ANNUAL REPORT

2023-24

RESERVE BANK OF INDIA

Report of the Central Board of Directors on the working of the Reserve Bank of India for the year ended March 31, 2024 submitted to the Central Government in terms of Section 53(2) of the Reserve Bank of India Act, 1934

RESERVE BANK OF INDIA ANNUAL REPORT 2023-24

गवर्नर
GOVERNOR

LETTER OF TRANSMITTAL

Ref. No. SECD.BRDS. S149/02.16.001/2024-25

May 29, 2024
Jyeshtha 8, 1946 (Saka)

The Finance Secretary
Government of India
Ministry of Finance
New Delhi - 110 001

Dear Finance Secretary,

In pursuance of Section 53(2) of the Reserve Bank of India Act, 1934, I have the pleasure in transmitting the following documents:

(i) A copy of the Annual Accounts for the year ended March 31, 2024 certified by the Bank's Auditors and signed by the Chief General Manager-in-Charge, the Deputy Governors and I; and

(ii) Two copies of the Annual Report of the Central Board on the working of the Bank during the year ended March 31, 2024.

Sincerely,

29.5.24

Shaktikanta Das

CENTRAL BOARD / LOCAL BOARDS

GOVERNOR

Shaktikanta Das

DEPUTY GOVERNORS

Michael Debabrata Patra

M. Rajeshwar Rao

T. Rabi Sankar

Swaminathan J.

DIRECTORS NOMINATED UNDER SECTION 8 (1) (b) OF THE RBI ACT, 1934

Revathy Iyer

Sachin Chaturvedi

DIRECTORS NOMINATED UNDER SECTION 8 (1) (c) OF THE RBI ACT, 1934

Satish Kashinath Marathe

Swaminathan Gurumurthy

Anand Gopal Mahindra

Venu Srinivasan

Pankaj Ramanbhai Patel

Ravindra H. Dholakia

DIRECTORS NOMINATED UNDER SECTION 8 (1) (d) OF THE RBI ACT, 1934

Ajay Seth

Vivek Joshi

MEMBERS OF LOCAL BOARDS

WESTERN AREA

EASTERN AREA

Sachin Chaturvedi

NORTHERN AREA

Revathy Iyer

SOUTHERN AREA

(Position as on May 27, 2024)

PRINCIPAL OFFICERS

(As on May 27, 2024)

EXECUTIVE DIRECTORS	S. C. Murmu
	O. P. Mall
	Saurav Sinha
	Vivek Deep
	Jayant Kumar Dash
	R. Subramanian
	Rohit Jain
	Radha Shyam Ratho
	Ajay Kumar
	Rajiv Ranjan
	Neeraj Nigam
	P. Vasudevan
	Muneesh Kapur
	Manoranjan Mishra
	R. Lakshmi Kanth Rao
	Sudha Balakrishnan (Chief Financial Officer)
CENTRAL OFFICE	
Central Vigilance Cell	N. Sara Rajendra Kumar, Chief General Manager & CVO
Consumer Education and Protection Department	Neena Rohit Jain, Chief General Manager
Corporate Strategy and Budget Department	Rajani Prasad, Chief General Manager (O-i-C)
Department of Regulation	Usha Janakiraman, Chief General Manager-in-Charge
Department of Supervision	A. K. Chowdhury, Chief General Manager-in-Charge
Department of Communication	Puneet Pancholy, Chief General Manager
Department of Currency Management	Suman Ray, Chief General Manager-in-Charge
Department of Economic and Policy Research	Rekha Misra, Adviser-in-Charge
Department of External Investments and Operations	Sundar Murthi, Chief General Manager-in-Charge
Department of Government and Bank Accounts	Sangeeta Lalwani, Chief General Manager-in-Charge
Department of Information Technology	Shailendra Trivedi, Chief General Manager-in-Charge
Department of Payment and Settlement Systems	Gunveer Singh, Chief General Manager-in-Charge
Department of Statistics and Information Management	A. R. Joshi, Principal Adviser
Enforcement Department	Arti Sinha, Chief General Manager-in-Charge
Financial Inclusion and Development Department	Nisha Nambiar, Chief General Manager-in-Charge
Financial Markets Operations Department	Seshsayee G., Chief General Manager
Financial Markets Regulation Department	Dimple Bhandia, Chief General Manager
FinTech Department	Suvendu Pati, Chief General Manager
Foreign Exchange Department	Aditya Gaiha, Chief General Manager-in-Charge
Financial Stability Department	Kaya Tripathi, Chief General Manager
Human Resource Management Department	Charulatha S. Kar, Chief General Manager-in-Charge
Inspection Department	G. P. Borah, Principal Chief General Manager
Internal Debt Management Department	Rakesh Tripathy, Chief General Manager
International Department	Yogesh K. Dayal, Chief General Manager-in-Charge
Legal Department	Unnikrishnan A., Principal Legal Adviser
Monetary Policy Department	Praggya Das, Adviser-in-Charge
Premises Department	K. Nikhila, Chief General Manager-in-Charge
Rajbhasha Department	N. Sara Rajendra Kumar, Chief General Manager
Risk Monitoring Department	Manoranjan Dash, Chief General Manager-in-Charge
Secretary's Department	Yarasi Jayakumar, Chief General Manager & Secretary
COLLEGES	**PRINCIPALS**
College of Agricultural Banking, Pune	V. G. Sekar
Reserve Bank Staff College, Chennai	Apparao Vinod Pampana, Vice Principal (O-i-C)
OFFICES	**REGIONAL DIRECTORS**
Chennai	Uma Sankar
Kolkata	R. Kesavan
Mumbai	Aviral Jain
New Delhi	Rohit Parshottam Das
BRANCHES	
Ahmedabad	Rajesh Kumar
Andhra Pradesh	A. O. Basheer
Bengaluru	Sonali Sengupta
Bhopal	Rekha Chandanaveli
Bhubaneswar	Sarada Prasan Mohanty
Chandigarh	Vivek Srivastava
Dehradun	Arvind Kumar
Gangtok	Thotngam Jamang
Guwahati	Sushmita Phukan
Hyderabad	K. P. Patnaik
Jaipur	Navin Nambiar
Jammu	Chandrashekhar Azad
Kanpur	Ishan Shukla
Lucknow	Pankaj Kumar
Nagpur	Sachin Y. Shende
Panaji	Prabhakar Jha
Patna	Sujit Kumar Arvind
Raipur	Reeny Ajith
Ranchi	Prem Ranjan Prasad Singh
Shimla	R. S. Amar
Thiruvananthapuram	Thomas Mathew
	OFFICERS-IN-CHARGE (O-i-C)
Agartala	Surendra Nidar, General Manager (O-i-C)
Aizawl	Lhungdim Tongkhopao, General Manager (O-i-C)
Belapur	Jaikish, Chief General Manager
Imphal	N Sridhar, General Manager (O-i-C)
Kochi	T. Venkateswara Rao, General Manager (O-i-C)
Kohima	Paresh G. Chauhan, General Manager (O-i-C)
Itanagar	Abhijit Majumdar, General Manager (O-i-C)
Shillong	Olden Nongpluh, General Manager (O-i-C)
Srinagar	Anoop Kumar Sharma, Assistant General Manager

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BOXES

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APPENDIX TABLES

SELECT ABBREVIATIONS

AA	-	Account Aggregator
ACC	-	Asian Consultative Council
ACU	-	Asian Currency Union
AD	-	Authorised Dealer/Additional Director
AD Cat-I	-	Authorised Dealer Category-I
ADF	-	Asset Development Fund
AED	-	(United) Arab Emirates Dirham
AEs	-	Advanced Economies
AePS	-	Aadhaar Enabled Payment System
AFA	-	Additional Factor of Authentication
AFS	-	Available for Sale
AI	-	Artificial Intelligence
AIFs	-	Alternative Investment Funds
AIFIs	-	All India Financial Institutions
AMFI	-	Association of Mutual Funds in India
AML	-	Anti-Money Laundering
AML-CFT	-	Anti-Money Laundering-Combating the Financing of Terrorism
AMRMS	-	Audit Management and Risk Monitoring System
AMS	-	Audit Management System
ANBC	-	Adjusted Net Bank Credit
AO	-	Auditee Office
AP	-	Authorised Person
APBS	-	Aadhaar Payment Bridge System
API	-	Application Programming Interface
ARCs	-	Asset Reconstruction Companies
AREAER	-	Annual Report on Exchange Arrangements and Exchange Restrictions
ARMS	-	Audit and Risk Management Sub-Committee
ASISO	-	Automated Sweep-in and Sweep-out
ASTRA	-	Advanced Security Threat and Risk Assessment
ATBs	-	Auction Treasury Bills
ATM	-	Automated Teller Machine
AUM	-	Assets Under Management
BBAs	-	Bilateral Borrowing Agreements
BBPOUs	-	Bharat Bill Payment Operating Units
BBPS	-	Bharat Bill Payment System
BCs	-	Business Correspondents
BCBS	-	Basel Committee on Banking Supervision
BC-ICT	-	Business Correspondents - Information and Communication Technology
BCM	-	Business Continuity Management
BCP	-	Business Continuity Plan
BE	-	Budget Estimates
BESS	-	Battery Energy Storage Systems
BFS	-	Board for Financial Supervision
BFSI	-	Banking, Financial Services and Insurance
BG	-	Bank Guarantee
BHIM	-	Bharat Interface for Money
BIC	-	Business Indicator Component
BIS	-	Bank for International Settlements/Bureau of Indian Standards
BoE	-	Bank of England
BoG	-	Board of Governors
BoJ	-	Bank of Japan

SELECT ABBREVIATIONS

BoP	-	Balance of Payments
bps	-	Basis Points
BPSS	-	Board for Regulation and Supervision of Payment and Settlement Systems
BQR	-	Bharat Quick Response
BRBNMPL	-	Bharatiya Reserve Bank Note Mudran Private Limited
BRICS	-	Brazil, Russia, India, China and South Africa
BSBDA	-	Basic Savings Bank Deposit Account
B-SC	-	Building Sub-Committee
BSR	-	Basic Statistical Return
CA	-	Concurrent Audit
CAB	-	College of Agricultural Banking
CAD	-	Current Account Deficit
CAFRAL	-	Centre for Advanced Financial Research and Learning
CaMS	-	Case Management System
CBDC	-	Central Bank Digital Currency
CBDC-R	-	Central Bank Digital Currency-Retail
CBDC-W	-	Central Bank Digital Currency-Wholesale
CBGN	-	Central Bank Governance Network
CBIA	-	Central Banks' Internal Auditors
CBP	-	Capacity Building Programme
CBSL	-	Central Bank of Sri Lanka
CBUAE	-	Central Bank of the United Arab Emirates
CCB	-	Committee of the Central Board
CCIL	-	Clearing Corporation of India Limited
CCIR	-	Comprehensive Credit Information Repository
CCP	-	Central Counterparty
CCPI	-	Climate Change Performance Index
CCS	-	Consumer Confidence Survey
CCTS	-	Carbon Credit and Trading Scheme
CDBMS	-	Centralised Database Management System
CDs	-	Certificates of Deposit
CD	-	Credit to Deposit
CEO	-	Chief Executive Officer
CEOBE	-	Credit Equivalent of Off-Balance Sheet Exposure
CEPD	-	Consumer Education and Protection Department
CERT-IN	-	Computer Emergency Response Team - India
CFLs	-	Centres for Financial Literacy
CGFS	-	Committee on the Global Financial System
CGTMSE	-	Credit Guarantee Fund Trust for Micro and Small Enterprises
CiC	-	Currency in Circulation
CICs	-	Credit Information Companies
CII	-	Critical Information Infrastructure
CIMS	-	Centralised Information Management System
CIs	-	Credit Institutions
CMBs	-	Cash Management Bills
CMIE	-	Centre for Monitoring Indian Economy
CMS	-	Complaint Management System
CODs	-	Central Office Departments
CoFT	-	Card-on-File Tokenisation
COR	-	Certificate of Registration
CoS	-	College of Supervisors

SELECT ABBREVIATIONS

COSO	-	Committee of Sponsoring Organisations
CPF	-	Counter Proliferation Financing
CPFIR	-	Central Payments Fraud Information Registry
CPHS	-	Consumer Pyramids Household Survey
CPI	-	Consumer Price Index
CPI-AL	-	CPI for Agricultural Labourers
CPI-IW	-	CPI for Industrial Workers
CPI-RL	-	CPI for Rural Labourers
CPs	-	Commercial Papers
CPS	-	Centralised Payment System
CRA	-	Contingent Reserve Arrangement
CRAR	-	Capital to Risk-Weighted Assets Ratio
CRDC	-	Currency Research and Development Centre
CRILC	-	Central Repository of Information on Large Credits
CRR	-	Cash Reserve Ratio
CSAA	-	Control Self-Assessment Audit
CSAP	-	Cyber Security Augmentation Plan
CSBD	-	Corporate Strategy and Budget Department
CSF	-	Consolidated Sinking Fund
CSGL	-	Constituent Subsidiary General Ledger
CSP	-	Cloud Service Provider
CSS	-	Centrally Sponsored Scheme
CTS	-	Cheque Truncation System
CU	-	Capacity Utilisation
CUG	-	Closed User Group
CVO	-	Chief Vigilance Officer
CwP	-	Currency with the Public
DAP	-	Diammonium Phosphate
DBIE	-	Database on Indian Economy
DCCBs	-	District Central Cooperative Banks
DCW	-	Development Centre Workshop
DDs	-	Demand Drafts
DEAF	-	Depositor Education Awareness Fund
DEIO	-	Department of External Investments and Operations
DEPR	-	Department of Economic and Policy Research
DevSecOps	-	Development, Security and Operations
DGBA	-	Department of Government and Bank Accounts
DGF	-	Data Governance Framework
DGFT	-	Directorate General of Foreign Trade
DICGC	-	Deposit Insurance and Credit Guarantee Corporation
DIF	-	Deposit Insurance Fund
DIS	-	Deposit Insurance System
DISCOM	-	Distribution Companies
DIT	-	Department of Information Technology
DLG	-	Default Loss Guarantee
DLT	-	Distributed Ledger Technology
DoC	-	Department of Communication
DoR	-	Department of Regulation
DoS	-	Department of Supervision
DPI	-	Digital Payments Index/Digital Public Infrastructure
DPSS	-	Department of Payment and Settlement Systems
DQE	-	Data Query Engine

SELECT ABBREVIATIONS

DQI	-	Data Quality Index
DR	-	Disaster Recovery
DRaaS	-	Data Recovery as a Service
DSIM	-	Department of Statistics and Information Management
e-BAAT	-	Electronic Banking Awareness and Training
EBITDA	-	Earnings Before Interest, Taxes, Depreciation and Amortisation
EBLR	-	External Benchmark-based Lending Rate
EBR	-	Element Based Repository
ECB	-	European Central Bank
ECBs	-	External Commercial Borrowings
ECCTI	-	Enterprise Computing and Cybersecurity Training Institute
ECL	-	Expected Credit Loss
ECLGS	-	Emergency Credit Line Guarantee Scheme
ECS	-	Electronic Clearing Service
EDC	-	Executive Directors' Committee
EDDPE	-	Expanding and Deepening of Digital Payment Ecosystem
EFD	-	Enforcement Department
EFI	-	External Funded Institutions
EGRC	-	Enterprise Governance Risk and Compliance
EI	-	Emotional Intelligence
EKP	-	Enterprise Knowledge Portal
EMDEs	-	Emerging Market and Developing Economies
EMEs	-	Emerging Market Economies
EMIs	-	Equated Monthly Instalments
EoI	-	Expression of Interest
ERM	-	Enterprise-wide Risk Management
e₹	-	Digital Rupee
e₹-R	-	Digital Rupee - Retail
e₹-W	-	Digital Rupee - Wholesale
ESG	-	Environmental, Social and Governance
ETCD	-	Exchange Traded Currency Derivatives
ETP	-	Electronic Trading Platform
EU	-	European Union
EWS	-	Early Warning Signals/ Economically Weaker Section
FACT	-	Financial Awareness and Consumer Training
FAE	-	First Advance Estimates
FAR	-	Fully Accessible Route
FATF	-	Financial Action Task Force
FBIL	-	Financial Benchmarks India Private Limited
FBs	-	Foreign Banks
FC	-	Finance Commission/Financial Conglomerate
FCA	-	Foreign Currency Assets
FCB	-	Foreign Central Banks
FCNR(B)	-	Foreign Currency Non-Resident Account (Bank)
FCRA	-	Foreign Currency (Regulation) Act
FCY	-	Foreign Currency
FDI	-	Foreign Direct Investment
FE	-	Final Estimates
FED	-	Foreign Exchange Department
FEMA	-	Foreign Exchange Management Act
FEPA	-	Financial Education Programme for Adults
FER	-	Foreign Exchange Reserves
FETP	-	Financial Education Training Programme

SELECT ABBREVIATIONS

FFMCs	-	Full-Fledged Money Changers
FI	-	Financial Information
FIAP	-	Financial Inclusion Action Plan
FICNs	-	Fake Indian Currency Notes
FIDD	-	Financial Inclusion and Development Department
FIF	-	Financial Inclusion Fund
FI-Index	-	Financial Inclusion Index
FIMMDA	-	Fixed Income Money Market and Derivatives Association of India
FinTech	-	Financial Technology
FIP	-	Financial Inclusion Plan/ Financial Information Provider
FIs	-	Financial Intermediaries/ Financial Institutions
FIRRI	-	Framework for Identification and Reporting of Risk Incidents
FLW	-	Financial Literacy Week
FMCBG	-	Finance Ministers and Central Bank Governors
FMOD	-	Financial Markets Operations Department
FMRD	-	Financial Markets Regulation Department
Forex/FX	-	Foreign Exchange
FPI	-	Foreign Portfolio Investment
FPOs	-	Follow-on Public Offers
FPS	-	Fast Payment Systems
FRMS	-	Fraud Risk Management System
FRRR	-	Fixed Rate Reverse Repo
FRSB	-	Floating Rate Savings Bond
FSAP	-	Financial Sector Assessment Programme
FSB	-	Financial Stability Board
FSD	-	Financial Stability Department
FSDC	-	Financial Stability and Development Council
FSDC-SC	-	Financial Stability and Development Council - Sub-Committee
FSI	-	Financial Sector Issues
FSR	-	Financial Stability Report
FSRs	-	Financial Sector Regulators
FSWM	-	Financially Sound and Well Managed
FUs	-	Factoring Units
FVTPL	-	Fair Value through Profit and Loss Account
FWG	-	Framework Working Group
G20	-	Group of Twenty
GCCs	-	General Credit Cards
GCF	-	Gross Capital Formation
GCM	-	Governance and Compliance Manager
GDP	-	Gross Domestic Product
GeM	-	Government e-Marketplace
GFCE	-	Government Final Consumption Expenditure
GFCF	-	Gross Fixed Capital Formation
GFD	-	Gross Fiscal Deficit
GFIN	-	Global Financial Innovation Network
GFSN	-	Global Financial Safety Net
GIFT-City	-	Gujarat International Finance Tec-City
GNDI	-	Gross National Disposable Income
GNPA	-	Gross Non-Performing Asset
GoI	-	Government of India
GPFI	-	Global Partnership for Financial Inclusion
GREEN	-	Generation of Renewable Energy, Energy Conservation and Neer Conservation
GRF	-	Guarantee Redemption Fund

SELECT ABBREVIATIONS

GRIHA	-	Green Rating for Integrated Habitat Assessment
GRQ	-	General Review of Quotas
GSCPI	-	Global Supply Chain Pressure Index
GSDP	-	Gross State Domestic Product
G-secs	-	Government Securities
GST	-	Goods and Services Taxes
GVA	-	Gross Value Added
GVCs	-	Global Value Chains
GW	-	Gigawatt
HFCs	-	Housing Finance Companies
HFIs	-	High Frequency Indicators
HFT	-	Held for Trading
HI	-	Hearing Impaired
HRMD	-	Human Resource Management Department
HRM-SC	-	Human Resource Management Sub-Committee
HS	-	Harmonised System
HTM	-	Held to Maturity
IA	-	Internal Audit
IaaS	-	Infrastructure as a Service
IAM	-	Identity and Access Management
IBA	-	Indian Banks' Association
IBCC	-	Indian Banking Community Cloud
IBU	-	IFSC Banking Unit
ICC	-	International Cricket Council
ICRIER	-	Indian Council for Research on International Economic Relations
ICT	-	Information and Communication Technology
I-CRR	-	Incremental Cash Reserve Ratio
ID	-	International Department
IDF	-	Infrastructure Debt Fund
IDG	-	Inter Departmental Group
IDMD	-	Internal Debt Management Department
IDR	-	Indonesian Rupiah
IFA	-	International Financial Architecture
IFA WG	-	International Financial Architecture Working Group
IFMIS	-	Integrated Financial Management and Information System
IFR	-	Investment Fluctuation Reserve
IFSC	-	Indian Financial System Code
IFSCA	-	International Financial Services Centres Authority
IFTAS	-	Indian Financial Technology and Allied Services
IGAS	-	Indian Government Accounting Standards
IGBs	-	Indian Government Bonds
IGBC	-	Indian Green Building Council
IGIDR	-	Indira Gandhi Institute of Development Research
IGR	-	Internal Grievance Redress
IIBM	-	Indian Institute of Bank Management
IIBX	-	India International Bullion Exchange
IIP	-	Index of Industrial Production
ILM	-	Internal Loss Multiplier
IMD	-	India Meteorological Department
IMEs	-	Informal Micro Enterprises
IMF	-	International Monetary Fund
IMFC	-	International Monetary and Financial Committee
IMPS	-	Immediate Payment Service
IMT	-	Instant Money Transfer

INB	-	Internet Banking
InFiNet	-	Indian Financial Network
INR	-	Indian Rupee
IO	-	Internal Ombudsman
IOs	-	International Organisations
IoRS	-	Inter-Operable Regulatory Sandbox
IPCs	-	Irrevocable Payment Commitments
IPO	-	Initial Public Offering
IPP	-	Instant Payment Platform
IRA	-	Investment Revaluation Accounts
IRACP	-	Income Recognition, Asset Classification and Provisioning
IRD	-	Interest Rate Derivatives
IRF	-	Inter-Regulatory Forum
IRS	-	Interest Rate Swap
IS	-	Information Systems
ISPI	-	Index of Supply Chain Pressures for India
IT	-	Information Technology
ITeS	-	IT-enabled Services
IT-SC	-	Information Technology Sub-Committee
ITBs	-	Intermediate Treasury Bills
ITC	-	Indian Trade Classification
IWG	-	Internal Working Group
JTCC	-	Joint Technical Coordination Committee
KCC	-	Kisan Credit Card
KLEMS	-	Capital(K), Labour(L), Energy(E), Material(M) and Services(S)
KRIs	-	Key Risk Indicators
kWp	-	Kilowatt Peak
KYC	-	Know Your Customer
LABs	-	Local Area Banks
LAES	-	Liquidity Adjusted Expected Shortfall
LAF	-	Liquidity Adjustment Facility
LC	-	Letter of Credit
LCR	-	Liquidity Coverage Ratio
LCS	-	Local Currency Settlement
LCSS	-	Local Currency Settlement System
LEI	-	Legal Entity Identifier
LFPR	-	Labour Force Participation Rate
LIBOR	-	London Inter-Bank Offered Rate
LPA	-	Long Period Average
LPG	-	Liquefied Petroleum Gas
LSF	-	Late Submission Fee
LSP	-	Lending Service Provider
M_3	-	Money Supply
MANI	-	Mobile Aided Note Identifier
MAS	-	Monetary Authority of Singapore
MCA	-	Ministry of Corporate Affairs
MCLR	-	Marginal Cost of Funds-based Lending Rate
MCV	-	Mobile Coin Van
MD	-	Master Direction/Managing Director
MDM	-	Mobile Device Management
MGNREGS	-	Mahatma Gandhi National Rural Employment Guarantee Scheme
MIBOR	-	Mumbai Interbank Offered Rate
MIFOR	-	Mumbai Interbank Forward Outright Rate
MMIFOR	-	Modified MIFOR
MIS	-	Management Information System

SELECT ABBREVIATIONS

ML	-	Machine Learning
MM	-	Money Multiplier
MNBCs	-	Miscellaneous Non-Banking Companies
MoE	-	Memorandum of Error
MoF	-	Ministry of Finance
MoSPI	-	Ministry of Statistics and Programme Implementation
MoU	-	Memorandum of Understanding
MPC	-	Monetary Policy Committee
MSF	-	Marginal Standing Facility
MSMEs	-	Micro, Small and Medium Enterprises
MSP	-	Minimum Support Price
MTF	-	Medium Term Framework
MTSS	-	Money Transfer Service Scheme
NAB	-	New Agreements to Borrow
NABARD	-	National Bank for Agriculture and Rural Development
NACH	-	National Automated Clearing House
NAMCABS	-	National Mission for Capacity Building of Bankers for Financing MSME Sector
NBBL	-	NPCI Bharat BillPay Limited
NBFC	-	Non-Banking Financial Company
NBFIs	-	Non-Banking Financial Institutions
NCCDs	-	Non-Centrally Cleared Derivatives
NCDs	-	Non-Convertible Debentures
NCFE	-	National Centre for Financial Education
NCIIPC	-	National Critical Information Infrastructure Protection Centre
NDA	-	Net Domestic Assets
NDDC	-	Non-Deliverable Derivative Contract
NDI	-	Non-Debt Instrument
NDLD	-	New Delhi Leaders' Declaration
NDTL	-	Net Demand and Time Liabilities
NER	-	North Eastern Region
NEER	-	Nominal Effective Exchange Rate
NEFT	-	National Electronic Funds Transfer
NETC	-	National Electronic Toll Collection
NFA	-	Net Foreign Assets
NFC	-	Non-Food Credit/Near Field Communication
NGCH	-	National Grid Clearing House
NGSOC	-	Next Generation Security Operation Centre
NGTA	-	Next Generation Treasury Application
NHB	-	National Housing Bank
NIAP	-	Nationwide Intensive Awareness Programme
NIBM	-	National Institute of Bank Management
NIM	-	Net Interest Margin
NIPL	-	NPCI International Private Limited
NIST	-	National Institute of Standards and Technology
NLP	-	Natural Language Processing
NNML	-	Net Non-Monetary Liabilities
NPA	-	Non-Performing Assets
NPCI	-	National Payments Corporation of India
NPI	-	National Payments Interface
NQM	-	National Quantum Mission
NRB	-	Nepal Rastra Bank

SELECT ABBREVIATIONS

NRC	-	Nomination and Remuneration Committee
NRE	-	Non-Resident (External)
NRF	-	National Research Foundation
NRIs	-	Non-Resident Indians
NRO	-	Non-Resident Ordinary
NSDL	-	National Securities Depository Limited
NSFE	-	National Strategy for Financial Education
NSFI	-	National Strategy for Financial Inclusion
NSMs	-	Note Sorting Machines
NSO	-	National Statistical Office
NSSF	-	National Small Savings Fund
NUCFDC	-	National Urban Cooperative Finance and Development Corporation Limited
OBC	-	Other Backward Classes
OBICUS	-	Order Books, Inventories and Capacity Utilisation Survey
OD	-	Overdraft
OECD	-	Organisation for Economic Co-operation and Development
OH	-	Orthopedically Handicapped
OI	-	Overseas Investment
OID	-	Overseas Investment Division
OIS	-	Overnight Index Swap
OLTAS	-	Online Tax Accounting System
OMO	-	Open Market Operation
OoH	-	Out-of-Home
OPEC	-	Organisation of Petroleum Exporting Countries
ORBIOs	-	Offices of the Reserve Bank of India Ombudsmen
OTC	-	Over the Counter
OTP	-	One-time Password
PAs	-	Payment Aggregators
PaaS	-	Platform as a Service
PACs	-	Public Awareness Campaigns
PADO	-	Public Administration, Defence and Other Services
PAN	-	Permanent Account Number
PBs	-	Payments Banks
PCA	-	Prompt Corrective Action
PDs	-	Primary Dealers
PDS	-	Public Distribution System
PFCE	-	Private Final Consumption Expenditure
PFMIs	-	Principles for Financial Market Infrastructure
PFMS	-	Public Financial Management System
PIDF	-	Payments Infrastructure Development Fund
PLFS	-	Periodic Labour Force Survey
PLI	-	Production-Linked Incentive
PMGKAY	-	Pradhan Mantri Garib Kalyan Anna Yojana
PML	-	Prevention of Money Laundering
PMUY	-	Pradhan Mantri Ujjwala Yojana
POL	-	Petroleum, Oil and Lubricants
POs	-	Payment Orders
PoS	-	Point of Sale
PPAC	-	Petroleum Planning and Analysis Cell
PPIs	-	Prepaid Payment Instruments
PPP	-	Public Private Partnership
PRAVAAH	-	Platform for Regulatory Application, Validation and AutHorisation
PROI	-	Persons Resident Outside India
PSBs	-	Public Sector Banks
PSL	-	Priority Sector Lending

SELECT ABBREVIATIONS

PSLCs - Priority Sector Lending Certificates
PSOs - Payment System Operators
PSS - Payment and Settlement Systems
PSUs - Public Sector Undertakings
PTPFC - Public Tech Platform for Frictionless Credit
P2M - Person-to-Merchant
P2P - Person-to-Person
PVBs - Private Banks
PwBD - Persons with Benchmark Disabilities
QIP - Qualified Institutional Placement
QR - Quick Response
QT - Quantum Technology
RASCI - Responsible, Accountable, Supporting, Consulted and Informed
RBI - Reserve Bank of India
RBIA - Risk-Based Internal Audit
RBI EPF - Reserve Bank of India Employees' Provident Fund
RBIH - Reserve Bank Innovation Hub
RB-IOS - Reserve Bank-Integrated Ombudsman Scheme
RBSC - Reserve Bank Staff College
RCA - Root Cause Analysis
RCCS - Rural Consumer Confidence Survey
R&D - Research and Development
RDA - Rupee Drawing Arrangement
RDBs - Rupee Denominated Bonds
ReBIT - Reserve Bank Information Technology Private Limited
RE - Revised Estimates
REs - Regulated Entities
REEs - Rare Earth Elements
RFA - Red Flagging of Accounts
RFID - Radio Frequency Identification
RFP - Request for Proposal
RM - Reserve Money
RMAB - Royal Monetary Authority of Bhutan
RMC - Risk Monitoring Committee
RMD - Risk Monitoring Department
ROs - Regional Offices
RoA - Return on Assets
RoE - Return on Equity
RPO - Recovery Point Objective
RR - Risk Register
RRBs - Regional Rural Banks
RS - Regulatory Sandbox
RTGS - Real Time Gross Settlement
RTI - Right to Information
RTL - Risk Tolerance Limits
RTO - Recovery Time Objective
SAF - Supervisory Action Framework
SAKAR - Supervisory Assessment of KYC/ AML Risks
SAs - Statutory Auditors
SAS - Statistical Analytics System
SAAR - Seasonally Adjusted Annualised (Growth) Rate
SAARC - South Asian Association of Regional Cooperation
SAMWAD - Secure Audio-video Meetings with Advanced Devices
SARFAESI - Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest

SELECT ABBREVIATIONS

SATARC	-	Security Automation, Threat Analysis and Response Centre
SBE	-	Scale-Based Enforcement
SBS	-	Shredding and Briquetting Systems
SCBs	-	Scheduled Commercial Banks
SDF	-	Special Drawing Facility/ Standing Deposit Facility
SDMX	-	Statistical Data and Metadata Exchange
SDRs	-	Special Drawing Rights
SD-WAN	-	Software Defined-Wide Area Network
SEs	-	Supervised Entities
SEACEN	-	South East Asian Central Banks
SFBs	-	Small Finance Banks
SFDB	-	SAARCFINANCE Database
SFMS	-	Structured Financial Messaging System
SFMS MI	-	SFMS Member Interface
SFTP	-	Secure File Transfer Protocol
SFWG	-	Sustainable Finance Working Group
SGB	-	Sovereign Gold Bond
SGL	-	Subsidiary General Ledger
SGrBs	-	Sovereign Green Bonds
SGSs	-	State Government Securities
SHGs	-	Self-Help Groups
SIP	-	Systematic Investment Plan
SLBC	-	State Level Bankers' Committee
SLCC	-	State Level Coordination Committee
SLR	-	Statutory Liquidity Ratio/Sri Lankan Rupee
SLS	-	State Linked Schemes
SMCC	-	Social Media Command Centre
SMEs	-	Small and Medium Enterprises
SMS	-	Short Messaging Service
SNA	-	Single Nodal Agency
SNA-SPARSH	-	Single Nodal Agency - Samayochit Pranali Akikrut Sheeghra Hastantaran
SNRR	-	Special Non-Resident Rupee
SOC	-	Security Operations Centre
SOP	-	Standard Operating Procedure
SPDs	-	Standalone Primary Dealers
SPECTRA	-	Software Platform for External Commercial Borrowings and Trade Credits Reporting and Approval
SPMCIL	-	Security Printing and Minting Corporation of India Limited
SRO	-	Self-Regulatory Organisation
SRVA	-	Special Rupee Vostro Account
S-SC	-	Strategy Sub-Committee
SSO	-	Single Sign-On
S-SOC	-	Sectoral Security Operations Centre
SSCI	-	Services Sector Composite Index
ST	-	Scheduled Tribe
STC	-	Short-term Trade Credit
StCBs	-	State Cooperative Banks
SWIFT	-	Society for Worldwide Interbank Financial Telecommunication
SWM	-	South-West Monsoon
TAT	-	Turn-Around Time
T-Bills	-	Treasury Bills
TEs	-	Training Establishments
TGFIFL	-	Technical Group on Financial Inclusion and Financial Literacy

SELECT ABBREVIATIONS

TIN	Tax Information Network
TOT	Toll-Operate-Transfer
TPS	Transactions Per Second
TRs	Trade Repositories
TReDS	Trade Receivables Discounting System
TSCAs	Time-Sensitive Critical Activities
UAP	Udyam Assist Platform
UCBs	Urban Cooperative Banks
UDAY	Ujjwal DISCOM Assurance Yojana
UDCH	User Defined Customer Hierarchy
UI/UX	User Interface/User Experience
UK	United Kingdom
UN	United Nations
UO	Umbrella Organisation
UPI	Unified Payment Interface
URC	Udyam Registration Certificate
USA	United States of America
USD	US Dollar
UTs	Union Territories
UTI	Unique Transaction Identifier
UTLBCs	Union Territory Level Bankers' Committees
VAPT	Vulnerability Assessment and Penetration Testing
VAaaS	Vulnerability Assessment as a Service
VC	Video Conferencing
VFT	Value Free Transfers
VGF	Viability Gap Funding
VOICE	Voicing Opinion to Inspire, Contribute, and Excel
VRR	Variable Rate Repo/Voluntary Retention Route
VRRR	Variable Rate Reverse Repo
WACR	Weighted Average Call Rate
WADTDR	Weighted Average Domestic Term Deposit Rate
WAFaaS	Web Application Firewall as a Service
WALR	Weighted Average Lending Rate
WAM	Weighted Average Maturity
WAS	Weighted Average Spread
WAY	Weighted Average Yield
WB	World Bank
WEO	World Economic Outlook
WG	Working Group
WLA	White Label ATM
WLAOs	White Label ATM Operators
WMA	Ways and Means Advances
WPI	Wholesale Price Index
WPR	Worker Population Ratio
WTO	World Trade Organisation
XBRL	eXtensible Business Reporting Language
XML	eXtensible Markup Language
ZIs	Zonal Inspectorates
ZTCs	Zonal Training Centres

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*For the Year April 1, 2023 to March 31, 2024**

PART ONE: THE ECONOMY - REVIEW AND PROSPECTS

I ASSESSMENT AND PROSPECTS

I.1 The global economy is exhibiting resilience and fortitude. There are, however, multiple challenges emanating from still elevated inflation, tight monetary and financial conditions, escalating geopolitical tensions, rising geoeconomic fragmentation, disruptions in key global shipping routes, high public debt burdens and financial stability risks. Amidst heightened uncertainty, global growth is likely to weaken below its historical average in 2024, with divergent and uneven pathways across geographies and sectors. Global financial markets are on edge, with recurrent bouts of volatility as every incoming data increases uncertainty around monetary policy trajectories of major central banks.

I.2 Inflation is easing but rules above target in major systemic economies. The outlook for further disinflation is impeded by sticky core and services inflation and tight labour markets. While major advanced economy (AE) central banks are expected to pivot towards rate cuts in 2024, the fuzzy inflation trajectory is leading to sharp gyrations in market expectations of the pace and timing of monetary policy easing. In this milieu, several emerging market economies (EMEs)[1] have started rate cutting cycle and major AEs are undertaking regime shifts including exits from negative policy rates.

I.3 Amidst this challenging global economic environment, the Indian economy is exhibiting strength and stability with robust macroeconomic fundamentals and financial stability. India has emerged as the fastest growing major economy in the world and a leading contributor to global growth. Inflationary pressures are abating, led by steady core disinflation and deflation in fuel prices. Food inflation, however, remains vulnerable to recurring supply shocks which are preventing a quicker alignment of headline inflation with the target. Fiscal consolidation is progressing along with an improvement in the quality of fiscal spending and adjustment. The external sector is gaining strength, with the narrowing of the current account deficit (CAD) and foreign exchange reserves rising to an all-time high. The financial sector is sound and vibrant, supporting double digit credit growth, backed by high capital adequacy, solid earnings and improvements in asset quality. The outlook for the Indian economy in 2024-25 is brightening.

2. Assessment of the 2023-24 Experience

Global Economy

I.4 According to the International Monetary Fund (IMF)[2], global growth decelerated to 3.2 per cent during 2023 from 3.5 per cent during

* : Wherever information is available, this chapter has been updated beyond March 2024.

1 Brazil, Chile, Colombia, Mexico and Peru are amongst EMEs that have cut their policy rates during 2024; Indonesia and Türkiye, on the other hand, have raised their policy rates during this period.

2 World Economic Outlook, April 2024, International Monetary Fund (IMF).

2022. The pace of economic activity was dragged down, *inter alia*, by restrictive monetary policy stances to tame inflation, protracted geopolitical tensions and sluggish recovery in China. The potential impact of climate change became increasingly evident, with economic losses due to extreme weather events. Global inflation fell to 6.8 per cent in 2023 from 8.7 per cent in 2022 on the back of easing commodity prices, favourable supply conditions and monetary tightening across major economies, but still remained at its highest level in over two decades. Inflation in respect of core items and services remained elevated, exhibiting persistence in major economies amidst tight labour market conditions.

I.5 Global merchandise trade volume contracted by 1.2 per cent in 2023 in contrast to an increase of 3.0 per cent in the preceding year as demand rotated back from goods towards services with the ebbing of the pandemic[3]. Apart from geopolitical tensions and geoeconomic fragmentation, the multi-decadal high inflation in 2023 depressed consumption of manufactured goods, which also dampened external trade. On the other hand, services trade exhibited resilience due to continued recovery in spending on travel from the COVID-19 pandemic lows and sustained demand for digitally delivered services.

I.6 Global financial conditions tightened amidst heightened volatility in response to synchronised monetary policy tightening as well as aggravating geopolitical conflicts. Sovereign bond yields hardened to multi-year highs in the first half of 2023-24, driven up by monetary tightening and exhibited large two-way fluctuations in the subsequent period over growing haziness surrounding monetary policy trajectories of major central banks. The US dollar remained strong, with large swings in response to changing monetary policy expectations. This exerted downward pressures on a number of EME currencies. Global equity markets inched up higher on prospects of soft landing, with sharp gains registered in technology and artificial intelligence (AI) related stocks.

Domestic Economy

I.7 Against the backdrop of subdued global economic activity and multiple headwinds, the Indian economy expanded at a robust pace in 2023-24, with real GDP growth accelerating to 7.6 per cent from 7.0 per cent in the previous year – the third successive year of 7 per cent or above growth[4]. With gross fixed capital formation (GFCF) accelerating to 10.2 per cent in 2023-24 from 6.6 per cent in 2022-23, investment was the major driver of domestic demand, buoyed by government spending on infrastructure. Growth in private consumption demand, on the other hand, stood at 3.0 per cent as against 6.8 per cent a year ago. Government consumption demand was also subdued tracking fiscal consolidation. Net exports dragged down growth due to the moderation in exports as a result of contraction in global trade volumes. Import demand was relatively buoyant on robust domestic demand.

I.8 On the supply side, growth in gross value added (GVA) in the agriculture and allied sector in 2023-24 stood at 0.7 per cent as against 4.7 per cent a year earlier as foodgrains production

[3] Global Trade Outlook and Statistics, April 2024, World Trade Organisation (WTO).

[4] All references to GDP data in this Report are based on the Second Advance Estimates of National Income 2023-24 released by the National Statistical Office on February 29, 2024, unless indicated otherwise.

declined due to the deficient and uneven southwest monsoon rainfall. The government undertook a number of supply measures throughout the year to maintain domestic supply-demand balance in food items and mitigate inflationary pressures. They included release of public foodgrains stocks through open market sales; application of stock limits in cereals and pulses; export restrictions on cereals and onions; and easing of access to import pulses and edible oils. The declaration of 2023 as the international year of millets by the United Nations (UN) provided a renewed thrust to diversification of crops from rice and wheat towards nutritional, environmentally sustainable and traditional crops across the country.

I.9 In the industrial sector, manufacturing GVA accelerated, benefitting from the boost to corporate profitability provided by easing of input costs. Industrial activity was also supported by the sustained momentum in mining and electricity generation. Infrastructure and capital goods production gained from the government's push to capital expenditure. The production of consumer goods recovered, led by the consumer non-durables segment. The recovery in consumer goods was volume driven, with growth in rural demand catching up with the urban segment. The government continued with initiatives to promote the industrial sector, especially in emerging areas. Investment amounting to ₹1.3 trillion was approved for the establishment of three semi-conductor manufacturing units as part of the development of the full production line for semi-conductors. In order to support the renewable energy initiative, royalty rates for the extraction of three vital and strategic minerals [*viz.,* lithium, niobium, and rare earth elements (REEs)] were specified to attract bidders in the auction process. The government also endorsed a viability gap funding (VGF) scheme to develop battery energy storage systems (BESS) by lowering storage costs for both distribution companies and consumers. The '*Pradhan Mantri Surya Ghar: Muft Bijli Yojana*'[5] marks a significant push towards sustainable energy solutions.

I.10 The services sector, with a share of over 63 per cent in GVA, remained the mainstay of aggregate supply, with growth of 7.9 per cent in 2023-24. Construction activity accelerated to register double digit growth, benefitting from rising demand in the housing sector and the government's thrust on infrastructure. The sustained ebullience in bank credit growth propelled financial services, while there was a slowdown in IT services during 2023-24 on subdued global demand.

I.11 Employment conditions improved, with the unemployment rate falling to its lowest level during 2023 (January-December) - 3.1 per cent in the usual status and 5.0 per cent in the current weekly status - in the periodic labour force survey (PLFS) series for which data are available from 2017-18 (July-June). Both urban and rural regions recorded a decline in the unemployment rate. The labour force participation rate (LFPR) and worker population ratio (usual status) increased to 59.8 per cent and 58.0 per cent, respectively, in 2023, the highest since the survey's inception, along with a steep rise in the female LFPR.

I.12 According to the Climate Change Performance Index (CCPI) Report 2024, India's

[5] The scheme, launched on February 13, 2024, aims to provide free electricity to one crore households; the households will be provided a subsidy of up to 40 per cent of the cost of the solar panels to install it on their roofs.

climate action performance improved, making India the fourth best performing nation among 63 countries analysed. Strong progress was made towards nationally determined contributions in terms of key indicators like reduction in the emission intensity of GDP and an increase in the installed capacity of non-fossil fuel-based energy resources. Among major climate initiatives, India notified the carbon credit trading scheme (CCTS) while also launching the National Green Hydrogen Mission.

I.13 Inflationary pressures moderated *albeit* unevenly during 2023-24, reflecting the combined impact of calibrated monetary tightening, easing of input cost pressures and supply management measures. Headline inflation softened to 5.4 per cent during 2023-24 from 6.7 per cent in the previous year, driven by the fall in core inflation (CPI excluding food and fuel) to 4.3 per cent from 6.1 per cent. Fuel inflation also eased sharply, moving into deflation since September 2023, with the reduction in the domestic prices of liquefied petroleum gas (LPG) and kerosene on the back of correction in global energy prices. Food inflation, on the other hand, hardened amidst high volatility. Sustained pressures from prices of cereals, pulses, spices and vegetables due to overlapping supply shocks pushed up food inflation to 7.0 per cent in 2023-24 from 6.7 per cent a year ago, thereby keeping headline inflation above the target.

I.14 Considering the growth-inflation dynamics, the Monetary Policy Committee (MPC) kept the policy repo rate unchanged at 6.50 per cent during 2023-24 and continued with a stance of withdrawal of accommodation to ensure that inflation progressively aligns with the target, while supporting growth. The MPC noted that monetary policy has to remain disinflationary to ensure fuller transmission and better anchoring of inflation expectations. Liquidity conditions tightened during 2023-24 in sync with the monetary policy stance. The liquidity surplus as reflected in average daily net absorption under the liquidity adjustment facility (LAF) moderated to ₹485 crore during 2023-24 from ₹1.87 lakh crore in the previous year. The Reserve Bank conducted two-way operations, both main and fine-tuning auctions, to ensure availability of adequate liquidity in the banking system. The weighted average call rate (WACR) traded, on an average, 13 basis points (bps) above the policy repo rate during 2023-24.

I.15 Domestic financial markets remained stable during 2023-24, with orderly movements in the bond and foreign exchange markets and exuberant equity markets. G-sec yields softened on favourable inflation prints, reports of inclusion of Indian bonds in major global bond indices and lower than expected market borrowings by the Union Government in the interim Union Budget 2024-25. Corporate bond yields moderated tracking the G-sec yields, and corporate bond issuances increased. The Indian Rupee (INR) displayed stability on the back of improving external sector and macroeconomic fundamentals, including a significant moderation in the CAD and resurgent capital inflows, that offset persistent headwinds from volatile global financial markets, the strong US dollar and persisting geopolitical tensions. The INR depreciated by 1.4 per cent during 2023-24 (7.8 per cent in the previous year) and was amongst the best performing major EME currencies during the year. Equity prices recorded solid gains on robust corporate earnings and strong domestic GDP growth. There were, however, intermittent corrections due to geopolitical concerns and uncertain monetary policy trajectories in the systemic economies. The domestic equity market capitalisation crossed the US$ 4 trillion mark in H2:2023-24, making the Indian stock market the fifth largest in the world.

I.16 The transmission of the repo rate increases undertaken in 2022-23 to banks' lending and deposit rates continued in 2023-24 amidst moderation in surplus liquidity in the banking system and credit growth persistently outpacing deposit growth. The share of external benchmark linked loans in total outstanding floating loans rose further, with a concomitant fall in the marginal cost of funds-based lending rate (MCLR) linked loans. The expansion of currency in circulation moderated while deposit growth accelerated with the return of ₹2000 banknotes (following their withdrawal from circulation in May 2023) to the banking system, mostly in the form of deposits.

I.17 The central government delivered on its fiscal consolidation commitments. The gross fiscal deficit (GFD) declined to 5.9 per cent of GDP in 2023-24 (RE) from 6.4 per cent of GDP in 2022-23. Revenue spending growth was contained at 2.5 per cent while capital expenditure grew in double digits for the fourth consecutive year. Fiscal adjustment was also supported by buoyant revenues - gross tax revenues increased to 11.7 per cent of GDP in 2023-24 (RE), their highest level since 2008-09, driven by income tax collections. States budgeted a GFD of 3.1 per cent of GDP in 2023-24, within the limit of 3.5 per cent prescribed by the Centre. Capital expenditure by states rose by 19.4 per cent during 2023-24. The general government deficit moved lower in 2023-24 (BE), even as general government capital outlay increased from 5.0 per cent of GDP in 2022-23 (RE) to 5.6 per cent of GDP in 2023-24 (BE).

I.18 During H2:2023-24, the Reserve Bank issued an ultra-long security of 50-year tenor aggregating ₹30,000 crore to cater to the growing needs of long-term institutional players. The central government's borrowing in H2 also included the issuance of new sovereign green bonds (SGrBs) of 30 years. The weighted average yield (WAY) on G-secs issued during the year moderated to 7.24 per cent in 2023-24 from 7.32 per cent in the previous year.

I.19 India's merchandise exports fell in 2023-24, driven by the declines in global trade volume and commodity prices. In 2023-24, merchandise exports contracted by 3.1 per cent in US dollar terms, while imports fell by 5.7 per cent. Consequently, India's merchandise trade deficit narrowed to US$ 238.3 billion during 2023-24 from US$ 264.9 billion a year ago. With robust services exports and a steady flow of inward remittances, the CAD moderated to 1.2 per cent of GDP during April-December 2023 from 2.6 per cent in the corresponding period a year ago.

I.20 Capital flows were robust during 2023-24, attracted by buoyant economic growth and improving domestic macroeconomic fundamentals. Net foreign portfolio investment (FPI) flows recorded a significant turnaround to US$ 41.6 billion in 2023-24, the second highest after 2014-15 (US$ 45.1 billion). India received the highest net FPI inflows amongst EME peers during the year. Gross foreign direct investment (FDI) flows were resilient at US$ 71.0 billion in 2023-24, broadly comparable to US$ 71.4 billion a year ago. Net foreign direct investment (FDI) flows, however, moderated to US$ 10.6 billion from US$ 28.0 billion primarily owing to higher repatriation. Other major capital flows - external commercial borrowings (ECBs) and non-resident deposits - were higher during the year. With overall net capital inflows outpacing the CAD, there was an accretion to the foreign exchange reserves to the tune of US$ 32.9 billion (on a balance of payments basis, *i.e.*, excluding valuation effects) during April-December 2023. India's foreign exchange reserves rose to an all-time high of US$ 648.7 billion as on May 17, 2024, covering 11.4 months of imports and strengthening buffers against external sector risks and adverse spillovers.

I.21 Scheduled commercial banks (SCBs) remained well-capitalised, maintaining capital adequacy above the regulatory minimum as at end-September 2023. Bank credit growth sustained momentum during 2023-24. The asset quality of SCBs improved further, along with moderation in the gross non-performing assets (GNPAs) as at end-September 2023. Profitability indicators such as return on equity (RoE) and return on assets (RoA) were also robust. Macro stress tests for credit risk suggest that SCBs would be in a position to comply with the minimum capital requirements, both at the aggregate and individual bank level, even under a severe stress scenario.

I.22 Capital adequacy of non-banking financial companies (NBFCs) was comfortable and asset quality improved as at end-September 2023. On the profitability front, RoA and net interest margin (NIM) stood strong and the cost-to-income ratio improved. Robust credit growth was sustained, supported by demand for retail credit. Urban cooperative banks (UCBs) witnessed an improvement in their capital adequacy, with their capital to risk-weighted assets ratio (CRAR) surpassing the minimum requirement across all tiers in September 2023.

I.23 Several regulatory and supervisory guidelines were issued during the year in line with global best practices towards strengthening of governance, risk management practices and capital buffers. The regulatory guidelines included: (a) default loss guarantee in digital lending; (b) framework for compromise settlements and technical write-offs; (c) prudential norms for classification, valuation, operations of investment portfolios of commercial banks; (d) minimum capital requirements for operational risk; and (e) establishment of an umbrella organisation for UCBs. A draft disclosure framework on climate-related financial risks was released in February 2024 for public consultation.

I.24 On the supervision side, the Reserve Bank actively engaged with supervised entities (SEs) to ensure execution of best practices related to governance and assurance functions and compliance with the extant guidelines. The Reserve Bank undertook a comprehensive onsite cyber risk assessment of major SEs. The coverage of information technology (IT) examination was expanded to cover more UCBs and select NBFCs, with close follow up of compliance in identified risk areas. The implementation of *DAKSH*[6], a SupTech tool, considerably streamlined the communication and dissemination of threat intelligence to SEs. The Prompt Corrective Action (PCA) framework, introduced on December 14, 2021 for NBFCs (except government NBFCs), has been extended to government NBFCs (except those in Base Layer) and it would be applicable with effect from October 1, 2024.

I.25 During 2023-24, the Reserve Bank conducted pilots with various use cases in central bank digital currency-Retail (e₹-R) as well as

6 Reserve Bank's advanced supervisory monitoring system.

e₹-Wholesale (e₹-W) segments. The pilot in the e₹-R segment was expanded to 15 banks and covered 81 locations. The interoperability between the unified payments interface (UPI) and the CBDC was introduced to leverage the UPI acceptance infrastructure to offer convenience and a seamless experience to the users. The scope of the e₹-W was expanded to include interbank lending and borrowing transactions along with changes in technical architecture.

I.26 With the objective of bringing efficiency in terms of cost reduction, quicker disbursement, and scalability in all segments of loans where rule-based lending is possible, a public tech platform for frictionless credit (PTPFC) was conceptualised by the Reserve Bank and developed by the Reserve Bank Innovation Hub (RBIH), drawing upon the learnings from the pilot in digital *kisan* credit card (KCC) and digital dairy projects conducted in 2022. The pilot of the platform commenced on August 17, 2023 and its scope and coverage are being expanded to include more products, data providers and lenders, based on learnings and feedback from stakeholders.

I.27 The rapid momentum of online retail and e-commerce, along with their growing adoption in tier 2 and tier 3 centres, drove the overall growth in card transactions. The *Bharat* Bill Payment System (BBPS) sustained momentum, facilitating bill collection and payments for more than 21,000 billers through an extensive network of 1,272 digital and around 92 lakh physical outlets nationwide. The account aggregator (AA) ecosystem, designed to facilitate secure and convenient data exchange for enhanced access to financial products and services, recorded considerable growth. The number of newly linked accounts and consent requests surged ten-fold during 2023-24. Concurrently, successful e-KYC authentications through *Aadhaar* grew by 28 per cent, symbolising the digitalisation-driven metamorphosis of the financial sector.

I.28 In order to enhance customer experience with other payment modes, the Reserve Bank expanded the scope and reach of e-RUPI vouchers (purpose-specific digital vouchers), streamlined BBPS processes and membership criteria, and issued a circular mandating card issuers to provide the customers the facility to choose among multiple card networks for their card issuance. Significant progress was made in making available a variety of digital payment options as their usage increased. In 2023-24, total digital payments recorded growth of 44.3 per cent and 16.4 per cent in volume and value terms, respectively, on top of growth of 58.3 per cent and 19.7 per cent, respectively, in the previous year.

I.29 The UPI platform achieved significant milestones, surpassing 13 billion transactions in a single month in March 2024. The notable reduction in the time taken to add another billion to its tally, coupled with a decrease in the average ticket size, underscores the pivotal role played by UPI in facilitating retail payments. Enhancements in various payment systems to facilitate user access and convenience continued during the year. To expand the ease of payments in offline transactions, near field communication (NFC) technology in UPI-Lite was enabled. An innovative payment mode, *viz.*, 'Conversational Payments' to initiate and complete transactions in a safe and secure environment, was also launched on the UPI. The entities facilitating cross-border payment transactions for import and export of goods and services were brought under the direct regulation of the Reserve Bank.

RuPay cards and UPI connectivity between India and Mauritius, and UPI connectivity between India and Sri Lanka were enabled. The scope of trade receivables discounting system (TReDS) was expanded by permitting insurance for transactions, expanding pool of financiers and enabling secondary market for factoring units (FUs).

