This year highlighted India's strength in navigating global uncertainties while addressing domestic challenges with determination and foresight.

2024 has been a year of valuable insights for India, underscoring the power of agility, innovation and inclusivity in shaping a thriving future. As we embrace 2025, the Indian economy moves forward with renewed optimism and the promise of a brighter, more stable journey ahead.

We remain committed to our goal of sharing accurate information, fostering deeper understanding and to stay in touch. 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 December 6, 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 continue with the neutral monetary policy stance and to remain unambiguously focused on a durable alignment of inflation with 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) Liquidity and Financial Markets; (ii) Regulation; (iii) Communication; (iv) Financial Inclusion; (v) Payment Systems; and (vi) Fintech.

### i) Liquidity and Financial Markets

#### 1. Reduction in Cash Reserve Ratio

It has been decided to reduce the cash reserve ratio (CRR) of all banks by 50 bps in two equal tranches of 25 bps each to 4.0 per cent of net demand and time liabilities (NDTL) with effect from the fortnight beginning December 14, 2024 and December 28, 2024, respectively. This will restore the CRR to 4 per cent of NDTL, which was prevailing before the commencement of the policy tightening cycle in April 2022. This reduction in the CRR would release primary liquidity of about ₹1.16 lakh crore to the banking system.

#### 2. Interest Rates on FCNR(B) Deposits

At present, interest rates on Foreign Currency Non-Resident Bank [FCNR(B)] deposits are subject to ceilings of Overnight Alternative Reference Rate (ARR) for the respective currency/swap, plus 250 basis points for deposits of 1 year to less than 3 years maturity and overnight ARR plus 350 basis points for deposits of 3 years and above and up to 5 years maturity. In order to attract more capital inflows, it has been decided to increase the interest rate ceilings on FCNR(B) deposits. Accordingly, with effect from today (December 6, 2024), banks are permitted to raise fresh FCNR(B) deposits of 1 year to less than 3 years maturity at rates not exceeding ARR plus 400 bps and deposits with maturity between 3 to 5 years at rates not exceeding ARR plus 500 bps. This relaxation will be available till March 31, 2025.

#### 3. Expanding reach of FX-Retail Platform through linkages with Bharat Connect

With the objective of bringing greater transparency and fairness in the pricing of foreign exchange for users, especially for individuals and the Micro, Small and Medium Enterprises, the Clearing Corporation of India Limited (CCIL) launched the FX-Retail platform in 2019. Presently, the FX-Retail platform is accessible through an internet-based application. To expand the reach of FX-Retail platform and enhance user experience, it is proposed to facilitate the linking of the FX-Retail platform with Bharat Connect (earlier known as Bharat Bill Payment System) operated by the NPCI Bharat Connect. The linkage will enable users to register and transact on the

FX-Retail platform through the apps of banks (mobile applications, internet banking etc.) and non-bank payment system providers, which are integrated with Bharat Connect

#### 4. Introduction of the Secured Overnight Rupee Rate (SORR)

The Reserve Bank had set up the Committee on the MIBOR Benchmark (Chairperson: Shri Ramanathan Subramanian) to review the Rupee interest rate benchmarks in the country, especially the usage of Mumbai Interbank Outright Rate (MIBOR) and to examine the need for transition to new benchmarks. The Committee recommended several important measures to further develop the interest rate derivative market and improve the credibility of interest rate benchmarks. The Report of the Committee was published on RBI's website inviting comments from members of the public.

#### ii) Regulation

#### 5. 'Connect 2 Regulate' – An Initiative for Open Regulation.

Reserve Bank has been consistently following a multi-pronged consultative process with stakeholders in framing its regulations. As a further pro-active step towards the same, the Reserve Bank proposes to launch a programme named 'Connect 2 Regulate' under the ongoing RBI@90 commemorative events. A dedicated section in the Reserve Bank's website will be made available for the programme.

#### iii) Communication

#### 6. Introduction of Podcast facility as an additional medium of communication

The Reserve Bank has been expanding the scope of its public awareness activities including through social media over the last few years. In continuance of this endeavour, the Reserve Bank proposes to launch podcasts for wider dissemination of information that is of interest to the general public.

#### iv) Financial Inclusion

#### 7. Collateral-free Agriculture Loan — Enhancement of Limit

At present, banks are required to extend collateral-free agriculture loans up to ₹1.6 lakh per borrower. This limit was enhanced from ₹1 lakh, set in the year 2010 to ₹1.6 lakh in the year 2019. Keeping in view the overall inflation and rise in agricultural input costs since then, it has been decided to raise the limit for collateral-free agriculture loans from ₹1.6 lakh to ₹2 lakh.

