

MONETARY & CREDIT INFORMATION REVIEW



MCIR

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I. Monetary Policy

Governor's Monetary Policy Statement on June 7, 2024



Shri Shaktikanta Das, Governor on June 7, 2024 delivered the Monetary Policy Statement. In his keynote address, Governor mentioned that in recent years, the global economy has faced a series of crises, creating a challenging environment for countries worldwide. Despite these global uncertainties, India's economy has demonstrated robust fundamentals, financial stability and positive growth momentum. However, it is essential to remain vigilant amidst a volatile international landscape. As the Reserve Bank approaches its centenary year, RBI@100, it will gear up even more to remain future-ready for India's fast growing economy. It will take steps to enhance India's global footprint. For our journey during the next decade, we have drawn up strategies consisting of policy actions towards positioning the Reserve Bank as a model central bank of the global south.

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 global growth is sustaining its momentum in 2024 and is likely to remain resilient, supported by rebound in global trade. Inflation is easing, but the final leg of this disinflation journey may be tough. Central Banks remain steadfast and data-dependent in their fight against inflation.

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

Governor stated that the developments relating to growth and inflation are unfolding as per our expectations. When the projected GDP growth of 7.2 percent for 2024-25 materialises, it will be the fourth consecutive year with growth at or above 7 percent. Headline CPI continues to be on a disinflationary trajectory. Monetary policy has played an important role in this process. This is evident from the decline in headline inflation by 2.3 percentage points between Q1: 2022-23 and Q4 of 2023-24. Supply side developments and government measures also contributed to this moderation of headline inflation.

Liquidity and Financial Market Conditions

Speaking about the condition of liquidity and financial market, Governor mentioned that during the current financial year, system liquidity shifted from surplus to deficit and back to surplus by early June. The RBI managed this through variable rate reverse repo (VRRR) auctions and variable rate repo (VRR) operations. Banks' use of the marginal standing facility (MSF) remained low and the weighted average call rate (WACR) stayed near the midpoint, with eased yields on CDs, CPs and T-bills. The RBI transferred ₹2.11 lakh crore to the Central Government and increased the contingent reserve buffer to 6.5 percent.

Financial Stability

Governor said that the 2023-24 financial results indicate a resilient banking system with improved asset quality, better provisioning, sustained capital adequacy and increased profitability, mirrored by strong NBFC performance. Gross non-performing assets for both sectors remained below 3 percent of total advances. The RBI urges Regulated Entities to enhance governance, risk management and compliance, addressing concerns over unsecured retail loan growth and NBFCs' reliance on bank funding.

External Sector

Governor said that in Q4 2023-24, India's current account deficit is expected to have moderated due to a lower trade deficit, robust services export growth and strong remittances with services exports driven by software, business services and travel. India remains the largest global recipient of remittances, expected to hold a 15.2 percent share in 2024. India retained its lead in greenfield FDI in Asia-Pacific, with robust gross FDI and increased net inflows from external commercial borrowings and non-resident deposits. Foreign exchange reserves reached a record \$651.5 billion by May 31, 2024 underscoring the resilience and improving indicators of India's external sector, ensuring confidence in meeting external financing needs. 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 June 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

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 June 7, 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 and FinTech.

i) Regulations

1. Review of limit of Bulk Deposits for Scheduled Commercial Banks (excluding RRBs), Small Finance Banks and Local Area Banks

Banks have discretion to offer differential rate of interest on the bulk deposits as per their requirements and Asset-Liability Management (ALM) projections. The bulk deposits limit was enhanced in the year 2019 for Scheduled Commercial Banks (SCBs) (excluding Regional Rural Banks) and Small Finance Banks (SFBs) as 'Single Rupee term deposits of ₹2 crore and above'. On a review, it is proposed to revise the definition of bulk deposits as 'Single Rupee term deposits of ₹3 crore and above' for SCBs (excluding RRBs) and SFBs. Further, it is also proposed to define the bulk deposit limit for Local Area Banks as 'Single Rupee term deposits of ₹1 crore and above' as applicable in case of RRBs. Necessary guidelines will be issued shortly.