I.30 The Reserve Bank's Financial Inclusion Index (FI-Index), a measure to assess the extent of financial inclusion in the country, improved from 56.4 in March 2022 to 60.1 in March 2023, with growth witnessed across the three sub-indices of access, usage and quality. Improvement in FI-Index was mainly contributed by usage and quality dimensions, reflecting deepening of financial inclusion. To assess and monitor the progress of financial inclusion and to gauge the extent of financial exclusion, a Financial Inclusion Dashboard - *ANTARDRISHTI* - was launched in June 2023.

I.31 The G20 Indian Presidency[7] under the Finance Track accorded primacy to the broad themes of climate change, digitalisation, and concerns of the Global South with priorities cutting across various Working Groups. Realising the vision of '*Vasudhaiva Kutumbakam*' - One Earth: One Family: One Future - the G20 Indian Presidency reaffirmed that the G20 remains the premier forum for global economic cooperation to steer the world through emerging challenges. The Indian Presidency revitalised multilateralism and amplified the Global South's voice, particularly in the areas of development finance, debt vulnerabilities and financial inclusion.

3. Prospects for 2024-25

Global Economy

I.32 The global economic outlook remains beset by multiple headwinds: inflation persisting above target with the pace of disinflation losing momentum; elevated public debt in major systemic economies and their repercussions on the global economy in the case of disorderly adjustments; financial stability risks from the higher for longer interest rates scenario; protracted geopolitical tensions; inefficiencies from geoeconomic fragmentation; and accentuated climate shocks. The global economy is projected to grow by 3.2 per cent each in 2024 as well as in 2025, the same pace as in the preceding year[8]. Growth in the AEs at 1.7 per cent in 2024 is projected to be marginally higher than that of 1.6 per cent a year ago. Emerging market and developing economies (EMDEs) are projected to expand at 4.2 per cent, below 4.3 per cent a year ago.

I.33 Aided by restrictive monetary policy stances and lower international commodity prices, global inflation is projected to moderate from 6.8 per cent in 2023 to 5.9 per cent in 2024 and 4.5 per cent in 2025. The last mile of disinflation is, however, turning out to be challenging, as stated earlier. Recurrent supply shocks from adverse climate events and geopolitical hostilities pose upside risks to the disinflation process. Central banks in major AEs expect inflation to approach targets gradually and have accordingly indicated rate cuts beginning this year. Upward inflation surprises in the recent prints are, however, leading to a continuous repricing in market expectations and generating significant volatility in key financial

7 India took over the G20 Presidency on December 1, 2022, which concluded on November 30, 2023.

8 World Economic Outlook, April 2024, IMF.

market segments - currency, bonds and equities. Elevated financial market volatility and swings in capital flows add to macroeconomic and financial stability challenges faced by EMDEs.

I.34 Global trade volume (goods and services) is expected to recover with a growth of 3.0 per cent in 2024 and 3.3 per cent in 2025 from 0.3 per cent in 2023, with easing inflation and the expected rebound in goods trade[9]. The expected pick up in global trade in 2024-2025 will, however, pale relative to the 4.9 per cent expansion achieved during 2000-19.

I.35 High levels of public debt in major AEs and EMEs and their explosive trajectories are raising concerns around the sustainability of public finances in these economies and run the risk of adding to the already heightened financial market volatility. Elevated public debt levels in systemic economies can lead to spikes in risk premia and sovereign bond yields in these markets, which can then spillover to other financial market segments. The resulting retrenchment in capital flows could hamper the already subdued global growth. These potential disruptive dynamics call for credible fiscal consolidation plans in the affected countries to ensure stable global macroeconomic and financial environment. In the medium to long-term, climate change, cyber security, crypto currency, FinTech, CBDC and tech disruptions through AI/machine learning (ML), also require coordinated policy efforts at the global level.

Domestic Economy

I.36 The outlook for the Indian economy remains bright, underpinned by a sustained strengthening of macroeconomic fundamentals, robust financial and corporate sectors and a resilient external sector. The government's continued thrust on capex while pursuing fiscal consolidation, and consumer and business optimism augur well for investment and consumption demand.

I.37 The prospects for agriculture and rural activity appear favourable due to the ebbing *El Nino* and the expected above normal southwest monsoon. The extension of *Pradhan Mantri Garib Kalyan Anna Yojana* (PMGKAY) scheme for a period of five more years with effect from January 1, 2024 will strengthen national food security. The government's focus on *AatmaNirbhar* Oilseeds *Abhiyan*, the expansion of environmentally sustainable nano diammonium phosphate (DAP) in all agro-climatic zones and the promotion of bio-economy through a new bio-manufacturing and bio-foundry scheme in the interim Union Budget 2024-25 would also support the agriculture sector.

I.38 The traction in construction activity is likely to be sustained, supported by both residential and non-residential real estate demand. Emerging sectors like renewable energy and semi-conductors are expected to make rapid advances on the back of the recent initiatives. The interim Union Budget 2024-25, with an allocation of ₹6,903 crore for semi-conductor and display fabs, would contribute to making India a global hub for chip and electronics manufacturing. Investments under the production-linked incentive (PLI) scheme are likely to gain further momentum going forward. These factors are expected to create new employment opportunities, improve labour incomes and strengthen domestic demand. Taking into account these factors, real GDP growth for 2024-25 is projected at 7.0 per cent with risks evenly balanced.

[9] World Economic Outlook, April 2024, IMF.

I.39 The passage of 'The *Anusandhan* National Research Foundation Bill, 2023', has paved the way for establishing the *Anusandhan* National Research Foundation (NRF), which would provide a boost to research and innovation in basic science, healthcare, and humanities. Furthermore, the National Quantum Mission (NQM), approved at a total cost of around ₹6,000 crore (2023-24 to 2030-31), would scale up scientific and industrial research and development (R&D) and innovative ecosystem in quantum technology (QT). It would propel national priorities like Digital India, Make in India, Skill India and Stand-up India, Start-up India, Self-reliant India and sustainable development goals (SDGs). All these initiatives, along with government-led investment in the infrastructure sector and increasing adoption of digital technologies, are likely to boost productivity and potential growth in the medium-term.

I.40 Headline inflation moderated by 1.3 percentage points on an annual average basis to 5.4 per cent in 2023-24. The easing of supply chain pressures, broad-based softening in core inflation and early indications of an above normal southwest monsoon augur well for the inflation outlook in 2024-25. The increasing incidence of climate shocks, however, imparts considerable uncertainty to the food inflation and overall inflation outlook. Low reservoir levels, especially in the southern states and the outlook of above normal temperatures during the initial months of 2024-25 need close monitoring. The volatility in international crude oil prices, the persisting geopolitical tensions and elevated global financial market volatility also pose upward risk to the inflation trajectory. Taking into account these factors, CPI inflation for 2024-25 is projected at 4.5 per cent with risks evenly balanced.

I.41 As the path of disinflation needs to be sustained till inflation reaches the 4 per cent target on a durable basis, the MPC in its April 2024 meeting, kept the policy repo rate unchanged at 6.50 per cent and noted that monetary policy must continue to be actively disinflationary to ensure anchoring of inflation expectations and fuller transmission. The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns to the target, while supporting growth. The Reserve Bank will remain nimble and flexible in its liquidity management through main and fine-tuning operations, both repo and reverse repo. It will deploy an appropriate mix of instruments to modulate frictional as well as durable liquidity to ensure that money market interest rates evolve in an orderly manner so that financial stability is preserved.

I.42 The Union government's impetus to growth-inducing capital spending is likely to be sustained in 2024-25 with more than half of borrowings directed towards financing of capital outlay. The central government extended the financial assistance scheme for states' capital expenditure to 2024-25 with an outlay of ₹1.3 lakh crore. The budgeted reduction in gross market borrowings from 5.3 per cent of GDP in 2023-24 (RE) to 4.3 per cent of GDP in 2024-25 (BE) will enhance the flow of funds to the private sector and support private investment. The fiscal outlook for states remains favourable, with adequate fiscal room to pursue increased capital expenditure. The digitalisation of the tax system has enhanced tax collections, with the Centre's direct tax revenues budgeted to reach 6.7 per cent of GDP in 2024-25, the highest in three decades.

I.43 India's merchandise exports should benefit from the projected rebound in global trade, but with downside risks from ongoing geopolitical conflicts and geoeconomic fragmentation. The CAD is expected to remain manageable in 2024-25 given the resilient services trade balance and large inward remittance receipts on the one hand, and stable capital flows, on the other. India's share in world remittance receipts is estimated to increase to 15.2 per cent in 2024 from 11.1 per cent in 2019 according to the World Bank. On the financing side, the favourable outlook for domestic economic growth, easing of domestic inflation, and business-friendly policy reforms would be enabling factors in attracting foreign investment, both direct and portfolio. The inclusion of India's sovereign bonds in major global bond indices ahead is also expected to support FPI flows. The opportunities in bilateral and multilateral trade agreements to facilitate greater participation in global value chains (GVCs), expanding reach to newer markets, and leveraging international trade in the Indian Rupee, would boost exports and FDI inflows, and strengthen external sector's resilience.

I.44 Capital and asset quality of banks and NBFCs remain healthy, supporting the growth in bank credit and domestic activity. Pre-emptive regulatory measures aimed at curbing excessive consumer lending and bank lending to NBFCs, and investments in alternate investment funds (AIFs) are expected to contain the build-up of potential stress in balance sheets of financial intermediaries and contribute to financial stability. While domestic banks and NBFCs have exhibited resilience amidst global uncertainties, recent events underscore the importance of vigilant risk management. Considering the dynamic nature of the interest rate risk, banks may have to address both trading and banking book risks, especially in the light of moderating NIM. On the liabilities side, it is imperative to focus on diversification of deposit sources as reliance on bulk deposits heightens sensitivity to interest rate fluctuations. Additionally, climate-related financial risks and the consequent micro and macro-prudential concerns necessitate a robust framework to identify, assess and manage such risks. Accordingly, the Reserve Bank is striving to make its regulations more principle-based, activity-oriented and proportionate to the scale of systemic risk, rather than entity-oriented.

I.45 Several regulatory and supervisory measures will be undertaken in 2024-25 to further strengthen financial intermediaries. They would include: (a) a comprehensive review of the extant IRACP[10] norms and the prudential framework for resolution of stressed assets across REs; (b) harmonised set of prudential guidelines for all REs undertaking project finance; (c) a comprehensive review of the extant regulatory instructions on interest rates on advances across REs; (d) move towards adopting a forward-looking expected credit loss (ECL) approach; (e) issuance of Securitisation of Stressed Assets Framework; and (f) efforts towards enhancing awareness, building capacity, and fostering collaboration among stakeholders to address effectively the multifaceted challenges of climate change for the financial system.

[10] Income Recognition, Asset Classification and Provisioning.

I.46 The supervisory initiatives taken by the Reserve Bank are aimed at identifying risks and vulnerabilities early, increasing the focus on root cause of vulnerabilities, and harmonising the supervisory rigour across various segments of the financial system. Frequent and wider interactions with the SEs would remain a critical tool to enhance the effectiveness of supervisory intervention. Strengthening governance and assurance functions of the SEs would continue to be a priority for the Reserve Bank.

I.47 For UCBs, a revised supervisory action framework (SAF) under the nomenclature PCA framework is under consideration to further streamline and facilitate timely supervisory intervention to enable UCBs to initiate and implement remedial measures to restore their financial health. Recognising the importance of assurance functions in ensuring early identification of vulnerabilities and initiating corrective action, the harmonisation of guidelines on assurance functions applicable to SCBs, UCBs and NBFCs is being examined to further enhance their effectiveness.

I.48 The Reserve Bank would expand the scope of ongoing pilots in e₹-R and e₹-W in 2024-25 by incorporating various use cases as well as new designs, technological considerations and more participants, besides launching a full-scale public tech platform with more financial institutions/data service providers and product offerings.

I.49 For payment systems, the Reserve Bank would continue to chart the course laid down in the Payments Vision 2025 document. The focus would be on consolidation of measures to enhance customer centricity, promote innovation and support expansion. Under the 'integrity' pillar, the central payments fraud information registry (CPFIR) is planned to be extended to local area banks (LAB), state cooperative banks, district cooperative banks, regional rural banks (RRBs) and non-scheduled UCBs for payment fraud reporting. A risk-based authentication mechanism, as an alternative to SMS-based one-time password (OTP) for additional factor of authentication (AFA), would be effectuated to address risks in payments. On the international front, the fast payment system (FPS) as well as multilateral inter-linkages would be explored in collaboration with group of countries like European Union (EU) and South Asian Association for Regional Cooperation (SAARC).

I.50 Digital payments would be shaped through the pillars of integrity, inclusion, innovation, institutionalisation and internationalisation. India is poised to actively contribute to the sharing of knowledge regarding Digital Public Infrastructures, facilitating the creation of similar frameworks in other emerging nations. Furthermore, forward-looking initiatives such as the establishment of a cloud facility for the Indian financial sector and the creation of a FinTech repository are expected to enhance operational efficiency, reduce complexity and promote financial innovations.

I.51 The Reserve Bank would continue with its focus on ensuring availability of banking services to all sections of society across the country and strengthening the credit delivery system to cater to the needs of productive sectors of the economy, particularly agriculture, and micro and small enterprises. During 2024-25, the Reserve Bank would also review the priority sector lending guidelines and work towards formulation of the next iteration of the National Strategy for Financial Inclusion (NSFI) for the period 2025-30.

I.52 For ensuring public confidence in the financial system and to protect the interests of customers of REs, the Reserve Bank would focus on embedding AI and other related tools in complaint management system (CMS) to facilitate lodging of complaints with ease and ensure greater consistency in decision making process. The internal grievance redress (IGR) framework would be further strengthened to encourage banks to take proactive measures to improve customer service.

I.53 On April 1, 2024, the Reserve Bank commemorated the 90th year of its establishment. Over these nine decades, the Reserve Bank remained steadfast in discharging its responsibilities with integrity and professionalism towards developing an efficient and robust financial system by adopting global best practices in the areas of regulation, supervision and monetary policy, providing financial stability and resilience to the domestic economy. Going forward, the Reserve Bank would continue to endeavour to proactively take appropriate measures in the best interest of the economy to ensure a stable and strong financial system, while being mindful of risks stemming from the evolving technology, innovations, business practices and growing complexities in the financial sector[11].

4. Conclusion

I.54 To sum up, the Indian economy is navigating the drag from an adverse global macroeconomic and financial environment. Real GDP growth is robust on the back of solid investment demand which is supported by healthy balance sheets of banks and corporates, the government's focus on capital expenditure and prudent monetary, regulatory and fiscal policies. As headline inflation eases towards the target, it will spur consumption demand especially in rural areas. The external sector's strength and buffers in the form of foreign exchange reserves will insulate domestic economic activity from global spillovers. Geopolitical tensions, geoeconomic fragmentation, global financial market volatility, international commodity price movements and erratic weather developments pose downside risks to the growth outlook and upside risks to the inflation outlook. The Indian economy would also have to navigate the medium-term challenges posed by rapid adoption of AI/ML technologies and recurrent climate shocks. Even so, it is well placed to step-up its growth trajectory over the next decade in an environment of macroeconomic and financial stability so as to achieve its developmental aspirations by reaping its demographic dividend and exploiting its competitive advantages that have placed it as the fastest growing major economy of the world.

[11] Das, Shaktikanta (2024), 'Welcome Address at the RBI@90 Commemoration Function', April 1, Mumbai. Available at https://www.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1427

II ECONOMIC REVIEW

The Indian economy exhibited resilience during 2023-24, in the face of headwinds from protracted geopolitical tensions and volatile global financial markets. The combination of a sustained anti-inflationary monetary policy stance and proactive supply management measures resulted in headline inflation remaining largely within the tolerance band. Monetary and credit conditions evolved in line with the monetary policy stance. Within the commitment to fiscal consolidation, emphasis was laid on capital spending. External sector sustainability indicators improved during the year, insulating the economy from spillovers from adverse global macro-financial shocks.

II.1.1 The global economy turned out to be resilient in 2023 in spite of tightening financial conditions engendered by restrictive monetary policy stances, geopolitical tensions and geoeconomic fragmentation. Global GDP rose by 3.2 per cent in 2023 (3.5 per cent a year ago[1]) supported by buoyancy in the US and major emerging market and developing economies (EMDEs). Global inflation eased to 6.8 per cent in 2023 from 8.7 per cent a year ago on the back of monetary tightening and restoration of supply chains. Pandemic-induced loosening in fiscal policy exerted upward pressures on the global public debt-GDP ratio in an environment of sluggish growth and elevated interest rates. Global merchandise trade volume contracted by 1.2 per cent in 2023 from an expansion of 3.0 per cent in 2022[2], dragged down by rising trade restrictions and a rotation of demand away from goods to services. Global financial markets exhibited bouts of volatility in response to fluctuating perceptions on the monetary policy trajectory among market participants in spite of high for longer stances articulated by central banks. Sovereign bond yields hardened in the first half of 2023-24 and exhibited sizeable two-way movements in the second half. The US dollar remained firm through the year, putting downward pressures on emerging market economy (EME) currencies.

II.1.2 Amidst global uncertainty, the Indian economy exhibited resilience during 2023-24, with real GDP growth[3] improving to 7.6 per cent from 7.0 per cent in 2022-23, supported by robust fixed investment. On the supply side, economic activity was supported by the improvement in the manufacturing sector's profitability which benefitted from lower input prices as well as the sustained momentum in services activity, offsetting the slowdown in the agricultural sector.

II.1.3 Headline inflation moderated during 2023-24 into the tolerance band on the back of anti-inflationary monetary policy, active supply management measures, and corrections in global commodity prices. Core inflation exhibited a broad-based disinflation and has moved below 4 per cent from December 2023.

1 World Economic Outlook, April 2024, IMF.

2 Global Trade Outlook and Statistics, April 2024, WTO.

3 Refer to footnote 4 of Chapter I of this Report.

II.1.4 General government finances exhibited improvement in terms of key deficit and debt indicators as the commitment to fiscal consolidation took hold amidst a directing of public expenditure towards growth-supportive measures with greater focus on capex. Tax revenues were buoyant, supported by resilient economic activity and improving compliance.

II.1.5 During the year, domestic financial markets evolved in an orderly manner. Money market rates hardened with the ebbing of liquidity surplus, partly due to an increase in government cash balances. Issuances of certificates of deposit (CDs) increased amidst sustained credit demand. After remaining range-bound during H1:2023-24, sovereign bond yields softened on lower domestic inflation, announcement of inclusion of Indian sovereign bonds in major global bond indices, and lower than expected market borrowings programme of Government of India (GoI) announced in the interim Union Budget 2024-25. Equity markets registered strong gains on buoyant economic activity and corporate performance. The Indian rupee (INR) exhibited stability, supported by robust domestic prospects and improvements in India's external position. The moderation in the current account deficit (CAD) amidst large capital inflows enabled addition to foreign exchange reserves.

II.1.6 Against this backdrop, the rest of the chapter is structured into six sections. An analysis of the real economy is presented in section 2, followed by a detailed analysis of inflation and its drivers in section 3. The developments in monetary aggregates and financial markets are presented in sections 4 and 5, respectively. The evolution of government finances (centre and states) is discussed in section 6, and external sector dynamics are covered in section 7.

II.2 THE REAL ECONOMY

II.2.1 The Indian economy exhibited resilience during 2023-24, notwithstanding persistent headwinds from subdued external demand, protracted geopolitical tensions and volatile global financial markets. Real GDP growth was sustained at 7 per cent and above for the third successive year in 2023-24, supported by robust growth in fixed investment on the back of the government's focus on capital expenditure. On the supply side, economic activity was lifted by the boost to the manufacturing sector's profitability from the correction in input prices and sustained momentum in services activity, even as the agricultural sector activity exhibited a slowdown.

II.2.2 An assessment of aggregate demand and its major components is etched out in sub-section 2. The developments in aggregate supply conditions in terms of the performance of agriculture, industry and services are presented in sub-section 3. Employment and labour market dynamics are discussed in sub-section 4, with concluding observations in sub-section 5.

2. Aggregate Demand

II.2.3 Real GDP rose by 7.6 per cent in 2023-24 as compared with 7.0 per cent growth in 2022-23, according to the second advance estimates (SAE) of the National Statistical Office (NSO) [Table II.2.1 and Appendix Table 1]. This acceleration was powered by solid expansion in investment demand, which more than offset the slowdown in private consumption demand and the drag from external demand (Appendix Table 2). Real GDP growth was robust at 8.2 per cent during 2023-24 (April-December). The acceleration in momentum in Q2 sustained in Q3:2023-24 (Chart II.2.1).

Consumption

II.2.4 Private final consumption expenditure (PFCE) – the mainstay of domestic aggregate demand – slackened in 2023-24. Deficient and uneven south-west and north-east monsoon pulled down both *kharif* and *rabi* production. Two-wheeler sales, an indicator of rural demand, picked up in H2:2023-24. Demand for work under the *Mahatma Gandhi* National Rural Employment Guarantee Act (MGNREGA) also tapered in H2, suggesting some recovery in rural demand. Urban demand was supported by improvement in labour market conditions, higher disposable incomes, tapering of retail inflation and double digit growth in retail credit. Domestic air passenger traffic, railway passenger traffic and passenger vehicle sales recorded robust growth. Both collection of goods and services tax (GST) and issuance of E-way bills registered steady expansion. Government final consumption expenditure (GFCE) displayed a modest expansion in 2023-24 as the government remained committed towards its fiscal consolidation path (Chart II.2.2).

Table II.2.1: Real GDP Growth

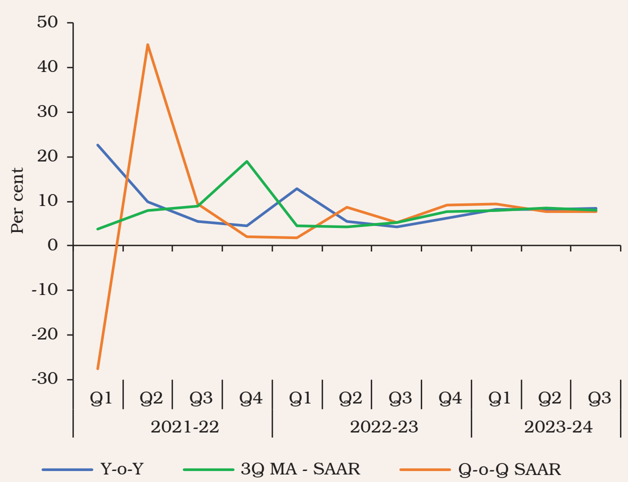
Component	Growth (per cent)				
	2019-20	2020-21	2021-22	2022-23	2023-24
1	2	3	4	5	6
I. Total Consumption Expenditure	**5.0**	**-4.6**	**9.8**	**7.1**	**3.0**
Private	5.2	-5.3	11.7	6.8	3.0
Government	3.9	-0.8	0.0	9.0	3.0
II. Gross Capital Formation	**-6.0**	**-10.6**	**25.4**	**2.0**	**10.2**
Gross Fixed Capital Formation	1.1	-7.1	17.5	6.6	10.2
Change in Stocks	-58.7	-76.4	525.4	14.5	5.0
Valuables	-14.2	29.9	32.5	-19.1	13.8
III. Net Exports					
Exports	-3.4	-7.0	29.6	13.4	1.5
Imports	-0.8	-12.6	22.1	10.6	10.9
IV. GDP	**3.9**	**-5.8**	**9.7**	**7.0**	**7.6**

Source: NSO.

Investment and Saving

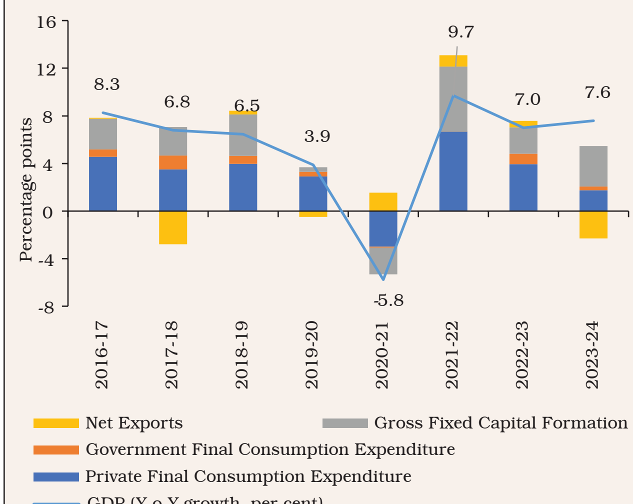
II.2.5 The rate of gross domestic investment in the Indian economy, measured by the ratio of gross capital formation (GCF) to GDP at current prices, moderated marginally to 32.2 per cent

Chart II.2.1: Real GDP Growth - Quarterly



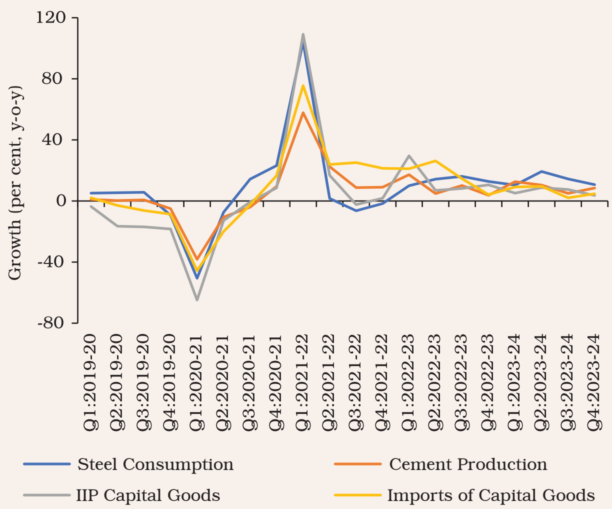
SAAR - Seasonally Adjusted Annualised Rate.
Note: Seasonal factors have been estimated using the full sample period (till Q3:2023-24) with appropriate controls for outliers.
Source: NSO and RBI staff estimates.

Chart II.2.2: Weighted Contribution to GDP Growth



Note: Component-wise contributions do not add up to the growth rate as change in stocks, valuables and statistical discrepancies are not included.
Source: NSO.

Chart II.2.3: Indicators of Investment Demand



Source: Joint Plant Committee, Office of Economic Adviser, NSO and Directorate General of Commercial Intelligence and Statistics (DGCI&S).

in 2022-23 from 32.4 per cent in the preceding year. Available information for the constituents of the GCF for 2023-24 indicate an uptick in investment, led by the government's sustained thrust on infrastructure, coupled with ebullience in the housing sector. The ratio of real gross fixed capital formation (GFCF) to GDP inched up to 34.1 per cent in 2023-24 from 33.3 per cent in the previous year. Among the components of GFCF, the construction sector gathered traction as evident in robust growth in its proximate coincident indicators – steel consumption and cement production (Chart II.2.3). Capacity utilisation (CU) of the manufacturing sector has remained above its long-term average. It increased to 74.7 per cent in Q3:2023-24 from 74.0 per cent in the previous quarter[4]. The seasonally adjusted CU was 74.6 per cent in Q3:2023-24.

II.2.6 Gross domestic saving as per cent to gross national disposable income (GNDI) moderated to 29.7 per cent in 2022-23 from 30.8 per cent in the preceding year, due to drop in household financial saving (net) to 5.2 per cent of GNDI in 2022-23 from 7.2 per cent in the previous year (Table II.2.2 and Appendix Table 3) as households drew down excess saving accumulated during the pandemic to fund consumption and investment. In consonance with the global trend, India had

Table II.2.2: Financial Saving of Household Sector

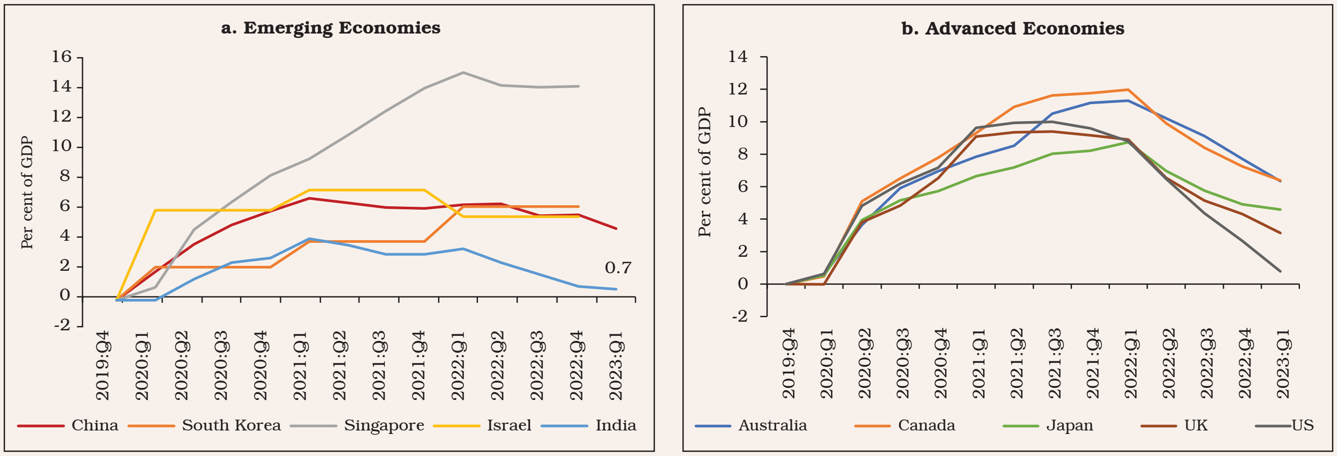
(Per cent of GNDI)

Item	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
1	2	3	4	5	6	7	8	9	10	11
A. Gross Financial Saving	**10.4**	**9.9**	**10.7**	**10.4**	**11.9**	**11.8**	**11.4**	**15.2**	**10.9**	**10.9**
of which:										
1. Currency	0.9	1.0	1.4	-2.1	2.8	1.4	1.4	1.9	1.1	0.9
2. Deposits	5.8	4.8	4.6	6.3	3.0	4.2	4.3	6.2	3.5	4.0
3. Shares and Debentures	0.2	0.2	0.2	1.1	1.0	0.9	0.5	0.5	0.9	0.8
4. Claims on Government	0.2	0.0	0.5	0.7	0.9	1.1	1.3	1.3	1.1	0.9
5. Insurance Funds	1.8	2.4	1.9	2.3	2.0	2.0	1.7	2.8	2.0	2.0
6. Provident and Pension Funds	1.5	1.5	2.1	2.1	2.1	2.1	2.2	2.5	2.3	2.3
B. Financial Liabilities	**3.1**	**3.0**	**2.7**	**3.0**	**4.3**	**4.0**	**3.8**	**3.7**	**3.8**	**5.7**
C. Net Financial Saving (A-B)	**7.2**	**6.9**	**7.9**	**7.3**	**7.5**	**7.8**	**7.6**	**11.6**	**7.2**	**5.2**

GNDI: Gross National Disposable Income.
Note: Figures may not add up to total due to rounding off of the numbers.
Source: NSO.

4 Based on order books, inventories and capacity utilisation survey (OBICUS) of the Reserve Bank.

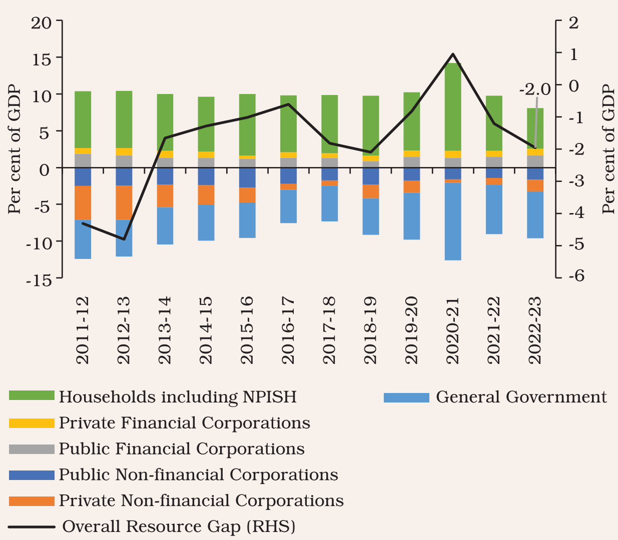
Chart II.2.4: Stock of Excess Household Savings



Note: Data for India comprise stock of excess household financial savings.
Source: Soyres *et. al.*, (2023)[5] and RBI staff estimates.

experienced a spike in household financial saving (net) to 11.6 per cent of GNDI during 2020-21, as pandemic-induced restrictions on mobility and spending curtailed consumption of contact-intensive services. As a result, the accumulated stock of excess financial savings[6] rose to 4.1 per cent of GDP by end-March 2021; with the ebbing of the pandemic and release of the pent-up demand, the stock of excess financial savings moderated to 0.7 per cent of GDP as at end-March 2023 (Chart II.2.4).

Chart II.2.5: Sectoral Resource Gap



NPISH: Non-profit Institutions Serving Households.
Source: NSO and RBI staff estimates.

II.2.7 The saving-investment gap widened during 2022-23, driven by non-financial corporations, reflecting the revival in investment demand along with a moderation in the saving rate (Chart II.2.5). The drawdown by the general government sector reduced further on the back of continuing fiscal consolidation.

3. Aggregate Supply

II.2.8 As per the SAE of the NSO, aggregate supply, measured by real gross value added (GVA) at basic prices, expanded by 6.9 per cent in 2023-24 as compared with 6.7 per cent in 2022-23,

[5] de Soyres, Francois, Dylan Moore, and Julio L. Ortiz (2023), 'Accumulated Savings During the Pandemic: An International Comparison with Historical Perspective', FEDS Notes, Washington DC.

[6] Flow of excess savings (savings rate *minus* trend savings rate) is calculated as deviation from the predicted savings rate using a Hamilton trend. Stock begins accumulating from 0 at t=-1, where t=0 is the first period of low growth due to COVID-19.

Table II.2.3: Real GVA Growth

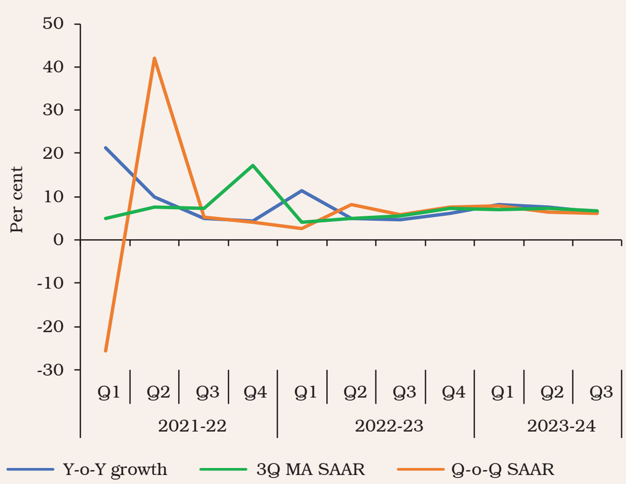
(Per cent)

Sector	2019-20	2020-21	2021-22	2022-23	2023-24
1	2	3	4	5	6
I. Agriculture, Forestry and Fishing	**6.2**	**4.0**	**4.6**	**4.7**	**0.7**
II. Industry	**-2.5**	**1.1**	**9.6**	**-0.6**	**8.3**
II.1 Mining and Quarrying	-3.0	-8.2	6.3	1.9	8.1
II.2 Manufacturing	-3.0	3.1	10.0	-2.2	8.5
II.3 Electricity, Gas, Water Supply and Other Utility Services	2.3	-4.2	10.3	9.4	7.5
III. Services	**5.8**	**-7.9**	**10.6**	**9.9**	**7.9**
III.1 Construction	1.6	-4.6	19.9	9.4	10.7
III.2 Trade, Hotels, Transport, Communication and Services Related to Broadcasting	6.0	-19.9	15.2	12.0	6.5
III.3 Financial, Real Estate and Professional Services	6.8	1.9	5.7	9.1	8.2
III.4 Public Administration, Defence and Other Services	6.6	-7.6	7.5	8.9	7.7
IV. GVA at Basic Prices	**3.9**	**-4.1**	**9.4**	**6.7**	**6.9**

Source: NSO and RBI staff estimates.

propelled by the industrial and the services sectors, while agriculture tapered in 2023-24 (Table II.2.3). The momentum remained strong in Q2 and Q3:2023-24 (Chart II.2.6).

Chart II.2.6: Real GVA Growth - Quarterly



SAAR - Seasonally Adjusted Annualised Rate.
Note: Seasonal factors have been estimated using the full sample period (till Q3:2023-24) with appropriate controls for outliers.
Source: NSO and RBI staff estimates.

Agriculture and Allied Activities

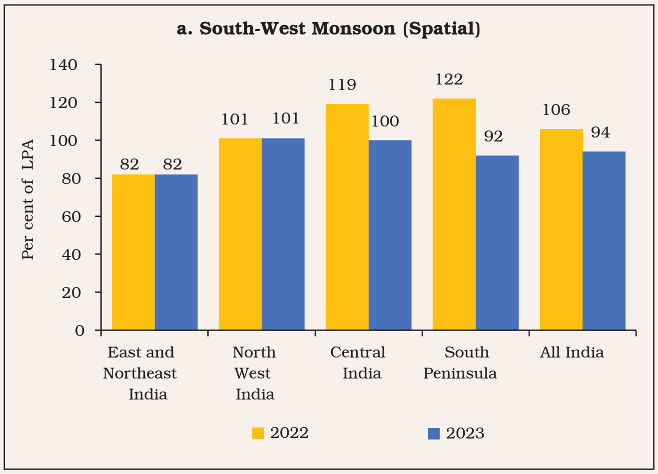
II.2.9 The agriculture and allied activities sector faced headwinds from the uneven and deficient south-west monsoon (SWM) rainfall coinciding with strengthening *El Nino*[7] conditions. The overall SWM rainfall in 2023 (June-September) was 6 per cent below long period average (LPA)[8] at the all-India level (Chart II.2.7a). The late onset of the SWM, along with temporal and spatial uneven precipitation, delayed the start of *kharif* sowing and a shortfall occurred in overall *kharif* sowing. The north-east monsoon (NEM) [October-December] also ended with a rainfall deficit (9 per cent). The below-normal SWM and NEM rainfall depleted reservoir storage levels (Chart II.2.7b).

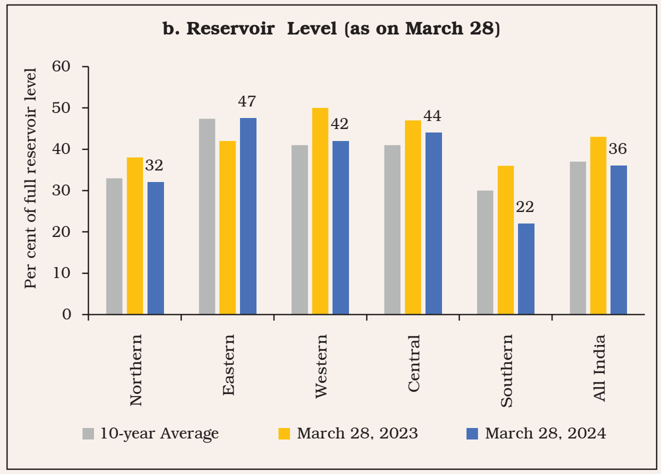
II.2.10 As per the SAE, the production of *kharif* and *rabi* foodgrains in 2023-24 was 1.3 per cent lower than the final estimates of the previous year (Table II.2.4). The output of millets could benefit

7 Historically, the SWM monsoon rainfall has been in deficit for 14 out of 23 *El Nino* years. 1997 was the last *El Nino* year during which the SWM season received normal rainfall.

8 As per the India Meteorological Department (IMD), normal rainfall range is 96-104 per cent of LPA.

Chart II.2.7: Rainfall and Reservoir Levels





Source: IMD and Central Water Commission (CWC), GoI.

from productivity gains (Box II.2.1). As per the First Advance Estimates (FAE), the production of horticultural crops during 2023-24 was 0.1 per cent below the final estimates of 2022-23, mainly due to lower production in vegetables.

II.2.11 The minimum support prices (MSPs) for both *kharif* and *rabi* seasons 2023-24 ensured a minimum return of 50 per cent over the cost of production[9] for all crops. The overall public stock of foodgrains as on March 31, 2024 stood at 2.9

Table II.2.4: Agricultural Crop Production 2023-24*

(Lakh tonne)

Crop	2022-23 Final Estimates**	2023-24 Second Advance Estimates (SAE)	2023-24 (SAE) Variation Over 2022-23 Final Estimate (per cent)
1	2	3	4
1. Foodgrains	3,135.5	3,093.5	-1.3
Rice	1,255.2	1,238.2	-1.4
Wheat	1,105.5	1,120.2	1.3
Nutri/Coarse Cereals	535.0	500.7	-6.4
Pulses	239.8	234.4	-2.2
Tur	33.1	33.4	0.8
Gram	122.7	121.6	-0.9
Urad	24.0	20.6	-14.4
Moong	18.3	15.1	-17.6
2. Oilseeds	403.0	366.0	-9.2
3. Sugarcane	4,905.3	4,464.3	-9.0
4. Cotton #	336.6	323.1	-4.0
5. Jute & Mesta ##	93.9	96.3	2.6

*: *Kharif* and *Rabi* crops. **: Excluding summer crops. #: Lakh bales of 170 kg each. ##: Lakh bales of 180 kg each.
Source: Ministry of Agriculture and Farmers Welfare, GoI.

[9] Actual paid out cost *plus* imputed value of family labour (A2+FL).

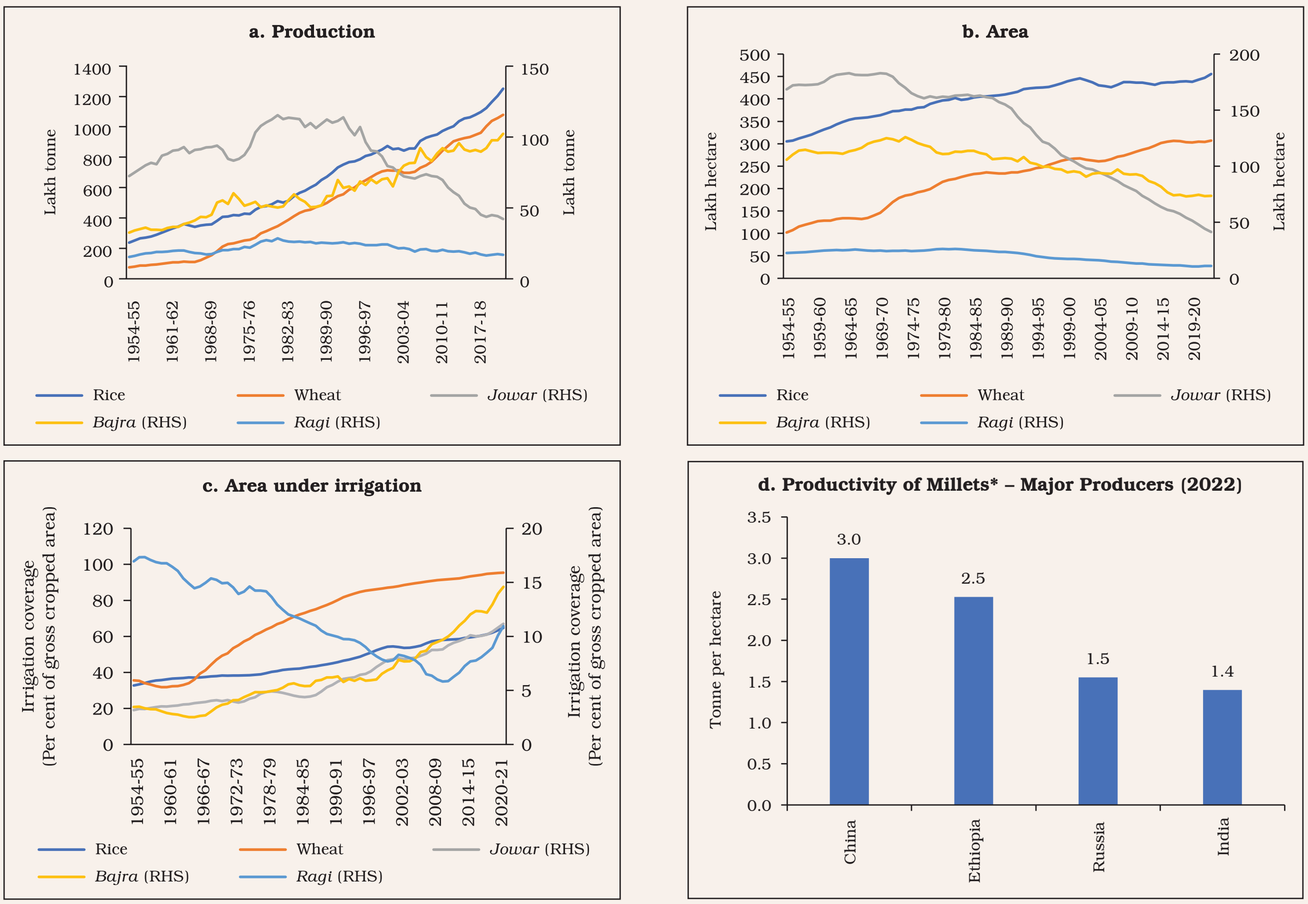
Box II.2.1

Boosting Millet Production in India: Identifying the Supply Side Drivers

India accounts for almost 80 per cent of Asia's and 20 per cent of global millet production[10]. The acreage and production of millets have, however, stagnated over the years (Charts 1a and 1b), partly reflecting incentives for cultivation of fine cereals through MSP-backed procurement and a visible shift in consumer preferences towards fine cereals (Rao, 2021). Millets are typically grown under rainfed conditions with no/minimal irrigation (Chart 1c). The productivity of millets in India remains lower than those of major producers around the world (Chart 1d).

The plot level comprehensive cost of cultivation survey (CCCS) data for 2021-22 show a significant yield gap from the frontier[11] farmers, implying considerable scope for improvement. Against this backdrop, results from a generalised linear model using the CCCS dataset for 2021-22 show a significant dependence of the yield gap[12] for *bajra* on the rainfall position (Table 1).

Chart 1: Production of Major Cereals *vis-à-vis* Millets in India



*: Excluding *jowar*.

Note: Data are based on 5-year moving average.

Source: Ministry of Agriculture and Farmers Welfare, GoI and FAOSTAT, UNO.

(Contd.)

10 'India's Foodgrains Production Touched a Record 315.7 Million Tonnes in 2021-22', PIB, January 31, 2023.

11 The maximum achievable (potential) yield is the average yield of the most productive farm plots (top 10 per cent of the surveyed sample for each of the states). The yield gap is defined as the difference between potential and actual yield.

12 The outcome variable (yield gap) is in percentage terms; therefore, values range from zero (no yield gap) to maximum of one or 100 per cent. Due to this nature of the outcome variable, a fractional logistic regression model was selected for the analysis following Papke and Wooldridge (1996). It is hypothesised that a greater input use is associated with a lower level of yield gap.

Table 1: Determinants of Yield Gap in *Bajra* Production

Dependent Variable: Yield Gap				
	Model 1	Model 2	Model 3	Model 4
Rainfall				
Actual Rainfall (millimetre)	-1.27***	-0.98***	-	-
	(0.26)	(0.23)		
Deviation from LPA (1 = Normal and Above Normal Rainfall@)	-	-	-0.04**	-0.04**
			(0.02)	(0.02)
Input Variables				
Labour (hours/hectare)	-0.60*	-0.84***	-0.88***	-0.85***
	(0.33)	(0.27)	(0.29)	(0.28)
Irrigation (hours/hectare)	-0.01	0.01	0.02	-
	(0.02)	(0.01)	(0.01)	
Ownership of Irrigation (1=owned)	-	-	-	-0.01*
				(0.01)
Seed (kg/hectare)	0.16	0.15	0.12	0.10
	(0.15)	(0.10)	(0.11)	(0.11)
Fertiliser (kg/hectare)	-0.17***	-0.16***	-0.17***	-0.16***
	(0.04)	(0.04)	(0.05)	(0.04)
Technology Variables				
Usage of Hybrid Seeds (1= adopted)	-0.06**	-0.05**	-0.03	-0.04*
	(0.03)	(0.02)	(0.02)	(0.02)
Machine (hours/hectare)	-0.19**	-0.11*	-0.12**	-0.13**
	(0.09)	(0.07)	(0.06)	(0.06)
Demand Variables				
Lagged Price# (₹/quintal)	-1.73	-	-	-
	(1.55)	-	-	-
Expected Net Returns# (1= Positive returns)	-	-0.14***	-0.15***	-0.14***
	-	(0.02)	(0.02)	(0.02)
State Dummy	Yes	Yes	Yes	Yes
Number of Observations	448	448	427	427
Log Pseudolikelihood	-288.67	-282.00	-272.17	-272.13

-: Not applicable.
***, ** and * indicate significance levels at 1 per cent, 5 per cent and 10 per cent, respectively.
@: Rainfall deviation of +/-19 per cent from LPA is considered as normal at district level.
#: Based on previous year's prices.
Note: 1. Figures in parentheses are robust standard errors (calculated using the delta method and clustered at the block level).
2. Data for all the variables have been used at the plot level, except for prices and rainfall which are taken at district-level.
Source: RBI staff estimates.

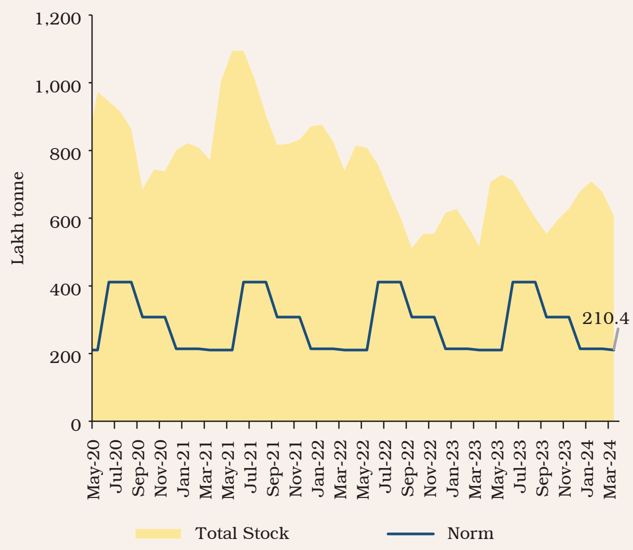
Although millets are considered drought resistant crops, a minimal but assured[13] irrigation would be critical in bridging the yield gap. Labour, fertiliser and machine usage are also negatively and significantly related to the yield gap. The adoption of hybrid seeds improves yields. Higher expected net returns (proxied by using lagged prices and prevailing cost) are also likely to encourage farmers to invest more in high-yielding inputs and thus reduce the yield gap.

References:

1. Papke, L. E., and Wooldridge, J. M. (1996), 'Econometric Methods for Fractional Response Variables with an Application to 401 (k) Plan Participation Rates', *Journal of Applied Econometrics*, 11(6), 619-632.
2. Rao, B.D., Bhandari, R. and Tonapi, V.A. K. (2021), 'White Paper on Millets – A Policy Note on Mainstreaming Millets for Nutrition Security', ICAR-Indian Institute of Millets Research (IIMR), Hyderabad, India.

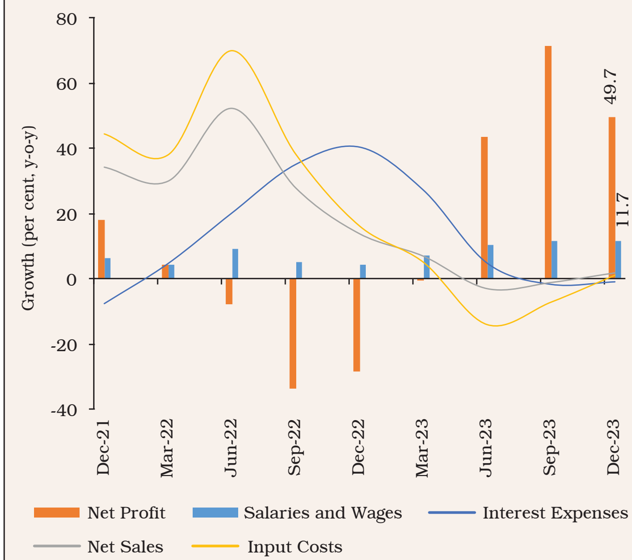
[13] Explained by dummy of ownership of irrigation in Table 1.

Chart II.2.8: Monthly Position of Stock and Buffer Norm



Source: Ministry of Consumer Affairs, Food and Public Distribution, GoI.

Chart II.2.9: Organised Manufacturing Firms



Source: CMIE Industry Outlook.

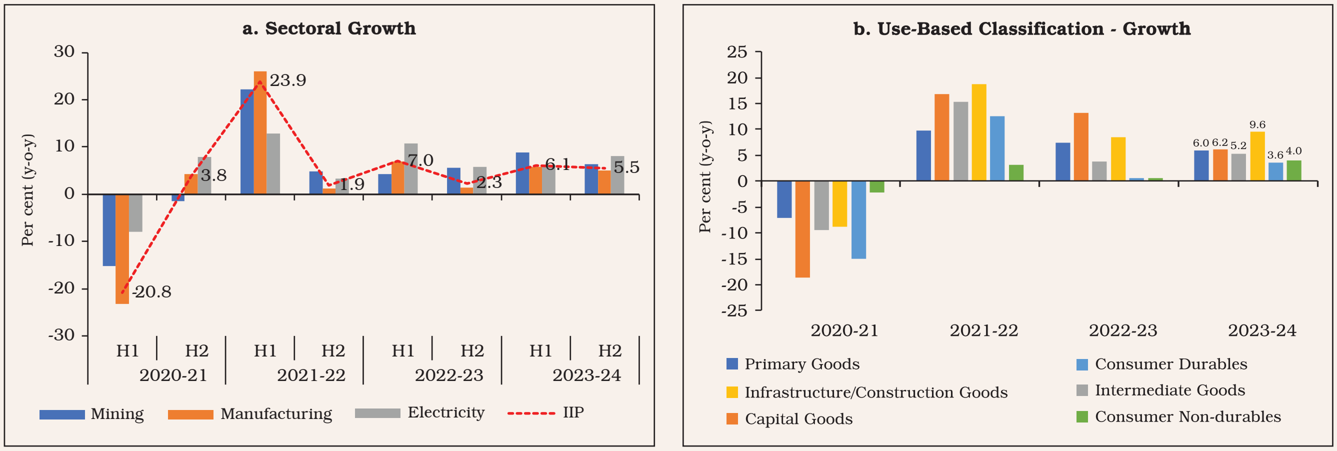
times the total quarterly buffer norm (Chart II.2.8). On November 29, 2023, the government extended free distribution of foodgrains under the *Pradhan Mantri Garib Kalyan Anna Yojana* (PMGKAY) for five more years, effective January 1, 2024.

Industrial Sector

II.2.12 India's industrial sector registered a strong growth in 2023-24, aided by healthy corporate profits on the back of easing input cost pressures (Chart II.2.9).

II.2.13 Industrial output as measured by the index of industrial production (IIP) expanded by 5.8 per cent during 2023-24 as compared with 5.2 per cent in the previous year (Chart II.2.10a). Within the manufacturing sector, 13 of 23 industry groups recorded y-o-y expansion, led by transport equipment, motor vehicles and basic metals. In terms of the use-based classification, all categories recorded y-o-y expansion (Chart II.2.10b).