#### v) Payment Systems

#### 8. Pre-sanctioned Credit Lines through UPI – Extending the scope to SFBs

In September 2023, the scope of Unified Payments Interface (UPI) was expanded by enabling pre-sanctioned credit lines to be linked through UPI and used as a funding account by Scheduled Commercial Banks excluding Payments Banks, Small Finance Banks (SFBs) and Regional Rural Banks. Credit line on UPI has the potential to make available low-ticket, low-tenor products to 'new-to-credit' customers.

#### vi) Fintech

#### 9. Framework for Responsible and Ethical Enablement of Artificial Intelligence (FREE-AI) in the Financial Sector – Setting up of a Committee

The financial sector landscape is witnessing paradigm shifts with the advent of frontier technologies. Technologies like Artificial Intelligence (AI)/ Machine Learning (ML), tokenisation, Cloud Computing hold

## Appointment of Governor

Shri Sanjay Malhotra, an Indian Administrative Service officer of the 1990 batch (Rajasthan Cadre), assumed office as the 26th Governor of the Reserve Bank of India for a three-year term, effective December 11, 2024. Prior to this, he served as the Secretary of the Department of Revenue in the Ministry of Finance and the Secretary of the Department of Financial Services, Government of India. With extensive experience in sectors such as power, finance, taxation and information technology, Shri Malhotra has held significant positions at both the State and Central Government levels, including Chairman and Managing Director of Rural Electrification Corporation Limited. He also served as a Government Nominee Director on the Central Board of the RBI from February to November 2022. Shri Malhotra holds a degree in Computer Science and Engineering from IIT Kanpur and a Master in Public Policy from Princeton University, USA.

transformative potential for the financial sector as they can handle enormous volumes of data, automate complex processes, enhance decision-making and bring in unprecedented efficiencies

### 10. AI solutions to identify mule bank accounts - MuleHunter.AI™

The Reserve Bank has been taking various measures in coordination with banks and other stakeholders to prevent and mitigate digital frauds in the financial sector. These include RBI guidelines to regulated entities for strengthening cybersecurity, cyber fraud prevention and transaction monitoring. The Reserve Bank is currently running a hackathon on the theme “Zero Financial Frauds” which includes a specific problem statement on mule accounts, to encourage development of innovative solutions to contain the use of mule accounts. Another initiative in this direction is the AI / ML based model called MuleHunter.AI™, being piloted by Reserve Bank Innovation Hub (RBIH), a subsidiary of Reserve Bank. This model enables detection of mule bank accounts in an efficient manner. To read more, please click [here](#).

## Minutes of MPC

The 52<sup>nd</sup> meeting of the Monetary Policy Committee constituted under section 45ZB of the Reserve Bank of India Act, 1934, was held during December 4 to 6, 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 December 20, 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. To read more, please click [here](#).

## II. Regulation

### Framework for Facilitating Small Value Digital Payments in Offline Mode

The Reserve Bank on December 4, 2024 updated its offline digital payment framework, initially introduced on January 3, 2022, with an enhancement for UPI Lite transactions. As per the updated guidelines, the transaction limit for UPI Lite has been increased to ₹1,000 per transaction, with a total limit of ₹5,000 per payment instrument at any point in time. This change follows the announcement in the Statement on Developmental and Regulatory Policies dated October 9, 2024 and is issued under Section 18 and Section 10(2) of the Payment and Settlement Systems Act, 2007, with immediate effect. To read more, please click [here](#).

## Interest Rates on FCNR(B) Deposits

The Reserve Bank decided to raise the interest rate ceilings on fresh FCNR(B) deposits with effect from December 6, 2024, as per the provisions in the Statement on Developmental and Regulatory Policies dated December 6, 2024 and the relevant Master Directions on interest rates for FCNR(B) deposits. The new ceilings are set at Overnight Alternative Reference Rate (ARR) for the respective currency/swap plus 400 basis points for deposits with a maturity of 1 year to less than 3 years and ARR plus 500 basis points for deposits with a maturity of 3 years to 5 years. This relaxation will remain in effect until March 31, 2025. To read more, please click [here](#).

## Maintenance of CRR

The Reserve Bank on December 6, 2024 decided to reduce the Cash Reserve Ratio (CRR) for all banks by 50 basis points, in two equal tranches of 25 basis points each, bringing it down to 4.0% of net demand and time liabilities (NDTL) in accordance with the statement on Developmental and Regulatory Policies dated December 6, 2024. As a result, banks will be required to maintain the CRR at 4.25% of NDTL starting from the reporting fortnight beginning December 14, 2024 and at 4.00% from the fortnight beginning December 28, 2024. To read more, please click [here](#).