2. Rationalisation of Export and Import regulations under Foreign Exchange Management Act (FEMA), 1999

Keeping in view the progressive liberalisation under FEMA 1999 and to impart greater operational flexibility to Authorized Dealer banks, Reserve Bank has decided to rationalise existing guidelines on export and import of goods and services in line with the changing dynamics of cross-border trade transactions globally. The proposed rationalisation aims to simplifying operational procedures thereby promoting ease of doing business for all the stakeholders. The draft regulations and directions would be placed on the Bank's website by end June 2024 for feedback from all the stakeholders before finalising the same.

ii) Payment Systems and Fintech

3. Setting up a Digital Payments Intelligence Platform

The Reserve Bank, over the years, has undertaken a number of measures for the safety and security of digital payments to maintain public confidence in digital payment systems. Sustaining such confidence would require minimising incidence of frauds. Many frauds occur by influencing unsuspecting victims to make the payment or share credentials. While the payment ecosystem (banks, NPCI, card networks, payment aggregators and payment apps) take various measures on an ongoing

basis to protect customers from such frauds, there is a need for network-level intelligence and real-time data sharing across payment systems.

It is, therefore, proposed to set up a Digital Payments Intelligence Platform which will harness advanced technologies to mitigate payment fraud risks. To take this initiative forward, the Reserve Bank has constituted a committee (Chairman: Shri A.P. Hota, former MD & CEO, NPCI) to examine various aspects of setting up a digital public infrastructure for Digital Payments Intelligence Platform. The Committee is expected to give its recommendations within two months.

4. Inclusion of recurring payments for Fastag, National Common Mobility Card (NCMC), etc. with auto-replenishment facility under the e-mandate framework

(i) The Framework for processing of e-Mandate for recurring transactions, issued by RBI on January 10, 2020 currently enables recurring payments with fixed periodicity such as daily, weekly, monthly, etc. It is now proposed to include payments, such as replenishment of balances in Fastag, NCMC, etc. which are recurring in nature but without any fixed periodicity, into the e-mandate framework. These categories of payments are made as and when needed and, therefore, their replenishment is not time specific or amount specific. Under the e-mandate framework, it is proposed to introduce an automatic replenishment facility for such payments. The automatic replenishment will be triggered when the balance in Fastag or NCMC falls below a threshold amount set by the customer.

(ii) The current e-mandate framework requires a pre-debit notification at least a 24-hours before the actual debit from customer's account. It is proposed to exempt this requirement for payments made from customer's account for automatic replenishment of balances in Fastag, NCMC, etc. under the e-mandate framework.

Necessary guidelines in respect of the above proposals will be issued shortly.

5. Introducing auto-replenishment of UPI Lite wallet - Inclusion under the e-mandate framework

The UPI Lite facility currently allows a customer to load his UPI Lite wallet upto ₹2000/- and make payments upto ₹500/- from the wallet. In order to enable the customers to use the UPI Lite seamlessly and based on the feedback received from various stakeholders, it is proposed to bring UPI Lite within the ambit of the e-mandate framework by introducing an auto-replenishment facility for loading the UPI Lite wallet by the customer, if the balance goes below a threshold amount set by him/her. Since the funds remain with the customer (funds move from his/her account to wallet), the requirement of additional authentication or pre-debit notification is proposed to be dispensed with. Related guidelines in respect of the above proposal will be issued shortly.

6. RBI Hackathon HARBINGER 2024 – Innovation for Transformation

RBI has been continuously working towards ensuring trust, safety, security and inclusivity in the financial system focusing on inclusive access and minimisation of frauds. Technology has opened up effective possibilities of identifying and preventing financial frauds as well as widening the reach of financial services, thereby ensuring equitable access to financial products and services.

The Bank has been encouraging innovation in identified focus areas through its annual Hackathons. The third

edition of our global hackathon, "HaRBInger 2024 – Innovation for Transformation" will be launched with two overarching themes viz., 'Zero Financial Frauds' and 'Being Divyang Friendly'. Solutions aimed at enhancing safety and security of digital transactions with focus on detecting, preventing and combating financial frauds, as also prioritising inclusivity for persons with physical disabilities, will be invited as part of HaRBInger 2024. Further details in this regard shall be released shortly.