Chart II.2.10: Index of Industrial Production



Source: MoSPI, GoI.

II.2.14 The manufacturing sector gained from the production-linked incentive (PLI) scheme. As of December 2023, actual investments of ₹1.07 lakh crore was realised, which has resulted in production/sales of ₹8.7 lakh crore, creation of over 7.0 lakh jobs directly and indirectly, and exports surpassing ₹3.4 lakh crore. Incentives totalling around ₹4,415 crore have been disbursed since the beginning of the scheme. Electronics and pharmaceuticals have been the major beneficiaries of the PLI scheme.

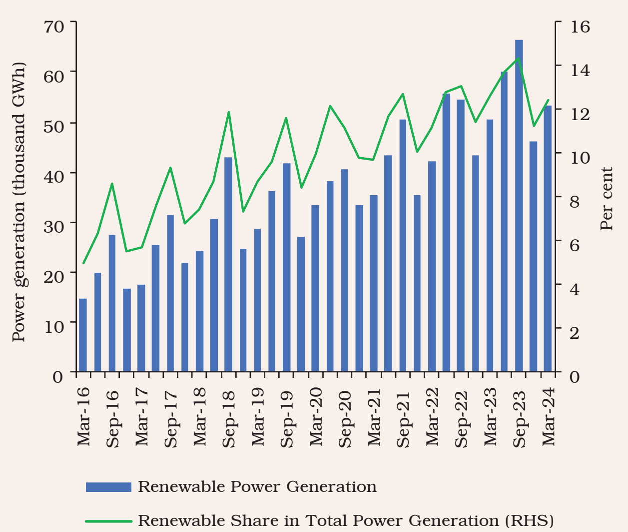
II.2.15 The mining sector index recorded 7.5 per cent y-o-y growth in 2023-24, led by expansion in coal production. Renewable energy, which accounts for around 13 per cent of the overall power generation, recorded a healthy growth during 2023-24 (Chart II.2.11). India had a total renewable energy capacity of 190.6 gigawatts (GW) as on March 31, 2024.

Services Sector

II.2.16 The services sector growth in 2023-24 was boosted by construction activity and financial, real estate and professional services. Proximate indicators of services sector such as air traffic, railway freight, automobile sales, steel consumption, GST E-way bills and foreign tourist arrivals recorded buoyant expansion (Table II.2.5).

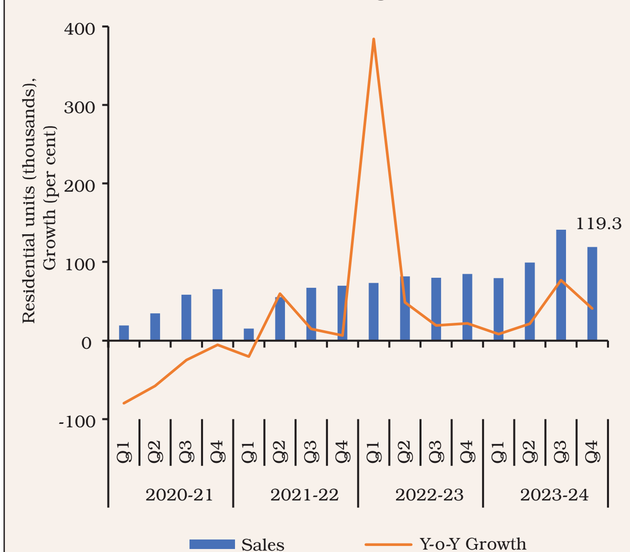
II.2.17 India's construction sector, currently ranking as the world's third largest, posted strong growth in 2023-24. Steel consumption and cement production expanded by 11.9 per cent and 9.1 per cent, respectively, in 2023-24. Pent-up demand and robust consumer sentiment for home ownership seen since the pandemic, maintained momentum in 2023-24 (Chart II.2.12). The information technology (IT) sector remained muted in 2023-24, impeded by global headwinds. The hospitality sector made further gains, with sustained leisure and corporate travel demand. In the financial sector, aggregate deposits and bank credit to the commercial sector recorded double digit expansion. Public administration, defence, and other services (PADO) registered a steady growth.

Chart II.2.11: Renewable Power Generation



GWh: Gigawatt hours.
Source: Central Electricity Authority.

Chart II.2.12: Housing Unit Sales



Source: PropTiger.

Table II.2.5: High Frequency Indicators - Growth Rate

(Per cent, y-o-y)

	2022-23				2023-24			
Indicators	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	2	3	4	5	6	7	8	9
Urban Demand								
Automobiles Sales	51.8	16.9	10.0	8.7	12.2	0.9	20.6	21.7
Passenger Vehicles Sales	33.9	34.4	21.4	10.7	9.5	5.7	8.7	10.8
Agriculture / Rural Demand								
Domestic Sales of Tractors	15.8	4.8	10.5	18.7	-1.9	-5.8	-4.9	-22.9
Two-Wheeler Sales	55.0	13.6	7.2	6.7	11.2	-1.6	22.6	24.9
Three-Wheeler Sales	211.3	71.2	68.2	84.4	89.6	62.2	35.2	7.3
Transport								
Vahan Total Registration	61.3	1.4	19.0	15.1	6.0	13.9	10.7	10.8
Domestic Air Passenger Traffic	206.2	64.1	18.5	52.2	19.1	23.0	9.1	5.2
International Air Passenger Traffic	403.3	263.9	98.1	93.6	35.0	21.6	18.5	17.0
Domestic Air Cargo	32.1	10.0	-3	0.5	-1.0	-1.0	9.5	10.0
International Air Cargo	-1.7	-3.8	-11	-2.8	0.1	3.7	10.7	23.9
Freight Traffic Net Tonne Kilometre@	19.4	14.5	-66.7	4.7	-3.5	0.9	4.6	-
Freight Traffic Freight Originating*	11.8	8.4	3.2	-33.5	1.1	4.8	6.4	8.2
Port Cargo	9.3	12.8	5.2	8.6	0.8	2.9	10.0	2.7
Domestic Trade								
GST E-way Bill	45.6	20.1	17.2	18.1	15.8	15.0	17.1	16.3
GST E-way Bill Intra-State	46.6	23.8	23.6	22.3	19.3	18.4	22.1	18.2
GST E-way Bill Inter-State	43.8	14.6	7.4	11.4	10.0	9.3	8.6	13.1
GST Revenue	34.5	27.5	14.2	12.6	11.6	10.6	12.9	11.3
Construction								
Steel Consumption	10.0	14.3	16.1	12.9	11.1	16.8	11.6	8.6
Cement Production	17.3	4.9	10.1	3.8	12.7	10.3	5.1	8.5
Tourism and Hospitality								
Hotel Occupancy Rate	64.7	62.2	65.0	66.3	63.0	60.9	65.2	67.8
Foreign Tourist Arrivals*	895.4	521.5	218.2	121.0	38.2	17.5	14.0	13.1

← Contraction Expansion →

@: Data for Q3:2023-24 relate to October 2023. *: Data for Q4:2023-24 are for January-February 2024. -: Not available.

Source: Society of Indian Automobile Manufacturers (SIAM); Tractor and Mechanization Association; *Vahan* Registration Portal; Airports Authority of India; Ministry of Railways, GoI; Indian Ports Association; Goods and Services Tax Network (GSTN); Joint Plant Committee, Office of Economic Adviser, NSO; Ministry of Commerce and Industry, GoI; HVS Anarock, and Ministry of Tourism, GoI.

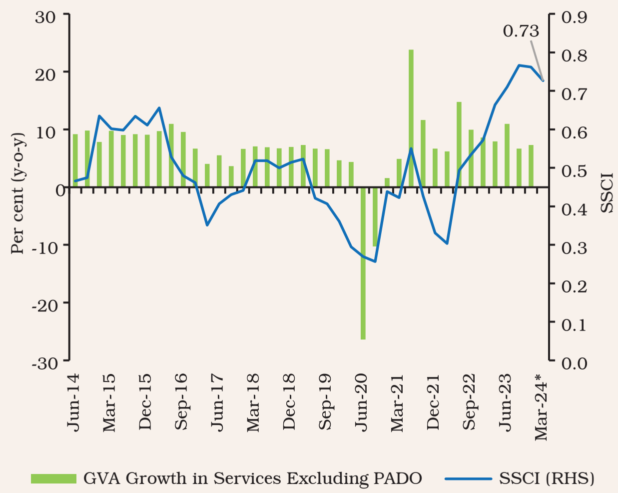
II.2.18 The services sector composite index (SSCI)[14], which tracks activity in construction, trade, transport and financial services and is a coincident indicator of GVA growth in the services sector excluding PADO, remained at an elevated level in 2023-24 (Chart II.2.13).

4. Employment

II.2.19 Labour market conditions improved during 2022-23 and 2023-24. According to the annual periodic labour force survey (PLFS), the unemployment rate (UR) declined further to 3.2

[14] SSCI is constructed by suitably extracting and combining the information collected from high frequency indicators, namely, steel consumption, cement production, cargo handled at major ports, sale/production of commercial vehicles, railway freight traffic, air passenger/freight traffic, tourist arrivals, non-oil imports, bank credit and deposit.

Chart II.2.13: Growth in Services Sector (Excluding PADO) and Services Sector Composite Index



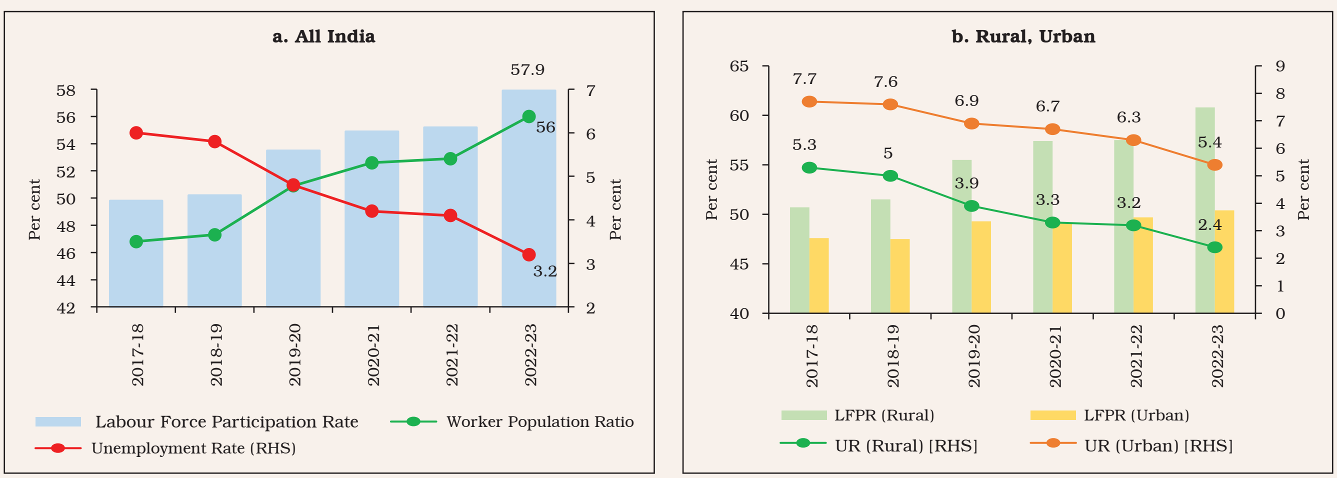
*: SSCI for March 2024 quarter is based on partial data available.
Source: NSO and RBI staff estimates.

per cent in 2022-23 (from 4.1 per cent in the previous year) alongside a rise in the labour force participation rate (LFPR) to 57.9 per cent from 55.2 per cent[15], with the progressive normalisation after the pandemic. LFPR and the worker population ratio (WPR) for 2022-23 were the highest since the inception of the PLFS series in 2017-18 (Chart II.2.14a). The employment situation improved in both rural and urban areas (Chart II.2.14b).

II.2.20 As per the quarterly PLFS, which covers urban areas, the LFPR as well as the worker-population ratio during Q4:2023-24 was the highest since the survey's inception for persons aged 15 years and above, which pushed the unemployment rate to one of the lowest levels at 6.7 per cent (Chart II.2.15). The organised sector employment, as measured by payroll data, also indicated gains in 2023-24 (Chart II.2.16).

II.2.21 Productivity growth is a key driver of medium-term growth. The important factors contributing to productivity growth in India since the 1990s include resource reallocation from low-productive to high-productive sectors and rapid penetration of information and communication technology (ICT)[16] [Box II.2.2].

Chart II.2.14: Labour Market Indicators – Annual PLFS

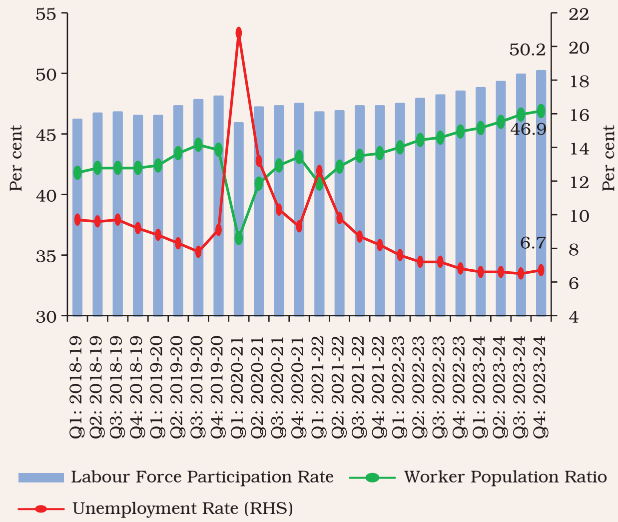


Source: MoSPI, GoI.

15 Annual indicators are based on usual status (principal status + subsidiary status) while quarterly PLFS indicators are based on current weekly status (CWS). All indicators are for age 15 years and above.

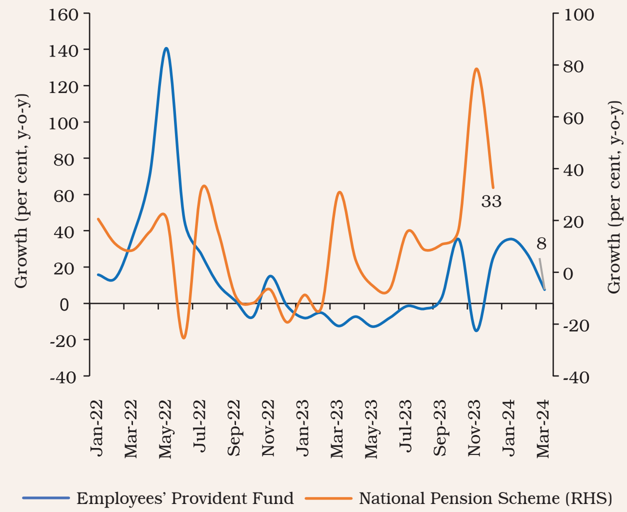
16 ICT sector combines manufacturing and services industries, whose products fulfil the function of information processing and communication by electronic means, including transmission and display (OECD, 2020).

Chart II.2.15: Quarterly Labour Market Indicators – Urban Areas



Source: MoSPI, GoI.

Chart II.2.16: Employees' Provident Fund and National Pension Scheme - Subscriber Additions



Source: MoSPI and Ministry of Labour and Employment, GoI.

Box II.2.2

Productivity and Digitalisation in India

The effect of digitalisation[17] on productivity is assessed through two separate channels, *viz.*, *via* the role of ICT as an input in driving output and labour productivity growth in the economy; and by estimating the productivity potentials by examining the differential between ICT and non-ICT sectors (Das and Erumban, 2016).

Role of ICT as an Input in Production Function

For India, estimates of productivity and output growth were constructed for 27 KLEMS industries from 1980 to 2020 as follows:

$$\Delta lnY \equiv \bar{v}_{ictK}\,\Delta lnICTk + \bar{v}_{ictnonK}\,\Delta lnICTnonk + \bar{v}_{L}\,\Delta lnL + \Delta TFP \quad \text{.... (1)}$$ [18]

In the next stage, the decomposition of labour productivity growth is obtained as:

$$\Delta lnLp \equiv \bar{v}_{ictK}\,\Delta lnICTk + \bar{v}_{ictnonK}\,\Delta lnICTnonk + \bar{v}_{L}\,\Delta lnLQ + \Delta TFP \quad \text{.... (2)}$$ [19]

The decomposition results[20] show that the contribution of ICT capital services to output growth increased from 5.0 per cent during 1981-90 to 13.2 per cent during 1992-2023. The contribution of ICT capital deepening to labour productivity growth increased from 8.4 per cent to 15.3 per cent over the same period.

Effect of ICT Sectors on TFP Growth

The 27 KLEMS industries have been segmented into ICT and non-ICT sectors to examine the productivity differential between ICT and non-ICT sectors using the following equation:

(Contd.)

[17] As per the OECD (2020), the extent of digitalisation can be measured by estimating the contribution of the ICT sector to economic growth.

[18] Where the aggregate value added (Y) is obtained by summing industry value-added growth. ΔlnK and ΔlnL denote the growth in factor inputs - capital and labour. The capital input is segregated into ICT capital and non-ICT capital. They are denoted as ICTK and ICTnonK, respectively. $\bar{v}_{ictK}$ and $\bar{v}_{ictnonK}$ denote the two-period average compensation share of ICT and non-ICT capital in aggregate value added. $\bar{v}_{L}$ is the two-period average share of labour compensation in aggregate value added. ΔTFP represents aggregate TFP growth.

[19] Where $\Delta lnLp$ represents labour productivity growth, $\Delta lnICTk$ and $\Delta lnICTnonk$ represent growth in capital deepening in ICT and non-ICT industries, respectively, and $\Delta lnLQ$ represents growth in labour quality.

[20] 1991 and 2020, being the BoP crisis and COVID years, respectively, are removed from the analysis due to negative labour productivity growth.

Table 1: Productivity and ICT Sector

Period/ Variable	Dependent Variable (ΔP):				
	1980-2020	1980-1990	1990-2000	2000-2010	2010-2020
1	2	3	4	5	6
ICT Sector Dummy	0.16***	0.31*	0.52	0.68*	-0.31
	(3.46)	(1.83)	(1.39)	(1.99)	(-0.91)
Non-ICT Sector Dummy	0.12*	0.27	0.45	0.60*	-0.33
	(2.69)	(1.56)	(1.24)	(1.82)	(-0.99)
Difference between ICT and Non-ICT	0.04***	0.04***	0.07*	0.07**	0.01
	(5.46)	(9.15)	(2.69)	(3.24)	(1.33)
Number of Observations	1053	243	243	243	243

***, ** and * indicate significance levels at 1 per cent, 5 per cent and 10 per cent, respectively.

Note: 1. The models include controls for labour quality, capital stock, capital composition, industry, and year-fixed effects.

2. Figures in parentheses are t-statistics.

Source: RBI staff estimates.

$$\Delta P_{it} = \alpha + \beta * ICT\ Dummy + \gamma X_{it} + \epsilon_{it} \qquad .... (3)$$ [21]

The results show that, on average, the ICT sector's productivity fared better than the non-ICT sector for the whole sample period (1980-2020) and the decadal sub-periods (Table 1). The productivity impact of ICT continued to grow during 1980 to 2010, refuting Solow's productivity paradox for India[22].

The emergence of the paradox in India for the more recent period (2010-2020), however, is generally consistent with the post-GFC productivity slowdown despite rising digitisation in many parts of the world, reflecting uneven access to digital technologies or their quality; and slow diffusion of technology benefits between the leading and the lagging firms (Dieppe *et. al.,* 2020).

References:

1. Dieppe, A., Kilic Celik, S., and Kindberg-Hanlon, G. (2020), 'Global Productivity: Trends. Drivers, and Policies', The World Bank, Washington.
2. Erumban, A. A., and Das, D. K. (2016), 'Information and Communication Technology and Economic Growth in India', *Telecommunications Policy*, 40 (5), 412-431.
3. OECD (2020), 'A Roadmap Toward a Common Framework for Measuring the Digital Economy', Report for the G20 Digital Economy Task Force.
4. Van Ark, B. (2016), 'The Productivity Paradox of the New Digital Economy', *International Productivity Monitor*, 31, 3-18.

5. Conclusion

II.2.22 The domestic economy exhibited robust growth in 2023-24, underpinned by strong investment activity, amidst subdued external demand. Manufacturing and services sectors were the key drivers on the supply side while agricultural activity slowed down due to uneven and deficient monsoon rainfall. The growth outlook remains buoyant, given the government's sustained focus on capital expenditure while maintaining fiscal consolidation. Strong corporate balance sheets, rising capacity utilisation, double digit credit growth, healthy financial sector, and the ongoing disinflation are likely to be other growth levers. Lingering geopolitical tensions, geoeconomic fragmentation and adverse climate shocks impart downside risks to the outlook.

[21] Where ΔP_{it} is the annual productivity growth rate, i is the industry, and t is the year (1980-2020). ICT is the industry dummy, which takes the value 1, if the industry belongs to the ICT sector and 0 otherwise. X_{it} is a vector of control variables including labour quality, capital quality, total capital stock, industry fixed effects and year fixed effect. α is the estimated average productivity for the industry belonging to the non-ICT sector, and $\alpha + \beta$ is the estimated average productivity for the industry belonging to the ICT sector. Therefore, β shows the difference in the productivity growth rate of ICT and non-ICT industry.

[22] The emergence of new digital technologies has coincided with a decline in productivity in many economies, a phenomenon often known as the 'Solow Productivity Paradox' (Van Ark 2016).

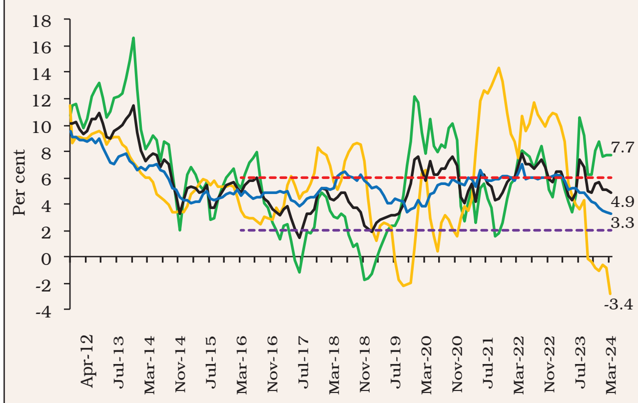
II.3 PRICE SITUATION

II.3.1 In India, headline inflation[23] moderated during 2023-24 into the tolerance band, in response to monetary policy tightening, supply management measures and easing of input cost pressures (see Chapter III). Food inflation turned volatile due to recurrent supply shocks. On the other hand, core inflation eased on a sustained basis, recording the lowest print in March 2024 in the current CPI series[24]. Fuel and light group remained in deflation since September 2023, driven down by the softening of global energy prices (Chart II.3.1).

II.3.2 Although average headline inflation moderated in 2023-24, its volatility, measured by its standard deviation, rose as extreme weather events resulted in intermittent food price spikes (Table II.3.1).

II.3.3 Against this backdrop, sub-section 2 assesses developments in global inflation and commodity prices. Sub-section 3 presents an analysis of inflation dynamics in India, with a deep dive into its primary constituents in sub-section 4. Other indicators of prices and costs are analysed in sub-section 5, followed by concluding observations.

Chart II.3.1: Inflation Across Major Components



Note: 1. Figures in parentheses indicate weight in CPI-Combined.
2. April and May 2020 data were imputed by the NSO.
Source: NSO and RBI staff estimates.

Table II.3.1: CPI Headline Inflation – Key Summary Statistics

(Per cent)

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
1	2	3	4	5	6	7	8	9	10	11	12
Mean	9.4	5.8	4.9	4.5	3.6	3.4	4.8	6.2	5.5	6.7	5.4
Standard Deviation	1.3	1.5	0.7	1.0	1.2	1.1	1.8	1.1	0.9	0.7	0.9
Skewness	-0.2	-0.1	-0.9	0.2	-0.2	0.1	0.5	-0.7	-0.1	-0.1	1.5
Kurtosis	-0.5	-1.0	-0.1	-1.6	-1.0	-1.5	-1.4	-0.7	-1.0	-0.6	1.6
Median	9.5	5.5	5.0	4.3	3.4	3.5	4.3	6.5	5.6	6.7	5.1
Maximum	11.5	7.9	5.7	6.1	5.2	4.9	7.6	7.6	7.0	7.8	7.4
Minimum	7.3	3.3	3.7	3.2	1.5	2.0	3.0	4.1	4.2	5.7	4.3

Note: Skewness and Kurtosis are unit-free. Annual inflation is the average of the monthly inflation rates during the year and therefore, may vary from the annual inflation calculated from the average index for the year.
Source: NSO and RBI staff estimates.

[23] Headline inflation is measured by year-on-year changes in the all-India CPI-Combined (Rural + Urban) [base year: 2012=100] released by the National Statistical Office (NSO), Ministry of Statistics and Programme Implementation (MoSPI), Government of India (GoI).
[24] Inflation eased further in April 2024.

2. Global Inflation Developments

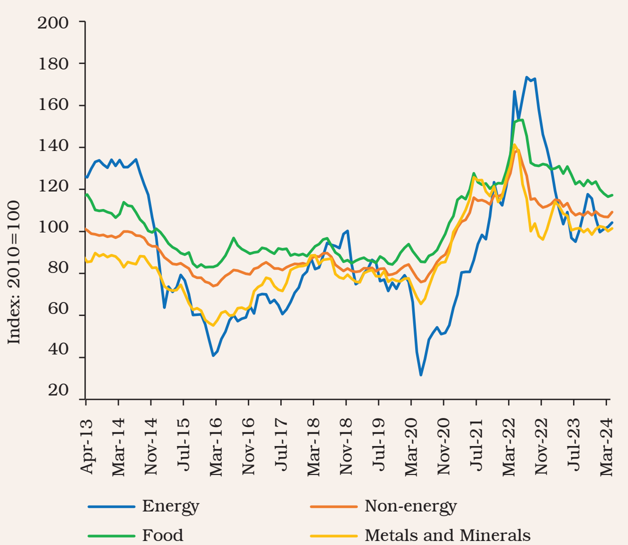
II.3.4 Globally, inflation eased in 2023 from its multi-decadal peak in 2022, but it ruled above targets and pre-pandemic levels across major economies. Aggressive and synchronised monetary policy tightening, normalisation of supply chains and softening of global energy and food prices helped to rein in inflationary pressures. According to the International Monetary Fund (IMF), global inflation fell to 6.8 per cent in 2023 from 8.7 per cent in 2022, although it remained above the average of 3.5 per cent during 2010-19[25].

II.3.5 Amongst major commodities, energy prices decreased by around 28 per cent during 2023-24, according to the World Bank energy price index (Chart II.3.2). While continuation of production cuts by OPEC+ countries exerted upside pressures on crude oil prices, they were more than offset by subdued global demand and increase in non-OPEC+ supply. Metal prices declined by around 8 per cent in 2023-24 on weak Chinese and European demand. International food prices fell by 10 per cent due to improved supplies from robust harvest. Rice and sugar prices, however, hardened on supply-demand gaps. The increasing incidence of extreme climate events and lingering global geopolitical uncertainties pose risks to the inflation outlook.

3. Inflation in India

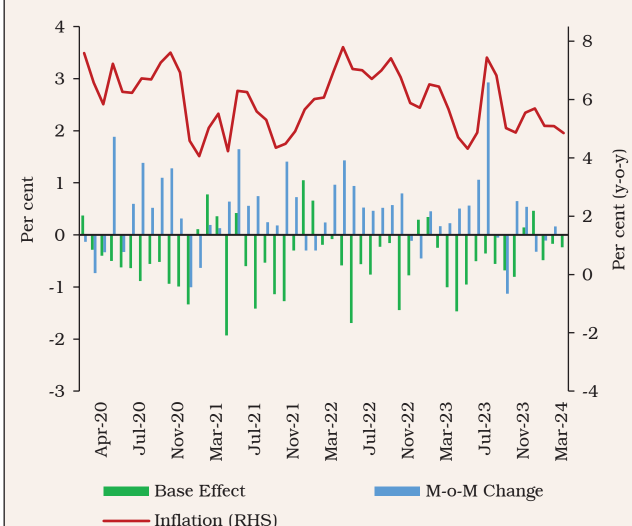
II.3.6 India's headline inflation rose from an intra-year low of 4.3 per cent in May 2023 to a peak of 7.4 per cent in July 2023. It eased to 4.9 per cent in October but firmed up to 5.7 per cent in December and then softened to 4.9 per cent in March 2024, reflecting the volatility in food prices (Chart II.3.3). Supply side measures including

Chart II.3.2: International Commodity Prices



Source: World Bank Pink Sheet Database.

Chart II.3.3: Movements in Headline Inflation



Note: April and May 2020 data were imputed by the NSO.
Source: NSO and RBI staff estimates.

[25] World Economic Outlook (WEO), April 2024, IMF.

targeted interventions, stock limits, and active trade policy initiatives in respect of inflation sensitive agricultural items helped in mitigating price pressures. Core inflation was tempered by monetary tightening, mending of global supply chains and corrections in input cost pressures. The impact of shocks on core inflation has been reduced significantly in the post-flexible inflation targeting (FIT) period, indicating the anchoring of inflation expectations (Box II.3.1).

Box II.3.1
Dynamics of Inflation Surges in India

Seasonally adjusted quarterly headline and core inflation paths are estimated as a function of lagged inflation and lagged surge event dummies in a regression-based event study framework to study the dynamics of inflation in surge episodes (Blanco *et. al.,* 2022). Surge events are defined by changes in inflation above the threshold level of the 90th percentile of the long run inflation distribution or those in the right tail of the distribution (Chart 1).

The event period window selection is based on the average time (number of quarters) taken for inflation surges to reach their pre-surge levels. The dynamics of the inflation path is estimated as:

$$y_{i,t} = \alpha_i + \sum_{j=0}^{J} \beta_j \, y_{i,t-1-j} + \sum_{k=-K_1}^{K_2} \gamma_k D_{i,t-k} + \varepsilon_{it} \qquad ....(1)$$

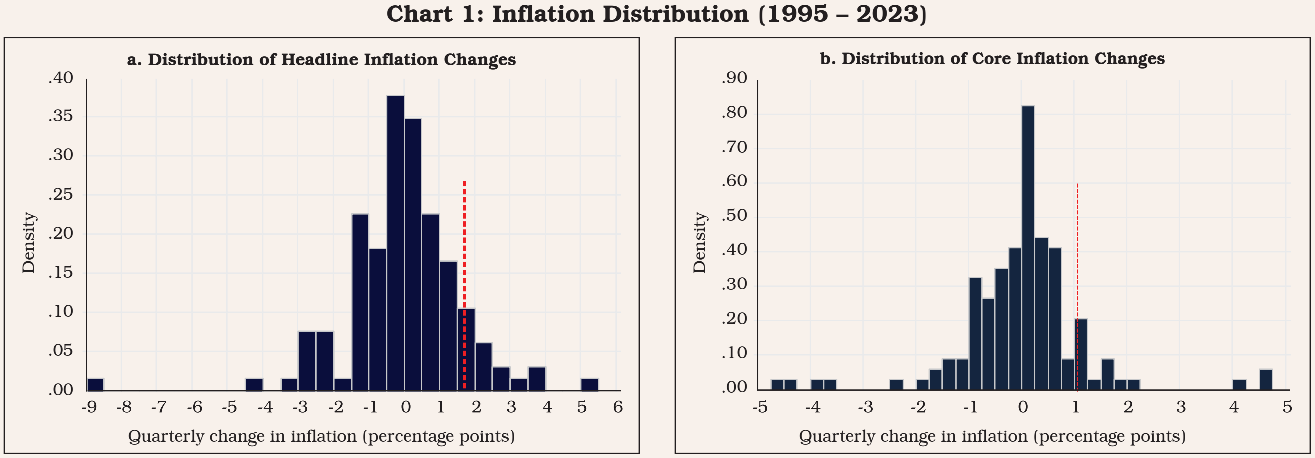
where $y_{i,t}$ is the seasonally adjusted quarterly inflation rate (headline or core) in the t^{th} period, $D_{i,t-k}$ is the dummy variable which takes a value 1 at the beginning of the inflation surge episode (t) and 0 otherwise and, ε_{it} is the random error term. *J* and *K* are inflation lags and the lags of the event, respectively. K_1 and K_2 are the beginning and the end of the event window.

The average inflation path derived from the estimated coefficients $\hat{\beta}_j$ and $\hat{\gamma}_k$ from lagged inflation and lagged dummies, respectively, is estimated as:

$$\hat{y}_t = \sum_{k=-K_1}^{\min\,(t-1,\,K_2)} \prod_{j=0}^{\min\,(t-2-k,J)} \hat{\beta}_j \hat{\gamma}_k, \text{ for } t \geq -K_1 + 1 \qquad ....(2)$$

Cross-country evidence suggests that inflation surges are persistent, but with the duration of disinflation exceeding the phase of inflation increase (Blanco *et.al.,* 2022; Ari *et.al.*, 2023). In India, core inflation takes one year, on an average, to return to its pre-surge level in the absence of any overlapping shock; however, the convergence of headline inflation to its pre-shock level is obstructed by volatility in food inflation (Charts 2a and 2b). Disaggregated analysis of the pre-FIT (1995-2016) and post-FIT (2017-2023) periods indicates a change in the pattern of

Chart 1: Inflation Distribution (1995 – 2023)



Note: Red line indicates 90th percentile of the distribution of change in inflation.
Source: RBI staff estimates.

(Contd.)

Chart 2a: Convergence Path of Headline Inflation Post Surge

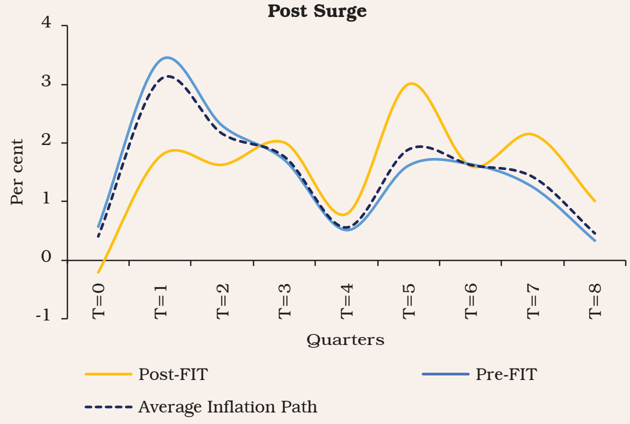
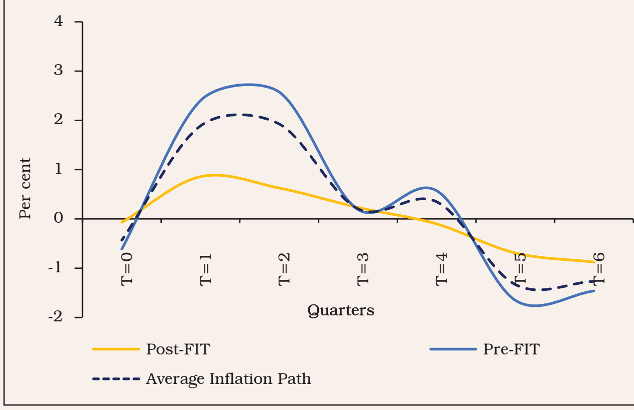


Chart 2b: Convergence Path of Core Inflation Post Surge



Source: RBI staff estimates.

convergence, particularly for core inflation. While the timeline for movement back to equilibrium remains similar due to structural factors and policy transmission lags, the jump in core inflation is notably lower than in the pre-FIT period. This points to anchored inflation expectations. Thus, credible and timely monetary policy actions can contain the impact of shocks on inflation both in terms of size and duration.

References:

1. Ari A., C. M-Granados, V Mylonas, L Ratnovski, and W Zhao (2023), 'One Hundred Inflation Shocks: Seven Stylized Facts', IMF Working Paper, WP/23/190.

2. Blanco A., P. Ottonello and T. Ranosova (2022), 'The Dynamics of Large Inflation Surges', NBER Working Paper Series, No. 30555.

II.3.7 Inflation in food and beverages remained the major driver of headline inflation, with its contribution to headline inflation increasing to 60.3 per cent during 2023-24 from 46 per cent a year ago. Uneven spatial and temporal distribution of rainfall and extreme weather events led to crop damages and production shortfalls in key agricultural commodities. Frequent shocks in vegetables prices, combined with lower stocks of wheat and decline in production of pulses and spices, kept food inflation at an elevated level. The impact of supply shocks on state-level inflation could provide an assessment of their spillovers across state borders (Box II.3.2).

Box II.3.2
India's Spatial Connectivity and Sub-national Inflation Dynamics: Connecting the Dots

Better connectivity among states eases transportation and trade costs by reducing the mark-up. The spatial transmission of supply shocks and impact on CPI food inflation is analysed through a heterogeneous spatial auto regression (SAR) model of the following form:

$$\pi_{it} = \rho_i \sum_j w_{ij} \pi_{jt} + \theta_{1i} Shock_{it} + \epsilon_{it} \quad \text{....(A)}$$

where π_{it} is inflation for state i in year t. The supply shock is proxied by state level absolute rainfall deviations from normal[26] and w_{ij} is the row-normalised spatial linkages measured by the number of national highways connecting states *i* and *j* ($w_{ii} = 0$)[27]. The model is estimated as a system of equations with heterogeneous coefficients (Aquaro *et. al.*, 2021)

(Contd.)

[26] The absolute rainfall deviations capture the rainfall status relative to the normal rainfall. High deviations indicate a high deficit or excess rainfall, both of which could be adverse for agriculture production.

[27] For a well-connected state *i*, $w_{ij} > 0$ for majority of *j* where $j \neq i$.

Table 1: Effect of Supply Shock on Spatial Variations in Inflation[28]

Model →	(1)	(2)	(3)	(4)
	Full Sample (2013-24)		Pre-COVID (2013-19)	
1	2	3	4	5
Spatial Autocorrelation	0.715***	0.725***	0.701***	0.710***
	(0.072)	*(0.077)*	*(0.059)*	*(0.059)*
Absolute Rainfall Deviation	0.021***	0.020***	0.029***	0.029***
	(0.010)	*(0.010)*	*(0.011)*	*(0.011)*

*** indicates significance at 1 per cent level.
Note: Figures in parentheses are standard errors estimated using asymptotic derivation suggested by Aquaro *et. al.,* (2021). The coefficients represent average effect, average taken over states.
Source: RBI staff estimates.

using annual CPI inflation data across 27 states during 2013-24. It is observed that there is positive and significant spatial autocorrelation among states, suggesting transmission of supply shocks through transport linkages. Higher rainfall deviations increase inflation pressures on food inflation (Table 1).

Using the spatial framework, the total effect of the rainfall shocks is decomposed into direct and indirect effect (Pace and LeSage, 2009). The direct effect captures the state-wise effect on inflation due to state-level rainfall deviation, whereas the indirect effect captures the second-round effect due to the transmission of rainfall shocks to other states through the transportation network. The findings suggest that the direct effect of rainfall deviation is positive and significant on food inflation, on an average. Indirect effect accounts for almost 75 per cent of the total effect suggesting strong transport linkages among the states (Table 2).

Spatio-temporal variations in indirect contributions are plotted in a heatmap (Chart 1). The contribution of indirect effect[29] in total food inflation is high across majority of states, underlining the role of road infrastructure in supply management.

The findings indicate that supply shocks which generate food price pressures can get amplified in distant states with poor connectivity. Trade cost pressures are lower for states with better connectivity.

Table 2: Direct and Indirect Effect of Rainfall Shock on Inflation

Model →	(1)	(2)	(3)	(4)
	Full Sample (2013-24)		Pre-COVID (2013-19)	
1	2	3	4	5
Direct Effect	0.045***	0.047***	0.041***	0.044***
	(0.010)	*(0.010)*	*(0.012)*	*(0.012)*
Indirect Effect	0.128***	0.131***	0.121***	0.122***
	(0.024)	*(0.025)*	*(0.023)*	*(0.023)*
Share of Direct Effect in Total Effect (Per cent)	27.01	27.50	25.31	26.51

*** indicates significance at 1 per cent level.
Note: Figures in parentheses are standard errors estimated using bootstrap.
Source: RBI staff estimates.

(Contd.)

[28] Specifications (2) and (4) use winsorised rainfall deviation values due to high variations in state-level rainfall. Specifications (1) and (3) use exact rainfall deviations.

[29] Contribution is derived as a share of indirect effect to total effect. Lower indirect effect in some years may reflect higher direct impact in those years.

Chart 1: Contribution of Indirect Effect over State and Time Horizon

Year	Andhra Pradesh	Assam	Bihar	Chhattisgarh	Delhi	Gujarat	Haryana	Himachal Pradesh	Jharkhand	Karnataka	Kerala	Madhya Pradesh	Maharashtra	Manipur	Meghalaya	Mizoram	Nagaland	Odisha	Punjab	Rajasthan	Sikkim	Tamil Nadu	Tripura	Uttar Pradesh	Uttarakhand	West Bengal
2013-14	0.61	0.15	0.12	0.31	0.46	0.12	0.40	0.28	0.16	0.46	0.51	0.12	0.26	0.12	0.12	0.17	0.12	0.48	0.51	0.34	0.12	0.68	0.16	0.89	0.12	0.12
2014-15	0.30	0.89	0.90	0.77	0.65	0.55	0.12	0.63	0.47	0.20	0.62	0.47	0.81	0.12	0.12	0.23	0.12	0.73	0.12	0.89	0.53	0.84	0.21	0.34	0.48	0.78
2015-16	0.86	0.83	0.87	0.65	0.51	0.89	0.46	0.49	0.39	0.79	0.40	0.80	0.22	0.57	0.12	0.25	0.12	0.61	0.84	0.69	0.58	0.57	0.89	0.12	0.65	0.77
2016-17	0.62	0.12	0.83	0.72	0.79	0.22	0.87	0.90	0.86	0.71	0.12	0.43	0.51	0.15	0.17	0.84	0.49	0.86	0.15	0.87	0.90	0.64	0.88	0.14	0.50	0.87
2017-18	0.21	0.82	0.18	0.54	0.12	0.12	0.12	0.57	0.12	0.52	0.89	0.12	0.90	0.13	0.19	0.16	0.12	0.37	0.12	0.12	0.75	0.16	0.14	0.15	0.25	0.41
2018-19	0.53	0.52	0.12	0.59	0.85	0.59	0.17	0.78	0.29	0.86	0.13	0.90	0.90	0.24	0.19	0.25	0.16	0.39	0.59	0.14	0.25	0.38	0.54	0.67	0.90	0.89
2019-20	0.56	0.17	0.88	0.67	0.15	0.12	0.45	0.34	0.53	0.14	0.69	0.45	0.84	0.15	0.12	0.37	0.53	0.66	0.31	0.61	0.24	0.72	0.30	0.64	0.50	0.81
2020-21	0.12	0.81	0.28	0.89	0.90	0.12	0.74	0.38	0.12	0.33	0.24	0.24	0.12	0.12	0.44	0.32	0.18	0.90	0.61	0.41	0.12	0.36	0.26	0.55	0.12	0.12
2021-22	0.64	0.15	0.82	0.86	0.86	0.90	0.12	0.89	0.84	0.77	0.18	0.90	0.52	0.31	0.33	0.41	0.21	0.87	0.67	0.36	0.69	0.42	0.66	0.67	0.89	0.36
2022-23	0.62	0.67	0.21	0.12	0.46	0.40	0.85	0.81	0.89	0.90	0.68	0.75	0.19	0.47	0.51	0.46	0.25	0.86	0.42	0.74	0.15	0.88	0.90	0.58	0.87	0.34
2023-24	0.63	0.65	0.25	0.10	0.51	0.51	0.80	0.82	0.87	0.82	0.65	0.72	0.25	0.45	0.55	0.52	0.22	0.81	0.40	0.70	0.21	0.83	0.86	0.61	0.85	0.37

Note: Blue indicates higher contribution of indirect effect, while red indicates lower contribution.
Source: RBI staff estimates.

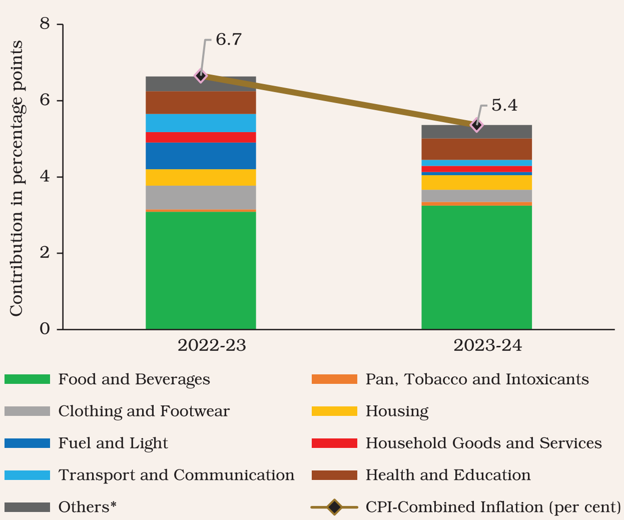
References:

1. Aquaro, M., Natalia B., and Hashem P. M. (2021), 'Estimation and Inference for Spatial Models with Heterogeneous Coefficients: An Application to U.S. House Prices', *Journal of Applied Econometrics*, 36 (1), 18–44.
2. Armington, P. (1969), 'A Theory of Demand for Products Distinguished by Place of Production', *International Monetary Fund Staff Papers*, Washington DC, 159–78.
3. Deardorff, A. (2004), 'Local Comparative Advantage: Trade Costs and The Pattern of Trade', University of Michigan Research Seminar in International Economics Discussion Paper, University of Michigan, Ann Arbor.
4. LeSage, J. and Robert. K. P. (2009), 'Introduction to Spatial Econometrics', CRC Press, New York, January.

II.3.8 Inflation in the fuel and light group averaged 1.2 per cent during 2023-24, significantly lower than 10.3 per cent a year ago. Year-on-year prices in this group moved into deflation from September 2023, following reduction in prices of liquefied petroleum gas (LPG) and kerosene on the back of correction in global energy prices. Electricity price inflation, however, averaged higher at 9.7 per cent due to tariff hikes in some states.

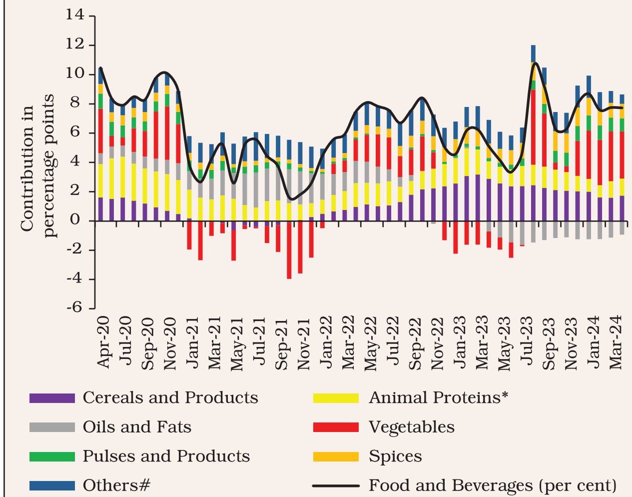
II.3.9 During 2023-24, core inflation moderated to 4.3 per cent from 6.1 per cent a year ago, as a broad-based disinflation gathered momentum during September-March. This easing was driven by prices of household goods, clothing and footwear, and personal care and effects (excluding gold and silver) on the goods side and house rent, recreation and amusement, and transport fares on the services side. Overall, headline inflation fell to 5.4 per cent during

Chart II.3.4: Drivers of Inflation (Y-o-Y)



*: Includes recreation and amusement, and personal care and effects.
Source: NSO and RBI staff estimates.

Chart II.3.5: Drivers of Food Inflation (Y-o-Y)



*: Includes meat and fish, egg, and milk and products.
#: Includes fruits, sugar and confectionery, non-alcoholic beverages, and prepared meals.
Source: NSO and RBI staff estimates.

2023-24, 129 basis points (bps) lower than a year ago (Appendix Table 4).

4. Constituents of CPI Inflation

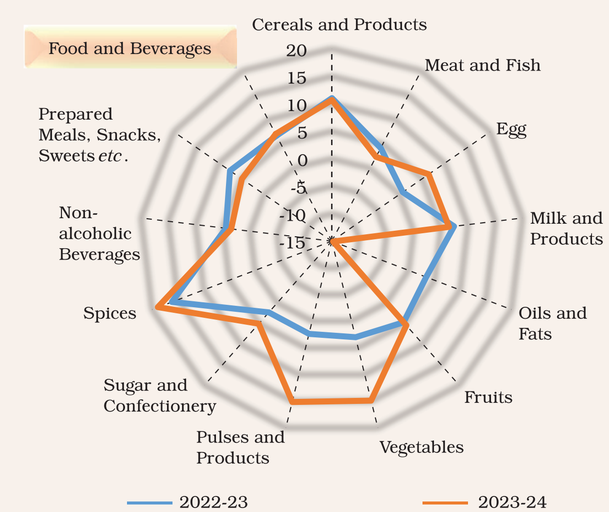
II.3.10 During 2023-24, CPI headline inflation was primarily driven by prices of food and beverages, followed by health and education, housing, and clothing and footwear (Chart II.3.4).

Food

II.3.11 Inflation in food and beverages (weight: 45.9 per cent in CPI) hovered in a wide range of 3.3 per cent to 10.6 per cent in 2023-24. Persistent price pressures in cereals, spices, pulses, and animal proteins exacerbated by spikes in prices of vegetables, primarily tomato and onion, were the key drivers of food inflation (Chart II.3.5). Oils and fats, however, remained in deflation throughout the year on the back of softer global edible oil prices.

II.3.12 Food and beverages inflation averaged 7.0 per cent in 2023-24, higher than 6.7 per cent a year ago. Within the food group, inflation increased in six sub-groups while it moderated for the remaining six sub-groups (Chart II.3.6). Pulses and spices (combined weight: 10.6 per

Chart II.3.6: Inflation in Major Food Sub-groups



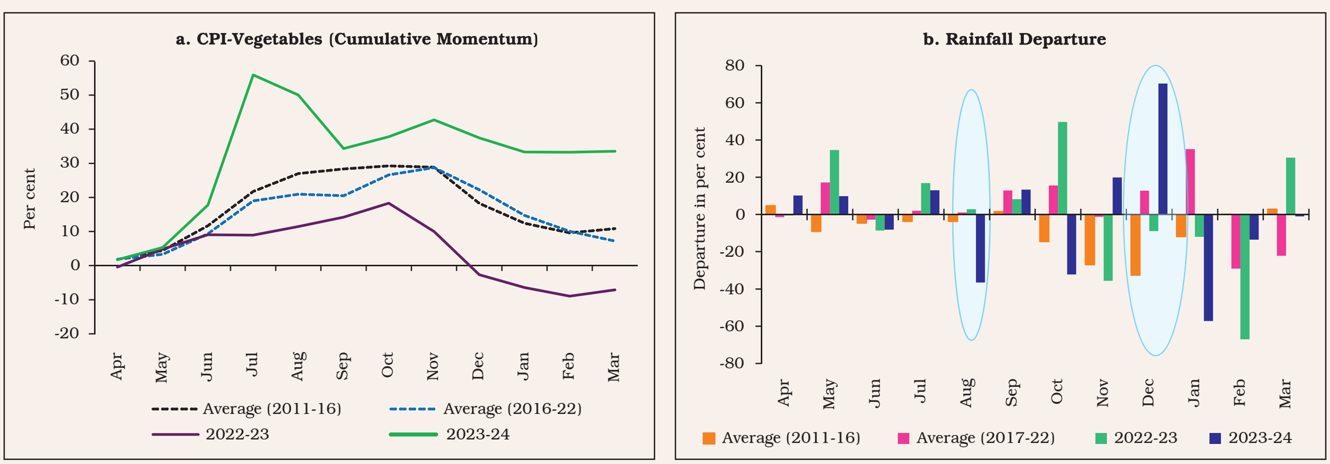
Source: NSO and RBI staff estimates.

cent in CPI-Food and beverages) recorded double digit inflation of 15.2 per cent and 18.9 per cent, respectively. Food inflation peaked at 10.6 per cent in July 2023, the highest since January 2020.

II.3.13 After remaining in deflation during November 2022-June 2023, the prices of vegetables (weight of 13.2 per cent in the food and beverages group) increased by 37.4 per cent (y-o-y) in July 2023 as crop damages and supply disruptions caused by heavy rainfall and floods in the northern parts of the country led to sharp increase in prices of tomatoes, onions and potatoes (TOP) as well as non-TOP vegetables (Charts II.3.7a and II.3.7b). A gradual normalisation of supply conditions and a pick-up in fresh crop arrivals softened vegetables inflation to 2.8 per cent in October 2023. A spike in onion and tomato prices in November 2023 along with subsequent hardening in prices of non-TOP vegetables and adverse base effects led to a resurgence in vegetables inflation to 28.3 per cent in March 2024.

II.3.14 Onion prices declined on a month-on-month (m-o-m) basis during April-May 2023 on account of robust market arrivals from the fresh *rabi* harvest. However, onion prices picked up in June 2023 and recorded double digit increases until November due to lower production [a decline of 15.7 per cent in 2023-24, as per 1st advance estimates (AE) over 2022-23 final estimates (FE)]. Seasonal uptick in onion prices was exacerbated by dry weather conditions in August which resulted in crop damage. Delayed harvest of *kharif* onions amidst lower availability of *rabi* stocks exerted upward pressure on prices, leading to y-o-y inflation of 86.3 per cent in November 2023. To contain price pressures, the central government resorted to multi-pronged measures: enhancement of the buffer stock of onions to 7 lakh metric tonnes (LMT) in 2023-24 from 2.5 LMT in 2022-23; disposal of stock through open market sales; retail sale of subsidised onions through various channels; imposition of 40 per cent export duty and minimum export price (MEP) of US$ 800 per metric tonne from

Chart II.3.7: Seasonality in CPI-Vegetables Prices and Rainfall Departure



Note: For chart b, rainfall departure is defined as deviation from 50-year average (1971 to 2020); average rainfall data are based on calendar year.
Source: NSO, EnviStats India 2023, Ministry of Statistics and Programme Implementation (MoSPI) and RBI staff estimates.

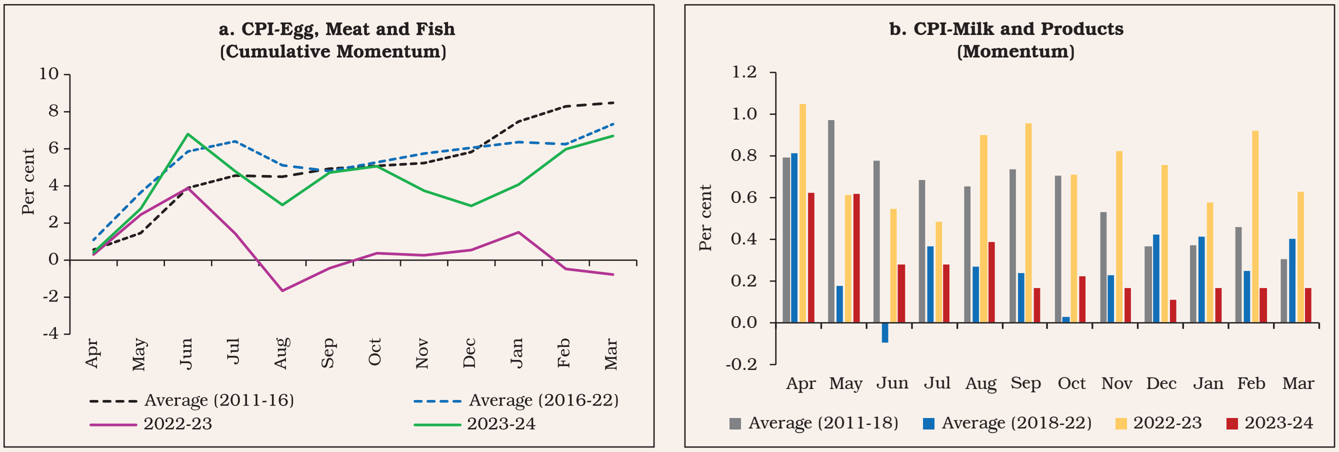
October 29, 2023; and a prohibition on onion exports from December 8, 2023[30]. On the back of these measures and fresh crop arrivals, onion prices declined cumulatively by almost 58 per cent during December 2023-February 2024.