## Framework – FREE AI

The Reserve Bank on December 26, 2024 set up a committee to develop a Framework for Responsible and Ethical Enablement of Artificial Intelligence (FREE-AI) in the Financial Sector. FinTech Department, Central Office, Reserve Bank of India will provide the secretarial support to the Committee. The Committee may also invite domain experts, industry representatives, RBI departments and other stakeholders, as may be required, for consultations and/or to participate in its deliberations. The Committee will submit its report within six months from the date of its first meeting. To read more, please click [here](#).

## III. Payment and Settlement Systems

### Beneficiary Account Name Lookup Facility – NEFT and RTGS

The Reserve Bank on December 30, 2024 introduced of a beneficiary account name look-up facility for the Real Time Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT) systems, similar to the one available in the Unified Payments Interface (UPI) and Immediate Payments Service (IMPS). To read more, please click [here](#).

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

The 612<sup>th</sup> meeting of the Central Board of Directors of the Reserve Bank of India was held on December 20, 2024 in Guwahati under the Chairmanship of Shri Sanjay Malhotra, Governor. The Board placed on record its appreciation of the valuable services rendered by Shri Shaktikanta Das during his tenure as Governor of the Bank.

The Board reviewed the global and domestic economic situation and outlook and discussed the activities of select Central Office Departments as well as the draft Report on Trend and Progress of Banking in India, 2023-24.

### IV. Financial Inclusion

#### Credit Flow to Agriculture

The Reserve Bank on December 6, 2024 decided to increase the limit for collateral-free agricultural loans, including loans for allied activities, from ₹1.6 lakh to ₹2 lakh per borrower in response to rising inflation and agricultural input costs. Accordingly, banks are instructed to waive collateral security and margin requirements for such loans up to ₹2 lakh per borrower. Banks are required to implement these revised instructions by January 1, 2025 and are also advised to publicize these changes adequately. To read more, please click [here](#).

### V. Publication

#### Handbook of Statistics on Indian States, 2023-24

The Reserve Bank on December 9, 2024 released the ninth edition of its statistical publication titled "[Handbook of Statistics on Indian States, 2023-24](#)". Through this publication, the Reserve Bank has been disseminating wide-ranging data on the regional economies of India. To read more, please click [here](#).

#### State Finances: A Study of Budgets of 2024-25

The Reserve Bank on December 19, 2024 released the Report '[State Finances: A Study of Budgets of 2024-25](#)'. The theme of this year's Report is "Fiscal Reforms by States". It provides a comprehensive assessment of the finances of state governments for 2024-25 against the backdrop of actual and revised/provisional accounts for 2022-23 and 2023-24, respectively. This publication has been prepared in the Division of State Finances in the Department of Economic and Policy Research. The current issue, along with past issues of the Report, are available on the Reserve Bank's website ([www.rbi.org.in](http://www.rbi.org.in)). Comments on this publication can be sent to the Director, Division of State Finances, Department of Economic and Policy Research, Amar Building (6th Floor), Reserve Bank of India, Sir Pherozshah Mehta Road, Mumbai - 400 001. To read more, please click [here](#).

#### RBI Bulletin

The Reserve Bank on December 24, 2024 released the December 2024 issue of its monthly Bulletin. The Bulletin includes Bi-monthly Monetary Policy Statement (December 4-6) 2024-25, ten speeches, four articles and current statistics. The four articles are: i) State of the Economy

- ii) Government Finances 2024-25: A Half-Yearly Review
- iii) Daily Reserves Maintenance Behaviour of Banks
- iv) Real Effective Exchange Rate and its Implications for India's Trade Balance. To read more, please click [here](#).

#### Trend and Progress of Banking in India 2023-24

The Reserve Bank on December 26, 2024 in compliance with Section 36 (2) of the Banking Regulation Act, 1949 released the [Report on Trend and Progress of Banking in India 2023-24](#). This Report presents the performance of the banking sector, including commercial banks, co-operative banks and non-banking financial institutions, during 2023-24 and 2024-25 so far. To read more, please click [here](#).

#### Financial Stability Report

The Reserve Bank on December 30, 2024 released the 30<sup>th</sup> issue of Financial Stability Report (FSR), which reflects the collective assessment of the Sub-Committee of the Financial Stability and Development Council (FSDC) on the resilience of the Indian financial system and risks to financial stability. To read more, please click [here](#).

### VI. Data Release

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

S/N	Title
1	<a href="#">India's International Investment Position (IIP), September 2024</a>
2	<a href="#">Overseas Direct Investment for November 2024</a>
3	<a href="#">Consumer Confidence Survey (CCS) - November 2024</a>
4	<a href="#">Inflation Expectations Survey of Households (IESH) – November 2024</a>
5	<a href="#">Survey of Professional Forecasters on Macroeconomic Indicators – Results of the 91<sup>st</sup> Round</a>
6	<a href="#">Statistical Tables relating to Banks in India: 2023-24</a>
7	<a href="#">Scheduled Banks' Statement of Position in India as on Friday, December 13, 2024</a>