Minutes of MPC

The 49th meeting of the Monetary Policy Committee constituted under section 45ZB of the Reserve Bank of India Act, 1934, was held during June 5 to 7, 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 June 21, 2024, i.e., the 14th 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. To read more, please click [here](#).

II. Regulation

Conference for the Directors on the Boards of select large UCBs of Western Zone

The Reserve Bank on June 21, 2024 held a conference for directors of large Urban Cooperative Banks (UCBs) in the Western Zone at Ahmedabad. Shri Shaktikanta Das, Governor, RBI inaugurated the Conference on the theme 'Governance in UCBs - Driving Sustainable Growth and Stability'. Deputy Governor Shri Swaminathan J., along with Executive Directors representing the RBI's Departments of Supervision, Regulation and Enforcement and other senior officials, also participated in the Conference. Governor emphasized robust governance, effective Boards and strong assurance functions like compliance and risk management, while urging proper credit standards and liquidity risk management. Deputy Governor Swaminathan highlighted UCBs' role in financial inclusion and the need for enhanced resilience. The conference covered IT, cybersecurity, governance and regulatory expectations, concluding with an open house interaction with the Executive Directors of RBI.

Invitation of applications for recognition of (SROs) for NBFCs

The Reserve Bank on June 19, 2024 invited applications for Self-Regulatory Organisations (SROs) in the NBFC sector under its "Omnibus Framework for recognition of SROs for Regulated Entities" issued on March 21, 2024. This framework outlines the objectives, responsibilities, eligibility criteria, governance standards and application process for SROs. Specifically, for the NBFC sector, the SRO should primarily include Investment and Credit Companies (NBFC-ICCs), Housing Finance Companies (HFCs) and NBFC-Factors, with at least 10 percent representation from smaller NBFCs in the Base

Layer. The SRO must achieve a minimum net worth of ₹2 crore within one year of recognition and maintain this ongoing. A maximum of two SROs for the NBFC sector will be recognised and applications must be submitted by September 30, 2024.

III. DSIM

18th Statistics Day Conference

The Reserve Bank on June 28, 2024 held its 18th Annual Statistics Day Conference themed 'RBI Statistics@90,' as a part of the 'National Statistics Day' celebrations in the memory of Professor Prasanta Chandra Mahalanobis's contributions to modern Indian statistics. In his inaugural address, Shri Shaktikanta Das, Governor highlighted the RBI's efforts to enhance statistical quality through technology, AI and ML as it approaches its centenary. Key lectures included Professor Nilanjan Chatterjee on personalized health data integration and Professor Sonalde Desai on gender-inclusive data systems. Internal researchers presented the findings of three research studies on theoretical and applied statistics. In the concluding session, Dr. O.P.Mall, Executive Director outlined the way forward for statistics related activities in the Reserve Bank. To read the full statement, please click [here](#).

IV. Fintech

Regulatory Sandbox

In the Fourth Cohort of the Regulatory Sandbox themed 'Prevention and Mitigation of Financial Frauds,' six entities began testing their products, as announced on January 5, 2023. After completing the test phase, three products were found viable: Bahwan Cybertek's "Real Time Monitoring System" for real-time transaction monitoring, Cybersec's "napID Fraud Filter Layer" for securing login and payment forms and Trusting Social's "Trusting Social Credit Insight (CI)" for risk-ranking loan applicants using mobile data. These entities have exited the Fourth Cohort and their products may now be adopted by regulated entities. The cohort is now open for 'On Tap' applications via email.

HaRBInger 2024

The Reserve Bank on June 7, 2024 announced its third global hackathon, "HaRBInger 2024 – Innovation for Transformation," inviting participants to develop technology-driven solutions under the themes of "Zero Financial Frauds" and "Being Divyang Friendly." The themes include problem statements such as real-time fraud prediction and detection, ensuring transaction anonymity in CBDC transactions, identifying mule bank accounts and accurately identifying banknotes for the visually impaired. Participants will have the opportunity to be mentored by industry experts, present their solutions to an eminent jury and win prizes. Winners for each problem statement will receive INR 40 lakh, the best all-woman team will win INR 20 lakh and shortlisted teams will receive an INR 5 lakh stipend for prototype development. Registration began on June 7, 2024. To read more, please click [here](#).