II.3.15 Tomato prices exhibited significant volatility in 2023-24. Inflation in this item surged to 202.1 per cent in July, the highest in the current CPI series, due to crop damages and supply disruptions on account of excess rains and floods, especially in northern India, and pest attacks in Karnataka. This was followed by significant corrections during September-October on fresh crop arrivals. Tomato prices rose again in November 2023 owing to excess/unseasonal rainfall in key producing states. Overall, decline in supply on account of lower production [(-) 1.3 per cent in 2022-23] contributed to price pressures. Tomato prices corrected in August-October 2023 and thereafter in December 2023-January 2024 on the back of higher production (1.9 per cent in 2023-24 1st AE over 2022-23 FE). On the other hand, potato prices remained in deflation from February 2023 to January 2024 on the back of higher production (an increase of 7.1 per cent in 2022-23). Potato inflation, however, turned positive in February 2024 and touched 41 per cent in March 2024 due to lower production in 2023-24 [(-) 1.9 per cent over 2022-23] and adverse base effects. Vegetables such as ginger, garlic, cauliflower, cabbage, brinjal and green chillies also witnessed high price pressures in July due to rain-induced supply disruptions. The unusually high cumulative price momentum in non-TOP vegetables contributed substantially to the spike in vegetables inflation during July-August 2023. With fresh crop arrivals, the prices of these vegetables corrected in subsequent months, *albeit* lower than usual due to higher minimum temperatures in November-December 2023.

II.3.16 Inflation in prices of cereals and products (weight of 21 per cent in the CPI-Food and beverages) remained in double digits during April-November 2023, driven up by rice and wheat prices. Wheat prices surged on the back of lower production due to higher temperature in February 2023, unseasonal rains in March 2023 and low stock levels. Rice prices have recorded double digit inflation since October 2022 on account of lower *kharif* production during 2022-23 as well as lower arrivals in 2023-24. In order to improve domestic supply and to contain price pressures in cereals, the government undertook various measures including allocation of 101.5 LMT of wheat and 25 LMT of rice for sale under open market sale scheme (OMSS) in the *kharif* marketing season 2023-24; imposition of export duty on parboiled rice; restriction on exports of non-*basmati* rice; stock limits on wheat; launch of retail sale of ‘*Bharat*’ brand *atta* and rice at subsidised prices to increase supplies in the market at affordable rates; and restriction on diversion of subsidised rice to distilleries for ethanol production. Cereals inflation moderated to 8.4 per cent in March 2024, with wheat/*atta* inflation at 4.7 per cent. Rice inflation, however, remained elevated at 12.7 per cent. The

[30] On May 4, 2024, the government amended export policy of onion from ‘prohibited’ to ‘free’, subject to MEP of US$ 550 per tonne.

Chart II.3.8: CPI-Animal Proteins - Seasonality in Prices



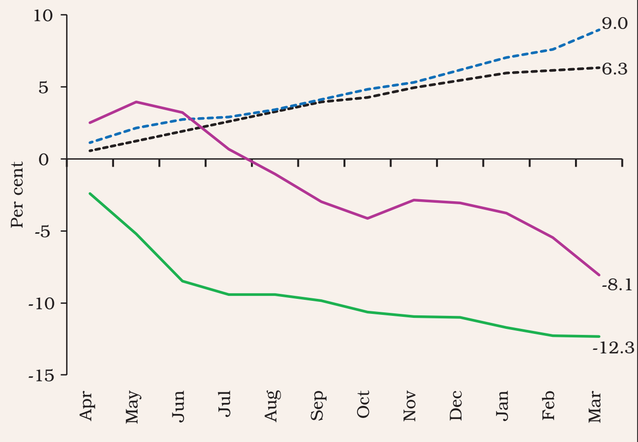
Note: For April 2020, index for meat and fish was imputed by the NSO.
Source: NSO and RBI staff estimates.

government extended the *Pradhan Mantri Garib Kalyan Anna Yojana* (PMGKAY) for five years starting January 2024.

II.3.17 Animal protein-rich items such as eggs, meat and fish (weight of 8.8 per cent in CPI-food and beverages) witnessed uptick in prices during May-June 2023 due to heat conditions which impacted egg and poultry production in major producing states in southern India (Chart II.3.8a). Price pressures moderated subsequently due to fall in demand on account of *Shravana* period during July-August 2023. However, price pressures re-emerged, especially in the case of eggs from September 2023, reflecting seasonal demand and higher exports. Milk and products price inflation moderated during 2023-24 on favourable base effects, no significant price hikes by major milk co-operatives, and reduced peak demand for milk and products (such as ice-cream, curd and buttermilk) due to the delayed onset of summer following unseasonal rains in the early part of 2023 (March-May). Moreover, easing global dairy prices discouraged exports, thereby enabling higher domestic supply of milk fats like butter and *ghee*. Feed and fodder costs moderated through Q1:2023-24 on better domestic availability. Furthermore, as the dairy sector recovered from the lumpy skin disease outbreak of 2022 and production improved, there was a softening in milk price momentum (Chart II.3.8b).

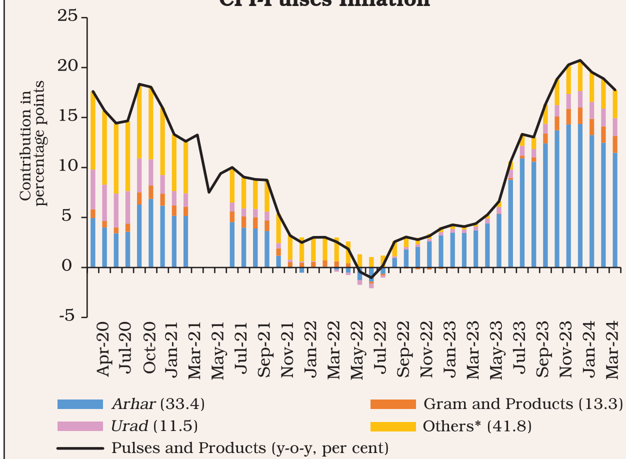
II.3.18 Prices of oils and fats (weight of 7.8 per cent in CPI-food and beverages) were in double digit deflation throughout 2023-24, averaging at (-) 14.8 per cent, due to higher domestic production of oilseeds during 2022-23 (by 8.9 per cent), fall in international prices and lower import duties on major edible oils (Chart II.3.9). The lower *kharif* production of oilseeds in 2023-24 [(-) 12.7 per cent as per 2023-24 2nd AE over 2022-23 FE] led to pressure in some oils (*viz.*, mustard and groundnut oil). The government reduced the basic import duty on refined soyabean and sunflower oil from 17.5 per cent to 12.5 per cent on June 15, 2023. Lower import duty structure on crude palm, sunflower and soyabean was extended till March 2025. *Ghee* and butter price inflation moderated, reflecting pass-through of

Chart II.3.9: CPI-Oils and Fats (Cumulative Momentum)



Source: NSO and RBI staff estimates.

Chart II.3.10: Component-wise Contribution in CPI-Pulses Inflation



*: Includes *moong*, *masur*, peas, *khesari*, *besan* and other pulses products.

Note: 1. Figures in parentheses indicate weight in CPI-pulses and products.
2. Item level CPI data were not released by the NSO during March-May 2020.

Source: NSO and RBI staff estimates.

easing milk price momentum and favourable base effect.

II.3.19 Inflation in prices of pulses (weight of 5.2 per cent in CPI-food and beverages) increased steadily during the year, averaging 15.2 per cent in 2023-24 (Chart II.3.10). Lower production of pulses in 2022-23 as well as in the *kharif* 2023-24 season (*viz.*, *urad* and *moong)* [(-) 6.6 per cent as per 2023-24 second advance estimate (SAE) over 2022-23 FE] exerted upward price pressures. In order to improve domestic availability and contain prices, the government extended imports of *tur* and *urad* under the 'free category' till March 31, 2025; extended free imports of yellow peas, a close substitute of gram without minimum import price (MIP) restriction till October 2024; imposed stock limits on *tur* and *urad* till December 31, 2023; removed procurement ceilings of 40 per cent for *tur*, *urad* and *masoor* under the price support scheme (PSS) for 2023-24 to encourage higher sowing acreage; released *tur* from the national buffer in a calibrated manner; and engaged in sale of subsidised *chana dal* under the brand name '*Bharat Dal*'.

II.3.20 Inflation in prices of fruits (weight of 6.3 per cent in CPI-food and beverages) remained subdued during April-June 2023, supported by higher production (2.5 per cent as per 2022-23 horticulture FE over 2021-22 FE). However, there was an uptick in inflation from July 2023 as floods in Himachal Pradesh damaged apple plantations and led to supply disruptions. Banana price inflation remained moderate during June-September on the back of robust production but hardened thereafter to 16.6 per cent in December 2023 due to supply constraints in the growing belt as well as higher festival demand. Inflation in fruits softened from January 2024 on the back of higher production in 2023-24 (1.7 per cent over 2022-23).

II.3.21 Among other food items, double digit inflation persisted in spices (averaging 18.9 per cent during 2023-24), primarily driven by *jeera* (cumin) - which recorded over 100 per

Chart II.3.11: Drivers of Fuel Inflation

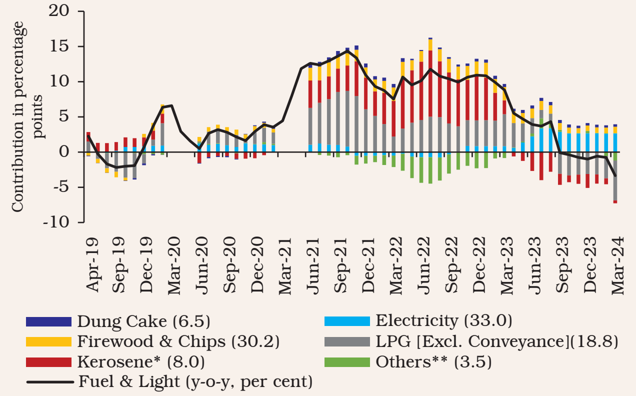
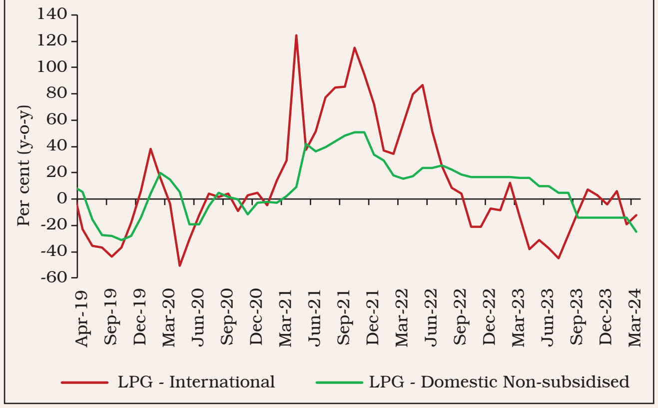


Chart II.3.12: Movements in LPG Prices



*: Includes kerosene public distribution system (PDS) and kerosene from other sources.
**: Includes diesel, coke, coal, charcoal, and other fuel.
Note: 1. Figures in parentheses indicate weight in CPI-Fuel and Light.
2. Item level CPI data were not released by the NSO during March-May 2020.
3. Domestic non-subsidised LPG prices are the average of prices in four metro cities (Delhi, Mumbai, Kolkata and Chennai).
Source: NSO, Indian Oil Corporation Limited (IOCL), and Bloomberg.

cent inflation during July-December 2023 due to unfavourable weather conditions and stagnant production. The monthly momentum in *jeera* prices fell sharply in September 2023 and turned negative from December 2023 onwards, reflecting higher production in 2023-24 (49 per cent over 2022-23). Inflation in dry chillies moderated consistently during the year from 27.5 per cent in April 2023 to 3.7 per cent in March 2024.

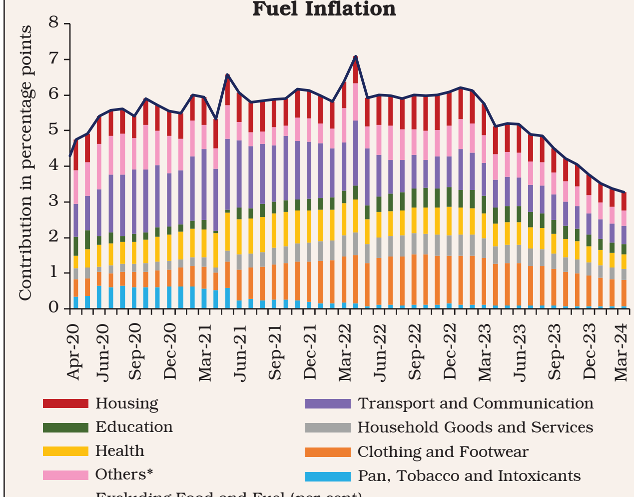
Fuel

II.3.22 The contribution of the fuel group (weight of 6.8 per cent in CPI) to headline inflation decreased to 1.6 per cent in 2023-24 from 10.5 per cent a year ago. Fuel inflation decreased from 10.8 per cent in January 2023 to (-) 3.4 per cent in March 2024 driven by the moderation in kerosene and LPG price inflation (Chart II.3.11). The cut in LPG prices by ₹200 per domestic cylinder on August 30, 2023 aided the deflation observed since September 2023 (Chart II.3.12). Another LPG price cut of ₹100 per domestic cylinder was announced on March 8, 2024.

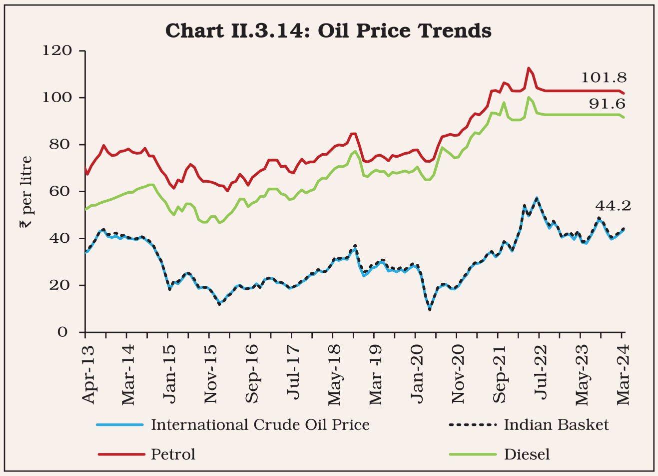
Core Inflation (Inflation excluding Food and Fuel)

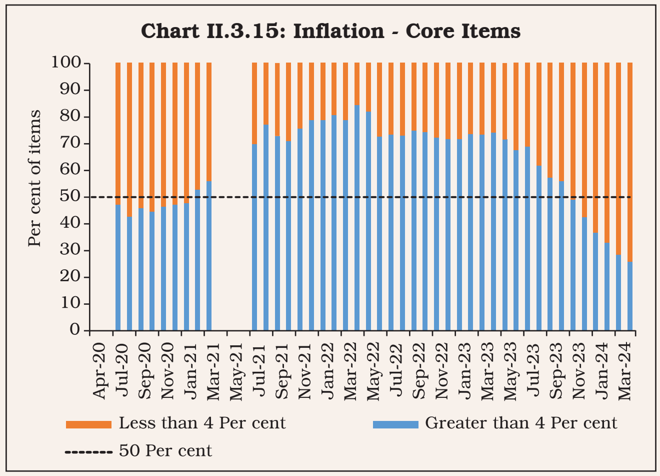
II.3.23 Inflation excluding the volatile food and fuel items, *i.e.*, core inflation, moderated to 4.3 per cent in 2023-24 from 6.1 per cent a year ago, encompassing softening in both goods and services inflation (Chart II.3.13).

Chart II.3.13: Drivers of CPI Excluding Food and Fuel Inflation



*: Includes recreation and amusement, and personal care and effects.
Note: April and May 2020 data were imputed by the NSO.
Source: NSO and RBI staff estimates.





Note: 1. International crude oil price represents the average price of West Texas Intermediate (WTI), Brent and Dubai Fateh.
2. Item level CPI data were not released by the NSO during March-May 2020.

Source: World Bank Pink Sheet Database, Indian Oil Corporation Limited, PPAC, NSO and RBI staff estimates.

II.3.24 Among the major constituents of core CPI, inflation in clothing and footwear eased, reflecting sharp correction in both domestic and international cotton prices and muted export demand for textiles and wearing apparel. Household goods and services inflation witnessed a gradual easing to 2.7 per cent in March 2024. Reflecting largely unchanged domestic petrol and diesel prices since August 2022 (Chart II.3.14) and moderation in transport fares, inflation in transport and communication prices ebbed to 1.9 per cent in 2023-24 from 5.9 per cent a year ago. After ruling above 6 per cent during December 2022-August 2023, inflation in the health sub-group eased gradually as pandemic-induced healthcare services demand subsided and medical supplies normalised. Around 75 per cent of the core CPI items registered less than 4 per cent inflation in March 2024, indicating a broad based softening (Chart II.3.15).

II.3.25 Housing inflation fell from 4.9 per cent in April 2023 to 2.7 per cent in March 2024. Net of housing, inflation excluding food and fuel averaged 4.4 per cent in 2023-24, significantly lower than 6.6 per cent a year ago.

II.3.26 Inflation in personal care and effects increased marginally to 7.8 per cent in 2023-24 from 7.6 per cent a year ago, primarily driven up by higher gold prices on the back of international price movements caused by war-induced safe-haven demand.

5. Other Indicators of Inflation

II.3.27 From a sectoral perspective, inflation measured by the CPI for industrial workers (CPI-IW) averaged 5.3 per cent during April-January 2023-24 as compared with 6.1 per cent in the corresponding period a year ago. Inflation based on the CPI for agricultural labourers (CPI-AL) and rural labourers (CPI-RL) averaged higher at 7.0 per cent and 6.9 per cent, respectively, during April-February 2023-24, primarily driven by elevated food inflation.

II.3.28 The wholesale price index (WPI) remained in deflation during April-October 2023-24 before turning marginally positive thereafter, led by sharp increase in vegetables prices, especially onion and tomato, in November and adverse base effects in December. The movement in WPI inflation during the year mirrored the correction in global commodity prices, particularly in energy, food, and metals, owing to normalisation of supply and slowdown in global demand. Overall, WPI inflation averaged (-) 0.7 per cent during 2023-24 (as compared with 9.4 per cent a year ago), much below average CPI headline inflation of 5.4 per cent.

II.3.29 Low WPI inflation was driven by all the three major groups – primary articles (weight of 22.6 per cent in WPI basket); fuel and power (13.2 per cent); and manufactured products (64.2 per cent). Primary articles WPI inflation moderated to 3.5 per cent during 2023-24, mainly reflecting deflation in non-food articles and crude petroleum and natural gas, in line with easing global prices even as food inflation fluctuated due to uneven and deficient rainfall during the year. In contrast, fuel and power recorded deflation during 2023-24 averaging (-) 4.5 per cent (against 28.1 per cent inflation a year ago) in line with the easing of global energy prices. The broad-based moderation in global commodity prices kept manufactured products prices in deflation during 2023-24 averaging (-) 1.7 per cent (as against 5.6 per cent inflation a year ago). This was largely on account of manufactured food products, basic metals, chemicals and textiles. Reflecting the moderation in both WPI and CPI inflation, the gross domestic product (GDP) deflator inflation moderated to 1.1 per cent in 2023-24 (April-December) from 8.2 per cent in the corresponding period of 2022-23.

II.3.30 Minimum support prices (MSPs) in 2023-24 were increased in the range of 5.3-10.4 per cent for the *kharif* crops and 2.0-7.1 per cent for the *rabi* crops. *Moong* witnessed the maximum MSP increase among *kharif* crops, while the increase was the highest for lentils (*masur*) and wheat among *rabi* crops.

II.3.31 Nominal rural wage growth averaged 6.0 per cent in April-February 2023-24 as compared with 5.4 per cent in the corresponding period of the previous year, with both agricultural and non-agricultural wage growth near 6 per cent. The pace of growth, however, has moderated since October, primarily driven by deceleration in ploughing, horticulture and packaging within the category of agricultural labourers, and beedi makers and bamboo/cane basket weavers within the category of non-agricultural labourers.

6. Conclusion

II.3.32 In sum, headline CPI inflation moderated in 2023-24 despite overlapping food price shocks. The softening was the outcome of the sustained anti-inflationary monetary policy stance, proactive supply management measures by the government and correction in global commodity prices. Core inflation exhibited a broad-based disinflation since June 2023 and moved below 4 per cent by end-2023. While headline inflation dipped into the tolerance band in 2023-24 (barring July-August), it hovered above the inflation target. Lingering geopolitical uncertainties, renewed supply chain pressures due to geopolitical developments in the Middle East, lower reservoir levels, and fall in production of major crops pose upside risks to headline inflation going forward.

II.4 MONEY AND CREDIT

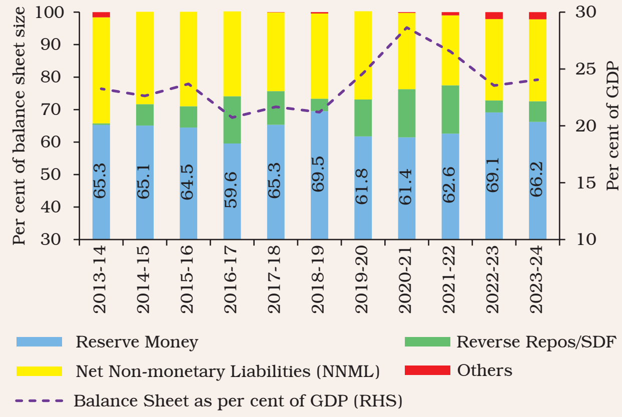
II.4.1 Monetary and credit conditions evolved in line with the monetary policy stance during the year, supporting domestic economic activity. Important factors impacting their evolution during 2023-24 were the withdrawal of ₹2000 banknotes (May 2023), the merger of a non-bank with a bank (July 2023) and the temporary imposition of the incremental cash reserve ratio (I-CRR)[31] [August 2023]. The expansion in reserve money and currency in circulation moderated due to the return of a predominant part of ₹2000 banknotes to the banking system as deposits. The return of these banknotes, along with an increase in term deposit rates, contributed to an acceleration in aggregate deposits and broad money (M_3). Bank credit exhibited sustained double digit growth in 2023-24. Banks mobilised additional resources through certificates of deposit (CDs) to bridge the credit-deposit gap.

II.4.2 Against this backdrop, sub-section 2 delves into reserve money dynamics and the shifts in the Reserve Bank's balance sheet. Sub-sections 3 and 4 examine developments in money supply and bank credit, respectively, followed by concluding observations.

2. Reserve Money[32]

II.4.3 Reserve money (RM) depicts the stock of monetary liabilities in the central bank's balance sheet (Chart II.4.1). Risk buffers and revaluation accounts [forming the bulk of net non-monetary liabilities (NNML)] along with surplus liquidity placed by banks with the Reserve Bank under reverse repos/standing deposit facility (SDF) are the other major components of the balance sheet.

Chart II.4.1: Reserve Bank's Balance Sheet-Components (Liabilities)



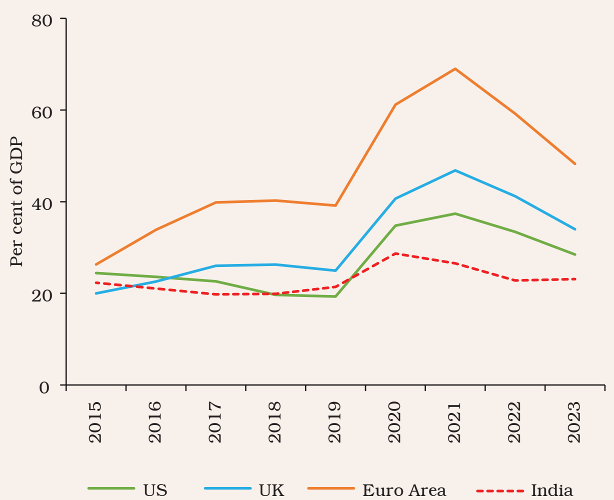
NNML: Net non-monetary liabilities comprise economic capital (such as capital, reserves, contingency fund, asset development fund, currency and gold revaluation account, investment revaluation account and foreign exchange forward contracts valuation account), RBI employee provident fund account and IMF quota subscriptions and other payments *minus* other assets.
Source: RBI.

II.4.4 The Reserve Bank's balance sheet size increased to 24.1 per cent of GDP at end-March 2024 from 23.5 per cent at end-March 2023. The balance sheet has normalised to its pre-pandemic level (Chart II.4.2).

II.4.5 The growth in RM[33] decelerated to 6.7 per cent in 2023-24 from 9.7 per cent a year ago (7.4 per cent when adjusted for the first-round impact of change in CRR[34]), below its decennial average[35] of 12.9 per cent (2013-14 to 2023-24). This reflected largely the impact of withdrawal of

[31] See Chapter III for details on I-CRR.
[32] In sub-section 2, growth and other ratios pertain to the last Friday of the respective financial year/quarter/month.
[33] Comprises currency in circulation, bankers' deposits with the Reserve Bank and other deposits with the Reserve Bank, on the liabilities side.
[34] CRR was increased from 4.0 per cent to 4.5 per cent in May 2022.
[35] Excluding the year of demonetisation 2016-17.

Chart II.4.2: Central Bank Balance Sheet Size (end-December)

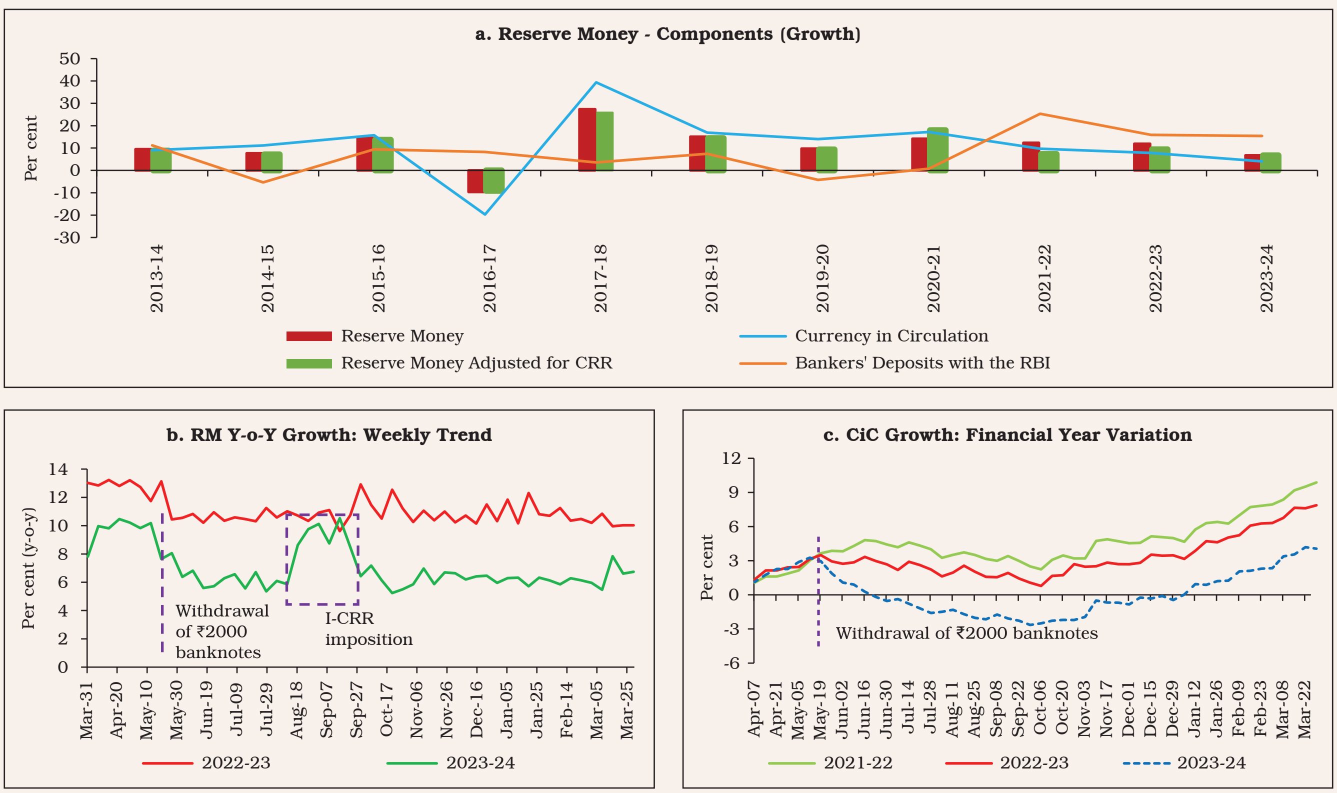


Source: RBI, FRED (St. Louis Fed), BoE, IMF, CEIC, GoI and RBI staff estimates.

₹2000 banknotes[36] (Chart II.4.3a and Appendix Table 4). RM growth registered a transient spurt in August 2023 on account of the temporary imposition of I-CRR during August-October 2023 (Chart II.4.3b). The growth in currency in circulation (CiC) - the major constituent of RM with a share of 75.1 per cent – decelerated to 4.1 per cent during 2023-24 from 7.8 per cent a year ago, due to the withdrawal of ₹2000 banknotes (Charts II.4.3a and II.4.3c).

II.4.6 The currency-GDP ratio has moderated with the ebbing of pandemic uncertainty and the increasing usage of digital payments[37]. India's central bank digital currency (CBDC) is gradually gaining traction in the retail segment (Chart II.4.4).

Chart II.4.3: Reserve Money - Components (Liabilities)

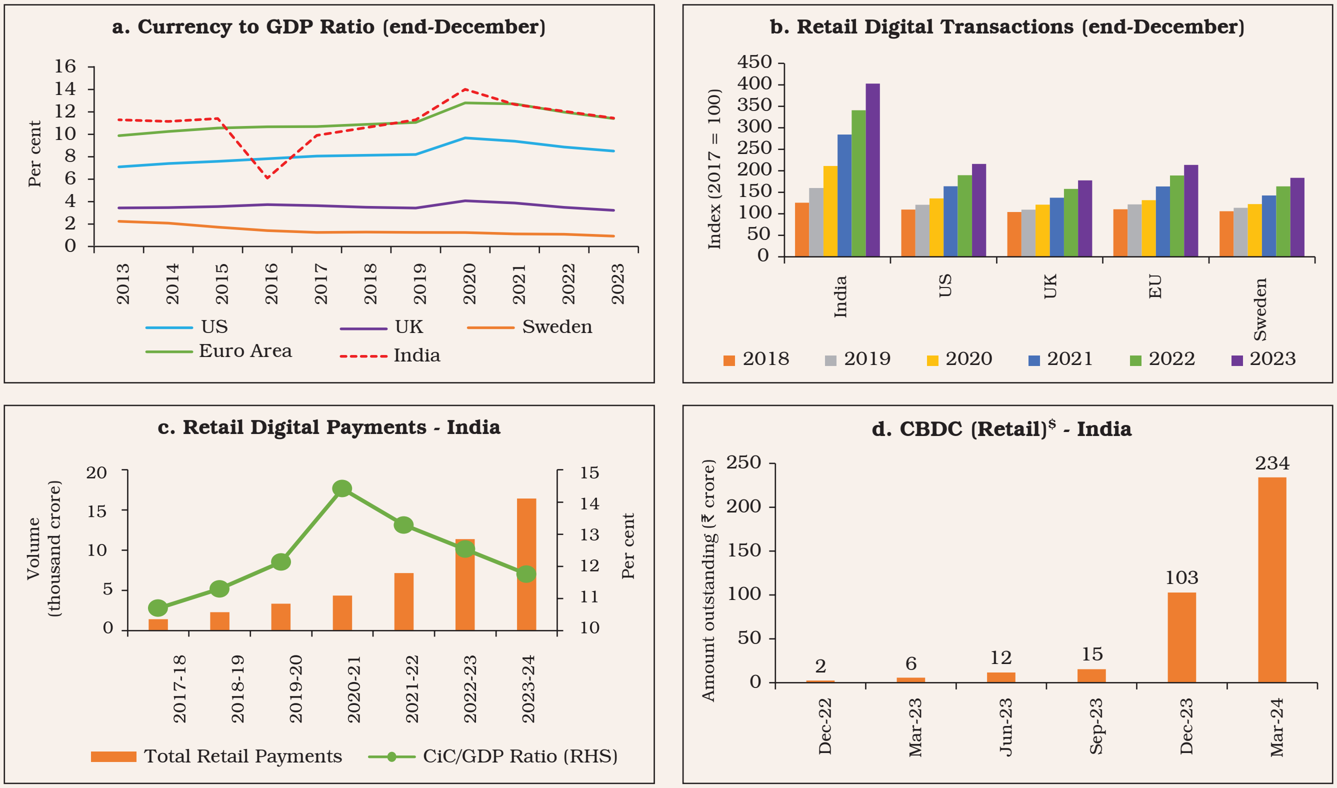


Source: RBI.

36 The total value of ₹2000 banknotes in circulation was ₹3.56 lakh crore as on May 19, 2023. As on March 29, 2024, 97.69 per cent of these banknotes have been returned to the banking system, with a bulk of these in the form of deposits.

37 Details on various modes of digital payments (including CBDC) are covered in Chapters VI, VIII and IX of this Report.

Chart II.4.4: Currency in Circulation and Digital Payments



$: Introduced on December 1, 2022.
Source: RBI, GoI, CEIC, Statista, IMF and RBI staff estimates.

II.4.7 Bankers' deposits with the Reserve Bank (22.9 per cent share in RM), *i.e.*, balances maintained by banks to meet their CRR requirements, increased by 15.4 per cent in 2023-24, in tandem with the expansion in bank deposits, as compared with 15.9 per cent in the previous year (Chart II.4.3a).

II.4.8 On the sources side (assets), RM comprises net domestic assets (NDA)[38] and net foreign assets (NFA)[39] of the Reserve Bank. During 2023-24, the expansion in RM was driven mainly by NFA, with net purchases from authorised dealers at ₹3.4 lakh crore as against net sales of ₹2.2 lakh crore in the previous year. NDA declined during the year as the increase in government cash balances pulled down the Reserve Bank's net claims on the government, more than offsetting the expansion in net credit to banks and the commercial sector (Chart II.4.5).

3. Money Supply[40]

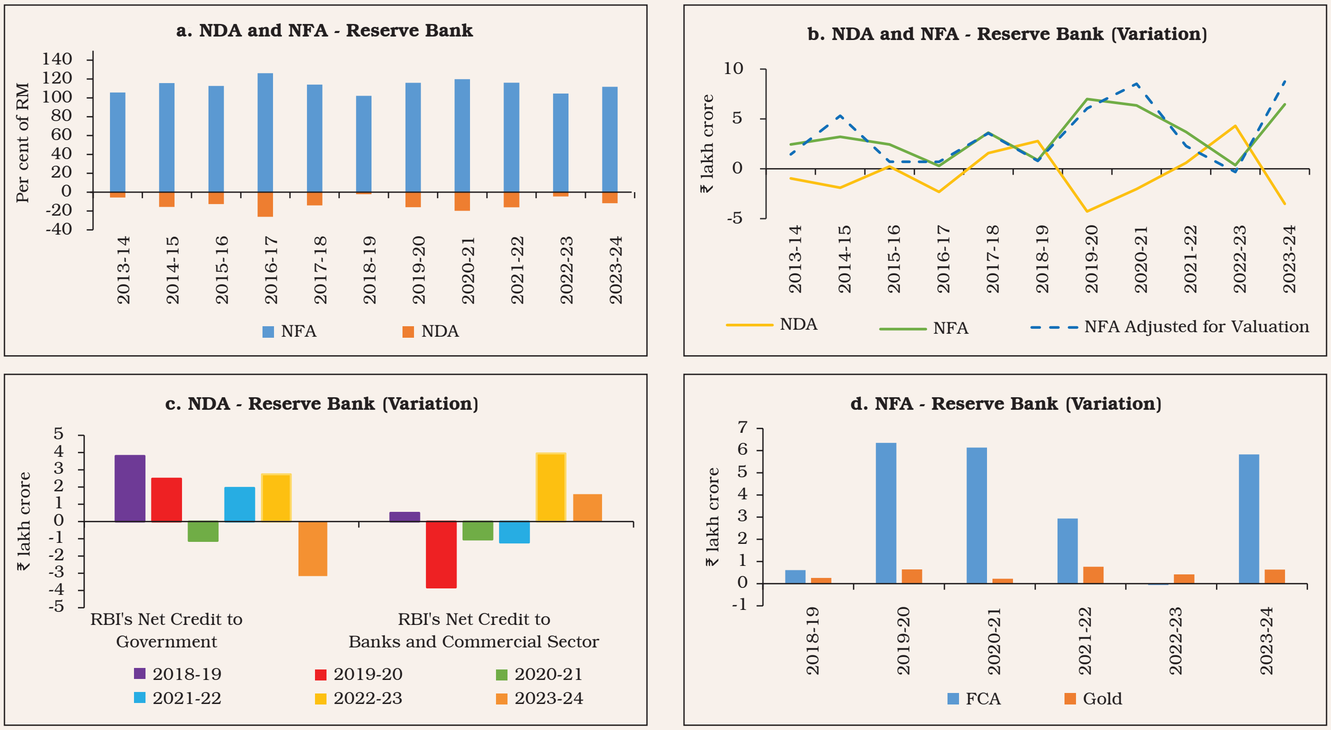
II.4.9 Money supply in terms of broad money (M_3) consists of currency with the public (CwP) and aggregate deposits (AD) of banks on the

[38] Comprises net Reserve Bank credit to banks, government and commercial sector (mainly primary dealers).

[39] Consists of gold and foreign currency assets (FCA). FCA includes special drawing rights (SDRs) transferred from the Government of India (GoI). The remaining SDR holdings with the GoI and reserve tranche position (RTP) in the IMF, which represents India's quota contribution to the IMF in foreign currency, are not a part of the Reserve Bank's balance sheet.

[40] In sub-sections 3 and 4, growth and other ratios pertain to the last reporting Friday of the respective financial year/quarter/month. Data exclude the impact of merger of a non-bank with a bank.

Chart II.4.5: Reserve Money - Sources (Assets)



Source: RBI.

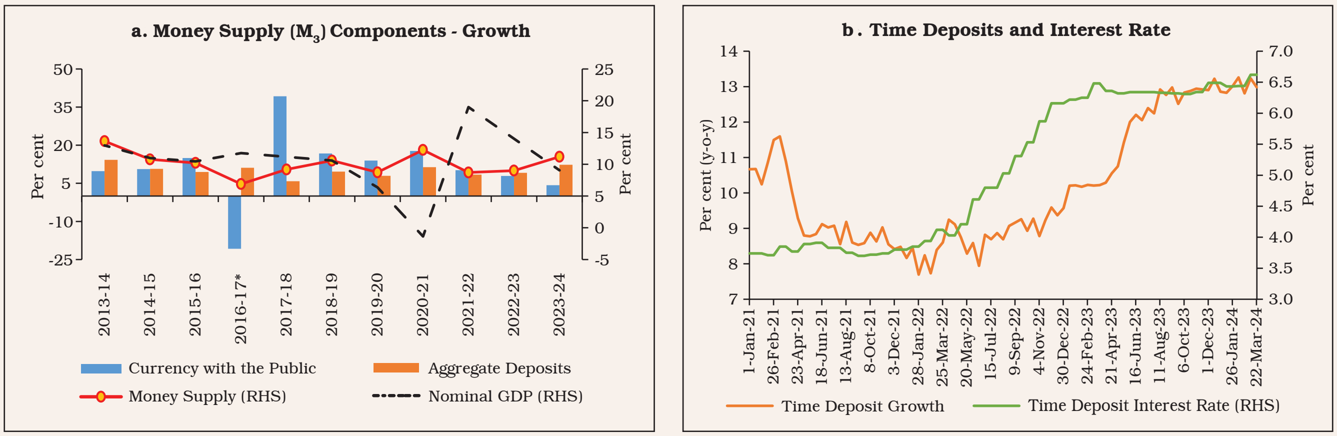
components side (liabilities). M_3 recorded a growth of 11.2 per cent as on March 22, 2024 (9.0 per cent a year ago) driven mainly by time deposits, which benefitted, *inter alia*, from higher deposit rates with the transmission of policy rate increases (Chart II.4.6). The sustained demand for bank credit also exerted pressure on banks to mobilise more deposits. The expansion in bank deposits outpaced that in CwP for the second successive year[41]. The ratio of M_3 to GDP has reverted to its pre-pandemic levels (Chart II.4.7).

II.4.10 On the sources side (assets), the expansion in M_3 was mainly driven by bank credit to the commercial sector, which grew by 15.6 per cent in 2023-24 (14.4 per cent a year ago). The pace of expansion in net bank credit to the government decelerated to 5.7 per cent in 2023-24 from 11.5 per cent a year ago. The excess holdings of statutory liquidity ratio (SLR) securities[42] of SCBs were 10.4 per cent of net demand and time liabilities (NDTL) as on March 22, 2024 as compared with 11.0 per cent a year ago. The net foreign assets of the banking sector

[41] Demand deposits remained volatile, largely mirroring the variations in currency with the public.

[42] Excess holdings of SLR securities provide collateral buffers to banks for availing funds under the liquidity adjustment facility (LAF) and are also a component of the liquidity coverage ratio (LCR). The Reserve Bank increased the limit for holding securities under held to maturity (HTM) category from 22 per cent to 23 per cent of NDTL, effective April 8, 2022. The HTM limits would be restored to 19.5 per cent in a phased manner by March 31, 2025, starting from the quarter ending June 30, 2024.

Chart II.4.6: Money Supply and SCBs' Time Deposits



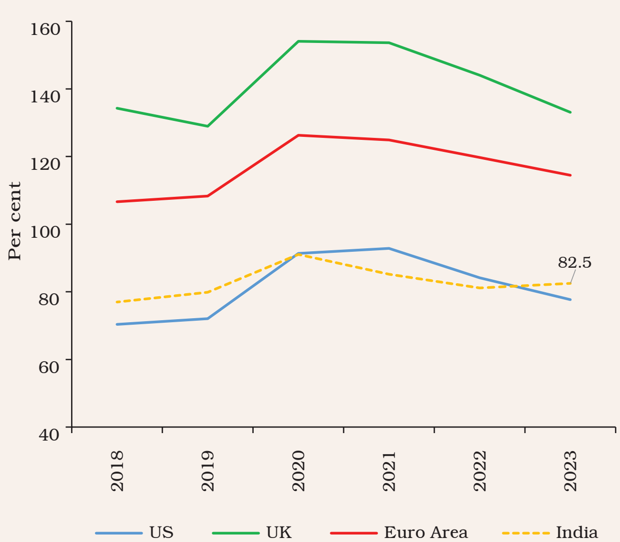
*: March 31, 2017 over April 1, 2016.
Note: Time deposit interest rate refers to weighted average domestic term deposit rates for fresh rupee term deposits of SCBs.
Source: RBI.

increased, mirroring the expansion in NFA in the Reserve Bank's balance sheet during the year (Charts II.4.5 and II.4.8; Table II.4.1).

Key Monetary Ratios

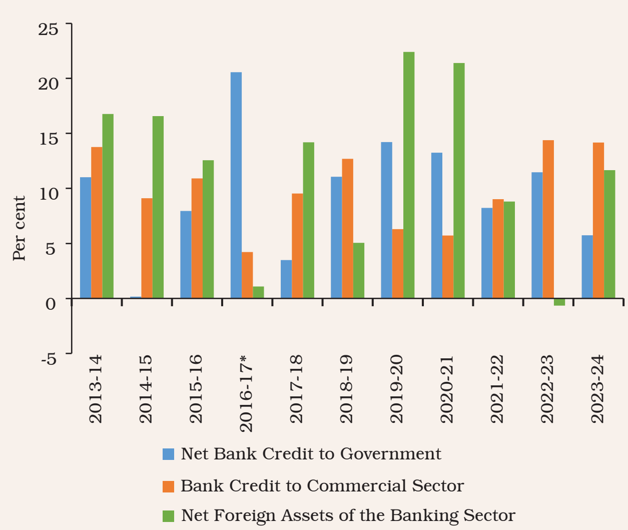
II.4.11 The transactions velocity of money, *i.e.*, nominal GDP divided by M_3, has remained stable. As on March 22, 2024, the money multiplier (MM) was 5.4, marginally higher than its decennial average[43] (2013-14 to 2023-24). The currency-deposit ratio fell to 15.9 per cent from 17.3 per cent in 2022-23, reflecting the withdrawal of ₹2000 banknotes and their return to the banking

Chart II.4.7: M_3 to GDP Ratio (end-December)



Source: RBI, GoI, IMF, CEIC and RBI staff estimates.

Chart II.4.8: Money Supply Sources - Growth



*: March 31, 2017 over April 1, 2016.
Source: RBI.

43 Excluding the year of demonetisation 2016-17.

Table II.4.1: Monetary Aggregates

Item		Outstanding as on March 22, 2024 (₹ lakh crore)	Growth Rate (per cent)		
			2021-22	2022-23	2023-24 (as on March 22, 2024)
1		2	3	4	5
I.	Reserve Money (RM)	46.8	12.3	9.7	6.7
II.	Money Supply (M_3)	248.3	8.7	9.0	11.2
III.	**Major Components of M_3**				
	III.1. Currency with the Public	34.2	10.2	7.9	4.3
	III.2. Aggregate Deposits	213.3	8.4	9.1	12.3
IV.	**Major Sources of M_3**				
	IV.1. Net Bank Credit to Government	73.1	8.2	11.5	5.7
	IV.2. Bank Credit to Commercial Sector	166.7	9.0	14.4	15.6
	IV.3. Net Foreign Assets of the Banking Sector	55.1	8.8	-0.6	11.7
V.	Money Multiplier (Ratio)	5.4			

Note: 1. Data are provisional.
2. The data for RM pertain to March 29, 2024.

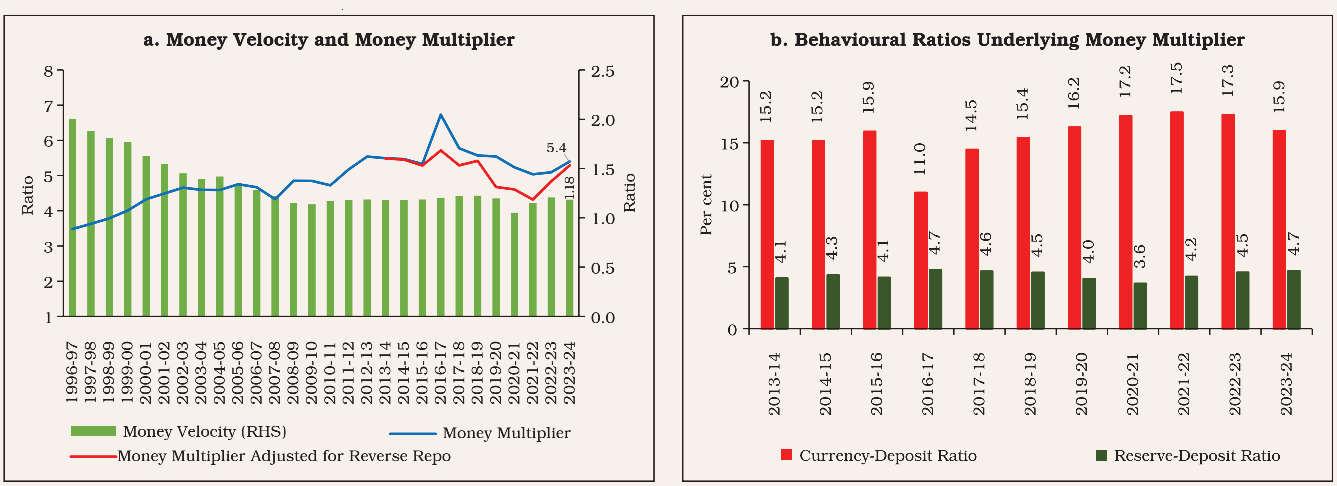
Source: RBI.

system as deposits. Adjusted for reverse repo - analytically akin to banks' deposits with the central bank - the money multiplier turned out to be marginally lower at 5.3 as on March 22, 2024, with MM and adjusted MM converging (Chart II.4.9a). The reserve-deposit ratio remained stable due to no change in the CRR (Chart II.4.9b).

4. Credit

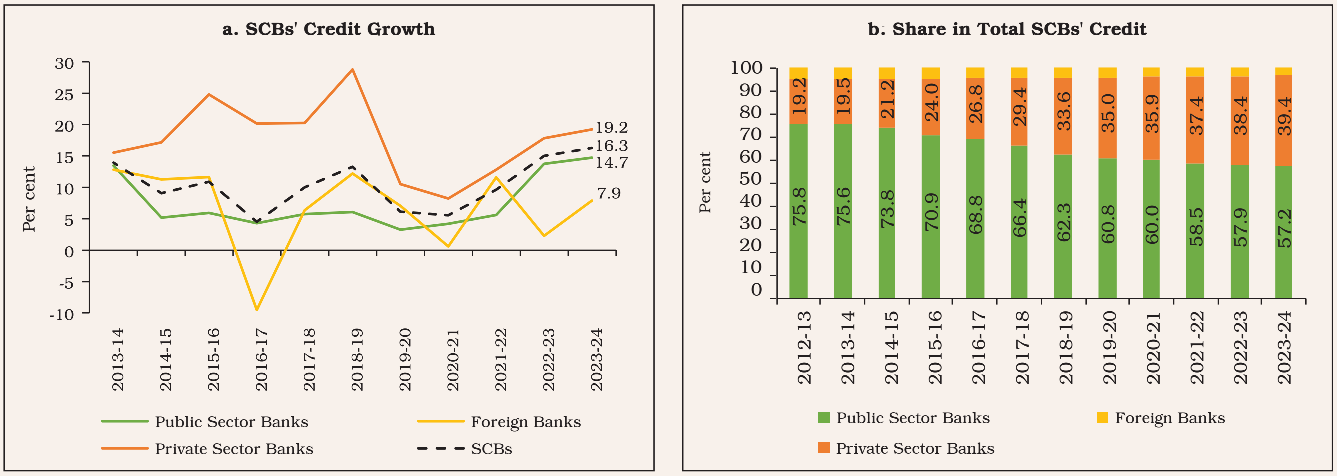
II.4.12 Double digit growth in bank credit was sustained during 2023-24, led by demand from retail and services sectors. SCBs' credit expanded by 16.3 per cent as on March 22, 2024 on top of 15.0 per cent a year ago (Chart II.4.10a). Bank group-wise, private sector banks (PVBs) continued to exhibit higher growth

Chart II.4.9: Monetary Ratios



Source: RBI staff estimates.

Chart II.4.10: Bank Group-wise Credit



Source: RBI.

than public sector banks (PSBs). PVBs' growth accelerated to 19.2 per cent (y-o-y) as on March 22, 2024 from 17.8 per cent a year ago and that of PSBs to 14.7 per cent from 13.8 per cent. This resulted in a fall in PSBs' share in total credit, although they still have the larger share (Chart II.4.10b).

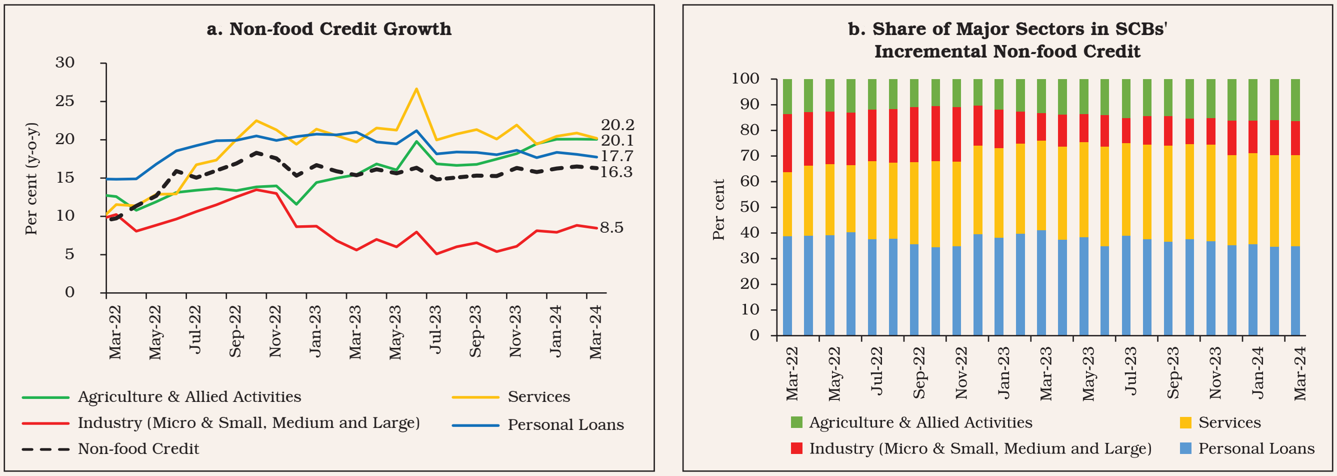
II.4.13 Sector-wise[44], credit to agriculture expanded by 20.1 per cent in March 2024 (15.4 per cent a year ago). Credit growth to large industries was relatively muted (6.4 per cent), partly due to their improved profitability and cash flows. The increase in credit to micro, small and medium enterprises (MSMEs) was robust at 14.1 per cent, supported by the availability of collateral-free loans[45]. Services sector bank credit rose by 20.2 per cent in March 2024, driven by demand from non-banking financial companies (NBFCs) and trade. However, the pace of expansion of bank credit to NBFCs moderated following regulatory measures announced by the Reserve Bank on November 16, 2023 (see Chapter VI). Personal loan growth remained solid at 17.7 per cent in March 2024, supported by housing loans, which account for about half of the segment (Chart II.4.11 and Table II.4.2).

II.4.14 SCBs' deposit growth remained below that of bank credit during 2023-24 (Charts II.4.12a and II.4.12b). As a result, the incremental credit-deposit ratio rose above 100 per cent during June 2022-May 2023 (Chart II.4.12c). This ratio fell subsequently on the back of an acceleration in deposit growth, but the wedge between credit and deposit growth has persisted. Banks bridged this funding gap through issuances of CDs which increased to ₹8.3 lakh crore during 2023-24 from ₹6.4 lakh crore during the previous year (Chart II.4.12d).

[44] Non-food credit data are based on fortnightly Section 42 return and covers all SCBs. Sectoral non-food credit data are based on sector-wise and industry-wise bank credit (SIBC) return, which covers select banks accounting for about 95 per cent of total non-food credit extended by all SCBs. Data pertain to the last reporting Friday of the month.

[45] In Union Budget 2023-24, the government announced the revamping of credit guarantee scheme for micro and small enterprises with effect from April 1, 2023, with an infusion of ₹9,000 crore to the corpus to enable additional collateral-free guaranteed credit of ₹2 lakh crore and the reduction in the cost of the credit by about 1 per cent. Besides, the limit on ceiling for guarantees has been enhanced from ₹2 crore to ₹5 crore.

Chart II.4.11: Sector-wise SCBs' Non-food Credit



Source: RBI.

II.4.15 Tight financial conditions can have an adverse impact on firms' debt servicing but deleveraging and the build-up of liquidity buffers can mitigate the impact of higher interest rates on corporate finances (Box II.4.1).

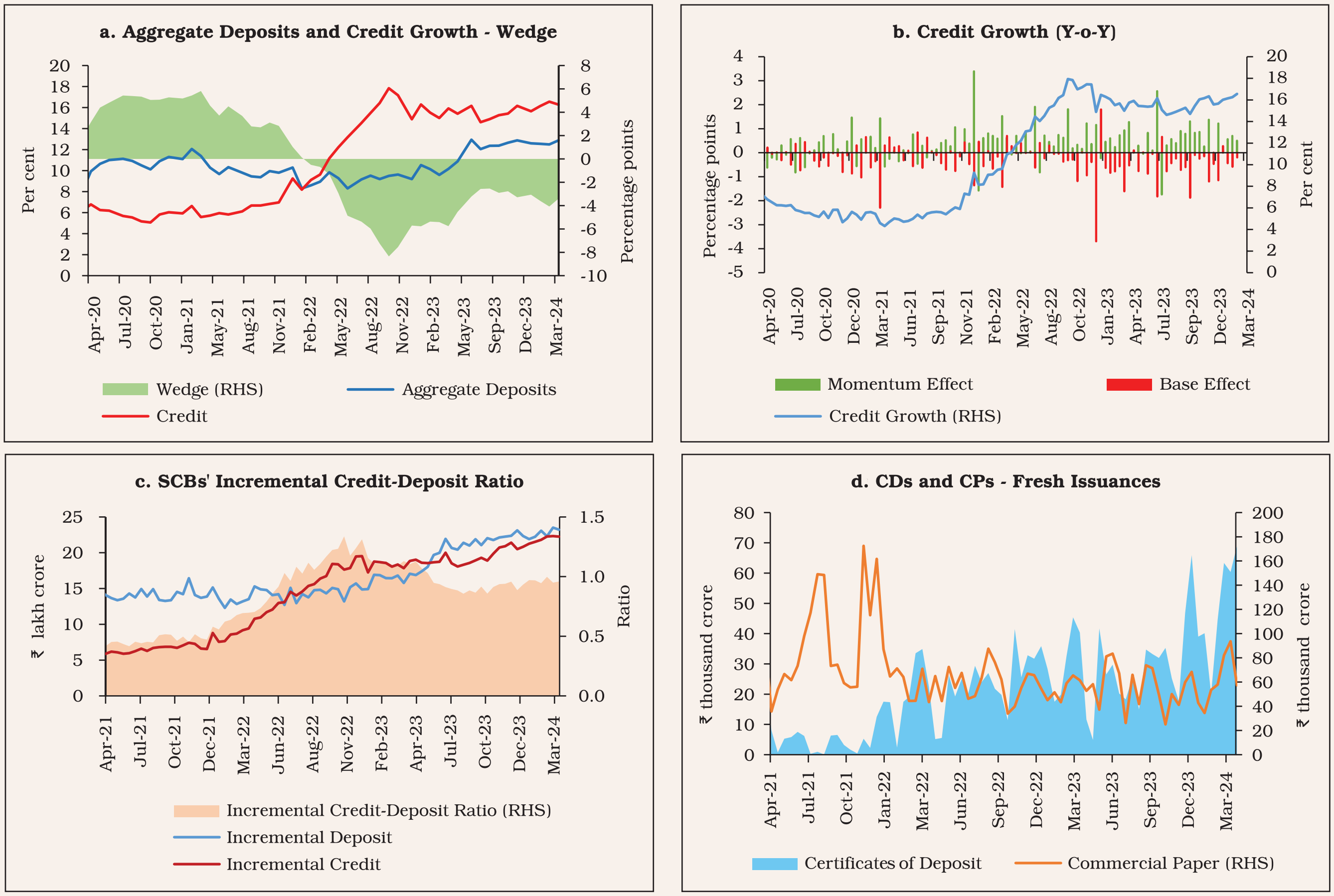
Table II.4.2: Sectoral Credit Growth - SCBs

(Per cent, y-o-y)

Sector	2022-23#	2023-24											
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Non-food Credit	**15.4**	**16.1**	**15.6**	**16.3**	**14.8**	**15.0**	**15.3**	**15.3**	**16.3**	**15.8**	**16.2**	**16.5**	**16.3**
I. Agriculture & Allied Activities	**15.4**	**16.8**	**16.1**	**19.8**	**16.9**	**16.6**	**16.8**	**17.5**	**18.2**	**19.5**	**20.1**	**20.1**	**20.1**
II. Industry (Micro & Small, Medium and Large)	**5.6**	**7.0**	**6.0**	**8.0**	**5.1**	**6.0**	**6.6**	**5.4**	**6.1**	**8.1**	**7.9**	**8.8**	**8.5**
II.1. Micro & Small	13.2	9.9	9.8	13.2	10.2	10.8	10.1	16.5	16.8	14.7	16.0	15.1	14.6
II.2. Medium	12.0	11.2	10.4	13.4	9.1	9.3	9.1	12.0	11.9	8.6	9.9	12.7	13.1
II.3. Large	3.1	5.8	4.6	6.1	3.4	4.5	5.4	2.2	3.0	6.4	5.7	6.8	6.4
II.3.1 Infrastructure	0.4	3.2	1.9	1.7	0.3	1.0	1.9	-0.1	1.1	4.8	5.0	5.8	5.4
II.3.2 Basic Metals & Metal Products	19.6	19.9	17.1	22.0	18.1	18.5	18.6	17.0	17.9	15.0	11.5	11.9	11.4
II.3.3 Chemicals & Chemical Products	10.0	4.9	4.5	6.5	0.2	1.7	2.9	0.4	5.8	9.5	8.9	11.8	11.5
II.3.4 Textiles	1.9	4.3	5.2	8.7	8.4	11.8	12.6	12.7	14.9	13.5	13.6	13.6	10.9
II.3.5 All Engineering	4.3	6.3	5.6	10.5	10.2	9.0	7.4	9.4	9.6	8.5	12.0	11.1	11.2
II.3.6 Food Processing	5.1	2.4	3.7	5.9	4.1	8.0	8.0	10.6	11.4	10.3	13.5	13.7	14.9
III. Services	**19.6**	**21.4**	**21.1**	**26.5**	**19.4**	**20.6**	**21.2**	**19.9**	**21.7**	**19.4**	**20.5**	**20.9**	**20.2**
III.1. Trade	17.8	18.2	17.4	17.4	16.6	16.0	17.2	19.6	19.6	17.8	18.2	18.1	17.0
III.2. NBFCs	29.9	28.7	27.3	34.7	19.4	20.9	21.4	17.9	18.5	14.7	15.2	14.4	15.0
IV. Personal Loans	**21.0**	**19.7**	**19.5**	**21.2**	**17.9**	**18.4**	**18.3**	**18.0**	**18.6**	**17.7**	**18.4**	**18.1**	**17.7**
IV.1. Housing	15.2	14.5	14.6	15.0	12.8	13.6	13.7	14.5	15.0	14.4	16.7	16.7	17.4
IV.2. Vehicle Loans	24.8	23.1	22.3	23.0	21.2	20.7	21.3	20.0	20.8	20.5	16.3	17.5	17.3

#: March 2023 over March 2022.
Note: Data are provisional and exclude the impact of merger of a non-bank with a bank.
Source: RBI.

Chart II.4.12: SCBs' Deposits and Credit



Source: RBI.

Box II.4.1

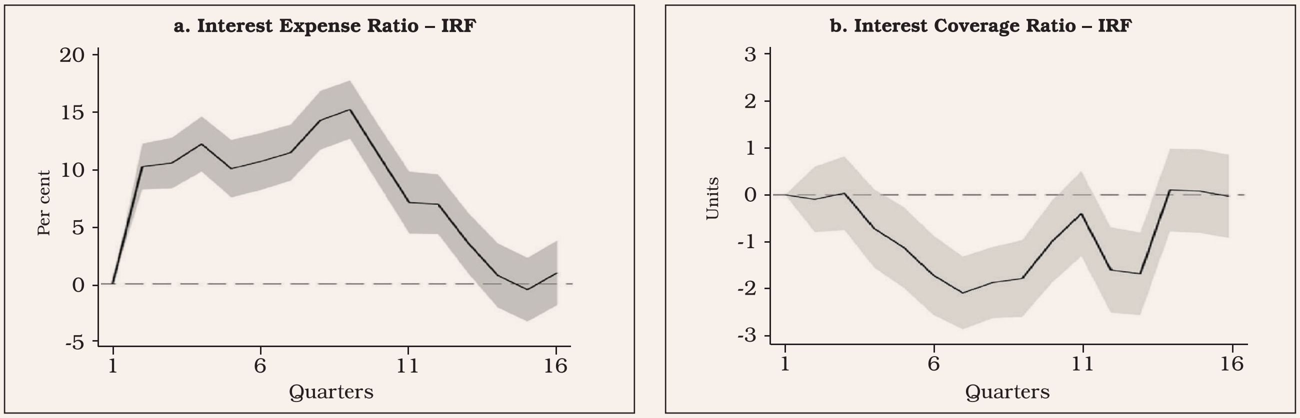
Monetary Policy and Non-Financial Firms in India

Financial conditions driven by monetary policy cycles can impact funding costs, debt servicing capacity and the overall financial health of the non-financial corporate sector (Schularick *et. al.*, 2021; Boissay *et. al.*, 2023). Using CMIE Prowess quarterly data for 1,700 listed Indian non-financial firms covering the period Q1:2010 to Q4:2023, the impact of monetary policy changes on average funding costs is analysed in a local linear projection (LLP) model framework by regressing the interest expense ratio (IER) [gross interest expenses to total debt] and interest coverage ratio (ICR) [operating profits to gross interest expenses] on the policy repo rate, while controlling for GDP growth, inflation, and quarter- and firm-fixed effects. Policy rate changes have a lagged impact on debt servicing indicators and the peak impact on the firms occurs 7-9 quarters after the policy rate action (Chart 1).

Corporate sector health - captured in indicators such as debt maturity structure and cash balances - could potentially amplify or soften the impact of policy rate actions on debt servicing costs. The Indian corporate sector has seen an elongation of the maturity structure of its debt along with a build-up of liquidity buffers. This imparts resilience to firms in the face of tighter financial conditions (Chart 2).

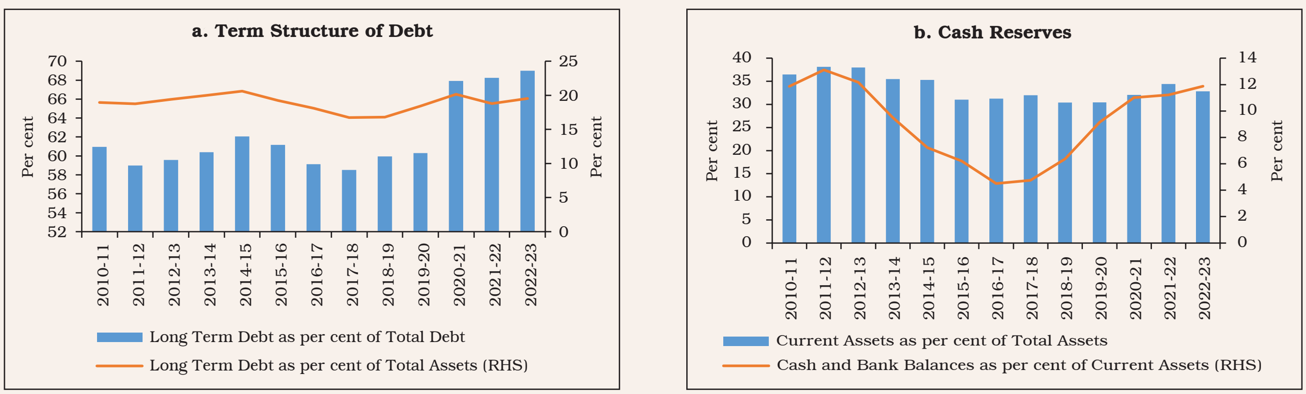
(Contd.)

Chart 1: Monetary Policy and Debt Serviceability
(Impact of 100 basis points Increase in the Repo Rate)



IRF: Impulse Response Function.
Note: Shaded area represents 95 per cent confidence bands.
Source: RBI staff estimates.

Chart 2: Firm-specific Factors Cushioning the Impact of Policy Rate Hikes



Note: Based on aggregated annual data from 900 listed non-financial firms.
Source: RBI staff estimates.

References:

1. Schularick, M., Steege, L. T., and Ward, F. (2021), 'Leaning Against the Wind and Crisis Risk', *American Economic Review: Insights*, 3 (2), 199-214.
2. Boissay, F., Collard, F., Manea, C., and Shapiro, A. (2023), 'Monetary Tightening, Inflation Drivers and Financial Stress', BIS Working Papers, No.1155, December.

5. Conclusion

II.4.16 The withdrawal of ₹2000 banknotes during the year and their return as bank deposits led to a deceleration in currency in circulation as well as reserve money while simultaneously contributing to an acceleration in deposit growth. Bank deposits were also boosted by attractive returns. Robust expansion in bank credit was sustained, led by services, agriculture, retail and MSME sectors. Upbeat consumer and business optimism and strengthening of banks' balance sheets are expected to sustain credit growth necessitating a step-up in deposit mobilisation efforts to fund credit needs.

II.5 FINANCIAL MARKETS

II.5.1 Global financial markets remained volatile during 2023-24, reflecting uncertainty about the pace of disinflation in major economies, and the consequent monetary policy trajectory of major central banks as well as intensifying geopolitical tensions. Market exuberance on expectations that interest rates have peaked remained highly sensitive to forward guidance and incoming data, leading to large two-way movements.

II.5.2 Domestic financial markets evolved in an orderly manner during 2023-24 drawing strength from resilient economic activity and strengthening macroeconomic fundamentals. Money market rates firmed up in H2:2023-24 as liquidity surplus ebbed due to a sustained increase in government cash balances. Issuances of certificates of deposit (CDs) rose amidst tight liquidity conditions and sustained credit demand. Sovereign bond yields remained range-bound during H1:2023-24 but softened thereafter on lower crude oil prices, fall in global bond yields, announcement of inclusion of Indian sovereign bonds in major global bond indices, easing of domestic inflation and lower-than-expected central government borrowing for 2024-25. Corporate bond yields generally tracked G-sec yields with a widening in spreads in the later part of the year. Equity markets registered strong gains on buoyant economic activity and corporate performance. The Indian rupee (INR) displayed stability on the back of improving domestic growth prospects and higher foreign portfolio investment (FPI) flows.

II.5.3 Against this backdrop, money market developments are detailed in sub-section 2. Market segments for government securities (G-secs) and corporate bonds are discussed in sub-sections 3 and 4, respectively. Equity and foreign exchange market developments are covered in sub-sections 5 and 6, with concluding observations in sub-section 7.

2. Money Market

II.5.4 Money market rates oscillated around the policy corridor during 2023-24 in tune with evolving liquidity conditions[46]. The weighted average call rate (WACR) was range bound in the first half of the year. It hovered close to the ceiling of the liquidity adjustment facility (LAF) corridor during October-January on tightening liquidity conditions resulting from a persistent build-up in government cash balances and the festival-related expansion in currency in circulation (CiC) [see Chapter III]. The WACR eased and moved around the policy repo rate during February-March. The average spread of the WACR relative to the policy rate was (+)13 basis points (bps) in 2023-24 as compared with (-)12 bps in 2022-23 (Chart II.5.1).

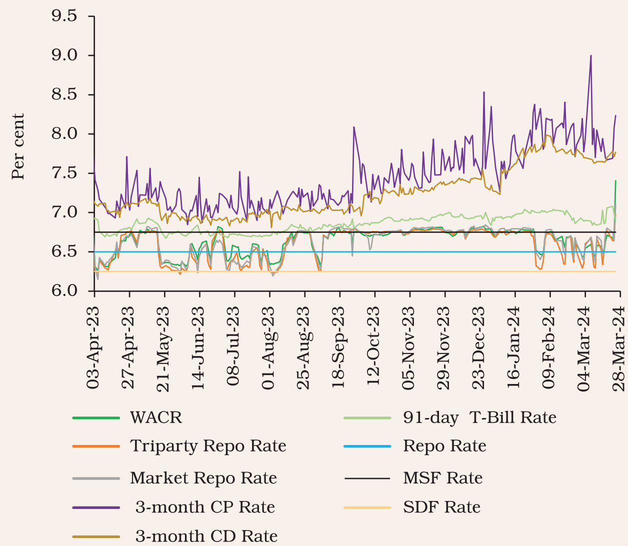
II.5.5 Volatility in the call money segment, measured by coefficient of variation[47] of the WACR, decreased sharply to 2.5 per cent in 2023-24 from 18.1 per cent in the previous year. Average daily volume in the money market[48] declined by 6 per cent to ₹5.04 lakh crore during 2023-24 from ₹5.36 lakh crore in the previous year. Intra-year, average daily volumes initially fell to ₹4.9 lakh crore in Q2:2023-24 from ₹5.0 lakh crore in Q1, before recovering to ₹5.1 lakh crore in Q3 and further to ₹5.2 lakh crore in Q4

[46] Liquidity management operations by the Reserve Bank are covered in Chapter III of this Report.

[47] Coefficient of variation is ratio of standard deviation to the mean.

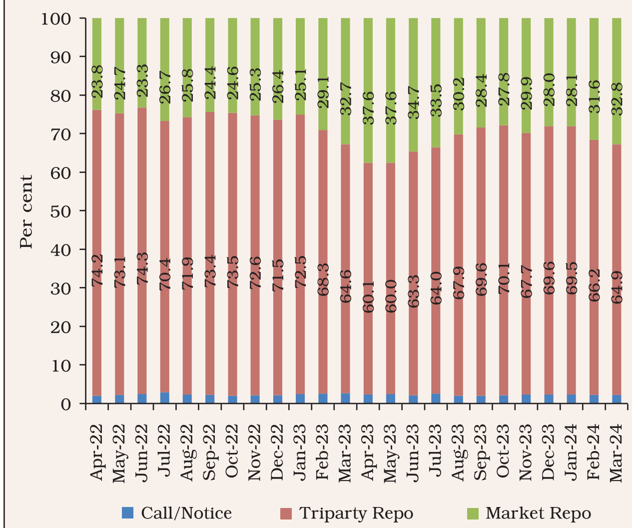
[48] Call money, triparty repo and market repo of both overnight and term segments, excluding saturdays.

Chart II.5.1: Money Market Rates and Policy Corridor



Source: RBI, CCIL, CCIL-Ftrac, FBIL and RBI staff estimates.

Chart II.5.2: Share of Major Segments in Money Market Volume



Source: CCIL and RBI staff estimates.

amidst tightening liquidity conditions[49]. Of the total money market volume, the share of triparty repo increased from 61 per cent in Q1:2023-24 to 67 per cent in Q4 with a concomitant fall in the share of market repo from 37 per cent to 31 per cent. The share of uncollateralised call money segment remained at around 2 per cent across quarters (Chart II.5.2).

II.5.6 The average daily spread of certificates of deposit (CD) and commercial paper (CP) rates over T-bill rates picked up during the year (Chart II.5.3). Regulatory measures on consumer credit and bank credit to non-banking financial companies (NBFCs) announced by the Reserve Bank on November 16, 2023 also contributed to hardening of CP rates for NBFCs during Q3:2023-24.

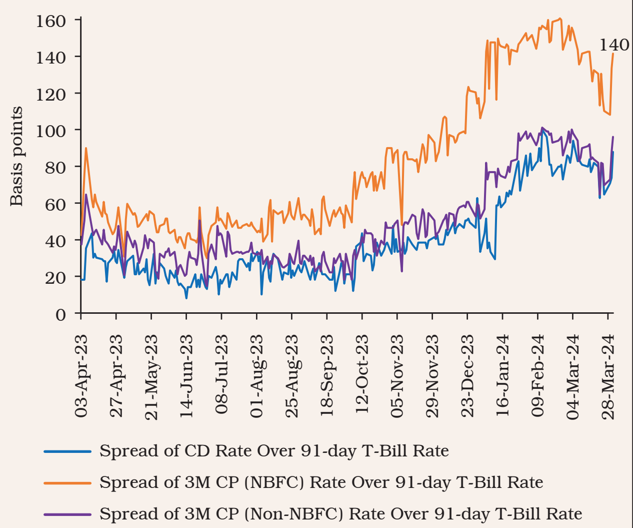
II.5.7 In the primary market, fresh issuance of CDs rose from ₹1.5 lakh crore in Q1:2023-24 and ₹1.6 lakh crore in Q2 to ₹2.6 lakh crore in Q3 as banks sought to fund robust credit offtake. In Q4, the CD issuance was ₹3.0 lakh crore. New issuance of CPs in the primary market, however, fell from ₹3.8 lakh crore in Q1 to ₹3.3 lakh crore in Q2, and ₹2.9 lakh crore in Q3, amidst tight liquidity conditions and increased appetite for bank loans. However, in Q4, the CP issuance increased again to ₹3.8 lakh crore.

3. G-sec Market

II.5.8 G-sec yields exhibited two-way movements in 2023-24. During Q1, yields traded lower in response to the monetary policy committee's (MPC) decision to keep the policy repo rate unchanged, favourable inflation readings and softening crude oil prices. The 10-year generic G-sec yield closed the quarter at 7.12 per cent, a decline of 19 bps from its level on March 31, 2023 (Chart II.5.4). The yield curve flattened, with the spread between 5-year and 10-year rates narrowing to 4 bps from 14 bps as at

[49] In the call money segment, average daily volumes (excluding saturdays) decreased from ₹11,274 crore in Q1 to ₹10,381 crore in Q2 before recovering to ₹11,441 crore in Q3 and ₹11,785 crore in Q4.

Chart II.5.3: Spread of 3-month CP and CD Rate over 91-day T-bill Rate



Source: Bloomberg, FBIL and RBI staff estimates.

Chart II.5.4: 10-year Generic G-sec Yield

Source: Bloomberg

end-March 2023. During Q2:2023-24, domestic G-sec yields increased in sync with hardening global yields, rising crude oil prices and an uptick in domestic inflation, offsetting optimism from the inclusion of Indian G-secs in major global bond indices[50]. Domestic 10-year and 5-year generic G-sec yields closed the quarter higher by 10 bps and 15 bps, respectively, over their levels in the previous quarter. The domestic G-sec yield curve flattened further and the spread between 5-year and 10-year G-sec yields inverted marginally to 1 basis point.

II.5.9 During Q3, 10-year generic G-sec yield moderated by 5 bps to 7.17 per cent, reflecting softening in global yields from their multi-year highs and a fall in Brent crude oil prices despite an uptick in domestic inflation. The yield curve steepened, with a sharper fall in yields for short-end tenor *vis-à-vis* at the long-end. The 5-year generic G-sec yield closed 10 bps lower at 7.13 per cent. Yields softened further during Q4:2023-24 amid lower-than-expected gross as well as net market borrowings in the Interim Union Budget 2024-25 and cooling of domestic inflation. The 10-year and 5-year generic G-sec yields eased by 11 bps and 7 bps, respectively, during the quarter, with both at 7.06 per cent at end-March 2024.

II.5.10 With the introduction of the fully accessible route (FAR)[51] with effect from April 1, 2020, FPIs have three channels of investment - the general route with investment limits set under the medium-term framework (MTF); the voluntary retention route (VRR); and FAR (Table II.5.1). In aggregate, FPIs invested ₹1.3 lakh crore in debt instruments in 2023-24.

[50] The 10-year generic US treasury yield rose by 73 bps, Brent crude oil price increased more than 27 per cent during the period and headline inflation for July and August breached the upper tolerance band.

[51] Under FAR, certain categories of central government securities were opened fully for non-resident investors without any restrictions, apart from being available to domestic investors as well.

Table II.5.1: FPI Investment in Debt Instruments

(Amount in ₹ lakh crore)

Route/ Channel of Investment	March 31, 2022			March 31, 2023			March 31, 2024		
	Limit	Outstanding	Utilisation (per cent of Limit)	Limit	Outstanding	Utilisation (per cent of Limit)	Limit	Outstanding	Utilisation (per cent of Limit)
1	2	3	4	5	6	7	8	9	10
(i) MTF^	10.8	2.2	20.5	11.7	1.8	15.4	11.7	1.9	16.0
(ii) VRR^$	1.5	1.5	100.0	2.5	2.1	82.0	2.5	1.8	70.1
(iii) FAR#	17.6	0.5	2.6	28.0	0.8	2.8	39.0	1.7	4.5

^: Includes central government securities (G-secs), state government securities (SGSs) and corporate bonds.
$: The reduction in utilisation in 2023-24 is due to pooling back of expired limit under VRR with effect from July 2023.
#: Available only for the specified securities included under the route.
Source: CCIL and NSDL.

4. Corporate Debt Market

II.5.11 Corporate bond yields generally softened during 2023-24, mirroring G-sec yields. The monthly average yield on AAA-rated 3-year bonds of public sector undertakings (PSUs), financial institutions (FIs) and banks; NBFCs; and corporates softened by 12 bps, 14 bps and 12 bps, respectively, in March 2024 *vis-à-vis* March 2023 levels (Table II.5.2). The yields softened during H1 and generally hardened during H2 with a widening of spreads amid tightening of liquidity conditions and announcement of regulatory measures towards consumer credit and bank credit to NBFCs.

II.5.12 The spread of AAA-rated 3-year bond yields over G-sec yields of corresponding maturity increased between March 2023 and March 2024. The average daily secondary market turnover in the corporate bond market increased marginally to ₹5,718 crore during 2023-24 from ₹5,549 crore in the previous year (Chart II.5.5).

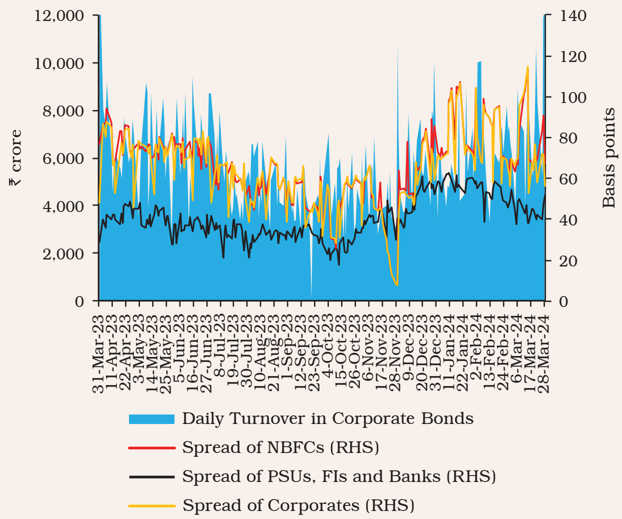
II.5.13 Primary issuances of listed corporate bonds rose in 2023-24, along with increase in mobilisation through overseas issuances (Table II.5.3). Private placements remained the preferred channel, accounting for 97.8 per cent of total resources mobilised through the bond market. Investments by FPIs in corporate bonds increased marginally during the year, pulling up the utilisation of the approved limits to 16.2 per cent at end-March 2024 from 15.5 per cent a year ago.

Table II.5.2: Corporate Bonds* - Yield and Spread

Entity	Yields (per cent)			Spread (bps) [over corresponding risk-free rate]		
	March 2023	March 2024	Change (bps)	March 2023	March 2024	Change (bps)
1	2	3	4 (=3-2)	5	6	7 (=6-5)
(i) PSUs, FIs and Banks	7.75	7.63	-12	36	44	8
(ii) NBFCs	8.12	7.98	-14	73	80	7
(iii) Corporates	8.07	7.95	-12	68	77	9

***:** AAA-rated 3-year bonds.
Note: Yields and spreads are computed as monthly averages.
Source: FIMMDA.

Chart II.5.5: Turnover and AAA-rated 3-Year Yield Spread in Corporate Bond Market



Source: SEBI and FIMMDA.

5. Equity Market

II.5.14 In 2023-24, the Indian equity market remained ebullient on strong macroeconomic fundamentals and robust corporate profitability. The BSE Sensex touched a new high, gaining 24.9 per cent to close at 73,651 at end-March 2024, outperforming most global peers (Chart II.5.6). The exuberance of the secondary market translated into increased resource mobilisation in the primary market as well, with initial public offer (IPO) issuances maintaining a steady pace and resource mobilisation through preferential allotments and qualified institutional placements (QIPs) also growing at a fast clip.

II.5.15 The markets began Q1:2023-24 on a positive note buoyed by solid corporate earnings for Q4:2022-23, upbeat domestic manufacturing performance, robust goods and services tax (GST) collections and soft inflation print for May 2023. In Q2, the markets continued the upward trajectory on positive domestic corporate results for Q1:2023-24 and favourable macroeconomic data, notwithstanding some drag from the sharp correction in China's equities and rising concerns of a prolonged period of high global interest rates.

II.5.16 In Q3, the markets initially registered losses in October 2023 due to FPI outflows and Middle East hostilities. Subsequently, domestic equity indices rebounded sharply, propelled by positive global cues from softer-than-anticipated inflation prints in the US and favourable domestic corporate earnings for Q2:2023-24. In Q4:2023-24, markets registered a marginal increase. The BSE Sensex crossed the 74,000 mark - a fresh peak - in March 2024 following strong GDP growth data for Q3:2023-24.

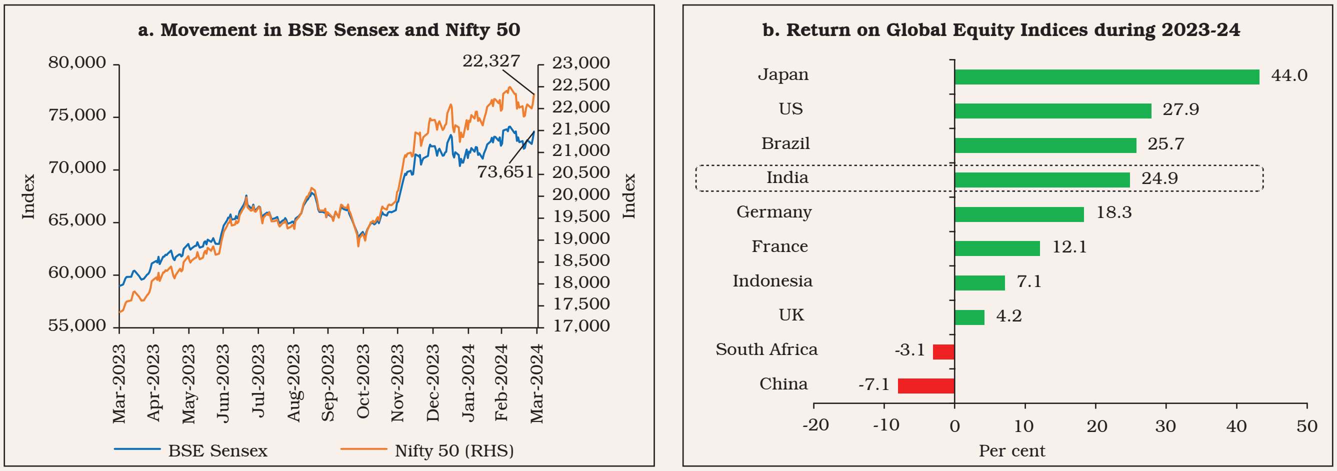
II.5.17 The broader market indices outperformed the benchmark indices, with BSE MidCap and SmallCap indices increasing by 63.4 per cent and 60.1 per cent, respectively, during 2023-24 on increased risk appetite (Chart II.5.7a). FPIs made net purchases of ₹2.1 lakh crore in the domestic equity market during 2023-24 as against net sales of ₹0.4 lakh crore in the previous

Table II.5.3: Corporate Bond Issuances

Item	Amount (₹ lakh crore)		Variation (Col. 3 over Col. 2) [per cent]
	2022-23	2023-24	
1	2	3	4
(i) Primary Corporate Bond Issuances	7.6	8.6	12.2
(ii) Outstanding Corporate Bonds (end-March)	43.1	47.3	9.6
(iii) Investments by FPIs in Corporate Bonds (end-March)	1.04	1.08	4.4

Source: SEBI and NSDL.

Chart II.5.6: Equity Market



Source: BSE, NSE and Bloomberg.

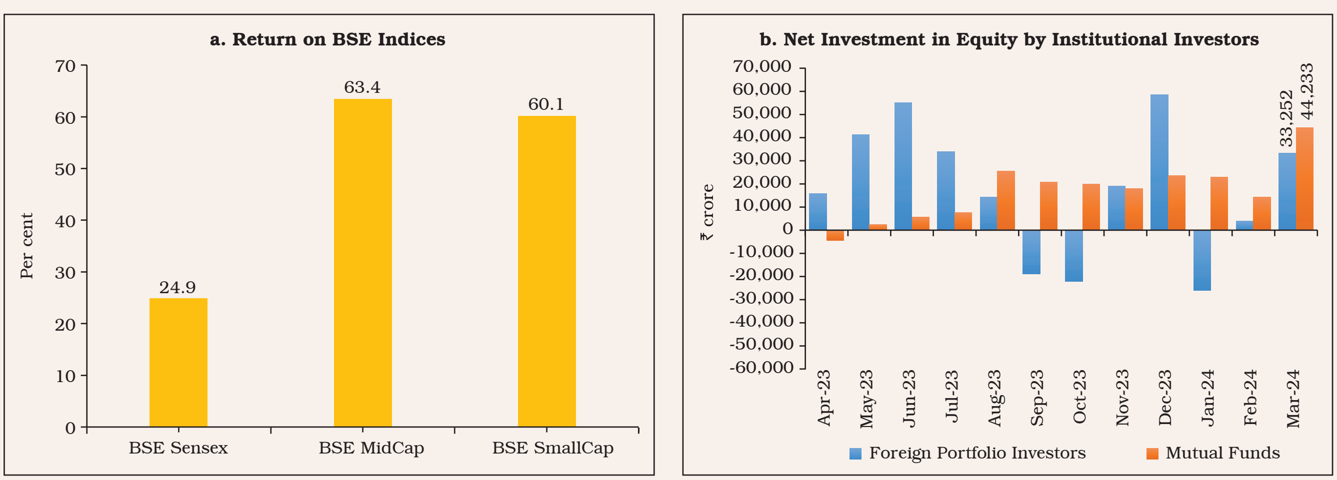
financial year (Chart II.5.7b). Mutual funds made net purchases of ₹2.0 lakh crore in 2023-24.

Primary Market Resource Mobilisation

II.5.18 In the primary segment of the equity market, resource mobilisation through preferential allotments and QIPs increased to ₹1.1 lakh crore during 2023-24 from ₹0.9 lakh crore during the previous year. Resource mobilisation through IPOs, follow-on public offers (FPOs) and rights issues increased to ₹0.8 lakh crore from ₹0.7 lakh crore (Chart II.5.8a and Appendix Table 5). The small and medium enterprises (SMEs) segment exhibited exuberance, with 197 SME IPO/FPO issues garnering ₹6,122 crore in 2023-24, as compared with 125 SME IPO/FPO issues mobilising ₹2,333 crore a year ago.

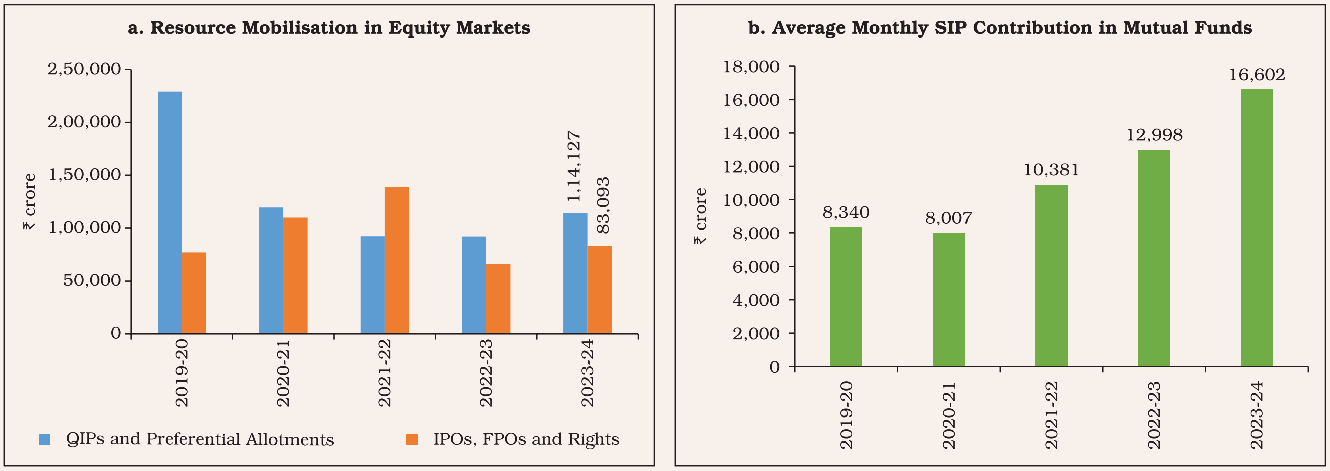
II.5.19 Net resources mobilised by mutual funds increased by more than four times to ₹3.5 lakh crore during 2023-24 from ₹0.8 lakh crore during 2022-23. Net mobilisation by open-ended equity-oriented mutual fund schemes rose to ₹1.8 lakh crore from ₹1.5 lakh crore. Average monthly

Chart II.5.7: Broader Markets and Institutional Flows



Source: SEBI, NSDL and Bloomberg.

Chart II.5.8: Resource Mobilisation



Source: SEBI and AMFI.

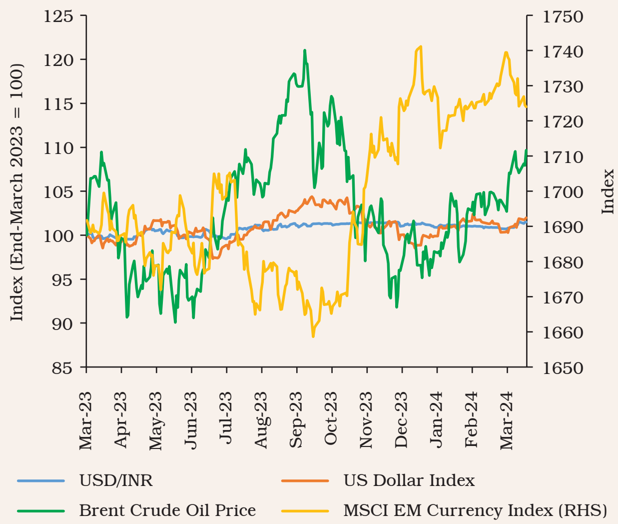
contributions to mutual funds through the systematic investment plan (SIP) route increased to ₹16,602 crore in 2023-24 from ₹12,998 crore in the previous year (Chart II.5.8b). Assets under management (AUM) of open-ended equity-oriented mutual funds rose by around 55 per cent to ₹23.5 lakh crore at end-March 2024. Net redemptions in open-ended debt-oriented schemes fell to ₹0.2 lakh crore during 2023-24 from ₹1.8 lakh crore in the previous year.

6. Foreign Exchange Market

II.5.20 The Indian rupee (INR) exhibited resilience during 2023-24 on improving domestic macroeconomic fundamentals, narrowing current account deficit (CAD) and higher capital inflows. In Q1, the fall in crude oil prices and large FPI inflows imparted an appreciation bias to the INR while it faced downward pressures from a stronger US dollar and the impasse around the US debt-ceiling issue. On net, the INR appreciated by 0.2 per cent in Q1 to ₹82.04 per US dollar by end-June 2023. In Q2:2023-24, the INR came under pressure, tracking sharp gains in the US dollar and crude oil prices. The US dollar index (DXY) gained 3.2 per cent during the quarter, its best since September 2022, on expectations of further monetary tightening by the US Fed and its higher for longer interest rate stance. FPI outflows in September 2023 added to pressure on the INR while reports of Indian bonds' inclusion in the JP Morgan's Emerging Market Global Bond Index provided some support. Overall, the INR closed the quarter lower by 1.2 per cent at ₹83.04 per US dollar (Chart II.5.9).

II.5.21 During Q3:2023-24, the increase in the US treasury yields to the highest levels since 2007, and a rise in crude oil prices amid eruption of geopolitical tensions in the Middle East and continued FPI outflows weighed on the INR. Thereafter, softening in US treasury yields and recovery in FPI inflows during November and December (US$ 13 billion) supported the INR. On balance, the INR closed the quarter marginally lower by 0.2 per cent at ₹83.21 per US dollar. In Q4:2023-24, stronger US dollar and higher crude oil prices exerted pressure on the INR while FPI inflows of around US$10 billion kept the INR supported. The INR closed the quarter lower by 0.2 per cent at ₹83.40 per US dollar. During 2023-24, forward premia trended lower, tracking

Chart II.5.9: Movement in Rupee, US Dollar, Crude Oil and EM Currency Index



Source: Bloomberg.

narrowing of the interest rate differential between India and the US.

II.5.22 The 40-currency nominal effective exchange rate (NEER) depreciated (y-o-y) by 0.6 per cent, while real effective exchange rate (REER) appreciated (y-o-y) by 0.9 per cent during 2023-24.

7. Conclusion

II.5.23 Indian financial markets displayed orderly movements during 2023-24, notwithstanding persisting adverse global spillovers from tightening global financial conditions, the uncertain trajectory of monetary policy of major systemic economies, volatile crude oil prices and lingering geopolitical tensions. Money market rates witnessed reduced volatility. Domestic G-sec yields were marked by two-way movements. The INR exhibited stability. The Indian equity market scaled new peaks and resource mobilisation in the primary markets gained momentum.

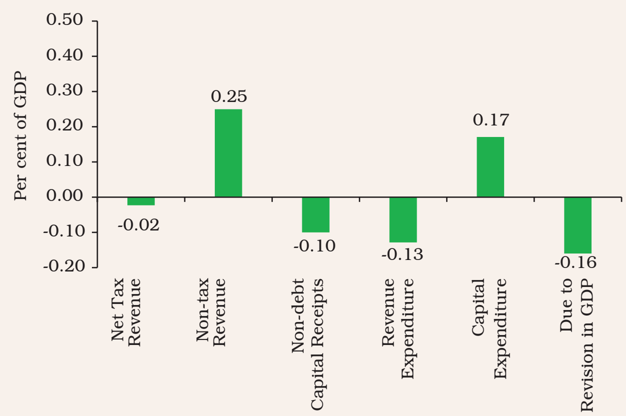
II.6 GOVERNMENT FINANCES

II.6.1 The general government finances consolidated during 2023-24 with its deficit (per cent of GDP) declining due to buoyant tax receipts and lower revenue spending. The quality of expenditure improved with the expansion in capital outlays. Against this backdrop, sub-sections 2 and 3 analyse central government finances in 2023-24 and 2024-25, respectively. Sub-sections 4 and 5 focus on state government finances during these years. General government finances are discussed in sub-section 6. The final section sets out concluding remarks.

2. Central Government Finances in 2023-24

II.6.2 The Union government contained its gross fiscal deficit (GFD) for 2023-24 at 5.9 per cent of GDP in the revised estimates (RE)[52], in line with the budget estimates (Chart II.6.1).

Chart II.6.1: Contribution to Fiscal Consolidation in 2023-24 RE *vis-à-vis* BE



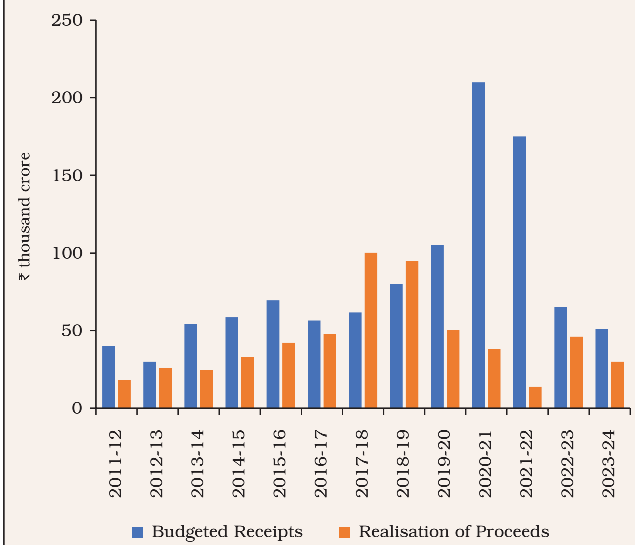
BE: Budget Estimates. RE: Revised Estimates.
Note: Negative contribution denotes decline in receipts or increase in expenditure or a downward revision in GDP from BE to RE as these contribute to slippage from the budgeted fiscal deficit target. Conversely, positive contribution denotes higher receipts or lower expenditure from BE to RE, as these contribute to attainment of budgeted fiscal deficit target.
Source: Union Budget documents and RBI staff estimates.

[52] The second advance estimates of nominal GDP for 2023-24 (released by National Statistical Office on February 29, 2024) are placed at ₹293.9 lakh crore as against the earlier estimate of ₹296.6 lakh crore (used in the interim Budget 2024-25). Accordingly, the gross fiscal deficit for 2023-24 (RE) stands at 5.90 per cent of GDP, as against the RE of 5.85 per cent given in the interim Union Budget 2024-25.

II.6.3 Revenue expenditure turned out to be higher than budgeted by 0.1 per cent of GDP (₹38,103 crore) in 2023-24 (RE), reflecting additional spending measures such as the subsidy of ₹200 per 14.2 kg LPG cylinder (announced in August 2023); additional subsidy of ₹100 per cylinder for beneficiaries of the *Pradhan Mantri Ujjwala Yojana* (PMUY) scheme (announced in October 2023); extension of the *Pradhan Mantri Garib Kalyan Anna Yojana* (PMGKAY) for five years; increased allocation of funds under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme; and higher outgoes under nutrient based fertiliser subsidy (NBS). Capital expenditure, on the other hand, fell short of the budget estimates (BE) by ₹50,715 crore due to lower than budgeted loans and advances (₹20,640 crore) and capital outlay[53] (₹30,075 crore). Nevertheless, capex grew at a robust pace of 28.4 per cent in 2023-24 (RE) and rose to 3.2 per cent of GDP from 2.7 per cent in 2022-23.

II.6.4 On the receipts side, gross tax revenues surpassed BE by ₹76,353 crore, driven up by higher income tax revenues which offset shortfalls in excise and customs collections. Income tax recorded a buoyancy of 2.5 in 2023-24 (RE) *vis-à-vis* 1.0 in BE. Net tax revenue, however, fell short of the BE by 0.02 per cent of GDP (₹6,713 crore) due to higher devolution to states. Non-tax revenue collections exceeded BE by 0.3 per cent of GDP (₹74,145 crore) on the back of higher dividend transfers by the Reserve Bank and public sector enterprises. Disinvestment receipts at ₹30,000 crore in 2023-24 (RE) were, however, below the BE (Chart II.6.2).

Chart II.6.2: Disinvestment - Actual *vis-à-vis* Budgeted



Source: Union Budget documents.

3. Central Government Finances in 2024-25

II.6.5 The interim Union Budget 2024-25 underscored the government's commitment to fiscal consolidation while supporting growth impulses through higher capital expenditure. The GFD has been budgeted at 5.1 per cent of GDP for 2024-25, a consolidation of 76 basis points (bps) over the RE for 2023-24, led by the containment of revenue expenditure at 11.2 per cent of GDP, even as capital expenditure is budgeted to rise to 3.4 per cent of GDP from 3.2 per cent in 2023-24 (RE) [Table II.6.1 and Appendix Table 6].

II.6.6 On the expenditure front, payouts on major subsidies are expected to contract by 7.8 per cent in 2024-25 (BE), restricting revenue spending growth to 3.2 per cent. Capital expenditure is expected to remain robust in 2024-25 (growth of 16.9 per cent), driven by spending on roads and railways (Chart II.6.3).

[53] Capital expenditure *less* loans and advances.

Table II.6.1: Central Government's Fiscal Performance

(Per cent of GDP)

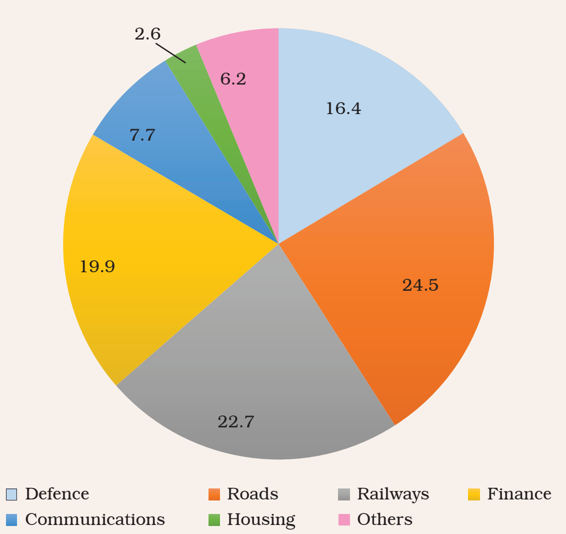
Item	Average of 2015-16 to 2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 (BE)	2023-24 (RE)	2024-25 (BE)
1	2	3	4	5	6	7	8	9
I. Non-debt Receipts	9.1	8.7	8.5	9.4	9.1	9.0	9.4	9.4
II. Gross Tax Revenue (a+b)	11.0	10.0	10.2	11.5	11.3	11.1	11.7	11.7
a) Direct Tax	5.7	5.2	4.8	6.0	6.2	6.0	6.6	6.7
b) Indirect Tax	5.3	4.8	5.5	5.5	5.2	5.1	5.1	5.0
III. Net Tax Revenue	7.1	6.7	7.2	7.6	7.8	7.7	7.9	7.9
IV. Non-tax Revenue	1.5	1.6	1.0	1.5	1.1	1.0	1.3	1.2
V. Non-debt Capital Receipts	0.5	0.3	0.3	0.2	0.3	0.3	0.2	0.2
VI. Total Expenditure	12.6	13.4	17.7	16.1	15.6	14.9	15.3	14.5
VII. Revenue Expenditure	10.9	11.7	15.5	13.6	12.8	11.6	12.0	11.2
VIII. Capital Expenditure	1.7	1.7	2.1	2.5	2.7	3.3	3.2	3.4
IX. Revenue Deficit	2.4	3.3	7.3	4.4	4.0	2.9	2.9	2.0
X. Gross Fiscal Deficit	3.5	4.6	9.2	6.7	6.4	5.9	5.9	5.1

BE: Budget Estimates. RE: Revised Estimates.
Source: Union Budget documents.

The scheme for providing financial assistance to states for capital investment has been extended to 2024-25. Capital outlay is budgeted to rise to 2.9 per cent of GDP in 2024-25 (BE) and the revenue expenditure/capital outlay ratio will fall further, improving the quality of spending (Chart II.6.4).

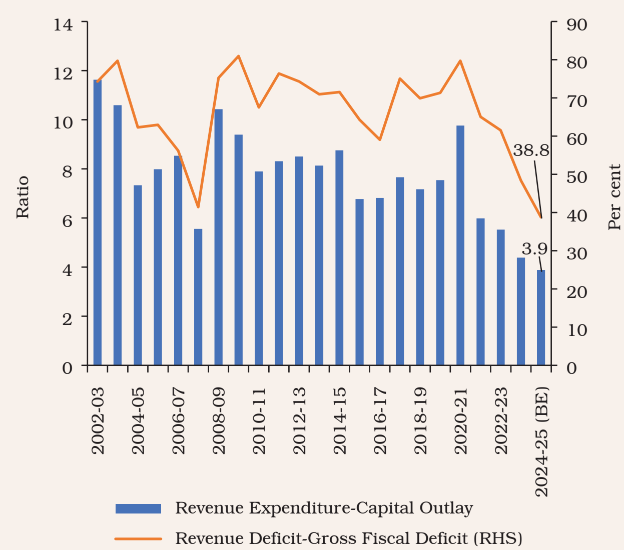
II.6.7 On the receipts side, gross tax revenue is budgeted to increase by 11.5 per cent, a buoyancy of 1.09 in line with recent trends (Table II.6.2). The direct tax-GDP ratio is projected at 6.7 per cent of GDP in 2024-25, the highest in three decades (Chart II.6.5). Non-tax receipts are budgeted to increase by 6.4 per cent, while the

Chart II.6.3: Ministry-wise Breakdown of Capital Expenditure in 2024-25 (Per cent of Total)



Source: Union Budget documents.

Chart II.6.4: Quality of Expenditure



Source: Union Budget documents.

Table II.6.2: Tax Buoyancy

	Average Tax Buoyancy (2010-11 to 2018-19)	2023-24 (BE)	2023-24 (RE)	2024-25 (BE)
1	2	3	4	5
1. Gross Tax Revenue	1.11	0.99	1.39	1.09
2. Direct Taxes	1.03	1.00	1.90	1.24
i) Corporation Tax	0.92	1.00	1.30	1.24
ii) Income Tax	1.27	1.00	2.49	1.25
3. Indirect Taxes	1.25	0.99	0.77	0.89
i) GST	-	1.14	1.40	1.11
ii) Customs Duty	0.31	1.05	0.27	0.55
iii) Excise Duty	0.91	0.57	-0.50	0.48

-: Not available. GST: Goods and Services Tax.
Note: Tax buoyancy is defined as the responsiveness of tax revenue to changes in nominal GDP and to discretionary changes in tax policies.
Source: RBI staff estimates based on Union Budget documents for various years.

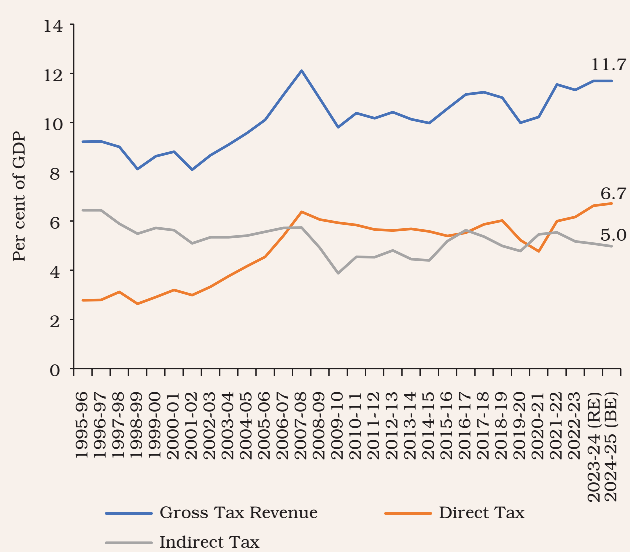
disinvestment target has been set at ₹0.5 lakh crore.