Appointment of Executive Directors

1. The Reserve Bank on June 3, 2024 appointed Shri Arnab Kumar Chowdhury as Executive Director with effect from June 3, 2024. Prior to being appointed as Executive Director, Shri Chowdhury was serving as Chief General Manager-in-Charge in the Department of Supervision. Shri Chowdhury has experience of over 3 decades in Reserve Bank of India. He has worked extensively in the area of supervision of financial entities. He has worked in the area of corporate strategy, budgeting, accounting and Issue Department. He has also served as member of several committees and working groups and has been contributing to policy formulation. As Executive Director, Shri Chowdhury will look after 1. Deposit Insurance and Credit Guarantee Corporation, 2. Foreign Exchange Department, 3. International Department.

2. The Reserve Bank on July 1, 2024 appointed Smt. Charulatha S Kar as Executive Director with effect from July 1, 2024. Prior to being appointed as Executive Director, Smt. Kar was serving as Chief General Manager-in-Charge in the Human Resource Management Department. Smt. Kar has experience of over three decades in the Reserve Bank having worked in areas of Payment and Settlement Systems, Information Technology, Government Banking, Internal accounts and Human Resource Management. She has represented the Reserve Bank in several Working Groups of BIS and has served as a member of other internal and external Committees. As Executive Director, Smt. Kar will look after 1. Department of Communication, 2. Human Resource Management Department, 3. Right to Information (First Appellate Authority).

V. Banker to Government

Ways and Means Advances Scheme for State Governments/UTs

The Reserve Bank on June 28, 2024 reviewed the limits for financial accommodation extended to State Governments / Union Territories (UTs) through Special Drawing Facility (SDF), Ways and Means Advances (WMA) and Overdraft (OD) schemes.

Based on the recommendations made by the Group constituted by the Reserve Bank and consisting of select state Finance Secretaries and taking into account the expenditure data of the states for the recent years, it has been decided to revise the WMA limits of the State Governments/ UTs, effective from July 01, 2024. The revised aggregate WMA limit for State Governments/ UTs will be ₹60,118 crore as against the existing limit of ₹47,010 crore. State Governments/UTs can continue availing Special Drawing Facility (SDF) based on investments in marketable securities, including Auction Treasury Bills (ATBs).

VI. Issuer of Currency

Withdrawal of ₹2000 denomination Banknotes

The Reserve Bank on July 1, 2024 released the status of withdrawal of ₹2000 denomination banknotes. As per the data, the total value of ₹2000 banknotes in circulation declined to ₹ 7581 crore at the close of business on June 28, 2024. Thus, 97.87 percent of the ₹2000 banknotes in circulation as on May 19, 2023 has since been returned. To read more, please click [here](#).

VII. Publication

Financial Stability Report

The Reserve Bank on June 27, 2024 released the 29th issue of the 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.

RBI Bulletin

The Reserve Bank on June 19, 2024 released the June 2024 issue of its monthly Bulletin. The Bulletin includes Monetary Policy Statement of June 5, 2024, three speeches, three articles and current statistics. The three articles are:

- State of the Economy
- Financial Stocks and Flow of Funds of the Indian Economy 2021-22
- India's Deposit Insurance @60: Retrospect and Prospect

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

VIII. Data Release

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

S/N	Title
1	Scheduled Banks' Statement of Position in India as on Friday, June 14, 2024
2	Households' Inflation Expectations Survey - May 2024
3	Credit by Scheduled Commercial Banks – March 2024 (Annual BSR-1)
4	Overseas Direct Investment for May 2024
5	Lending and Deposit Rates of Scheduled Commercial Banks – June 2024
6	Consumer Confidence Survey - May 2024
7	Deposits with Scheduled Commercial Banks - March 2024 (Annual BSR-2)
8	Survey of Professional Forecasters on Macroeconomic Indicators – May 2024