II.6.8 Gross market borrowings for 2024-25 are pegged at ₹14.1 lakh crore (4.3 per cent of GDP), down from ₹15.4 lakh crore in 2023-24 (RE) [5.3 per cent of GDP]. Net market borrowings remain the main source of financing GFD in 2024-25 (BE)[54], followed by small savings (Chart II.6.6).

4. State Finances in 2023-24

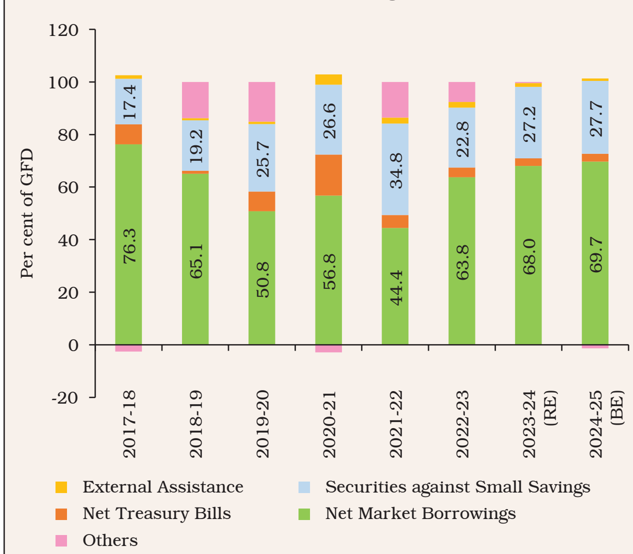
II.6.9 States budgeted a combined GFD of 3.1 per cent of GDP in 2023-24 within the Centre's limit of 3.5 per cent for the year (Table II.6.3). According to the data for 22 states available from Comptroller and Auditor General (CAG) of India for 2023-24, states' GFD at 92.0 per cent of the budget estimates was higher than the previous year (88.1 per cent). On the receipts front, states' overall tax revenue increased by 14.7 per cent due to higher devolution, while own tax revenue growth decelerated. Within states' own tax revenue, growth in sales tax/value added tax and state excise moderated, while growth in state goods and services tax increased

Chart II.6.5: Tax-GDP Ratio



Source: Union Budget documents.

Chart II.6.6: Sources of Financing Gross Fiscal Deficit



Source: Union Budget documents.

[54] Net market borrowings for 2024-25 (BE) are placed at ₹11.75 lakh crore (3.6 per cent of GDP) as compared with ₹11.80 lakh crore in 2023-24 (RE) [4.0 per cent of GDP].

Table II.6.3: Fiscal Position of States/UTs

(Amount in ₹ lakh crore)

	2019-20	2020-21	2021-22	2022-23 (RE)	2023-24 (BE)
1	2	3	4	5	6
I. Revenue Receipts	26.7	25.9	32.3	39.1	43.1
	(13.3)	(13.0)	(13.7)	(14.4)	(14.3)
II. Non-debt Capital Receipts	0.6	0.2	0.2	0.1	0.4
	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)
III. Revenue Expenditure	27.9	29.6	33.3	40.4	43.4
	(13.9)	(14.9)	(14.2)	(14.8)	(14.4)
IV. Capital Expenditure	4.6	4.6	5.8	8.1	9.6
	(2.3)	(2.3)	(2.4)	(3.0)	(3.2)
a. Capital Outlay	4.2	4.1	5.3	7.3	8.7
	(2.1)	(2.1)	(2.3)	(2.7)	(2.9)
b. Loans and Advances by States	0.4	0.4	0.4	0.8	0.9
	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)
V. Fiscal Deficit	5.3	8.1	6.6	9.2	9.5
	(2.6)	(4.1)	(2.8)	(3.4)	(3.1)
VI. Revenue Deficit	1.2	3.7	1.0	1.3	0.4
	(0.6)	(1.9)	(0.4)	(0.5)	(0.1)
VII. Primary Deficit	1.7	4.2	2.3	4.5	4.3
	(0.9)	(2.1)	(1.0)	(1.7)	(1.4)

Note: Figures in parentheses are per cent of GDP.
Source: Budget documents of state governments.

marginally. Non-tax revenues expanded by 16.8 per cent, while grants from the Centre contracted by 21.7 per cent following the cessation of GST compensation to states and the tapering off of finance commission grants.

II.6.10 On the spending front, revenue expenditure growth (8.1 per cent) was lower in 2023-24 than the previous year (11.2 per cent). The thrust on capital spending continued (19.4 per cent increase), aided by the Centre's scheme for special assistance to states for capital investment.

5. State Finances in 2024-25

II.6.11 As per information available for 27 states for 2024-25, their consolidated GFD-GSDP ratio is budgeted at 3.0 per cent (Table II.6.4). Gross transfers from the Centre are budgeted to increase by 8.4 per cent during 2024-25 (BE), largely due to enhanced tax devolution and an increase in loans for capital expenditure. The scheme of 50-year interest free loans for capital expenditure to states would be continued in 2024-25, with total outlay of ₹1.3 lakh crore - an increase of 23.2 per cent over 2023-24 (RE) levels. Finance commission grants are, however, expected to decline in 2024-25, primarily due to lower transfers under post-devolution revenue deficit grants.

Table II.6.4: State Government Finances 2024-25*: Key Deficit Indicators

(Per cent of GSDP)

Item	2022-23	2023-24 (RE)	2024-25 (BE)
1	2	3	4
Revenue Deficit	0.3	0.5	0.2
Gross Fiscal Deficit	2.7	3.3	3.0
Primary Deficit	1.0	1.6	1.3

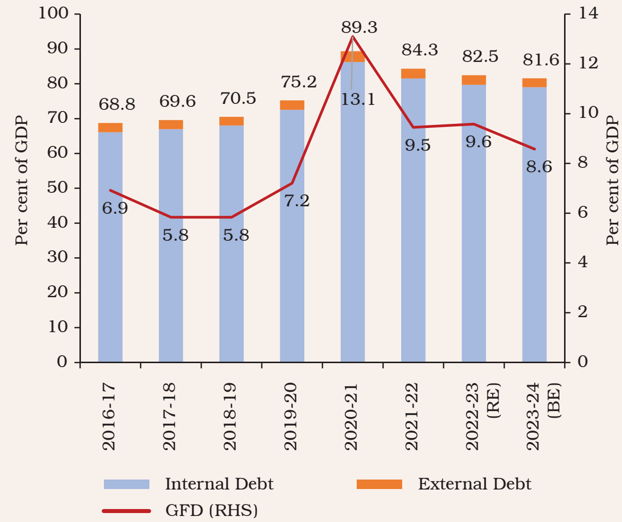
*: Data pertain to 27 states/UTs, out of which 19 states/UTs have presented their final budgets and remaining states have presented Vote on Account budgets for 2024-25.

Source: Budget documents of state governments.

6. General Government Finances

II.6.12 The general government deficit and debt moderated to 8.6 per cent and 81.6 per cent of GDP, respectively, in 2023-24 (BE) from 9.6 per cent and 82.5 per cent, respectively, in 2022-23 (RE), respectively (Chart II.6.7 and Appendix Table 7). The reduction in the general government deficit in 2023-24 was supported by an increase in tax revenues [from 17.9 per cent of GDP in 2022-23 (RE) to 18.2 per cent in 2023-24 (BE)] along with moderation in revenue expenditure (from 25.8 per cent of GDP to 24.0 per cent).

Chart II.6.7: General Government Debt and Deficit Indicators



Source: RBI and Union Budget documents.

II.6.13 Globally, government finances remained under pressures in 2023 on the back of slowing growth, rising real interest rates and expansionary fiscal policy (IMF, 2023)[55]. The general government fiscal deficit increased from 3.2 per cent of GDP in 2022 to 5.6 per cent in 2023 in advanced economies (AEs) and from 4.9 per cent to 5.4 per cent in emerging market economies (EMEs) [Chart

Chart II.6.8: Fiscal Balance and Gross Debt

US: United States of America. UK: United Kingdom. EU: European Union.

Note: Data for India have been sourced from the World Economic Outlook (WEO), IMF to ensure comparability with other countries. However, this may be at variance with data reported in Union Budget documents or the Reserve Bank publications as the IMF follows different accounting practices and conventions than those followed by the Government of India.

Source: World Economic Outlook, April 2024, IMF.

[55] IMF Fiscal Monitor, October 2023.

II.6.8]. Even as overall deficits are projected to narrow in 2024, global debt/GDP ratios will remain elevated and are expected to increase further in both AEs and EMEs.

7. Conclusion

II.6.14 The interim Union Budget 2024-25 persevered with consolidation, while improving the quality of spending through higher capital outlays. Gross market borrowings are placed lower in 2024-25, which would enhance the resources available for the private sector. State government budgets for 2024-25 also envisage containment of fiscal deficits. Accordingly, the general government deficit is expected to decline further in 2024-25, which bodes well for macroeconomic stability.

II.7 EXTERNAL SECTOR

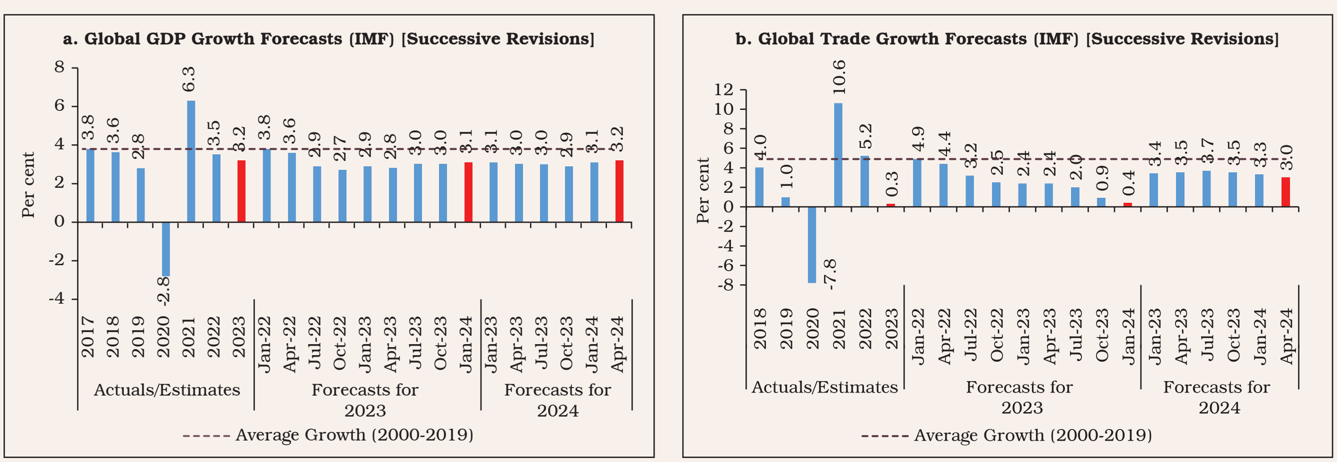
II.7.1 India's external sector strengthened during 2023-24 amidst multiple global headwinds emanating from sharp deceleration in world trade volumes, financial market volatility engendered by aggressive monetary policy tightening actions of systemic central banks and escalating geopolitical tensions. The correction in commodity prices and subdued external demand led to a contraction in merchandise exports and imports (US$ terms) and a narrowing of the merchandise trade deficit. The buoyancy in services exports and private transfer receipts cushioned the current account deficit (CAD). Net capital flows were higher than in the previous year, driven by portfolio inflows and banking capital, leading to an accretion to foreign exchange reserves.

II.7.2 Against this backdrop, sub-section 2 presents a brief overview of global economic and financial conditions, followed by an analysis of India's merchandise exports and imports in sub-section 3. The behaviour of invisibles is presented in sub-section 4. Details on net capital flows are set out in sub-section 5, while external vulnerability indicators are examined in sub-section 6, followed by concluding observations.

2. Global Economic Conditions

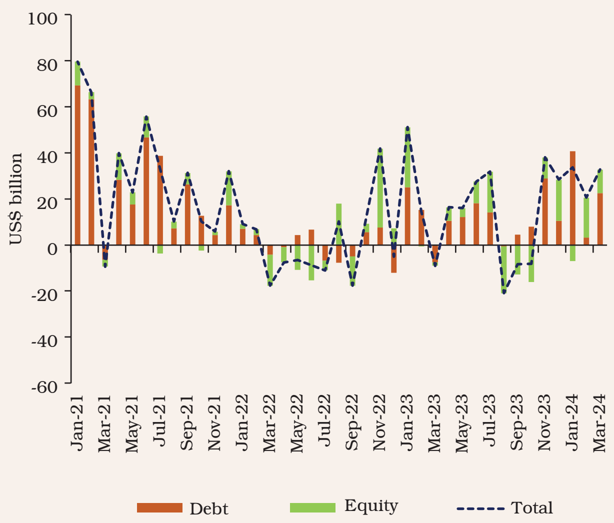
II.7.3 The global economy sustained an uneven expansion during 2023, despite tight financial conditions, high inflation, geoeconomic fragmentation and geopolitical tensions. GDP growth turned out to be somewhat stronger than anticipated, driven by resilience in the US and several large emerging market and developing economies (EMDEs) [Chart II.7.1a]. Global trade

Chart II.7.1: Real GDP and World Trade* Volume Growth



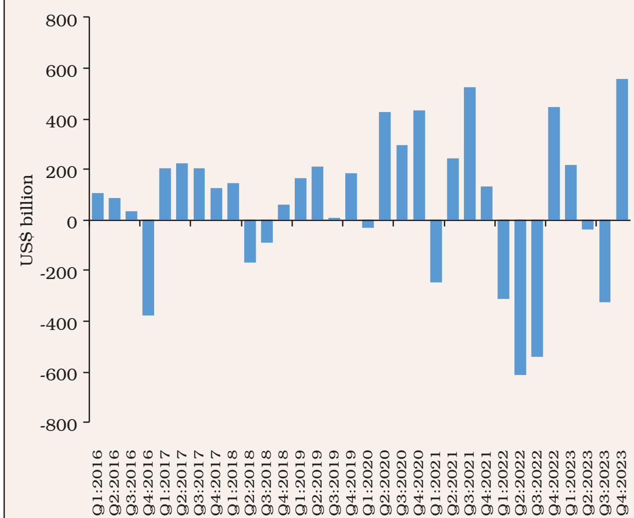
*: Goods and services.
Source: IMF.

Chart II.7.2: Portfolio Investment Flows to EMEs



Source: Institute of International Finance.

Chart II.7.3: Change in Global Foreign Exchange Reserves*



*: Quarter-on-quarter change in official reserve assets.
Source: IMF.

volume growth was restrained by the rising trade barriers, rotation of global demand back to less-trade intensive services from goods with the ebbing of the pandemic, subdued investment demand and the strengthening of the US dollar (Chart II.7.1b). With continued progress on disinflation, markets are expecting a turn in the global monetary cycle in 2024, which is buoying sentiments in financial markets.

II.7.4 Portfolio flows to emerging market economies (EMEs) recovered in 2023 amidst heightened volatility (Chart II.7.2). Global foreign exchange reserves increased during 2023, reflecting the higher price of gold during the year and lower bond yields in Q4:2023 (Chart II.7.3).

3. Merchandise Trade

II.7.5 In India, merchandise exports as well as imports (US$ terms) declined during 2023-24 (Table II.7.1). With the fall in imports exceeding that in exports, the merchandise trade deficit narrowed in 2023-24, reflecting the fragility of global demand (Box II.7.1).

Table II.7.1: India's Merchandise Trade

	Value in US$ billion				Growth Rate			
	2020-21	2021-22	2022-23	2023-24	2020-21	2021-22	2022-23	2023-24
1	2	3	4	5	6	7	8	9
Exports								
Q1	51.5	95.5	121.0	103.9	-36.4	85.7	26.6	-14.1
Q2	74.2	102.7	110.7	107.2	-5.2	38.5	7.8	-3.2
Q3	75.8	106.8	104.6	105.6	-4.2	41.0	-2.1	1.0
Q4	90.4	117.0	114.8	120.4	20.4	29.3	-1.9	4.9
Annual	291.8	422.0	451.1	437.1	-6.9	44.6	6.9	-3.1
Imports								
Q1	61.3	127.0	183.5	160.1	-52.9	107.2	44.5	-12.8
Q2	90.7	147.5	189.0	170.3	-23.1	62.7	28.1	-9.9
Q3	110.8	167.0	176.1	174.4	-4.6	50.7	5.4	-1.0
Q4	131.7	171.6	167.3	170.7	19.1	30.3	-2.5	2.0
Annual	394.4	613.1	716.0	675.4	-16.9	55.4	16.8	-5.7
Trade Balance								
Q1	-9.8	-31.4	-62.6	-56.2				
Q2	-16.5	-44.8	-78.3	-63.1				
Q3	-35.1	-60.2	-71.5	-68.8				
Q4	-41.2	-54.6	-52.6	-50.3				
Annual	-102.6	-191.0	-264.9	-238.3				

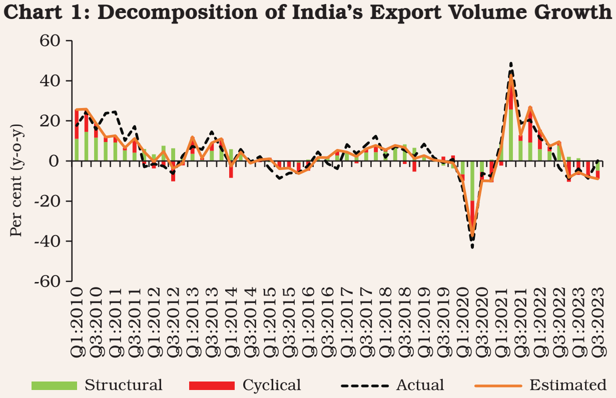
Note: Quarterly figures may not add up to annual figures.
Source: DGCI&S.

Box II.7.1
Exports Downturn: Structural or Cyclical?

India's merchandise exports rose around ten-fold from US$ 45 billion in 2000-01 to US$ 437.1 billion in 2023-24, interspersed by episodes of contraction and surges. An autoregressive distributed lag (ARDL) model for the period Q1:2009 to Q3:2023 indicates that the long-run elasticity of India's merchandise export volumes with respect to world merchandise trade volumes is around 1.4. Exports are also sensitive to relative prices, with the real effective exchange rate (REER) elasticity at around (-) 0.5 (Table 1).

The short-run trade elasticity is above its long-run value, which suggests that global demand fluctuations have a stronger impact on India's exports in the short-run. The speed of adjustment (ECM term) is high, *i.e.*, export growth tends to revert to its equilibrium path quickly following deviations from the trend. Utilising the above results, India's merchandise export growth is decomposed into structural and cyclical components (Constantinescu *et. al.*, 2020). The analysis suggests that the cyclical component has been the major driver of contraction in merchandise export volumes in recent quarters (Chart 1).

Chart 1: Decomposition of India's Export Volume Growth



Source: RBI staff estimates.

Table 1: Estimated Elasticity of India's Merchandise Exports

Dependent Variable: Log (Export Volume Index)

Explanatory Variable	Coefficient
1	2
Short-Run (Error Correction Results)	
D[Log(India's export volume index)$_{t-1}$]	-0.173** (0.076)
D[Log(India's export volume index)$_{t-2}$]	0.123* (0.064)
D[Log(India's export volume index)$_{t-3}$]	0.272*** (0.061)
D[Log(World trade volume index)$_{t}$]	2.132*** (0.155)
Error Correction$_{t-1}$	-0.567*** (0.099)
Long-Run (Cointegrating Relation)	
Constant	1.263 (0.933)
Log (World trade volume index)	1.369*** (0.106)
Log (Export weighted REER)	-0.544** (0.265)
Bound Test, F-statistic	7.779
Breusch-Godfrey LM Test, p-value	0.339
Breusch-Pagan-Godfrey Test, p-value	0.455
Adjusted R-squared	0.818

***, ** and * indicate significance level at 1 per cent, 5 per cent and 10 per cent, respectively.
Note: Figures in parentheses are standard errors.
Source: RBI staff estimates.

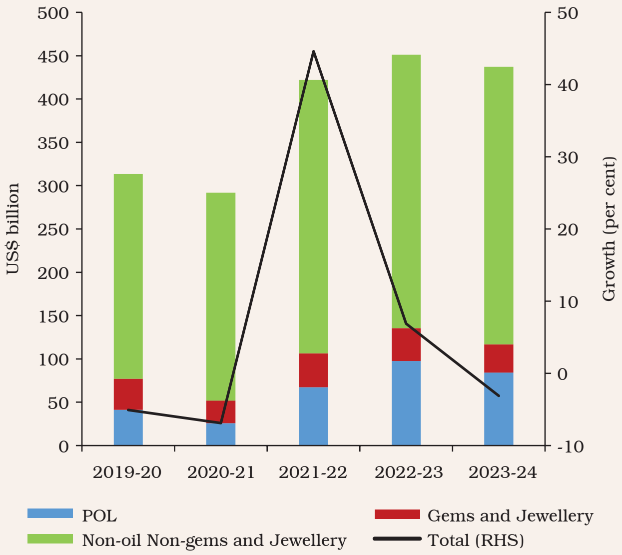
Reference:

Constantinescu, C., Mattoo, A., and Ruta, M. (2020), 'The Global Trade Slowdown: Cyclical or Structural?', *The World Bank Economic Review*, 34 (1), 121–142.

II.7.6 The decline in exports in 2023-24 was broad-based, with about half of the export basket recording a fall. The contraction was driven by petroleum, oil and lubricants (POL) and gems and jewellery. On the other hand, non-oil non-gems and jewellery exports witnessed expansion (Chart II.7.4).

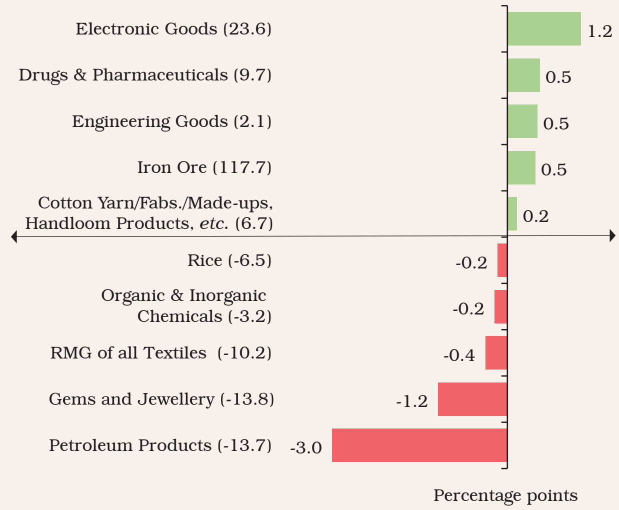
II.7.7 Apart from petroleum products and gems and jewellery, readymade garments (RMG) of all textiles, organic and inorganic chemicals and rice contributed to the decline in merchandise exports. Electronic goods, drugs and pharmaceuticals, engineering goods, iron ore, and cotton yarn/fabs./made-ups, on the other hand, recorded expansion (Chart II.7.5).

Chart II.7.4: India's Merchandise Exports



Source: DGCI&S.

Chart II.7.5: Relative Contribution of Major Sectors to Export Growth (2023-24 over 2022-23)

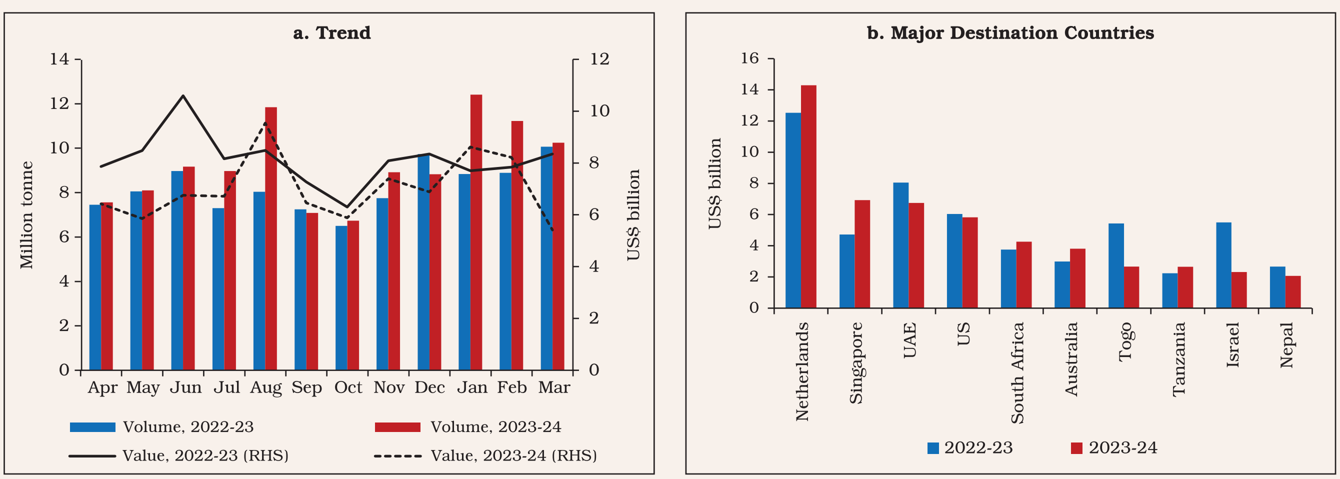


Note: Figures in parentheses are y-o-y per cent change.
Source: DGCI&S and RBI staff estimates.

II.7.8 Exports of petroleum products dropped by 13.7 per cent (y-o-y) in US$ terms in 2023-24 due to softening oil prices, offsetting the increase in volume terms (Chart II.7.6a). Among the top ten export destinations, five witnessed an increase in supplies (Chart II.7.6b).

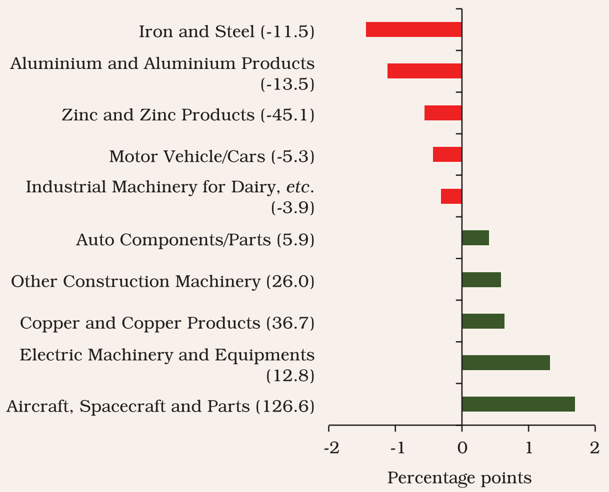
II.7.9 Exports of engineering goods - one-fourth of the total export basket - increased by 2.1 per cent (y-o-y) during 2023-24, supported by aircraft, spacecraft and parts, and electric machinery and equipment. On the other hand, iron and steel, aluminium and its products, and zinc and its

Chart II.7.6: India's Exports of Petroleum Products



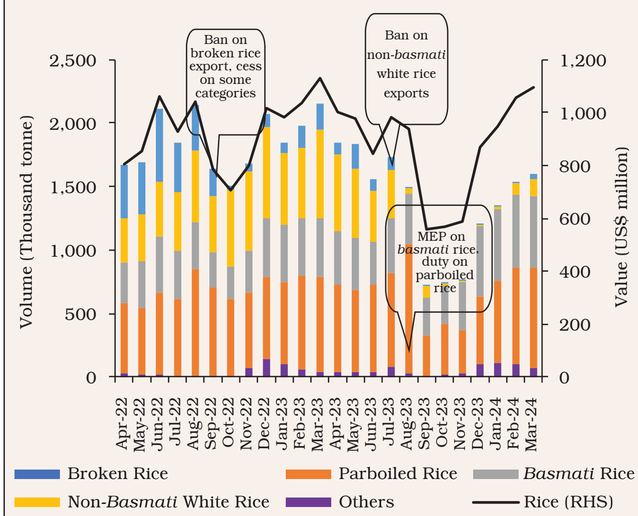
Source: DGCI&S.

Chart II.7.7: India's Engineering Goods Exports - Relative Contribution (2023-24 over 2022-23)



Note: Figures in parentheses are y-o-y per cent change.
Source: DGCI&S and RBI staff estimates.

Chart II.7.8: India's Rice Exports



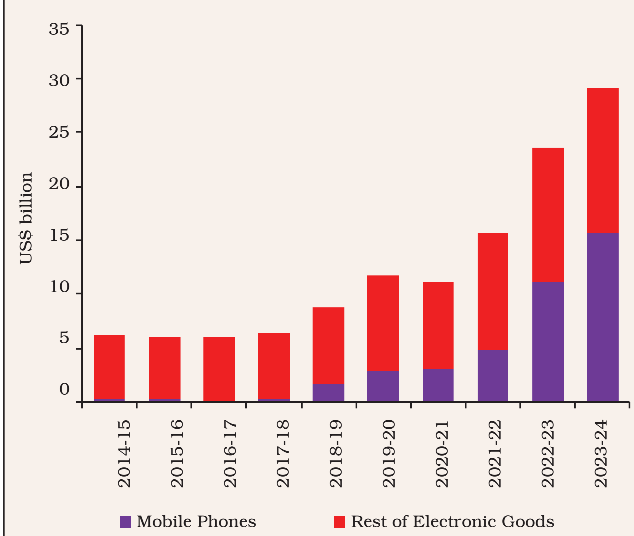
MEP: Minimum Export Price.
Source: DGCI&S.

products dragged down overall export growth (Chart II.7.7).

II.7.10 Agricultural exports registered a decline of 9.0 per cent (y-o-y) to reach US$ 46.8 billion during 2023-24. Rice exports contracted by 6.5 per cent (y-o-y) to US$ 10.4 billion during 2023-24, due to restrictions on exports to improve domestic supplies (Chart II.7.8).

II.7.11 Exports of electronic goods at US$ 29.1 billion grew by 23.6 per cent (y-o-y) during 2023-24, propelled by mobile phones (accounting for more than half of total electronic goods exports) benefitting from the production-linked incentive (PLI) scheme for large scale electronics manufacturing (LSEM)[56] [Chart II.7.9]. Major export markets for smartphones were the US, the UAE, the UK, the Netherlands and Italy.

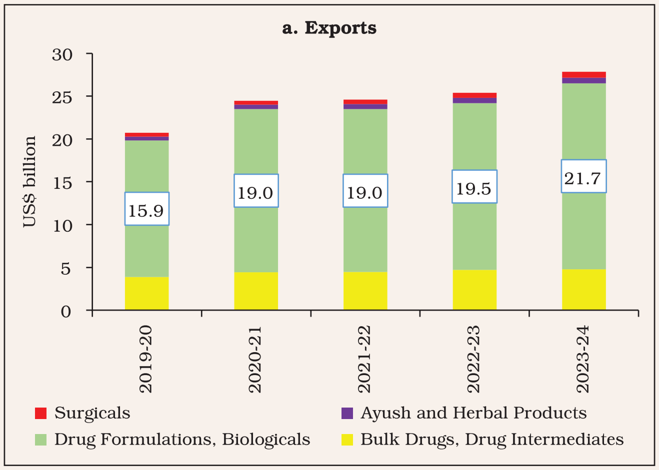
Chart II.7.9: Electronic Goods Exports



Source: DGCI&S.

[56] The government introduced the PLI scheme for LSEM in April 2020 and it provides an incentive of 4-6 per cent on net incremental sale over the base year to eligible companies for a period of five years. A second round of PLI for LSEM was launched in March 2021 for electronic components, with incentive of 3-5 per cent for a period of four years.

Chart II.7.10: Drugs and Pharmaceuticals



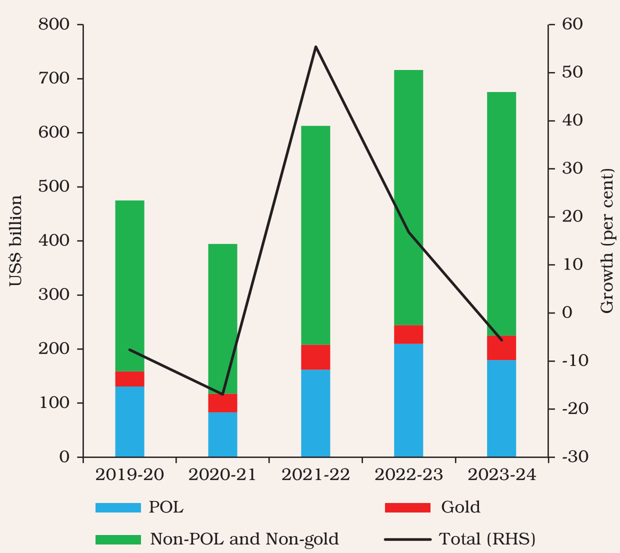
Source: DGCI&S.

II.7.12 Exports of drugs and pharmaceuticals, accounting for 6.4 per cent of India's merchandise exports, rose by 9.7 per cent in 2023-24 on higher shipments of all the sub-components, with double digit growth in drug formulations, biologicals and surgicals (Chart II.7.10).

II.7.13 Merchandise imports at US$ 675.4 billion contracted by 5.7 per cent during 2023-24, mainly due to lower prices (Chart II.7.11). The decline in imports was led by POL, coal, pearls, precious, and semi-precious stones, fertilisers and organic and inorganic chemicals. Electronic goods, gold, machinery, pulses, and non-ferrous metals, on the other hand, supported overall import growth (Chart II.7.12).

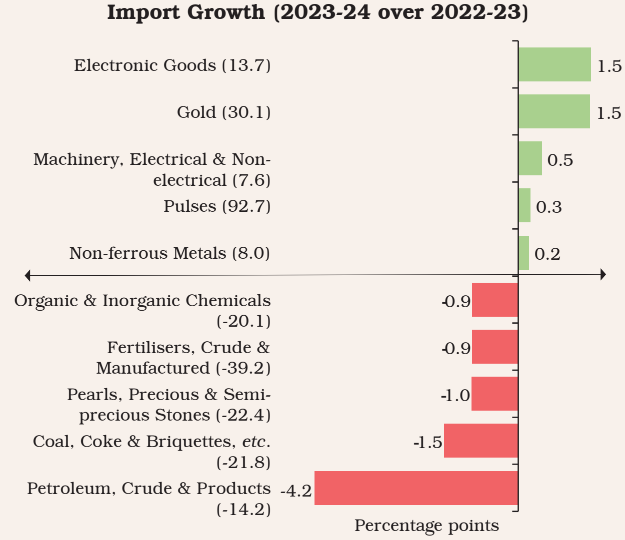
II.7.14 POL imports (26.6 per cent of total merchandise imports) declined by 14.2 per cent to US$ 179.6 billion during 2023-24, mainly due

Chart II.7.11: India's Merchandise Imports



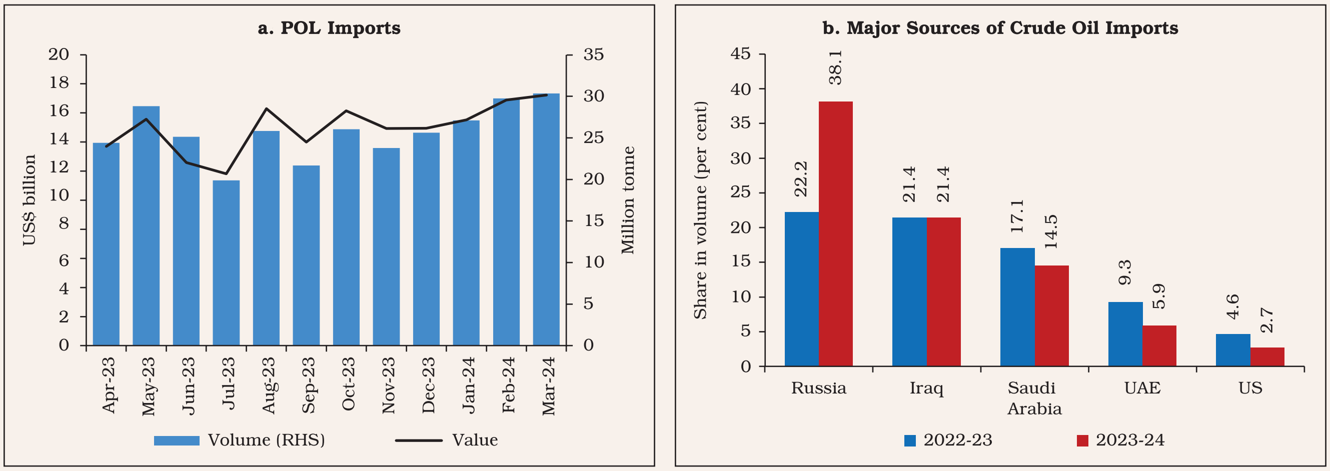
Source: DGCI&S.

Chart II.7.12: Relative Contribution of Major Sectors to Import Growth (2023-24 over 2022-23)



Note: Figures in parentheses are y-o-y per cent change.
Source: DGCI&S and RBI staff estimates.

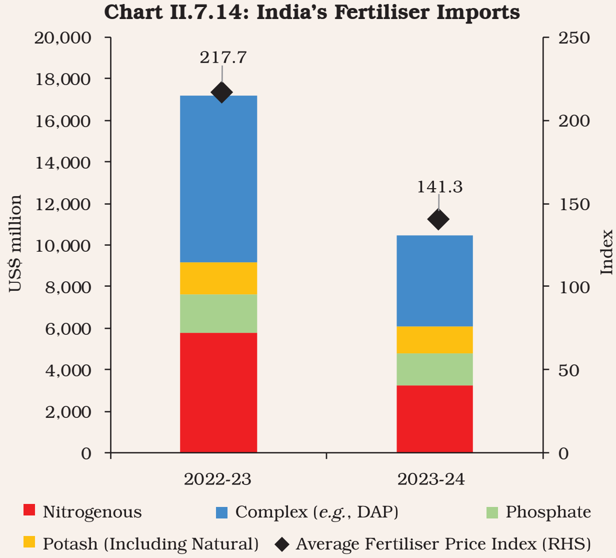
Chart II.7.13: POL



Source: DGCI&S.

to lower prices as volumes expanded by 0.8 per cent (Chart II.7.13a). Russia's share in supply of crude oil to India increased to 38.1 per cent during 2023-24 from 22.2 per cent in 2022-23 while that of the Middle East region moderated (Chart II.7.13b).

Chart II.7.14: India's Fertiliser Imports



Source: DGCI&S and World Bank.

II.7.15 Fertiliser imports, around one-third of domestic consumption, declined by 39.2 per cent to US$ 10.5 billion during 2023-24 on lower prices (Chart II.7.14).

II.7.16 Coal imports at US$ 38.9 billion in 2023-24 fell by 21.8 per cent (y-o-y), benefitting from lower prices even as underlying volumes increased by 11.3 per cent[57] (Chart II.7.15).

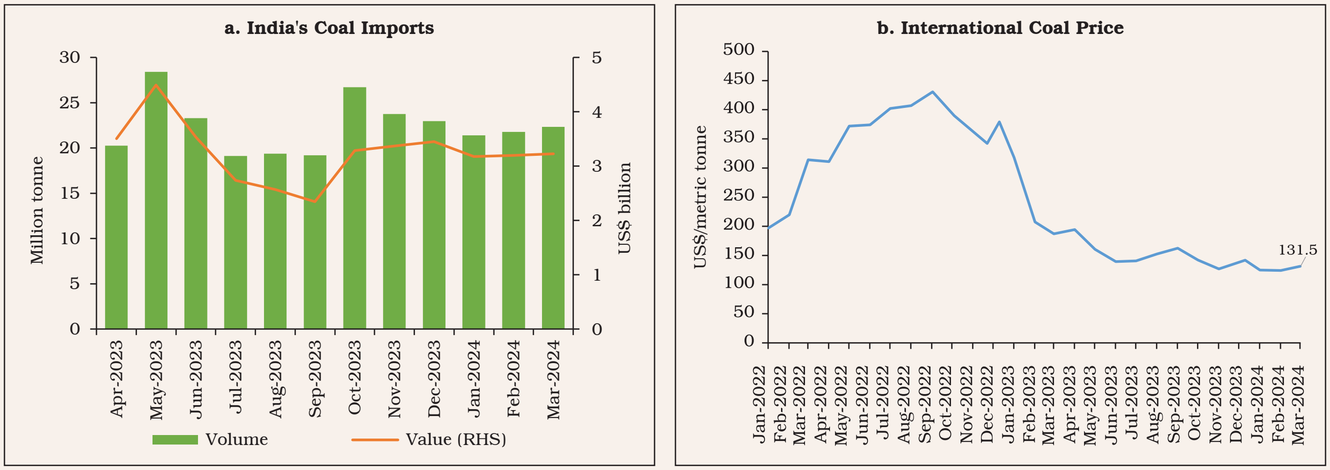
II.7.17 Gold imports at US$ 45.5 billion during 2023-24 rose by 30.1 per cent (y-o-y), underpinned by increase in volume (17.2 per cent) as well as prices (10.2 per cent) [Chart II.7.16].

II.7.18 Imports of electronic goods at US$ 87.9 billion during 2023-24 expanded by 13.7 per cent (y-o-y), driven by electronic components, telecom instruments and computer hardware (Chart II.7.17).

II.7.19 The merchandise trade deficit fell by 10.0 per cent (y-o-y) to US$ 238.3 billion during 2023-24. The oil deficit accounted for around

[57] India is the world's second largest consumer of coal, with a 14 per cent share in global demand [Coal 2023, International Energy Agency (IEA)].

Chart II.7.15: Coal Imports and Price



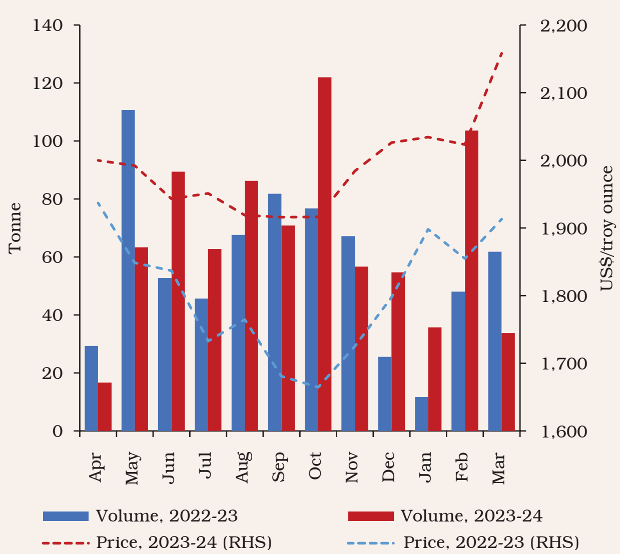
Source: DGCI&S and World Bank.

40.1 per cent (Chart II.7.18a). Amongst major trading partners, India's trade deficit with Russia, Switzerland and China widened, while surpluses improved in respect of the US, the Netherlands and the UK (Chart II.7.18b).

4. Invisibles

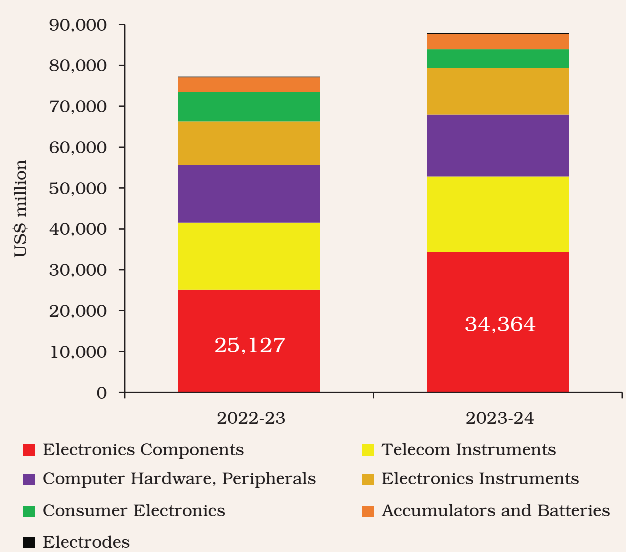
II.7.20 Net receipts from invisibles - cross-border transactions in services, income, and transfers - rose during 2023-24 (April-December) over the previous year. Software services and business services exports together account for around 70 per cent of India's services exports, and they increased by 11.0 per cent (y-o-y) during the same period (Chart II.7.19). Amongst other services, exports of travel services grew by 27.6 per cent, benefitting from the lifting of pandemic-related movement restrictions. Transportation receipts fell

Chart II.7.16: Gold Imports



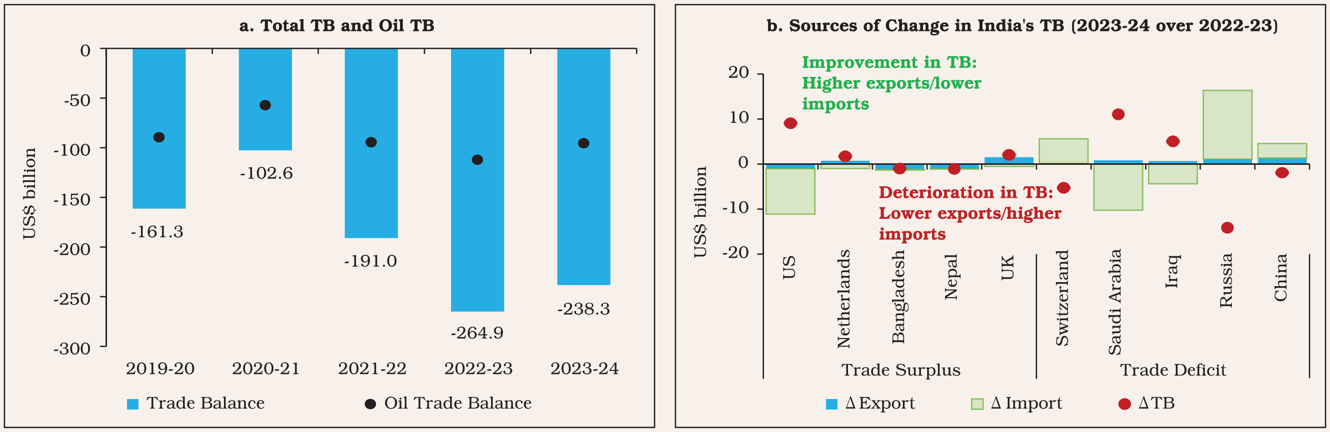
Source: DGCI&S and World Bank.

Chart II.7.17: Electronic Goods Imports



Source: DGCI&S and World Bank.

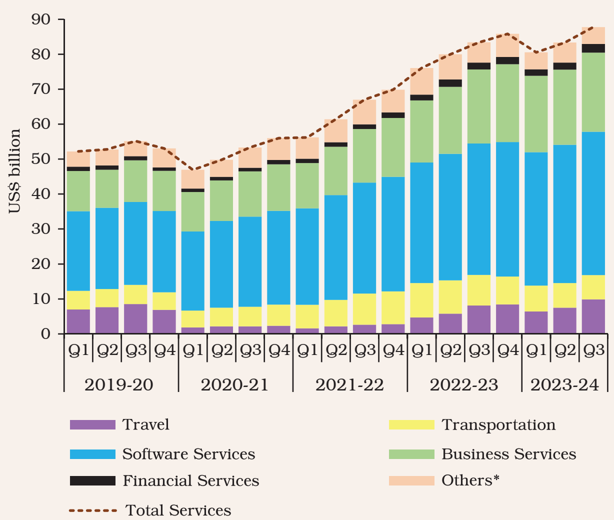
Chart II.7.18: India's Merchandise Trade Deficit



TB: Trade Balance.
Note: A positive Δ export/Δ import implies higher exports/imports and *vice versa*.
Source: DGCI&S and RBI staff estimates.

by 23.9 per cent, largely driven by a softening in global freight rates: the average Baltic Dry Index[58] fell by 19.3 per cent over the previous year during April-December 2023. Private transfer receipts, mainly representing remittances by Indians employed overseas, witnessed a y-o-y growth of 3.4 per cent during April-December 2023. Net outgo on the primary income account increased over the previous year by 6.2 per cent, reflecting higher interest and dividend payments.

Chart II.7.19: Composition of India's Services Exports



*: Includes insurance services, communication services and government not included elsewhere.
Source: RBI.

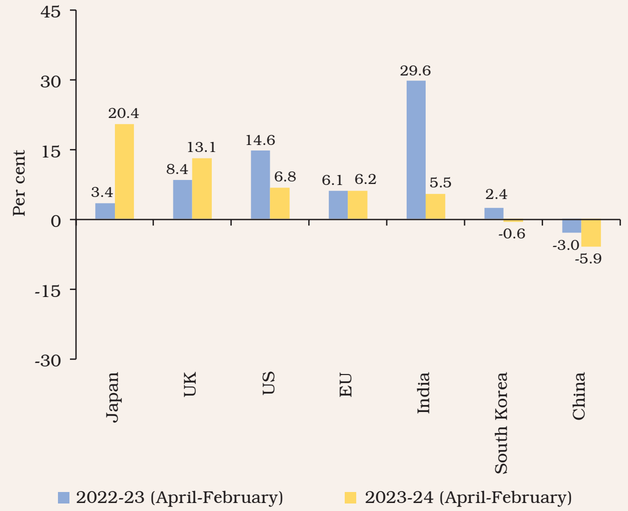
II.7.21 Services export growth decelerated in 2023-24 due to weakening global demand. The increase in the value of global commercial services was lower at 9.0 per cent in 2023 from 15.1 per cent in 2022. India retained its position in the top five exporting countries during 2023 (Chart II.7.20). According to Gartner[59], global information technology (IT) spending is expected to increase to US$ 5.1 trillion in 2024 from US$ 4.7 trillion in 2023, which should support India's software services exports.

II.7.22 Inward remittances to India stood at US$ 86.7 billion in 2023-24 (April-December). India remains the highest remittance receiving economy

58 A shipping and trade index, created by the Baltic Exchange (London), which measures the cost of transporting dry bulk raw materials such as coal, iron and steel.

59 Gartner Inc. is an American technological research and consulting firm, known for its research and reports on the IT industry and forecasts on worldwide IT spending.

Chart II.7.20: Growth in Country-wise Exports of Services



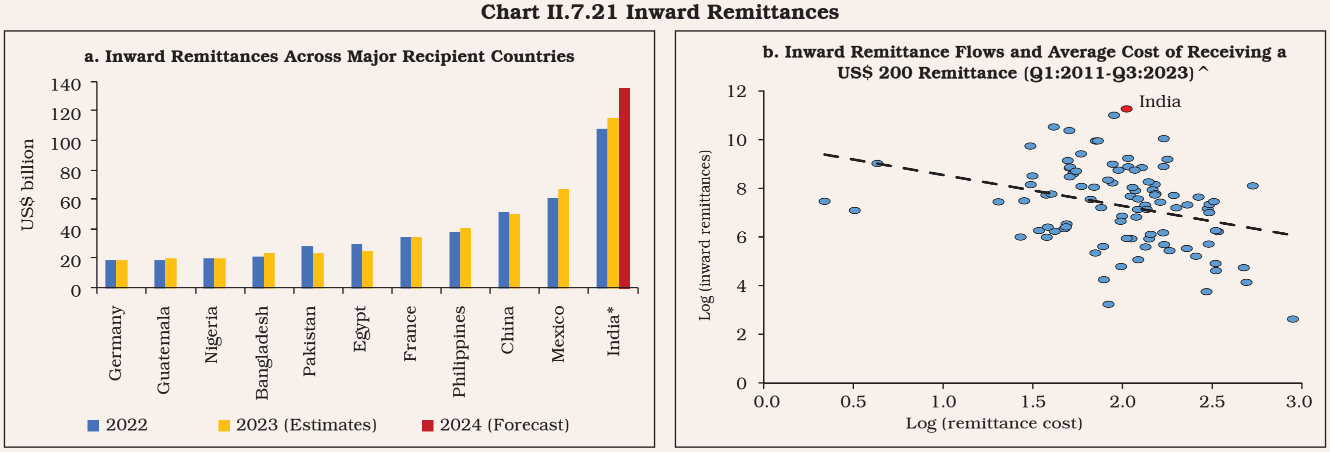
Source: WTO and RBI.

globally (Chart II.7.21a). According to the World Bank, India's inward remittances are estimated at US$ 135 billion in 2024, with a share of 15.2 per cent in global remittances. Strong labour markets in major advanced economies such as the US and Europe have supported remittance flows to India. The average cost of sending remittances of US$ 200 to India declined from 5.51 per cent in Q4:2020 (the highest since Q1:2019) to 4.95 per cent in Q3:2023, according to the World Bank estimates. Generally, the amount of remittance receipts and the cost of remittances have a negative relationship (Chart II.7.21b).

II.7.23 Under the income account[60], the deficit widened during 2023-24 (April-December), with the expansion in payments outpacing that in receipts. Higher interest/discount earnings on the Reserve Bank's investment of its foreign currency assets (FCAs) abroad were offset by outgoes on interest on liabilities such as external commercial borrowings (ECBs), external assistance, short-term credits and non-resident deposits, and payment of dividend to non-resident shareholders (both direct and portfolio investors).

II.7.24 India's CAD narrowed in 2023-24 (April-December) to US$ 31.0 billion (1.2 per cent of GDP) from US$ 65.6 billion (2.6 per cent of GDP)

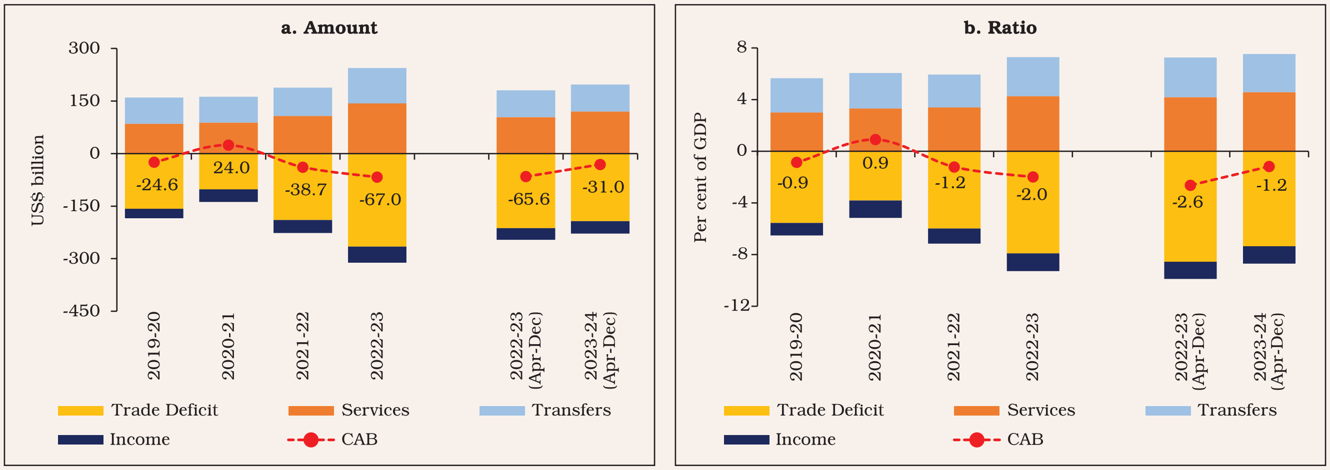
Chart II.7.21 Inward Remittances



*: Based on India's BoP statistics.
^: Based on average cost of receiving US$ 200 for the period Q1:2011-Q3:2023.
Note: Data on inward remittances are in US$ million, while that of remittance cost are in terms of per cent of total transaction amount.
Source: RBI and World Bank.

[60] Income on cross-border investments and compensation of employees that domestic resident entities earn from/pay to the rest of the world.

Chart II.7.22: Composition of India's Current Account Balance (CAB)



Source: RBI.

a year ago (Chart II.7.22). This was the outcome of a fall in the merchandise trade deficit as well as a higher surplus in services trade.

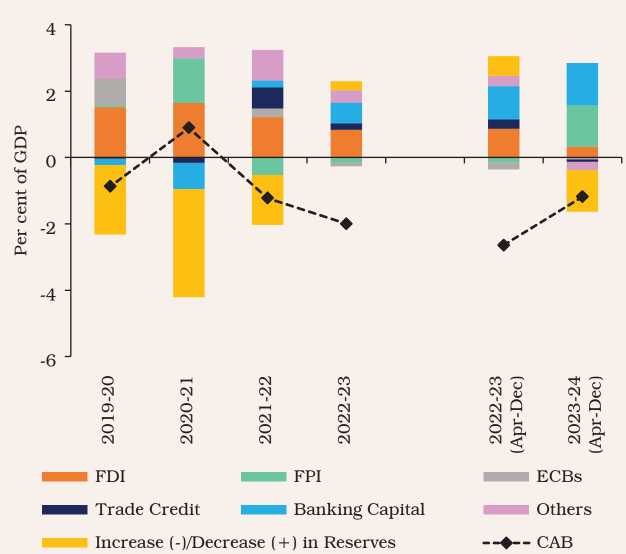
5. External Financing

II.7.25 During 2023-24 (April-December), capital flows were robust, driven by a turnaround in foreign portfolio investment (FPI) flows. Net inflows under non-resident deposits and external commercial borrowings were higher than a year ago. Net foreign direct investment (FDI) flows were, however, lower on account of a rise in repatriation of FDI from India. Overall, net capital inflows were higher while CAD moderated, leading to an accretion to foreign exchange reserves on a BoP basis (excluding valuation effects) by US$ 32.9 billion during April-December (Chart II.7.23 and Appendix Table 8).

II.7.26 Net FDI (*i.e.*, net inward FDI *minus* net outward FDI) flows fell to US$ 10.6 billion during 2023-24 from US$ 28.0 billion a year ago. While gross inflows by non-residents remained resilient, repatriation/disinvestment of FDI in India increased (Table II.7.2). During 2023-24, the top FDI source countries were Singapore, Mauritius, the US, the Netherlands and Japan, contributing 73.9 per cent (Chart II.7.24). Sector-wise, the services sector (including computer services, communication services, financial services and business services) accounted for a major share of FDI equity flows into India, followed by manufacturing, electricity and other energy, retail and wholesale trade, and transport (Appendix Table 9).

II.7.27 Outward FDI from India increased by 13.9 per cent during 2023-24 on a y-o-y basis.

Chart II.7.23: Financing of Current Account Deficit



Source: RBI.

Table II.7.2: Foreign Direct Investment Inflows

(US$ billion)

Item	2020-21	2021-22	2022-23	2023-24
1	2	3	4	5
1. Net FDI (1.1 - 1.2)	44.0	38.6	28.0	10.6
1.1 Net Inward FDI (1.1.1 - 1.1.2)	54.9	56.2	42.0	26.5
1.1.1 Gross Inflows	82.0	84.8	71.4	71.0
1.1.2 Repatriation/Disinvestment	27.0	28.6	29.3	44.4
1.2 Net Outward FDI	11.0	17.6	14.0	16.0

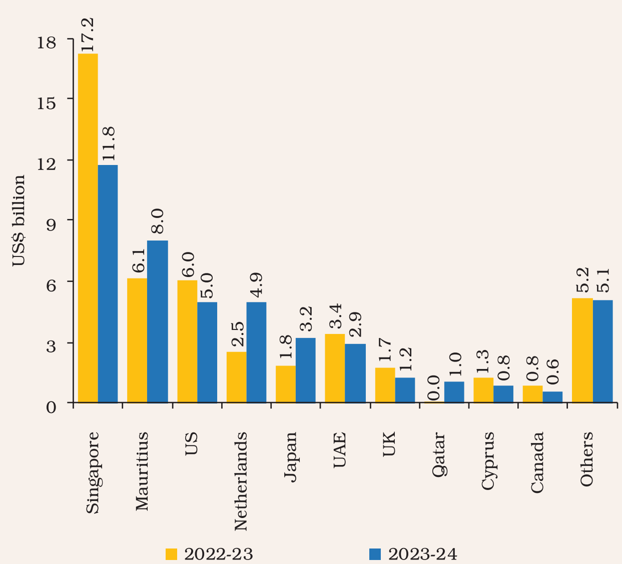
Source: RBI.

Singapore, the US, the UAE, the UK, and the Netherlands were the major destinations. Financial, insurance and business services, manufacturing, and wholesale, retail trade, restaurants and hotels were the major sectors attracting India's overseas direct investment during 2023-24.

II.7.28 Foreign portfolio investors turned large net buyers in the domestic market in 2023-24 after being net sellers in 2022-23. During 2023-24, net FPI inflows amounted to US$ 41.6 billion as against an outflow of US$ 5.9 billion during 2022-23 (Chart II.7.25). India attracted the highest FPI flows in 2023-24 among peer emerging economies on the back of robust domestic GDP growth, brightening medium-term prospects and strong corporate earnings.

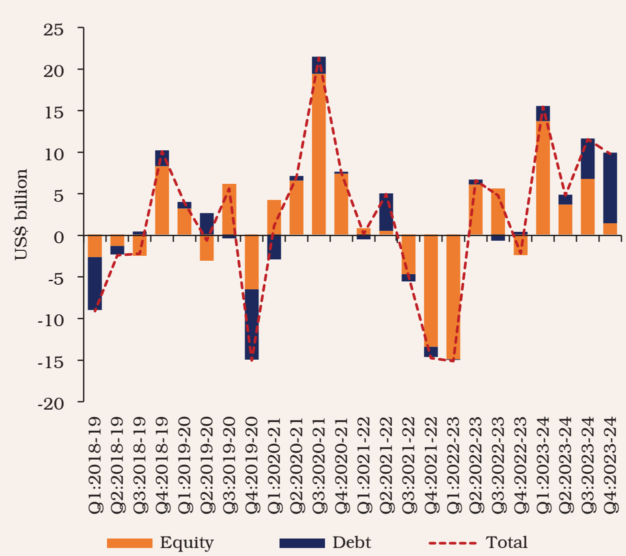
II.7.29 FPI inflows in the equity market were primarily recorded in financial services, automobiles, capital goods, oil, gas and consumable fuels, and information technology sectors (Chart II.7.26). Even as the investments by FPIs in the debt market increased during the year, the utilisation remains below the available investment limits.

Chart II.7.24: Source Country-wise Inflow of FDI (Equity)



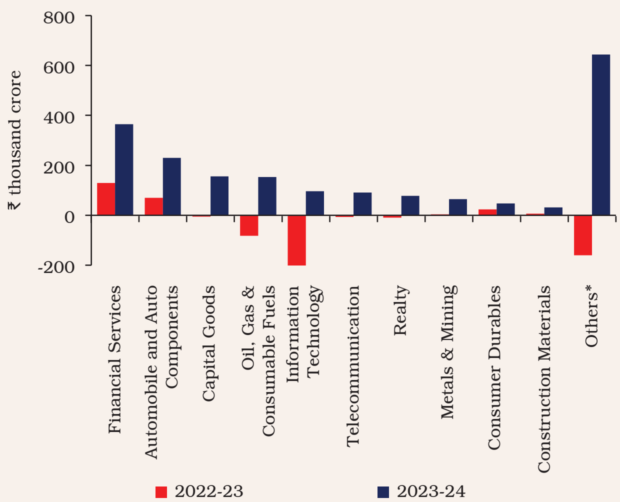
Source: RBI.

Chart II.7.25: Net Foreign Portfolio Flows to India



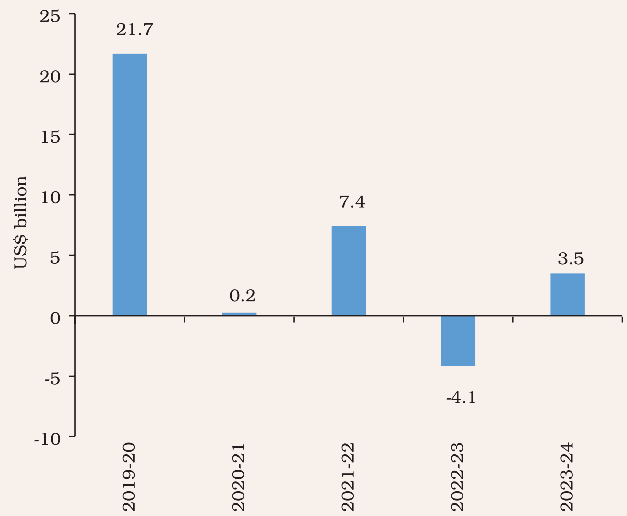
Source: NSDL.

Chart II.7.26: Change in FPIs' Exposure in Equity Market



*: Includes sectors such as fast-moving consumer goods, healthcare, power, chemicals and consumer services.
Source: NSDL.

Chart II.7.27: External Commercial Borrowings to India (Net)



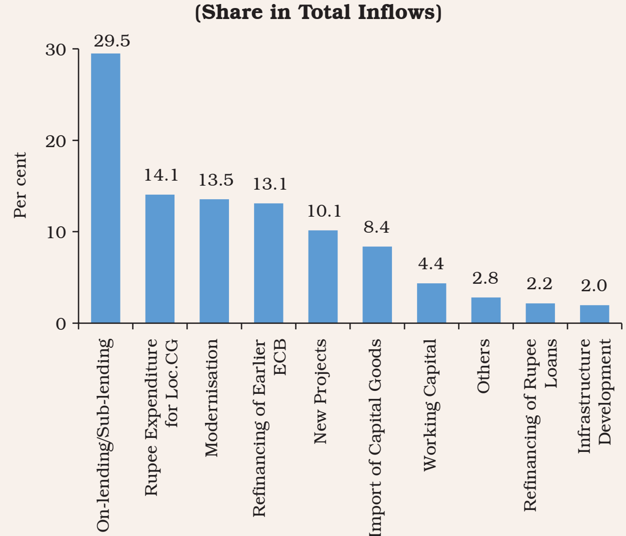
Source: RBI.

II.7.30 ECB flows exhibited a turnaround during 2023-24 with net inflow of US$ 3.5 billion as compared to net outflow of US$ 4.1 billion a year ago (Chart II.7.27).

II.7.31 More than four-fifths of the ECB agreement amounts were utilised for on-lending/ sub-lending, rupee expenditure for local capital goods, modernisation, refinancing of earlier ECBs and new projects (Chart II.7.28). Within ECBs, rupee denominated loans and rupee denominated bonds accounted for 5.3 per cent of the total agreement amounts during 2023-24 as compared with 8.0 per cent a year ago. Of the total agreement amounts during 2023-24, 50.8 per cent of the loans were explicitly hedged, 15.3 per cent were loans from FDI parent companies (excluding INR loans) and 5.3 per cent were denominated in the INR. The remaining 28.6 per cent comprised other ECBs, including naturally hedged loans (*i.e.*, borrowers' business earnings in foreign currency).

II.7.32 Short-term trade credit declined during 2023-24 in line with the contraction in merchandise imports, with net outflow of US$ 1.8 billion during April-December 2023 as compared with a net inflow of US$ 6.8 billion a year ago. Around 35 per cent of the trade credit was raised for imports of crude oil, gold, coal and copper.

Chart II.7.28: End Use of ECBs during 2023-24 (Share in Total Inflows)



Loc. CG: Local Capital Goods.
Source: RBI.

Table II.7.3: Flows under Non-Resident Deposit Accounts

(US$ billion)

Item	2020-21	2021-22	2022-23	2023-24
1	2	3	4	5
1. Non-Resident External (Rupee) Account	8.8	3.3	2.5	4.2
2. Non-Resident Ordinary Account	2.3	3.5	4.0	4.2
3. Foreign Currency Non-Resident (B) Account	-3.8	-3.6	2.4	6.4
Non-Resident Deposits (1+2+3)	**7.4**	**3.2**	**9.0**	**14.7**

Source: RBI.

II.7.33 Net inflows under non-resident deposits surged to US$ 14.7 billion during 2023-24 from US$ 9.0 billion a year ago, with accretions under all the three schemes - Non-Resident (External) Rupee (NRE) deposits; Non-Resident Ordinary (NRO) accounts; and Foreign Currency Non-Resident (Bank) [FCNR(B)] deposits (Table II.7.3).

6. Vulnerability Indicators

II.7.34 At end-December 2023, India's external debt increased by US$ 23.9 billion over its level at end-March 2023. However, as a ratio to GDP, it declined and remained the lowest among emerging market peers (Table II.7.4).

II.7.35 India's foreign exchange reserves rose during 2023-24, strengthening the buffers for

Table II.7.4: External Vulnerability Indicators (End-March)

(Per cent, unless indicated otherwise)

Indicator	2013	2022	2023	End-December 2023
1	2	3	4	5
1. External Debt to GDP Ratio	22.4	20.0	19.0	18.7
2. Ratio of Short-term Debt (Original Maturity) to Total Debt	23.6	19.7	20.6	19.5
3. Ratio of Short-term Debt (Residual Maturity) to Total Debt	42.1	43.2	44.0	43.9
4. Ratio of Concessional Debt to Total Debt	11.1	8.3	8.2	7.7
5. Ratio of Reserves to Total Debt	71.3	98.1	92.7	96.0
6. Ratio of Short-term Debt (Original Maturity) to Reserves	33.1	20.0	22.2	20.3
7. Ratio of Short-term Debt (Residual Maturity) to Reserves	59.0	44.0	47.4	45.7
8. Reserve Cover of Imports (in Months)*	7.0	11.8	9.6	11.0 (11.4)
9. Debt Service Ratio (Debt Service to Current Receipts)	5.9	5.2	5.3	6.5
10. External Debt (US$ billion)	409.4	619.0	624.3	648.2
11. Net International Investment Position (NIIP) [US$ billion]	-326.7	-358.2	-367.5	-370.3
12. NIIP/GDP Ratio	-17.8	-11.6	-11.3	-10.8
13. CAB/GDP Ratio#	-4.8	-1.2	-2.0	-1.2

*: Based on merchandise imports of latest four quarters, published in BoP statistics.
#: CAB/GDP Ratio in column 5 pertains to April-December 2023.
Note: Figure in parenthesis pertains to end-March 2024.
Source: RBI and Government of India.

mitigating external risks and spillovers. They were placed at US$ 646.4 billion as at end-March 2024, an increase of US$ 68.0 billion over end-March 2023. At end-December 2023, India's foreign exchange reserves were five times higher than short-term external debt on original maturity basis and more than two times short-term external debt on residual maturity basis. As at end-March 2024, foreign exchange reserves provided a cover of 11.4 months of imports for 2023-24.

7. Conclusion

II.7.36 India's external sector strengthened during 2023-24. The current account deficit narrowed, remaining sustainable and well financed. Capital flows recovered and helped to augment foreign exchange reserves. Accordingly, the economy's ability to withstand spillovers from adverse global macro-financial shocks was enhanced, contributing to overall macroeconomic and financial stability.

PART TWO: THE WORKING AND OPERATIONS OF THE RESERVE BANK OF INDIA

III MONETARY POLICY OPERATIONS

With the cumulative interest rate increases of 250 basis points (bps) undertaken in 2022-23, headline inflation moderated and moved into the tolerance band during 2023-24 amidst intermittent food price spikes even as economic activity exhibited resilience. The monetary policy committee (MPC) kept the policy repo rate unchanged and maintained the stance of withdrawal of accommodation through 2023-24. The pace of transmission to banks' deposit and lending rates moderated. Liquidity conditions evolved in sync with the monetary policy stance.

III.1 During 2022-23, the monetary policy committee (MPC) increased the policy repo rate by cumulative 250 bps. The impact of the increase in the repo rate and softening input cost pressures was reflected in a steady decline in core consumer price index (CPI) inflation (CPI excluding food and fuel). CPI headline inflation also eased into the tolerance band, although transient shocks from vegetable prices pushed it occasionally above the upper tolerance threshold. Disinflation costs were minimised by the resilience of domestic economic activity in spite of formidable global headwinds. Accordingly, the MPC maintained *status quo* on the policy repo rate and persevered with a stance of withdrawal of accommodation during 2023-24.

III.2 During the year, liquidity conditions evolved in line with the monetary policy stance. An incremental cash reserve ratio (I-CRR) was applied as a temporary measure during August 12 to October 7, 2023 to absorb the surplus liquidity resulting from the return of ₹2000 banknotes to the banking system. With system liquidity turning into a deficit in H2 on account of the build-up of government cash balances and festival related currency outgo, short-term money market rates firmed up. Long-term yields remained broadly stable. The Reserve Bank conducted two-way liquidity operations. The transmission of policy rate increases of 2022-23 to banks' deposit and lending rates continued although its pace slowed during the course of the year.

III.3 Against the above backdrop, section 2 presents the implementation status of the agenda set for 2023-24 along with major developments during the year, while section 3 sets out the agenda for 2024-25. Concluding observations are provided in the last section.

2. Agenda for 2023-24

III.4 The Department had set out the following goals for 2023-24:

- Application of machine learning (ML) techniques for improving nowcasting and forecasting of gross domestic product (GDP) [*Utkarsh* 2.0] (Paragraph III.5);
- Strengthening the analysis of transmission to lending rates of non-banking financial companies (NBFCs) and sectoral lending by them (*Utkarsh* 2.0) [Paragraph III.5]; and

- A review of the working of the external benchmark system for loans in monetary policy transmission (*Utkarsh* 2.0) [Paragraph III.5].

Implementation Status

III.5 The nowcasting and forecasting models used for short-term projections of GDP were augmented by employing linear and non-linear ML techniques using high frequency indicators. Data on transmission and sectoral deployment of credit from major NBFCs are being collected and efforts are underway to streamline the data submission process under the centralised information management system (CIMS). A detailed review of the external benchmark-based lending rate (EBLR) system was conducted. Feedback and suggestions have been received from banks.

III.6 Studies were carried out during the year (i) to assess properties of various core inflation measures in view of recurrent inflation shocks in recent years; (ii) to gauge the impact of the surge in digital payments on currency demand; (iii) to extract expectations on the policy rate from the 2-month overnight index swaps (OIS); (iv) to evaluate the operation of the standing deposit facility (SDF) after one year of its introduction; (v) to compare monetary transmission in the current tightening cycle *vis-à-vis* the previous easing phase; and (vi) to examine the pass-through of input prices to output prices in a cross-country framework.

Major Developments

Monetary Policy

III.7 When the MPC met for its first meeting of 2023-24 in April, CPI headline inflation had accelerated to 6.4 per cent in February 2023 from 5.7 per cent in December 2022 amidst high inflation in several food sub-groups. The outlook for inflation remained uncertain in the backdrop of unseasonal rains and hailstorms, the lagged pass-through of input costs pressures into output prices, global financial market volatility and imported inflation risks, especially from crude oil prices. Assuming an annual average crude oil price (Indian basket) at US$ 85 per barrel and a normal monsoon, CPI inflation was projected at 5.2 per cent for 2023-24, with Q1 at 5.1 per cent, Q2 at 5.4 per cent, Q3 at 5.4 per cent and Q4 at 5.2 per cent, with risks evenly balanced. Real GDP growth for 2023-24 was projected at 6.5 per cent, underpinned by a good *rabi* crop, sustained buoyancy in contact-intensive services, the government's thrust on capex, and double digit credit growth. The MPC unanimously decided to keep the policy repo rate unchanged at 6.50 per cent in April 2023 after six sequential rate hikes during 2022-23. The MPC emphasised that it would continue to keep a strong vigil on the evolving inflation and growth outlook and take further action, if required. The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns to the target while supporting growth, with a 5-1 vote.

III.8 With inflation dipping into the tolerance band during March-April 2023, under the combined impact of monetary tightening and supply augmenting measures, and domestic activity remaining resilient, the MPC maintained *status quo* on policy rate by a unanimous decision and maintained the stance with a 5-1 vote in its June 2023 meeting. It noted that the cumulative rate hike of the past was still transmitting through the economy and its fuller impact should keep inflationary pressures contained in the coming months. The MPC resolved to take further monetary actions, as required, to keep inflation expectations firmly anchored and to bring down inflation to the target.

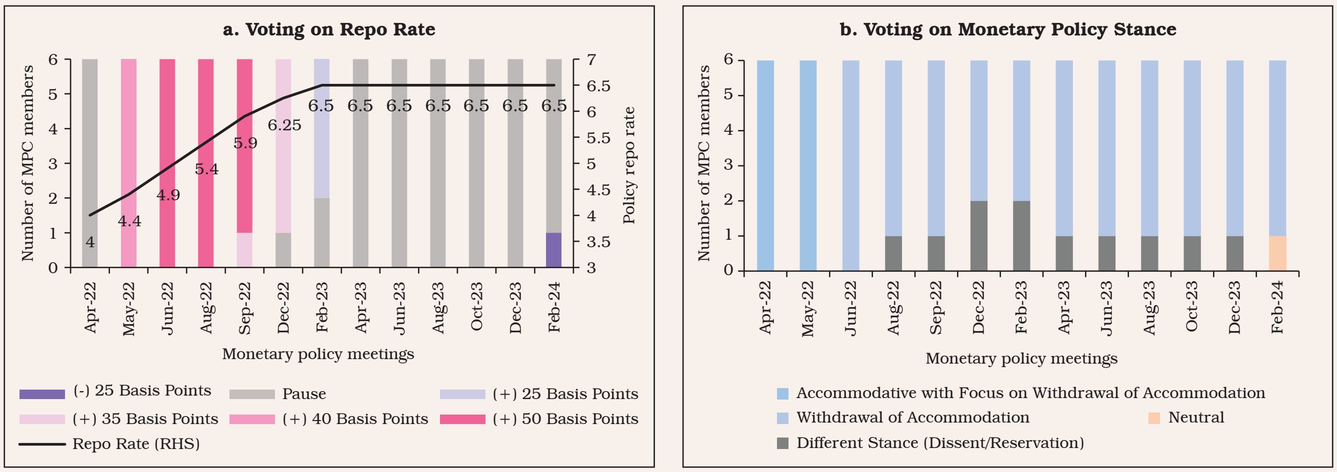
III.9 When the MPC met in August 2023, the global economy was slowing with divergent growth trajectories across regions. Inflation was moderating but ruled above the target. Tight financial conditions, simmering geopolitical conflicts and geoeconomic fragmentation were the main risks. Domestic CPI inflation picked up from 4.3 per cent in May to 4.8 per cent in June, driven largely by price pressures in food items, most prominently in tomatoes. The uneven south-west monsoon, upward pressures on global food prices due to the hostile geopolitical environment and hardening crude oil prices on production cuts posed risks to the inflation outlook. Considering these factors and assuming a normal monsoon, the CPI inflation forecast was revised up to 5.4 per cent for 2023-24, with Q2 at 6.2 per cent, Q3 at 5.7 per cent and Q4 at 5.2 per cent, with risks evenly balanced. With the repo rate increases still working their way into the economy, the MPC unanimously decided to keep the policy repo rate unchanged at 6.50 per cent with preparedness to undertake policy responses, should the situation so warrant. The MPC also reiterated its stance of withdrawal of accommodation with a 5-1 vote.

III.10 At the time of the October 2023 meeting, global growth was losing momentum but domestic real GDP had registered robust growth in Q1:2023-24. CPI headline inflation, after surging by 2.6 percentage points to 7.4 per cent in July due to a spike in vegetable prices, moderated to 6.8 per cent in August. Core inflation continued its descent in July-August. The MPC observed that the unprecedented food price shocks were impinging on the evolving trajectory of inflation and the recurring incidence of such overlapping shocks could impart generalisation and persistence. It noted that with headline inflation above the tolerance band, monetary policy needed to remain actively disinflationary. The MPC unanimously decided to keep the policy repo rate unchanged at 6.50 per cent while retaining its stance with a 5-1 vote.

III.11 By the time the MPC met in December 2023, domestic economic activity had maintained resilience, underpinned by robust investment and government consumption. The projection of real GDP growth for 2023-24 was increased to 7.0 per cent. CPI headline inflation fell by about 2 percentage points to 4.9 per cent in October on sharp correction in prices of certain vegetables, deflation in fuel and a faster and broad-based disinflation in core prices. The CPI inflation forecast was retained at 5.4 per cent for 2023-24, with Q3 at 5.6 per cent; and Q4 at 5.2 per cent. Assuming a normal monsoon for 2024-25, CPI inflation for Q1:2024-25 was projected at 5.2 per cent; Q2 at 4.0 per cent; and Q3 at 4.7 per cent. The MPC unanimously decided to keep the policy repo rate unchanged at 6.50 per cent with readiness to take appropriate policy actions as and when required and retained its stance with 5-1 vote.

III.12 Against the backdrop of continued momentum in economic activity, the MPC in its February meeting projected real GDP growth for 2024-25 at 7.0 per cent. CPI inflation had picked up in November and December, primarily on account of vegetable price increases, even as fuel deflation deepened and core inflation softened to a four year low of 3.8 per cent in December 2023. CPI inflation was projected at 5.4 per cent for 2023-24 with Q4 at 5.0 per cent. Assuming a normal monsoon, CPI inflation for 2024-25 was projected at 4.5 per cent with Q1 at 5.0 per cent; Q2 at 4.0 per cent; Q3 at 4.6 per cent; and Q4 at 4.7 per cent, with risks evenly balanced. While

Chart III.1: Monetary Policy Committee (MPC) Voting Pattern



Source: RBI.

domestic activity was holding up well, large and repetitive food price shocks were interrupting the pace of disinflation. The MPC decided to keep the policy repo rate unchanged at 6.50 per cent with a 5-1 vote to sustain the path of disinflation. The MPC noted that monetary policy must continue to be actively disinflationary to ensure anchoring of inflation expectations and fuller transmission. The MPC also decided to remain focused on withdrawal of accommodation with a 5-1 vote.

Table III.1: Policy Rates – Major Central Banks

Category	Country	Policy Rate (per cent) (As on March 31, 2024)	Pause Since
1	2	3	4
AEs	US	5.50	July 2023
	UK	5.25	August 2023
	Euro Area	4.50	September 2023
	Canada	5.00	July 2023
	Sweden	4.00	September 2023
	New Zealand	5.50	May 2023
EMEs	India	6.50	February 2023
	Thailand	2.50	September 2023
	Malaysia	3.00	May 2023
	South Africa	8.25	May 2023

US: United States. UK: United Kingdom.
AEs: Advanced Economies. EMEs: Emerging Market Economies.
Source: Central banks' websites.

III.13 The MPC's decisions during 2023-24 were marked by unanimity on rate actions barring the February meeting, but diversity in stance (Chart III.1).

III.14 Globally, many central banks have kept rates on hold since mid-2023 (Table III.1).

III.15 Monetary policy communication has gained prominence in anchoring expectations of economic agents (Box III.1).

The Operating Framework: Liquidity Management

III.16 In consonance with the monetary policy stance, liquidity management operations during 2023-24 were aimed at balancing out the level of liquidity in the banking system. Keeping in view the increase in surplus liquidity due to various factors (discussed below), the Reserve Bank imposed an incremental cash reserve ratio (I-CRR) of 10 per cent on the increase in net demand and time liabilities (NDTL) of all scheduled banks between May 19 and July 28, 2023, effective from the fortnight beginning

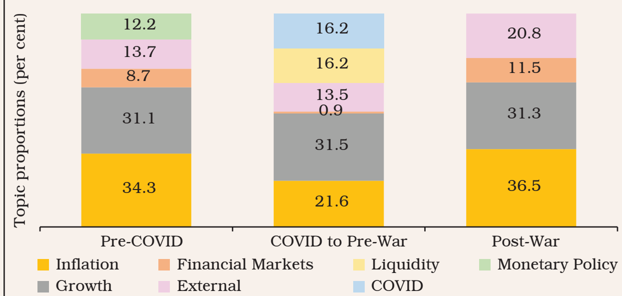
Box III.1
Monetary Policy Communication in India

Communication is an important strategy of central banks which fosters transparency and credibility of their policy announcements. The Reserve Bank's communication on monetary policy includes the MPC's resolutions, minutes of the MPC's meetings, Governor's statement, the Monetary Policy Report (MPR), press conferences on the day of announcement of the policy and the speeches delivered on various occasions.

An analysis of MPC's resolutions using natural language processing (NLP) techniques shows that the emphasis of communication varied, depending on situations; seven key topics emerged during October 2016 to October 2023 (Chart 1). Inflation remained as the central topic of discussion, followed by growth during the pre-COVID-19 period (October 2016 to February 2020). This sequence, however, reversed during the pandemic (March 2020 to February 2022); liquidity and COVID topics also received attention. The geopolitical crisis in 2022 and the resultant inflationary pressures shaped subsequent MPC discussions with inflation returning as the core topic (March 2022 to October 2023); the focus on external linkages also increased.

As communication can supplement quantitative changes in the policy repo rate and impact financial markets, communication tone of monetary policy was used for analysis[1]. Communication tone on inflation resonated well with the policy cycle; during the tightening period, the tone was negative, while it was positive during the easing cycle. The tone on growth remained positive or negative, depending on prevailing economic conditions.

Chart 1: Topic Evolution



Note: 1. Latent Dirichlet Allocation (LDA) method has been used for topic modelling.
2. Topic labelling is based on prominent words within a topic.

Source: RBI staff estimates.

The impact of the weighted average call rate (WACR) [which mirrors changes in the policy repo rate], communication tone on inflation (MPC_INF) and growth (MPC_GR) is assessed on the overnight index swap (OIS) rates in an event-study approach (a five-day window before and after policy announcement). The analysis suggests that the WACR drives short-term OIS rates, but its influence decreases as the tenor increases (Table 1). The OIS rates exhibit a weak and insignificant correlation with communication tone on growth. Conversely, they have significant inverse relationship with inflation tone. Further, communication on inflation matters more during policy tightening phases (Table 2).

An analysis of inflation outlook of professional forecasters reveals that both inflation projections (quantitative) and inflation tone influence their forecasts. When projection is lower and the tone is positive, moderation is seen in professionals' forecasts and *vice versa* (Table 3).

Table 1: Impact of Communication on OIS Rates

Item	OIS_1M	OIS_2M	OIS_3M	OIS_6M	OIS_9M	OIS_1Y
1	2	3	4	5	6	7
WACR	0.484***	0.373***	0.327***	0.279*	0.287*	0.290*
MPC_INF	-0.102	-0.112	-0.144	-0.199*	-0.218*	-0.237*
Constant	-0.032	-0.016	-0.012	-0.006	-0.003	0.001

*** and * indicate significance levels at 1 per cent and 10 per cent, respectively.
Note: The analysis covers data from April 2018 to October 2023.
Source: RBI staff estimates.

(Contd.)

[1] For communication tone, customised dictionary consisting of hawkish-dovish words for inflation and expansionary-contractionary words for growth has been used.

Table 2: Impact of Communication on OIS Rates - Different Policy Cycles

Item	OIS_1M	OIS_2M	OIS_3M	OIS_6M	OIS_9M	OIS_1Y
1	2	3	4	5	6	7
WACR	0.401***	0.261*	0.213	0.136	0.157	0.147
MPC_INF_Easing	-0.199	-0.232	-0.219	-0.179	-0.163	-0.197
MPC_INF_Tightening	-0.239	-0.306*	-0.391**	-0.639***	-0.657***	-0.698***
MPC_INF_Status quo	-0.040	-0.029	-0.057	-0.081	-0.108	-0.118
Constant	-0.032	-0.016	-0.018	-0.028	-0.027	-0.023

***, ** and * indicate significance levels at 1 per cent, 5 per cent and 10 per cent, respectively.
Source: RBI staff estimates.

Overall, the analysis suggests that effective communication can shape the expectations of economic agents.

Table 3: Impact of Communication on Inflation Outlook of Professional Forecasters

Item	INF_Outlook
1	2
Inflation	0.731***
MPC_INF	0.340
INF_projection_1[#]	-0.156**
INF_projection_2[&]	0.047*
Constant	1.422***

#: MPC_INF tone is positive and INF projection below 5 per cent.
&: MPC_INF tone is negative and INF projection above 5 per cent.
***, ** and * indicate significance levels at 1 per cent, 5 per cent and 10 per cent, respectively.
Source: RBI staff estimates.

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1. Blinder, A. S., Ehrmann, M., Fratzscher, M., De Haan, J., & Jansen, D. J. (2008), ‘Central Bank Communication and Monetary Policy: A Survey of Theory and Evidence’, *Journal of Economic Literature*, 46 (4), 910-945.
2. Das, Shaktikanta (2022), ‘Monetary Policy and Central Bank Communication’, Speech at the National Defence College, Ministry of Defence, Government of India, New Delhi, March 4.
3. Patra, M. D. (2022), ‘The Lighter Side of Making Monetary Policy’, Speech at the 9th SBI Banking and Economics Conclave, Mumbai, November 24.
4. Lagarde, C. (2023), ‘Communication and Monetary Policy’, Speech at the Distinguished Speakers Seminar Organised by the European Economics & Financial Centre, London, September 4.

August 12, 2023[2]. The I-CRR was reviewed on September 8, 2023, and discontinued in a phased manner so that system liquidity was not subjected to sudden shocks and money markets functioned in an orderly manner. Accordingly, 25 per cent of the impounded I-CRR funds was released on September 9, another 25 per cent on September 23 and the remaining 50 per cent was released on October 7, 2023.

Drivers and Management of Liquidity

III.17 Government cash balances, currency movements and capital flows emerged as the major drivers of liquidity during 2023-24 (Table III.2). At the beginning of Q1:2023-24, liquidity conditions tightened in April due to the build-up of government cash balances and the repayment of remaining funds availed by banks under the targeted long-term repo operations (TLTROs)[3]

[2] The existing cash reserve ratio (CRR), however, remained unchanged at 4.5 per cent.
[3] Out of the total availed funds of ₹1,12,900 crore, banks repaid ₹61,113 crore during April 2023.

Table III.2: Liquidity – Key Drivers and Management

(₹ crore)

Item	2022-23	2023-24	Q1:2023-24	Q2: 2023-24	Q3: 2023-24	Q4: 2023-24
1	2	3	4	5	6	7
Drivers						
(i) CiC [withdrawal (-) / return (+)]	-2,44,804	-1,37,011	18,103	71,253	-73,831	-1,52,536
(ii) Net Forex Purchases (+) / Sales (-)	-2,17,259	3,39,528	1,60,738	-16,071	-2,348	1,97,209
(iii) GoI Cash Balances [build-up (-) / drawdown (+)]	84,028	-2,75,156	-2,37,937	-1,79,913	-6,606	1,49,301
(iv) Excess Reserves [build-up (-) / drawdown (+)]	1,17,393	-11,961	31,485	3,440	-1,217	-45,669
Management						
(i) Net OMO Purchases (+) / Sales (-)	-31,360	-18,505	-	-8,480	-10,025	-
(ii) Required Reserves [including both change in NDTL and CRR / I-CRR]	1,62,701	-1,27,716	-33,712	-1,01,508	30,605	-23,101
Memo Item:						
Daily Net Absorption (+) / Injection (-) as at end-period	1,28,497	-52,918	1,29,194	-97,015	-1,82,679	-52,918

CiC: Currency in Circulation. GoI: Government of India. -:Nil.

Note: 1. Inflow (+)/Outflow (-) to and from the banking system.
2. Data pertain to the last Friday of the respective period.

Source: RBI.

conducted in April 2020. Thereafter, liquidity conditions eased in May in the wake of (i) the return of currency to the banking system consequent upon the withdrawal of ₹2000 banknotes from circulation; (ii) an accelerated pace of government spending before the onset of the monsoon season; and (iii) the Reserve Bank's market operations. In June, advance tax payments and goods and services tax (GST) related outflows moderated surplus liquidity, though the seasonal return of currency to the banking system ameliorated some of the pressure. A 14-day variable rate repo (VRR) auction (main operation) was conducted on May 19, 2023 followed by one fine-tuning VRR operation in June to assuage the transient tightness in liquidity conditions.

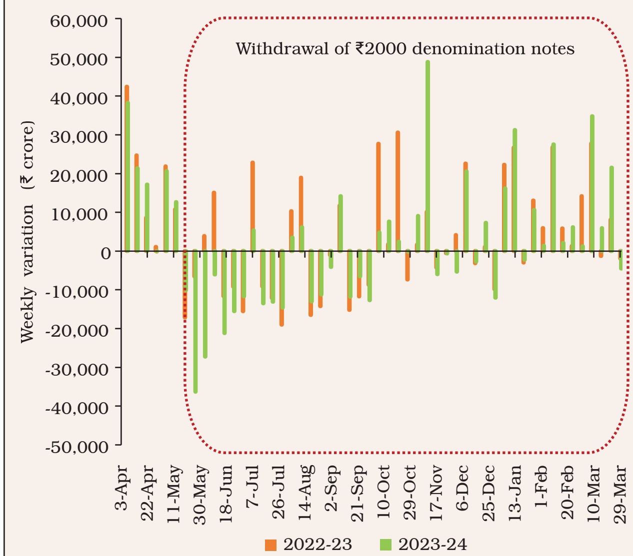
III.18 In Q2, liquidity conditions remained largely comfortable during July and the first half of August as government spending augmented surplus liquidity in the banking system. Surplus liquidity moderated from August 12, 2023, following the imposition of the I-CRR, which impounded about ₹1.1 lakh crore from the banking system. The build-up of government cash balances due to advance tax collections and GST payments further tightened liquidity conditions and average net liquidity adjustment facility (LAF) slipped into deficit mode in September for the first time since May 2019. Consequently, average net LAF absorption moderated to ₹0.89 lakh crore in Q2:2023-24 from ₹1.26 lakh crore in Q1.

III.19 Liquidity turned into deficit with average net LAF injection of ₹0.76 lakh crore in Q3, driven by festival related currency outgo in October-November and build-up of government cash balances due to advance tax and GST payments in December 2023. To alleviate the liquidity stress, the Reserve Bank conducted four fine-tuning VRR operations.

III.20 Net LAF injection averaged ₹1.36 lakh crore in Q4, with injections narrowing considerably in March 2024 from January-February. Increased government spending along with the Reserve Bank's forex operations somewhat offset liquidity drainage due to currency withdrawal. The return-leg of a USD/INR Sell Buy swap auction for US$ 5 billion conducted by the Reserve Bank on March 8, 2022 also injected liquidity amounting to ₹42,800 crore on March 11, 2024. During Q4, the Reserve Bank injected liquidity through six main and 19 fine-tuning VRR operations. At the same time, fine-tuning variable rate reverse repo (VRRR) auctions were conducted intermittently to absorb surplus liquidity to ensure that money market rates evolve in alignment with the monetary policy stance.

III.21 Currency in circulation is usually a predominant driver of structural liquidity in the banking system. The usual expansion in currency in circulation during 2023-24 was muted due to the return of currency to the banking system on account of the decision to withdraw ₹2000 banknotes from circulation on May 19, 2023 (Chart III.2).

Chart III.2: Currency in Circulation

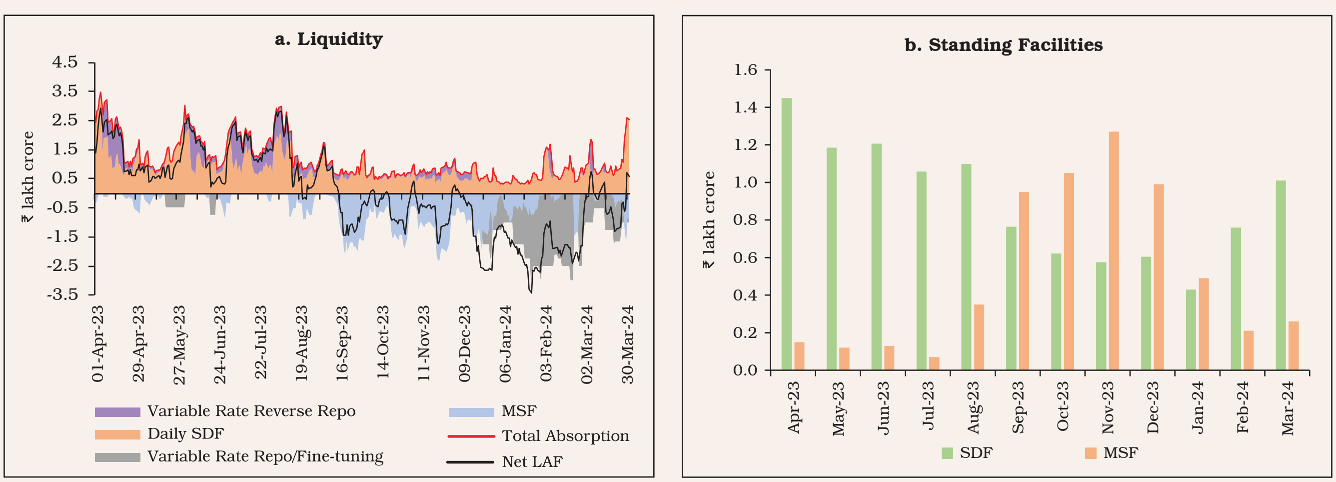


Source: RBI.

Liquidity Operations

III.22 During 2023-24, average absorption under the SDF at ₹0.90 lakh crore constituted 78 per cent of the average daily total absorption (₹1.16 lakh crore) under the LAF, while the remaining 22 per cent was absorbed through VRRR auctions – both main and fine-tuning operations (Chart III.3). Reflecting tight liquidity conditions, banks' recourse to the marginal standing facility (MSF) increased, with average daily borrowing under the facility amounting to ₹0.50 lakh crore during 2023-24, scaling a peak of ₹2.34 lakh crore on November 22, 2023. The simultaneous placement of substantial funds under the SDF while taking large recourse to the MSF is somewhat paradoxical. To enable

Chart III.3: Liquidity Operations



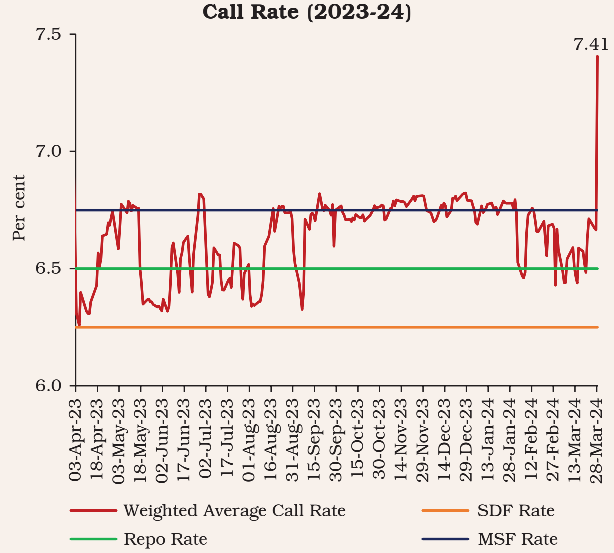
Source: RBI and CCIL.

better fund management by the banks, it was decided to allow reversal of liquidity facilities under both the SDF and the MSF even during weekends and holidays with effect from December 30, 2023. This provided banks with greater flexibility in their operations, alleviated the tightness in liquidity conditions during the weekends and imparted greater efficiency to liquidity management.

III.23 During 2023-24, VRRR fine-tuning operations and fortnightly 14-day main operations elicited average offer-cover ratios of 0.47 and 0.38, respectively. In contrast, VRR fine-tuning and main operations had average bid-cover ratio of 2.07 and 1.75, respectively, reflecting tight liquidity conditions.

III.24 Driven by the shifting liquidity dynamics, the weighted average call rate (WACR) – the operating target of monetary policy – remained elevated during October 2023-January 2024. It eased between mid-February 2024 and the third week of March before hardening towards the year-end (Chart III.4).

Chart III.4: Policy Corridor and Weighted Average Call Rate (2023-24)



Source: RBI and CCIL.

III.25 In tandem with the WACR, overnight rates in the collateralised segment rose during the year before easing since February (Table III.3). In the term money segment, yields firmed up on 3-month commercial paper (CP) for NBFCs, reflecting, *inter alia,* the regulatory measures announced by the Reserve Bank on November 16, 2023 (see Chapter VI). Tight liquidity conditions prompted banks to resort to issuances of certificates of deposit (CDs). Medium to long-term bond yields, however, eased from their March 2023 levels, taking cues from domestic developments notwithstanding the hardening of US treasury yields.

Table III.3: Interest Rates

(Per cent)

Indicator		Average for			
		Mar-2023	Jun-2023	Sep-2023	Mar-2024
1		2	3	4	5
Rates	WACR	6.52	6.54	6.76	6.60
	Tri-party Repo	6.47	6.47	6.74	6.54
	Market Repo	6.55	6.46	6.78	6.61
	3-Month T-Bill	6.88	6.75	6.96	6.92
	3-Month CP	7.78	7.15	8.40	8.19
	3-Month CD	7.48	6.91	7.56	7.70
	AAA Corporate Bond - 5-year	7.85	7.56	7.69	7.66
	G-Sec Yield - 5-year	7.28	6.98	7.10	7.08
	G-Sec Yield - 10-year	7.35	7.04	7.18	7.06
Spreads (bps)	CP - T-Bill	90	40	144	127
	AAA 5-year - G-Sec 5-year	57	58	59	59
Memo Items:					
Liquidity	Net LAF (₹ crore)	14,185	1,30,246	-14,586	-29,323
Global Indicators	US 10-year G-sec Yield (Per cent)	3.66	3.74	4.36	4.20
	Crude Oil Price (Indian Basket) [US $ per barrel]	79	75	93	85

Source: CCIL, RBI and Bloomberg.

Monetary Policy Transmission

III.26 The transmission of the Reserve Bank's policy rate changes to banks' deposit and lending rates continued during 2023-24, *albeit* at a decelerated pace. Scheduled commercial banks' (SCBs') weighted average lending rate (WALR) on fresh rupee loans and WALR on outstanding loans increased by 5 bps and 13 bps, respectively, during 2023-24. In the case of deposits, the weighted average domestic term deposit rate (WADTDR) on outstanding term deposits increased in 2023-24, with an increasing proportion of deposits getting renewed at higher rates. The WADTDR on fresh term deposits increased by 14 bps during the year. Overall, since the beginning of the current tightening cycle in May 2022, banks have revised their repo-linked benchmark rates upwards by 250 bps and their 1-year marginal cost of funds-based lending rates (MCLR) by 167 bps. Consequently, the WALR on fresh rupee loans rose by 186 bps while that on outstanding loans rose by 113 bps during May 2022-March 2024. The WADTDR on fresh term deposits and outstanding term deposits increased by 259 bps and 185 bps, respectively, over the same period (Table III.4).

III.27 In the current tightening cycle, the interest rates on savings deposits of banks - which account for roughly 30 per cent of total deposits - have remained almost unchanged, while current account balances (with around 9 per cent share in total deposits at end-March 2024) earn no interest. This has moderated the increase in the banks' overall cost of funds, mirroring in higher interest rate spreads. During tightening cycles, interest rate spreads of SCBs tend to widen initially with faster upward adjustments in lending rates relative to deposit rates (Box III.2). With the phased repricing of deposits, net interest margins moderate/stabilise subsequently.

III.28 Across bank-groups, the increase in the WALR on fresh rupee loans and WADTDR on fresh and outstanding term deposits was higher

Table III.4: Transmission from the Policy Repo Rate to Lending and Deposit Rates of SCBs

(Variation in basis points)

Period (April-March)	Repo Rate	Term Deposit Rates		Lending Rates			
		WADTDR – Fresh Deposits	WADTDR – Outstanding Deposits	1-year MCLR (Median)	EBLR	WALR – Fresh Rupee Loans	WALR – Outstanding Rupee Loans
1	2	3	4	5	6	7	8
2021-22	0	27	-25	-5	0	-29	-36
2022-23	250	236	113	150	250	169	98
2023-24	0	14	72	30	0	5	13
Memo Items:							
February 2019 to March 2022 (Easing Cycle)	-250	-259	-188	-155	-	-232	-150
May 2022 to March 2024 (Tightening Cycle)	250	259	185	167	250	186	113

-: Nil.
WADTDR: Weighted Average Domestic Term Deposit Rate.
MCLR: Marginal Cost of Funds-based Lending Rate.
WALR: Weighted Average Lending Rate.
EBLR: External Benchmark-based Lending Rate.
Note: Data on EBLR pertain to domestic banks.
Source: RBI.

Box III.2
Interest Rate Spread and Monetary Policy Transmission

The interest rate spread (IRS) - the difference between the weighted average lending rate on fresh loans and the weighted average rate on total deposits of banks - impacts monetary transmission. Drawing from Arellano-Bover (1995) and Blundell & Bond (1998), a dynamic panel framework using the system generalised method of moments (Roodman, 2009) on quarterly data of 27 SCBs (12 public and 15 private sector banks) for the period Q4:2018-19 to Q1:2023-24 with bank-specific control variables, *viz.*, size (log of total assets of banks), gross non-performing asset (GNPA) ratio, capital to risk-weighted assets ratio (CRAR) and credit-deposit (CD) ratio indicates that a 100 bps increase in the WACR increases banks' IRS in the short-run by 15-17 bps, as the pace of upward adjustment in term deposit rates lags that in lending rates. The model takes the following form:

$$IRS_{b,t} = \mu + \sum_{i=1}^{n} \alpha_i \, IRS_{b,(t-i)} + \sum_{i=0}^{n} \delta_i \, wacr_{t-i} + \sum_{i=0}^{n} \beta_j \, X_{b,(t-i)} + \varepsilon_{b,t} \quad \ldots \text{(I)}$$

where, $X_{b,t}$ represents the bank-specific variables for bank '*b*' at time '*t*'. $wacr_t$ is the weighted average call rate at time '*t*', a proxy for monetary policy rate. $\varepsilon_{b,t}$ denotes stochastic disturbance term that contains unobserved bank-specific effect (time invariant) and idiosyncratic disturbances (varies across time but not across banks). Model I estimates the benchmark regression, which includes only monetary policy rate, while Model II includes bank-specific characteristics along with monetary policy rate (Table 1).

Table 1: Interest Rate Spread of Banks in India

Dependent Variable: IRS	Model I	Model II
Explanatory Variable		
1	2	3
IRS (-1)	0.49***	0.51***
WACR	0.08***	
WACR (-1)	0.09***	0.15***
Size		-0.16***
GNPA (-1)		-0.02**
CRAR (-2)		0.04***
CDRATIO (-2)		0.01
Constant	2.34***	2.27***
Diagnostics		
AR (1)	-2.86**	-2.85**
AR (2)	1.03	1.26
Sargan (p)	0.31	0.15
Number of Banks	27	27
Observations	486	486

*** and ** represent significance levels at 1 per cent and 5 per cent, respectively.

Source: RBI staff estimates.

References:

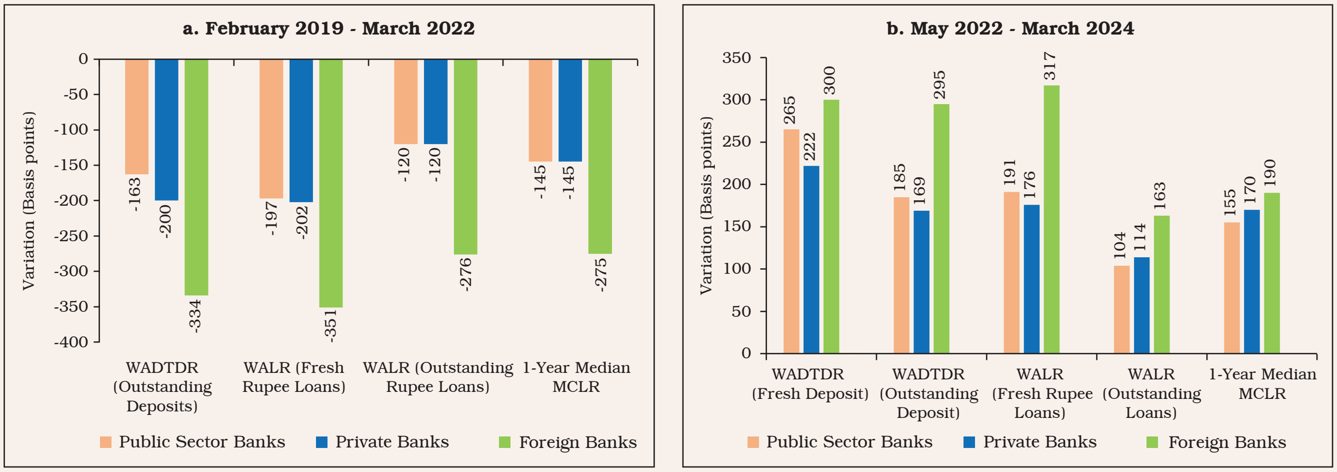
1. Arellano, M., and Bover, O. (1995), 'Another Look at the Instrumental Variable Estimation of Error-Components Models', *Journal of Econometrics*, 68(1), 29-51.
2. Blundell, R., & Bond, S. (1998), 'Initial Conditions and Moment Restrictions in Dynamic Panel Data Models', *Journal of Econometrics*, 87(1), 115-143.
3. Roodman, D. (2009), 'How to Do xtabond2: An Introduction to Difference and System GMM in Stata', *The Stata Journal*, 9(1), 86-136.

in case of public sector banks (PSBs) relative to private banks (PVBs) in the current tightening cycle (Chart III.5). The transmission was the highest in the case of foreign banks, facilitated by their low cost and lower duration deposits, which enables them to make quicker adjustments in response to policy rate changes.

External Benchmark-based Loan Rates

III.29 The external benchmark regime introduced in October 2019 for loan pricing in select sectors has strengthened the pace of monetary transmission to the lending rates. The proportion of outstanding floating rate loans linked to external benchmarks increased from 44 per

Chart III.5: Transmission to Lending and Deposit Rates across Bank-Groups



Source: RBI.

cent in March 2022 to 56.2 per cent in December 2023. The loans linked to external benchmarks thus account for the largest share in total floating rate loans. Concomitantly, the share of the MCLR-linked loans fell from 48.6 per cent to 39.4 per cent over the same period (Table III.5).

III.30 In the case of loans linked to the policy repo rate, the spread in respect of fresh rupee loans, *i.e.*, WALR over the repo rate, was the highest for education loans, followed by micro, small and medium enterprise (MSME) loans. Among the domestic bank groups, the spreads charged by PSBs for housing, vehicle, education and other personal loans were lower than those of PVBs. In the case of MSME loans, however, the spread charged by PSBs was higher (Table III.6). The spreads have generally declined in 2023-24, moderating the extent of pass-through to lending rates.

Sectoral Lending Rates

III.31 The WALRs on fresh rupee loans rose marginally for agricultural loans, large industry, MSMEs, infrastructure and education, and declined marginally for sectors such as trade, housing, vehicle, and rupee export credit during 2023-24 (Table III.7).

Table III.5: Outstanding Floating Rate Rupee Loans of SCBs across Interest Rate Benchmarks

(Per cent to total)

Month	Base Rate	MCLR	EBLR	Others	Total
1	2	3	4	5	6
March 2021	6.4	62.3	29.5	1.8	100.0
March 2022	4.9	48.6	44.0	2.5	100.0
March 2023	3.1	45.4	49.6	1.9	100.0
December 2023	2.4	39.4	56.2	2.0	100.0

Note: Data pertain to 73 scheduled commercial banks.
Source: RBI.

Table III.6: Loans Linked to External Benchmark – Spread of WALR (Fresh Rupee Loans) over Repo Rate (March 2024)

(Percentage points)

Bank Group	Personal Loans				MSME Loans
	Housing	Vehicle	Education	Other Personal Loans	
1	2	3	4	5	6
Public Sector Banks	2.06	2.56	3.62	3.04	3.34
Private Sector Banks	2.23	3.00	4.39	3.33	3.24
Domestic Banks	2.18	2.64	3.98	3.08	3.27

Source: RBI.

Table III.7: Sector-wise WALR of SCBs (Excluding RRBs) - Fresh Rupee Loans

(Per cent)

End-Month	Agriculture	Industry (Large)	MSMEs	Infrastructure	Trade	Professional Services	Personal Loans				Rupee Export Credit
							Housing	Vehicle	Education	Credit Card	
1	2	3	4	5	6	7	8	9	10	11	12
Mar-22	9.06	6.55	8.66	7.09	7.36	7.68	7.01	8.85	8.74	36.04	5.53
Mar-23	10.12	8.34	9.84	8.56	8.87	8.80	9.02	10.47	10.26	37.06	8.09
Jun-23	10.03	8.21	9.78	8.47	8.75	9.13	8.53	10.23	9.92	36.58	7.34
Sep-23	10.03	8.11	9.88	8.46	8.88	8.96	8.68	10.33	10.12	35.74	7.54
Dec-23	9.99	8.15	9.93	8.45	8.90	9.47	8.62	9.99	10.20	36.98	7.76
Mar-24	10.18	8.39	9.99	8.74	8.53	9.58	8.65	9.21	10.45	37.72	7.21
Variation (Percentage Points)											
2022-23	1.06	1.79	1.18	1.47	1.51	1.12	2.01	1.62	1.52	1.02	2.56
2023-24	0.06	0.05	0.15	0.18	-0.34	0.78	-0.37	-1.26	0.19	0.66	-0.88

Source: RBI.

III.32 In the case of outstanding loans, the WALRs on loans to large industry and trade segment declined by 9 bps and 3 bps, respectively, during 2023-24. The WALR on loans to infrastructure, agriculture, MSMEs, professional services, housing, education, vehicle and rupee export credit increased during the year (Table III.8).

3. Agenda for 2024-25

III.33 The conduct and formulation of monetary policy would be enriched by providing high quality inputs on inflation and growth outlook. The analysis of liquidity conditions would be refined further with a view to improving the short-term projections. Measures for strengthening monetary policy transmission would be pursued alongside

Table III.8: Sector-wise WALR of SCBs (Excluding RRBs) - Outstanding Rupee Loans

(Per cent)

End-Month	Agriculture	Industry (Large)	MSMEs	Infrastructure	Trade	Professional Services	Personal Loans				Rupee Export Credit
							Housing	Vehicle	Education	Credit Card	
1	2	3	4	5	6	7	8	9	10	11	12
Mar-22	9.35	7.76	9.28	8.31	8.14	8.11	7.46	9.06	9.30	30.51	6.55
Mar-23	9.84	8.78	10.28	8.96	9.49	9.29	8.86	9.36	10.20	30.44	7.71
Jun-23	9.99	8.84	10.27	9.08	9.47	9.56	8.97	9.33	10.27	29.85	8.07
Sep-23	10.05	8.76	10.25	9.08	9.51	9.50	9.00	9.41	10.41	29.56	7.90
Dec-23	10.11	8.73	10.35	9.09	9.61	9.53	8.96	9.47	10.44	28.81	8.10
Mar-24	10.16	8.69	10.31	9.11	9.46	9.54	8.90	9.48	10.46	28.84	7.96
Variation (Percentage Points)											
2022-23	0.49	1.02	1.00	0.65	1.35	1.18	1.40	0.30	0.90	-0.07	1.16
2023-24	0.32	-0.09	0.03	0.15	-0.03	0.25	0.04	0.12	0.26	-1.60	0.25

Source: RBI.

evaluation of credit conditions and sectoral flows. Against this backdrop, the Department would focus on the following:

- Strengthening further the analysis of transmission of policy impulses to lending rates of NBFCs (*Utkarsh* 2.0);
- Measuring the sectoral credit flows of NBFCs (*Utkarsh* 2.0);
- Examining the feasibility of introduction of the EBLR system of loan pricing for credit extended by NBFCs to select sectors;
- Computing a financial conditions index for India;
- Studying behaviour of banks under varying reserve requirements; and
- Publishing CPI diffusion indices.

4. Conclusion

III.34 Going forward, on the basis of the experience gained in 2023-24, strong macroeconomic fundamentals are expected to support domestic economic activity. Headline inflation is expected to moderate further, although its trajectory would depend critically upon the evolving supply-side and weather conditions. While proactive supply-side interventions by the government are critical to keep food price pressures under check, monetary policy will remain resolute in its pursuit of price stability so that inflation is aligned with its target of 4 per cent on a durable basis and inflation expectations are anchored. The Reserve Bank will undertake liquidity management operations in sync with the monetary policy stance while meeting the needs of the productive sectors of the economy.

IV CREDIT DELIVERY AND FINANCIAL INCLUSION

The Reserve Bank continued with its agenda for furthering financial inclusion in the country as envisaged under the National Strategy for Financial Inclusion (NSFI). Steps were taken for scaling up the Centre for Financial Literacy (CFL) project to cover the entire country by end-March 2024. The Reserve Bank conducted all-India quiz on financial literacy for students of classes VIII to X for enhancing financial literacy.

IV. 1 During 2023-24, the Reserve Bank continued with initiatives to deepen financial inclusion and improve credit delivery to agriculture, micro, small and medium enterprises (MSMEs), and other identified priority sectors. The composite financial inclusion index (FI-Index), a comprehensive indicator of financial inclusion across the country, registered a year-on-year (y-o-y) growth of 6.6 per cent to 60.1 in March 2023, with expansion across all the sub-indices. A Financial Inclusion Dashboard - *ANTARDRISHTI* - was launched in June 2023 to strengthen policy insights for assessing and monitoring the progress of financial inclusion by capturing broad parameters under the three dimensions of financial inclusion, *viz.,* Access, Usage and Quality. To provide further impetus to financial literacy, the CFL project was scaled up to 2,421 CFLs covering 7,225 blocks as at end-March 2024. The Reserve Bank also conducted all-India quiz on financial literacy for students of government and municipal schools across the country.

IV. 2 Against this backdrop, the rest of the chapter is structured into three sections. The implementation status of the agenda for 2023-24 along with the performance of credit flow to priority sectors and developments with respect to financial inclusion and financial literacy are presented in section 2. The agenda for 2024-25 is provided in section 3 with concluding observations in section 4.

2. Agenda for 2023-24

IV. 3 The Department had set the following goals for 2023-24:

- Setting up CFLs in the remaining blocks so as to cover the entire country (*Utkarsh* 2.0) [Paragraph IV.4]; and
- Working towards the deliverables of G20 Global Partnership for Financial Inclusion (GPFI) [Paragraph IV.5].

Implementation Status

IV. 4 The pilot CFL project, initiated in 2017 with the objective of exploring innovative and participatory approaches to financial literacy at the block level, has been scaled up based on experiences gained since its implementation. As a part of the National Strategy for Financial Inclusion (NSFI), it was envisaged to expand the reach of CFLs to cover the entire country by March 31, 2024. In consonance with this milestone, the CFL project was rolled out in three phases across the country. Starting with 80 CFLs, initially covering an equal number of blocks in the pilot phase, the project has expanded to 2,421 CFLs catering to 7,225 blocks, as on March 31, 2024. Funding support for the project is provided by the Depositor Education Awareness Fund (DEAF), the Financial Inclusion Fund (FIF) of the National Bank for Agriculture and Rural Development (NABARD) and the sponsor banks. The financial literacy camps conducted by these CFLs aim to further financial literacy at the grass root level and achieve certain end-outcomes such as accounts opening/reactivation, pension and insurance linkages and awareness on grievance redressal.

IV. 5 During India's G20 Presidency, the GPFI Working Group (WG), as part of the Presidency priority delivered a report on "G20 Policy Recommendations for Advancing Financial Inclusion and Productivity Gains through Digital Public Infrastructure (DPI)". The Reserve Bank contributed substantially to the report and other deliverables of the GPFI during the period.

Major Developments

Credit Delivery

Priority Sector

IV. 6 Scheduled commercial banks' (SCBs') priority sector lending (PSL) as on March 31, 2024 stood at 45.1 per cent[1] of adjusted net bank credit (ANBC). Each of the bank groups achieved the prescribed 40 per cent overall PSL target during 2023-24 (Table IV.1).

Table IV.1: Achievement of Priority Sector Lending Targets

(Amount in ₹ lakh crore)

Financial Year	Public Sector Banks	Private Sector Banks	Foreign Banks	SCBs
1	2	3	4	5
2022-23	28.4 (43.7)	19.5 (45.3)	2.3 (42.8)	50.2 (44.2)
2023-24*	32.2 (43.4)	24.7 (48.1)	2.3 (41.5)	59.1 (45.1)

*: Data are provisional.
Note: Figures in parentheses are percentage to adjusted net bank credit (ANBC) or credit equivalent of off-balance sheet exposure (CEOBE), whichever is higher.
Source: Priority sector returns submitted by SCBs.

Flow of Credit to Agriculture

IV. 7 The *Kisan* Credit Card (KCC) is a single window facility for providing working capital as well as investment credit to farmers for cultivation, animal husbandry and fisheries (Table IV.2). The number of operative KCC cards rose by 5.4 per cent at end-March 2024 over the previous year, while the outstanding amount increased by 10.9 per cent.

Table IV.2: *Kisan* Credit Card (KCC) Scheme

(Number in lakh, Amount in ₹crore)

Financial Year	Number of Operative KCCs #	Outstanding Crop Loan	Outstanding Term Loan	Outstanding Loan for Animal Husbandry and Fisheries	Total
1	2	3	4	5	6
2022-23	282.96	4,61,391	37,551	19,694	5,18,636
2023-24*	298.14	4,93,362	46,332	35,279	5,74,973

*: Data are provisional.
#: The number of operative KCC accounts does not include non-performing asset (NPA) accounts.
Source: Public sector banks, private sector banks and small finance banks (excluding RRBs).

[1] Pertains to public sector banks, private sector banks and foreign banks.

Bank Credit to the MSME Sector

IV. 8 Increasing the flow of credit to the MSMEs has been a policy priority of the Reserve Bank and the Government of India. On a y-o-y basis, the outstanding credit to the MSMEs by SCBs expanded by 20.9 per cent during 2023-24 (up to end-December 2023) [Table IV.3].

Measures for the MSME Sector

IV. 9 In terms of extant regulatory guidelines, lenders are required to obtain '*Udyam* Registration Certificate (URC)' for classification of entities as MSMEs. To facilitate formalisation of informal micro enterprises (IMEs), which were not able to register on the '*Udyam* Registration Portal' due to lack of mandatory documents, the Ministry of MSME, Government of India, has launched an '*Udyam* Assist Platform' (UAP). The Reserve Bank has advised its regulated entities that the certificate issued on the UAP shall be treated on par with the URC, thus facilitating, for the purpose of PSL classification, the recognition of IMEs as micro enterprises under MSME.

National Mission for Capacity Building of Bankers for Financing MSME Sector

IV. 10 A special capacity building programme 'National Mission for Capacity Building of Bankers for Financing MSME Sector (NAMCABS)' has been in place since 2015 to familiarise bankers with the entire gamut of credit related issues of the MSME sector and developing entrepreneurial sensitivity amongst them. The programme structure has been revamped to incorporate new developments in the MSME sector focusing on emerging thrust areas. During 2023-24, a total of 3,950 bank officials participated in NAMCABS programme conducted by the regional offices of the Reserve Bank.

Financial Inclusion

Assignment of Lead Bank Responsibility

IV. 11 The assignment of lead bank responsibility to a designated bank in every district is undertaken by the Reserve Bank. As on March 31, 2024, 12 public sector banks and two private sector banks (Jammu & Kashmir Bank and ICICI Bank) have been assigned lead bank responsibility, covering 779 districts across the country.

Table IV.3: Bank Credit to MSMEs

(Number in lakh, Amount in ₹ lakh crore)

Financial Year	Micro Enterprises		Small Enterprises		Medium Enterprises		MSMEs	
	Number of Accounts	Amount Outstanding	Number of Accounts	Amount Outstanding	Number of Accounts	Amount Outstanding	Number of Accounts	Amount Outstanding
1	2	3	4	5	6	7	8	9
2021-22	239.6	8.8	21.9	7.2	3.2	4.1	264.7	20.1
2022-23	194.4	10.5	15.7	7.5	3.2	4.6	213.3	22.6
2022-23 (As at end-December 2022)	193.6	9.8	16.8	7.3	3.2	4.4	213.6	21.5
2023-24* (As at end-December 2023)	242.6	12.6	15.6	8.3	3.5	5.0	261.7	26.0

*: Data are provisional.
Source: Priority sector returns submitted by SCBs.

Universal Access to Financial Services in Every Village

IV. 12 Providing banking access to every village within a 5 km radius/hamlet of 500 households in hilly areas is one of the key objectives of the NSFI: 2019-24. The milestone has been fully achieved in 27 states and 8 union territories (UTs) as on March 31, 2024; 99.99 per cent of the identified villages/hamlets across the country have been covered. Efforts are on to achieve the target for the remaining few villages/hamlets.

Expanding and Deepening of Digital Payments Ecosystem

IV. 13 For expanding and deepening the digital payments ecosystem in the country, all State Level Bankers' Committees (SLBCs)/Union Territory Level Bankers' Committees (UTLBCs) were advised to identify district(s) in their respective states/UTs and allot the same to a bank having significant footprint, which would endeavour to make the district 100 per cent digitally enabled in order to facilitate every individual in the district to make/receive payments digitally in a safe, secure, quick, affordable, and convenient manner. As on March 31, 2024, all districts across the country (except two districts from UT of Andaman and Nicobar Islands) have been identified for the purpose; as reported by the Regional Offices of the Reserve Bank,179 districts were 100 per cent digitally enabled.

Financial Inclusion Plan

IV. 14 The progress made by the banks in the financial inclusion sphere under the financial inclusion plan (FIP) as at end-December 2023 is set out in Table IV.4. The total amount under Basic Savings Bank Deposit Accounts (BSBDA) rose by 13.2 per cent (y-o-y) in December 2023.

Table IV.4: Financial Inclusion Plan: A Progress Report

Particulars	March 2010	December 2022	December 2023$
1	2	3	4
Banking Outlets in Villages – Branches	33,378	53,159	53,893
Banking Outlets in Villages > 2000*– BCs	8,390	13,83,569	13,15,004
Banking Outlets in Villages < 2000*– BCs	25,784	2,95,657	2,77,594
Total Banking Outlets in Villages – BCs	34,174	16,79,226	15,92,598
Banking Outlets in Villages – Other Modes	142	2,273	2,289
Banking Outlets in Villages – Total	**67,694**	**17,34,658**	**16,48,780**
Urban Locations Covered Through BCs	447	4,38,333	3,58,167
BSBDA – Through Branches (Number in lakh)	600	2,704	2,780
BSBDA – Through Branches (Amount in crore)	4,400	1,23,653	1,35,628
BSBDA – Through BCs (Number in lakh)	130	4,082	4,274
BSBDA – Through BCs (Amount in crore)	1,100	1,16,777	1,36,558
BSBDA – Total (Number in lakh)	**735**	**6,786**	**7,053**
BSBDA – Total (Amount in crore)	**5,500**	**2,40,430**	**2,72,186**
OD Facility Availed in BSBDAs (Number in lakh)	2	89	53
OD Facility Availed in BSBDAs (Amount in crore)	10	546	579
KCC – Total (Number in lakh)	240	499	507
KCC – Total (Amount in crore)	1,24,000	7,66,694	8,11,906
GCC – Total (Number in lakh)	10	67	55
GCC – Total (Amount in crore)	3,500	1,85,915	53,690
ICT-A/Cs-BC-Total Transactions (Number in lakh) #	270	25,434	27,294
ICT-A/Cs-BC-Total Transactions (Amount in crore)#	700	8,15,598	9,86,236

BCs: Business Correspondents. BSBDAs: Basic Savings Bank Deposit Accounts.

OD: Overdraft. KCC: *Kisan* Credit Card. GCCs: General Credit Cards.

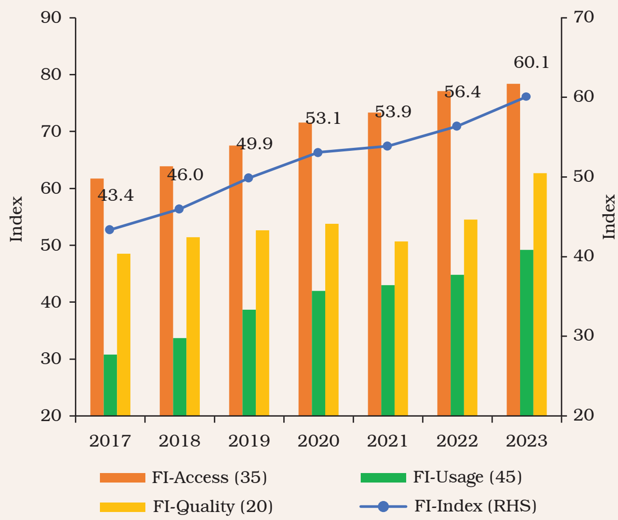
ICT: Information and Communication Technology.

$: Data are provisional. *: Village population.

#: Transactions during the financial year.

Source: FIP returns submitted by public sector banks, private sector banks and regional rural banks.

Chart IV.1: FI-Index and Sub-Indices (end-March)



Note: Figures in parentheses indicate weights in per cent in FI-Index.
Source: RBI.

Financial Inclusion Index (FI-Index)

IV. 15 To achieve the financial inclusion goals and objectives, the measurement and evaluation of financial inclusion assumes importance. Towards this direction, a composite FI-Index was constructed and published by the Reserve Bank in August 2021[2]. The FI-Index comprises of three broad sub-indices (weights in parentheses), *viz*., Access (35 per cent), Usage (45 per cent), and Quality (20 per cent) with each of these consisting of various dimensions, in turn, based on a number of indicators. The FI-Index for March 2023 rose to 60.1 from 56.4 in March 2022, with growth witnessed across all the sub-indices (Chart IV.1).

Financial Inclusion Dashboard - ANTARDRISHTI

IV. 16 To assess and monitor the progress of financial inclusion and to gauge the extent of financial exclusion, a Financial Inclusion Dashboard - *ANTARDRISHTI* - was launched in June 2023 (Box IV.1).

National Strategy for Financial Inclusion (NSFI) 2019-24

IV. 17 The objective of NSFI is to deepen and sustain financial inclusion efforts at the national level with the coordination of all the stakeholders. The NSFI lays down action plans and milestones and suggests broad recommendations to be completed within the period of the strategy. Five recommendations earmarked to be implemented during 2023-24, focused on leveraging developments in FinTech space, moving towards an increasingly digital and consent-based architecture for customer onboarding, strengthening process literacy, expanding the reach of CFLs, and articulation/monitoring of responsibilities of stakeholders.

Box IV.1

Financial Inclusion Dashboard – *ANTARDRISHTI*

The Financial Inclusion Dashboard - *ANTARDRISHTI* - aims to monitor the progress on relevant parameters at the national level with drill-down facility for regional, state and district level information. Some of the parameters captured by the dashboard include credit to deposit (CD) ratio, credit linkage of farmers and self-help groups (SHGs), credit disbursement to priority sectors and progress in financial literacy programmes. The dashboard has facilities in the form of colour-coded heat maps, quick tickers and trend charts to assess regional disparities in the availability of banking facilities and flow of credit in multiple dimensions so as to address factors leading to financial exclusion. The dashboard, therefore, serves as an effective management information tool, besides providing insights to front-line functionaries.

Source: RBI.

[2] Reserve Bank's press release dated August 17, 2021 on '*Reserve Bank of India Introduces the Financial Inclusion Index*'.

IV. 18 During 2023-24, significant headway was made towards the implementation of the recommendations through various initiatives, *viz.,* linking of RuPay credit card with unified payments interface (UPI) and launch of UPI Lite. Further, initiatives such as payment infrastructure development fund (PIDF), expanding and deepening of digital payments ecosystem (EDDPE) along with BharatNet Project of Government of India continue to provide impetus for advancing digital financial inclusion.

Financial Literacy

Implementation of Milestones Under the National Strategy for Financial Education (NSFE): 2020-25

IV. 19 The NSFE has laid out a '5Cs' approach for dissemination of financial education through emphasis on developing **C**ontent, developing **C**apacity among intermediaries, leveraging **C**ommunity led model, adopting appropriate **C**ommunication strategy, and enhancing **C**ollaboration. Towards these objectives, the National Centre for Financial Education (NCFE)[3] conducts various financial literacy initiatives, *viz.*, Financial Education Programme for Adults (FEPA), Financial Education Training Programme (FETP) for school teachers, Money Smart School Programme (MSSP)[4] for students, and Financial Awareness and Consumer Training (FACT) for young graduates and post-graduates. Further, the various milestones under NSFE are also being monitored by the Technical Group on Financial Inclusion and Financial Literacy (TGFIFL) under the aegis of Financial Stability Development Council Sub-Committee (FSDC-SC). The 22nd meeting of TGFIFL was held on December 14, 2023.

Observing Financial Literacy Week 2024

IV. 20 The Financial Literacy Week (FLW) is an initiative of the Reserve Bank to spread awareness among the masses/various sections of the population on key topics through a focused campaign every year. The FLW 2024 was observed from February 26 - March 1, 2024 on the theme 'Make a Right Start: Become Financially Smart' targeting students and young adults. The sub-themes on which awareness campaigns focused were 'Saving and Power of Compounding', 'Banking Essentials for Students' and 'Digital and Cyber Hygiene'.

All-India Quiz on Financial Literacy for Students

IV. 21 As a part of initiatives towards financial literacy and to give impetus to financial education at grass root level in a participatory manner, the Reserve Bank conducted all-India Quiz on financial literacy for students of classes VIII to X of government and municipal schools across the country. The multi-level quiz was initiated at the block level from April 2023 onwards. The quiz witnessed participation of 1,03,388 students from 51,694 schools across the country. The national level final competition of the quiz was held at Mumbai on September 14, 2023. It generated tremendous enthusiasm amongst the students in the area of financial literacy/awareness.

[3] NCFE is a section 8 (not for profit) company, promoted by Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI) and Pension Fund Regulatory and Development Authority (PFRDA). Its objective is to promote financial education across India for all sections of the population.

[4] An initiative of the NCFE to provide financial education in schools for improving financial literacy, based on two pillars, *viz.*, education and awareness.

3. Agenda for 2024-25

IV. 22 The Department has set the following goals for 2024-25:

- Formulation of the next iteration of the National Strategy for Financial Inclusion (NSFI) for the period 2025-30 (*Utkarsh* 2.0);
- Review of priority sector lending guidelines (*Utkarsh* 2.0);
- Achieving 100 per cent coverage in 50 per cent districts across the country by March 2025, under expanding and deepening of digital payments ecosystem (EDDPE) [providing every eligible individual in the identified district at least one mode of digital payments, *viz.*, debit/RuPay cards, net banking, mobile banking, UPI, unstructured supplementary service data (USSD), *Aadhaar* enabled payment system (AePS), *etc.*];
- Enhancing the effectiveness of Lead Bank Scheme (LBS) for greater financial inclusion; and
- Strengthen the regulatory framework to bolster credit availability for MSMEs.

4. Conclusion

IV. 23 The Reserve Bank continued with its focus on ensuring availability of banking services to all sections of society across the country and strengthening the credit delivery system to cater to the needs of productive sectors of the economy, particularly agriculture, and micro and small enterprises. The Reserve Bank launched Financial Inclusion Dashboard - *ANTARDRISHTI* - during 2023-24 in pursuance of its efforts to further deepen financial inclusion in the country. Going forward, the Reserve Bank would review the priority sector lending guidelines and work towards formulation of the next iteration of the NSFI for the period 2025-30, among others.

V FINANCIAL MARKETS AND FOREIGN EXCHANGE MANAGEMENT

The Reserve Bank continued to engage in developing and deepening domestic financial markets by broadening participation, easing access, strengthening the regulatory framework, streamlining regulations and fostering innovations. Efforts are underway towards internationalisation of the Indian Rupee (INR) through settlement of bilateral trade in local currency.

V.1 During 2023-24, the Reserve Bank undertook several measures to further develop and deepen financial markets through augmentation of the participation base in various segments, facilitation of access and transaction norms, and expansion in the range of financial products, while ensuring market integrity through rigorous surveillance. The Financial Markets Regulation Department (FMRD) issued Directions to the Reserve Bank regulated entities on transition away from the London Interbank Offered Rate (LIBOR) to alternative benchmarks; permitting scheduled commercial banks (SCBs) to set their own limits for borrowing in call and notice money markets within the prudential limits for interbank liabilities prescribed by the Reserve Bank; expanding the list of specified securities under the fully accessible route (FAR) by inclusion of sovereign green bonds; and allowing borrowing and lending of government securities (G-secs). The liquidity management operations of the Reserve Bank evolved in sync with its monetary policy stance. The Reserve Bank ensured orderly financial market conditions despite bouts of volatility in global financial markets.

V.2 The Reserve Bank continued to facilitate external trade and investment, with focus on enhancing the ease of doing business and reduce the compliance burden for regulated entities. Accordingly, the Foreign Exchange Department (FED) reviewed several extant guidelines such as authorisation framework of the authorised persons (APs) under the Foreign Exchange Management Act (FEMA), 1999; rationalisation of liberalised remittance scheme (LRS); rationalisation of guarantee and trade regulations; and supervisory framework for full-fledged money changers (FFMCs) and non-bank Authorised Dealer (AD) Category II.

V.3 Against this backdrop, the rest of the chapter is structured into four sections. The development and regulation of financial markets are covered in section 2. The Reserve Bank's market operations are discussed in section 3. In section 4, the focus is on external trade and payments and measures relating to liberalisation and development of external financial flows. Concluding observations are provided in section 5.

2. FINANCIAL MARKETS REGULATION DEPARTMENT (FMRD)

V.4 The FMRD is entrusted with the development, regulation and surveillance of money, G-secs, interest rate derivatives, foreign exchange, and credit derivative markets. The Department undertook several measures in pursuance of this mandate to fulfil the objectives set for 2023-24.

Agenda for 2023-24

V.5 The Department had set out the following goals for 2023-24:

- Issuance of final Directions mandating exchange of initial margin for non-centrally cleared derivatives (NCCDs) [*Utkarsh* 2.0] (Paragraph V.6);
- Review of the regulatory framework with a view to enhancing operational efficiencies, easing access to the foreign exchange derivative market for users with small foreign exchange (FX) exposures and ensuring that a broader set of customers with the necessary risk management expertise are equipped with the flexibility to manage their hedging programme efficiently (Paragraph V.7); and
- Review of the reporting and disclosure framework for trade repositories (TRs) of over-the-counter (OTC) derivative transactions to enhance market transparency (*Utkarsh* 2.0) [Paragraph V.8].

Implementation Status

V.6 Based on the feedback received, final Directions mandating exchange of initial margin for NCCDs have been issued on May 8, 2024.

V.7 The regulatory framework governing the hedging of FX risks was reviewed and Directions were issued on January 5, 2024.

V.8 A review of the reporting and disclosure framework for the TRs of OTC derivatives was undertaken. Directions for reporting of OTC derivatives were consolidated and rationalised. A framework for dissemination of data on the OTC derivative market has been put in place, based, *inter alia*, on the liquidity and diversity of the participant base in different derivative products.

Major Initiatives

Completing the Transition Away from the LIBOR to Alternative Benchmarks

V.9 With the cessation of publication of all LIBOR settings after June 30, 2023, the Reserve Bank issued a final advisory to its regulated entities in May 2023 advising them to ensure that new transactions are not undertaken by them or by their customers through the LIBOR or the domestic benchmark - the Mumbai Interbank Forward Outright Rate (MIFOR). The modified MIFOR (MMIFOR), developed as an alternative to the MIFOR, was notified as a 'significant benchmark'.

Borrowing Limits for Scheduled Commercial Banks (SCBs) in Call and Notice Money Markets

V.10 Pursuant to the announcement made in the Statement on Developmental and Regulatory Policies of the Reserve Bank on June 8, 2023, SCBs (excluding small finance banks and payments banks) were allowed greater flexibility in money market operations by permitting them in June 2023 to set their own limits for borrowing in the call and notice money markets within the prescribed prudential limits for interbank liabilities.

Development of the Non-Deliverable Derivative Contract (NDDC) Market

V.11 As announced in the Statement on Developmental and Regulatory Policies of the Reserve Bank on April 6, 2023, AD Category-I banks operating International Financial Services Centre (IFSC) Banking Units (IBUs) were permitted in June 2023 to offer INR NDDCs to resident non-retail users for the purpose of hedging. The objective is to develop the onshore market for non-deliverable INR derivatives and also to provide them with the flexibility to efficiently design their hedging programmes.

Inclusion of Sovereign Green Bonds Under the Fully Accessible Route (FAR)

V.12 Non-residents were permitted to invest in specified categories of G-secs without any restrictions under the FAR with effect from April 1, 2020. The list of specified securities under the FAR was expanded on November 8, 2023 to include all sovereign green bonds issued by the Government of India (GoI) in 2023-24.

Alert List of Entities Facilitating Unauthorised Forex Trading Platforms

V.13 The 'Alert List' of unauthorised entities understood to be offering or promoting unauthorised entities/electronic trading platforms (ETPs) [published in September 2022] was updated in June 2023 and November 2023.

Introduction of Securities Lending and Borrowing in G-secs

V.14 Pursuant to the announcement made in the Statement on Developmental and Regulatory Policies of the Reserve Bank on February 8, 2023, securities lending and borrowing in G-secs was permitted in December 2023 with the objective of providing investors an avenue to deploy their idle securities to enhance portfolio returns and deepen the G-sec market.

Review of Regulatory Framework for Financial Benchmark Administrators (FBAs)

V.15 The regulatory framework for FBAs - first issued in June 2019 - was reviewed and a comprehensive risk-based regulatory framework covering administration of all benchmarks related to financial markets regulated by the Reserve Bank was implemented in December 2023 pursuant to an announcement made in the Statement on Developmental and Regulatory Policies on August 10, 2023. The framework requires FBAs to comply with governance and oversight arrangements, controls and transparency and eschew conflict of interest so as to assure the accuracy and integrity of benchmarks.

Review of the Directions on Commercial Paper (CP) and Non-Convertible Debentures (NCDs)

V.16 Directions on CP and NCDs of original maturity up to one year were reviewed and revised Directions were issued in January 2024 to bring consistency across products in terms of issuers, investors and other participants in these markets.

Introduction of Bond Forwards on G-secs

V.17 In order to expand the suite of interest rate derivatives available in the domestic financial market and to enable market participants, especially long-term investors to manage their cash flows and interest rate risk, draft Directions permitting bond forwards on G-secs were issued in December 2023 to solicit feedback from stakeholders.

Review of the Regulatory Framework for Hedging of Foreign Exchange Risks

V.18 The regulatory framework governing foreign exchange derivative transactions was comprehensively reviewed and revised Directions were issued on April 7, 2020. Based on the experience gained in this regard, the regulatory framework for hedging of FX risks was reviewed and revised Directions were issued on January 5, 2024. The Directions consolidated the previous rules and notifications in respect of all types of transactions - OTC and exchange traded - under a single Master Direction, expanded the suite of permitted FX derivative products and refined the user classification framework to enable a larger set of users with the necessary risk management capabilities to efficiently manage their risks.

Inclusion of Indian G-secs in Global Bond Index

V.19 An important development in greater participation of foreign investors in the domestic bond market has been the announcement about the inclusion of Indian Government Bonds (IGBs) in major global bond indices (Box V.1).

Box V.1

Salient Developments in the Indian Government Securities Market

The Indian bond market is one of the largest among emerging market economies (EMEs) with an estimated size of US$ 1.2 trillion. Spurred by reforms undertaken over the years, the gilt market in India has gained depth, liquidity and vibrancy, while exhibiting resilience. The FAR route for investment by foreign portfolio investors (FPIs) in certain specified G-secs without any macroprudential limits was introduced in April 2020. The basket of G-secs under the FAR has been periodically expanded with tenors of 5, 7, 10, 14 and 30 years as well as sovereign green bonds. Measures to facilitate operational ease of investment by FPIs were also undertaken, including permitting banks to lend to FPIs for meeting margin requirements for their transactions in G-secs, and providing an extended window post closure of onshore market hours for reporting of trades. In parallel, access of non-residents, including FPIs, to domestic derivative markets has been enabled/eased to facilitate hedging of interest rate, foreign exchange and credit risks by these entities.

Following the introduction of the FAR in April 2020 and related market reforms, Indian Government Bonds (IGBs) have been under consideration for inclusion in major global bond indices. In 2021, IGBs were placed on the watchlist for inclusion in global bond indices by two major index providers. On September 21, 2023 one index provider announced the inclusion of IGBs in its emerging markets suite of indices with effect from June 2024, with government bonds issued under FAR and meeting the laid-out inclusion criteria,[1] eligible for inclusion in the index. The inclusion is expected to take place in a staggered manner over a period of 10 months (starting June 28, 2024 through March 31, 2025) with one per cent incremental weight being added each month, thus, giving India an overall weight of 10 per cent in the index. On January 8, 2024, another index provider launched consultation to solicit feedback on the proposed inclusion of the India FAR bonds in its emerging market index. This was followed by the announcement on March 5, 2024 that IGBs covered under the FAR and meeting the laid-out inclusion criteria[2] would be included in its Emerging Market (EM) Local Currency Government Index and related indices. The bonds will initially be incorporated with a weight equivalent to 10 per cent of their full market value as of January 31, 2025, and will be increased in monthly increments of 10 per cent, progressively increasing to full market value by October 2025.

Market participants estimate that the inclusion of IGBs in the global bond indices would result in increased demand for G-secs from foreign investors and is expected to support yields, with potential positive spillovers to credit costs for corporates as well. While boosting the liquidity of the G-secs market and improving the price discovery process, the demand for hedging related products in the onshore market is also expected to increase.

Increased FPI inflows and greater non-resident participation in domestic markets could, however, add to volatility, especially during global risk-off situations. These risks are likely to be contained as index based investments are passive and non-resident investment in Indian G-secs at around 2 per cent of the outstanding stock is low in absolute terms and also relative to most Asian emerging market peers.

[1] The index provider *vide* its 2023 EM Index Governance Results dated September 21, 2023, indicated that all FAR bonds with a notional outstanding above US$ 1 billion (equivalent) and at least 2.5 years of residual maturity shall be eligible for inclusion in the index. Further, India's local currency debt rating of BBB- / BBB- / Baa3 (Fitch/S&P/Moody's), makes it eligible for inclusion in the 'GBI-EM Global Diversified IG 15% Cap' index.

[2] As per the inclusion criteria, securities must have a minimum amount outstanding of INR 10 billion and follow the general rules of the Emerging Market Local Currency Index such as requiring bonds to have a minimum maturity of one year.

Agenda for 2024-25

V.20 For the year 2024-25, the Department has set the following goals:

- Better aggregation and transparency under the legal entity identifier (LEI) requirements for reporting of OTC derivative transactions; global identifiers for OTC derivative transactions (*e.g.,* unique transaction identifier) [*Utkarsh* 2.0];
- Review of the regulatory framework for ETP authorisation for financial market instruments regulated by the Reserve Bank in sync with the evolution of the domestic financial markets and global best practices; and
- Development of a framework for self-regulatory organisations (SROs) for financial markets regulated by the Reserve Bank.

3. FINANCIAL MARKETS OPERATIONS DEPARTMENT (FMOD)

V.21 The FMOD is primarily responsible for the conduct of liquidity management operations in alignment with the stance of monetary policy and for ensuring orderly conditions in the forex market through both onshore and offshore market operations.

Agenda for 2023-24

V.22 During the year, the Department had set out the following goals:

- Liquidity management operations in line with the monetary policy stance (Paragraph V.23);
- Foreign exchange operations to curb undue volatility in the USD/INR exchange rate (Paragraph V.24); and
- Policy-oriented research and analysis on financial markets so as to guide market operations strategies on an ongoing basis (*Utkarsh* 2.0) [Paragraph V.25].

Implementation Status

V.23 During 2023-24, liquidity management[3] was conducted through two-way operations - variable rate reverse repo (VRRR) and variable rate repo (VRR) auctions - in line with the evolving liquidity situation. The 14-day VRRR auction remained the main operation in H1:2023-24 supplemented by incremental cash reserve ratio (I-CRR) amidst surplus liquidity conditions stemming from the withdrawal of ₹2000 banknotes. The Reserve Bank also conducted VRR auctions of various tenors in response to frictional liquidity conditions associated with advance tax and goods and services tax (GST) outflows. Calibrated withdrawal of the I-CRR from early September eased liquidity conditions. The build-up of government cash balances and highly skewed liquidity distribution in the system prompted banks to take recourse to marginal standing facility (MSF) in Q3:2023-24, while also parking funds under the standing deposit facility (SDF). In response, the Reserve Bank undertook fine-tuning VRR operations of various tenors and allowed reversal of liquidity facilities under both SDF and MSF even during weekends and holidays. In Q4:2023-24, the Reserve Bank managed liquidity through the second-leg of a USD/INR sell buy swap auction for US$ 5 billion that was conducted on March 8, 2022, and main and fine-tuning VRR auctions of various tenors.

[3] Details relating to liquidity management operations are covered in Chapter III of this Report.

V.24 The INR experienced bouts of volatility stemming from global financial markets due to the monetary policy stance of the US Fed and lingering geopolitical tensions. While FPI inflows, softening of crude oil prices and easing of current account deficit supported the INR, a strong USD reflecting safe haven demand in the face of geopolitical tensions and expectations of higher interest rates for longer period in the US imposed downward pressure on the INR. The Reserve Bank intervened in the forex market through operations in the onshore/offshore OTC and exchange traded currency derivatives (ETCDs) segments to maintain orderly market conditions and contain excessive volatility in the exchange rate.

V.25 The Department undertook research and analytical work in areas covering portfolio flows and exchange rate volatility; volatility episodes and India's forex reserves; and drivers of commercial paper rate spreads over the relevant benchmark.

Agenda for 2024-25

V.26 During 2024-25, the Department plans to achieve the following goals:

- Technological upgradation to facilitate smoother and more flexible liquidity management operations;
- Issuance of consolidated instructions on liquidity adjustment facility;
- Enhance intervention toolkit to undertake focused foreign exchange operations to curb undue volatility in the USD/INR exchange rate; and
- Policy-oriented research and analysis on financial markets to guide market operations strategies on an ongoing basis (*Utkarsh* 2.0).

4. FOREIGN EXCHANGE DEPARTMENT (FED)

V.27 The FED is entrusted with the responsibility of fulfilling the objectives envisaged under the Foreign Exchange Management Act (FEMA), 1999. Accordingly, the Department continued its endeavours to facilitate external trade and payments during the year through framing of simple yet comprehensive, time-consistent and more principle-based policies to enhance the ease of doing business and reduce compliance burden. A review/rationalisation of the extant regulations/rules/notifications issued under FEMA, in alignment with the prevailing macroeconomic conditions and evolving business practices and models, was also undertaken during the year.

Agenda for 2023-24

V.28 The Department had set out the following goals for 2023-24:

- Review of Compounding Proceedings Rules under the Foreign Exchange Management Act (FEMA), 1999 (*Utkarsh* 2.0) [Paragraph V.29];
- Review of the authorisation framework of authorised persons (APs) under FEMA (*Utkarsh* 2.0) [Paragraph V.30];
- Rationalisation of the Liberalised Remittance Scheme (LRS) [*Utkarsh* 2.0] (Paragraph V.31);
- Rationalisation of regulations on Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2016 (*Utkarsh* 2.0) [Paragraph V.32];
- Review of guidelines related to Rupee accounts of non-residents (*Utkarsh* 2.0) [Paragraph V.33];

- Rationalisation of Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 (Paragraph V.34);
- Review of supervisory framework for full-fledged money changers and non-bank AD Category-II (Paragraph V.35);
- Rationalisation of guarantee regulations (Paragraph V.36); and
- Rationalisation/simplification of trade guidelines (*Utkarsh* 2.0) [Paragraph V.37].

Implementation Status

V.29 A review of the Foreign Exchange (Compounding Proceedings) Rules, 2023 [to supersede the extant Foreign Exchange (Compounding Proceedings) Rules, 2000] is under process. The review includes, *inter alia*, enhancing monetary ceilings, *i.e.,* the sum involved in such contraventions, for compounding them at various ranks of the Reserve Bank officers, enabling electronic and other online modes of payment of compounding fees, and streamlining the standard operating procedure (SOP) for cases involving various stages of investigation/adjudication by Directorate of Enforcement, Department of Revenue, Ministry of Finance, GoI.

V.30 The licensing framework for APs issued under FEMA was last reviewed in March 2006. Since then, the number of APs has gone up considerably, while new business models have also emerged. Keeping in view the progressive liberalisation under FEMA, increasing integration of the Indian economy with the global economy, digitisation of payment systems and evolving institutional structure over the last two decades, it was decided to rationalise and simplify the licensing framework for APs to effectively meet the emerging requirements. Accordingly, the draft licensing framework for APs under FEMA was placed on the Reserve Bank's website on December 26, 2023, seeking comments/feedbacks from all stakeholders. The draft framework would be finalised based on the feedback received and after due internal examination as well as consultation with the GoI.

V.31 Under LRS, ADs may freely allow remittances by resident individuals up to US$ 2,50,000 per financial year (April-March) for any permitted current or capital account transaction. A comprehensive review to address various issues in the scheme covering, *inter alia*, the legal framework, annual limit, permitted purposes, and repatriation requirements under the scheme is currently underway.

V.32 On December 21, 2023, a significant step was taken towards promoting the internationalisation of INR and supporting local currency settlement with partner countries through the issuance of Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2023. The rationalised regulations, *inter alia,* include the following major amendments:

- The regulations have been simplified thereby improving their readability and comprehension;
- The previous regulations allowed receipt/payment in foreign currency only for freely convertible currencies. The revised regulations enable receipt/payment in any foreign currency, which would aid in local currency settlement with the partner countries; and
- The previous regulations allowed receipt/payment in INR for all cross-border

transactions (current as well as capital) for non-Asian Currency Union (ACU) countries, whereas such receipt/payment was not allowed in respect of some ACU countries (*viz.,* Bangladesh, Myanmar, Pakistan and Maldives). The revised regulations now enable INR settlement for all ACU countries with regard to non-trade related transactions, and for trade related transactions in accordance with the Directions issued by the Reserve Bank from time to time.

V.33 To promote the internationalisation of INR and support local currency settlement with partner countries, it is necessary to liberalise the regulations relating to INR accounts for non-residents. Accordingly, the Foreign Exchange Management (Deposit) Regulations [FEMA 5(R)], regarding INR accounts by non-residents are currently being reviewed in consultation with the government.

V.34 The proposals to rationalise the mode of payment and reporting requirement related regulations, currently prescribed in terms of FEMA Regulation No. 395, are under review in the Department. The review would include necessary additions/modifications in the extant framework on account of various amendments notified by Government of India under the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019.

V.35 A comprehensive review of supervisory framework for FFMCs and non-bank AD Category-II is being undertaken in sync with the ongoing review of the licensing framework for APs under FEMA. The revised guidelines/ instructions will be issued in due course.

V.36 Regulations framed under Foreign Exchange Management (Guarantees) Regulations, 2000 are being reviewed to reflect the changing macroeconomic conditions, business needs and issues faced by persons resident in India, while conducting cross-border transactions. The exercise also intends to improve ease of doing business by minimising the need for approvals.

V.37 To simplify the existing regulatory framework for trade transactions by moving towards a more principle-based approach, improving ease of doing business, and dispensing with redundant provisions/processes and various approvals, the rationalisation/simplification of trade guidelines is under process.

Major Initiatives

Operationalisation of 'APConnect' – Online Application for FFMCs and Non-bank AD Category-II

V.38 As part of the endeavour towards digitalisation to simplify process and enhance ease of doing business, a new software application, 'APConnect', was successfully implemented in April 2023. The application, inter alia, facilitates processing of requests for licensing of FFMCs and non-bank AD Category-II entities, authorisation of Money Transfer Service Scheme (MTSS) agent, renewal of existing licence/authorisation and for submission of various statements/returns by APs. The system has significantly transformed the authorisation process, resulting in operational efficiencies, cost savings, reduced paperwork and manpower requirements for all stakeholders. It has also led to a marked improvement in the handling of associated work across regional offices (ROs) of the Reserve Bank.

AD Category-II - Online Submission of Form A2

V.39 As per the guidelines outlined in Master Direction on LRS, and Master Direction on Other Remittance Facilities, applicants are required to submit Form A2 while undertaking remittances other than for imports and intermediary trade transactions. Additionally, customers of AD banks offering internet banking facilities can submit Form A2 online for remittances up to US$ 25,000 (or its equivalent) by individuals and up to US$ 1,00,000 (or its equivalent) by corporates, in accordance with the Master Direction on Other Remittance Facilities. In this context, effective April 12, 2023, AD Category-II entities were also permitted to allow online submission of Form A2 to improve customer convenience and turnaround time.

Remittances to IFSCs under the LRS

V.40 The Reserve Bank had allowed remittances up to US$ 2,50,000 under LRS to IFSCs for making investments in securities, other than those issued by entities/companies resident in India, but outside IFSC, in February 2021. There were, however, certain differences in the features of the LRS remittance facility applicable to IFSCs *vis-à-vis* foreign jurisdictions. For instance, resident individuals could maintain only a non-interest-bearing foreign currency account in IFSCs and any idle funds lying in such accounts had to be repatriated within 15 days. On a review and with an objective to align the LRS for IFSCs *vis-à-vis* other foreign jurisdictions, the condition of repatriating any funds lying idle in the account beyond a period of 15 days from the date of its receipt was withdrawn and was aligned with the period applicable for such remittances to other foreign jurisdictions, *i.e.*, 180 days with effect from April 26, 2023.

V.41 Further, IFSCs are treated as foreign jurisdictions only for the purposes of financial services and, therefore, the remittances towards current account transactions like travel, education, gift, *etc.*, or for capital account transactions like purchase of immovable property are not applicable for IFSCs. LRS remittances to IFSCs were permitted only for making investments in securities, *vide* circular dated February 16, 2021. The GoI *vide* gazette notification dated May 23, 2022 has notified select courses offered by foreign universities/institutions in IFSC, as financial services. Therefore, with effect from June 22, 2023, remittances by resident individuals for payment of course fees to foreign universities/institutions in IFSCs have been enabled under LRS for the defined purpose, *i.e.*, 'studies abroad'.

Levy of Charges on Forex Prepaid Cards/Store Value Cards/Travel Cards

V.42 A few APs have been levying charges/fees on forex pre-paid card/store value cards, payable in India for services provided to customers in India in foreign currency (FCY). These transactions between the APs and the residents are essentially domestic transactions between two residents, and they should not result in any foreign exchange risk being borne by the resident. Accordingly, instructions have been issued advising APs that any fees/charges payable in India must be denominated and settled in INR only.

Guidelines on Import of Silver by Qualified Jewellers as Notified by the IFSC Authority (IFSCA)

V.43 Pursuant to the Directorate General of Foreign Trade (DGFT) notification dated October 11, 2023, wherein qualified jewellers (as notified by IFSCA) are permitted to import silver under specific Indian Trade Classification (ITC) based on Harmonised System (HS) codes through India International Bullion Exchange IFSC Limited (IIBX), in addition to nominated agencies as notified by the Reserve Bank (in case of banks) and DGFT (for other agencies), AD banks have been permitted to allow qualified jewellers (as notified by IFSCA) to remit advance payment for 11 days for import of silver through IIBX in IFSC, subject to specified conditions, from November 10, 2023.

International Trade Settlement in INR - Opening of Additional Current Account for Exports Proceeds

V.44 To provide greater operational flexibility to the exporters, AD Category-I banks maintaining special rupee vostro account (SRVA) as per the provisions of the Reserve Bank circular dated July 11, 2022 are permitted to open an additional special current account for their exporter constituent exclusively for settlement of their export transactions, from November 17, 2023.

CIMS Project Implementation - Discontinuation of Submission in Legacy eXtensible Business Reporting Language (XBRL)

V.45 With the launch of the Reserve Bank's next generation data warehouse, *viz.,* centralised information management system (CIMS) on June 30, 2023, the submission of seven returns by AD Category-I banks through the XBRL site has been discontinued and shifted to the CIMS platform.

Guidelines on Import of Gold by Tariff Rate Quota (TRQ) Holders under the India-UAE CEPA as Notified by the IFSC Authority (IFSCA)

V.46 Pursuant to the DGFT notification dated November 20, 2023, AD banks have been permitted to allow valid TRQ holders under the India-UAE Comprehensive Economic Partnership Agreement (CEPA), as notified by the IFSCA, to remit advance payment for 11 days for import of gold through IIBX against the TRQ, starting from January 31, 2024, subject to directions mentioned in A.P. (DIR Series) circular dated May 25, 2022.

Conducting Awareness Programmes and Creation of Digital Content

V.47 As part of awareness initiatives, the Department has been conducting workshops in various ROs of the Reserve Bank to supplement the initiative of simplification of regulations being carried out at the central office. In addition, the Department conducted workshops for APs and FEMA exhibition-cum-townhall events during the year, where trade and industry bodies and users of foreign exchange participated. These awareness programmes are also being used by the ROs to explain the recent policy changes and obtain feedback on ground-level implementation.

Delegation of Powers to AD Banks and ROs

V.48 As part of the exercise to delegate powers to AD banks, mainly to improve customer service/turnaround time and also to enable the Department to focus on policy issues, the following measures were undertaken:

- Keeping with the spirit of liberalisation, and with a view to enhancing the ease of doing business, late submission fee (LSF) concept was introduced in the Foreign Exchange Management (Overseas Investment) Regulations, 2022, implemented at seven identified ROs (*viz.,* Ahmedabad, Bengaluru, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi). Subsequently, to further streamline the operational procedure and to reduce the turnaround time for processing of LSF applications, the process was simplified by enabling online processing and online payment modes for collection of LSF amount. Accordingly, a revised version of the SOP has been issued for feedback from the seven designated ROs; and

- Earlier, overseas investment transactions reported on the Overseas Investment Division's (OID) application with delay required ratification from the Reserve Bank. With the introduction of online processing of LSF applications under OID application, powers to take such transactions on record have been delegated to AD banks, subject to payment of LSF, wherever applicable. The measure is expected to reduce the time for ratifying such delayed reporting and enable faster processing of subsequent reporting.

Agenda for 2024-25

V.49 With a focus on achieving the milestones set under the Reserve Bank's medium-term strategy framework, the Department's strategy for 2024-25 will be to consolidate and carry forward all the above initiatives. With emphasis on continuous synchronisation of the FEMA operating framework with the evolving macroeconomic environment, rationalisation of various guidelines will be of primary focus. Accordingly, the Department has finalised the following strategic action plan for the year 2024-25:

- Review of the authorisation framework for APs under Foreign Exchange Management Act, 1999 (*Utkarsh* 2.0);
- Liberalisation of external commercial borrowing (ECB) framework;
- 'Go-live' for phase I of software platform for ECBs and trade credits reporting and approval (SPECTRA) project;
- Rationalisation of regulations for export of goods and services (*Utkarsh* 2.0);
- Review of the supervisory framework of APs;
- Rationalisation of Foreign Exchange Management (Guarantee) Regulations;
- Rationalisation of Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations;
- Internationalisation of INR:
    - o Permitting opening of INR account outside India by persons resident outside India (PROIs) [*Utkarsh* 2.0];
    - o INR lending by Indian banks to PROIs; and
    - o Enabling foreign direct investment (FDI) and portfolio investment through special accounts [*viz.,* special non-resident rupee (SNRR) and special rupee vostro account (SRVA)].
- Making a framework for a comprehensive integrated reporting of forex transactions;
- Measures to improve the role of GIFT City[4] at Gandhinagar, Gujarat *vis-à-vis* other international financial centres:
    - o Encouraging the trading of FCY-INR pairs, for different foreign currencies; and

[4] Gujarat International Finance Tec-City.

  - o Review of the IFSC regulations under FEMA.

- Review of Compounding Proceedings Rules, under the Foreign Exchange Management Act (FEMA), 1999 (*Utkarsh* 2.0);
- Rationalisation of the LRS (*Utkarsh* 2.0); and
- Rationalisation of inward remittance schemes, *viz.,* MTSS and Rupee Drawing Arrangement (RDA) [*Utkarsh* 2.0].

5. CONCLUSION

V.50 During the year, the Reserve Bank undertook several measures towards enhancing transparency in financial markets, expanding investor base and strengthening regulatory framework in line with evolving business practices and models, with an emphasis on easing compliance burden on regulated entities. The announced inclusion of Indian government bonds in global bond indices is expected to have a salutary impact on the government securities market in terms of enhancing liquidity, price discovery and diversity in participation base. Rationalisation of regulations towards promoting the internationalisation of the INR was undertaken to enable the settlement of bilateral trade in local currencies. Going forward, the liquidity operations would continue to be in sync with the stance of the monetary policy, while the foreign exchange operations would be guided by the objective of ensuring orderly movements in the exchange rate of the Rupee.

VI REGULATION, SUPERVISION AND FINANCIAL STABILITY

During 2023-24, the Reserve Bank continued with initiatives to build a resilient and sound financial system. Several regulatory and supervisory measures were implemented in line with global best practices towards further strengthening of governance, risk management practices and capital buffers. The Reserve Bank persisted with its efforts to leverage on technology for an effective and efficient supervision along with a focus on enhancing cyber security. Sustained efforts were made for further improving customer services as well as strengthening fraud detection mechanisms.

VI.1 The domestic financial system remained robust and resilient during the year. The Reserve Bank continued with concerted endeavours to fortify the financial system and promote responsible innovations amidst emerging challenges from technological disruptions, cyber risks and climate change. As part of the overall objective of aligning the regulatory/supervisory framework with global best practices, important strides in the areas of risk management, regulatory compliance and enforcement, and consumer education and protection were undertaken during the year.

VI.2 The Department of Regulation (DoR) issued several guidelines which, *inter alia*, included default loss guarantee in digital lending; framework for compromise settlements and technical write-offs; investment in alternative investment funds; prudential norms for classification, valuation, operations of investment portfolios of commercial banks; and minimum capital requirements for operational risk.

VI.3 The FinTech Department expanded the scope and coverage of central bank digital currency (CBDC)-Wholesale (CBDC-W) and CBDC-Retail (CBDC-R) pilots; and launched a pilot project for public tech platform for frictionless credit.

VI.4 The Department of Supervision (DoS) initiated a host of measures to further strengthen both onsite and offsite supervision, including streamlining onsite assessments of supervised entities (SEs) related to know your customer (KYC)/anti-money laundering (AML) and cyber/information technology (IT) risks; revamping stress testing model; strengthening of early warning signal (EWS) and fraud risk management system (FRMS); and strengthening supervisory engagements with SEs. The Consumer Education and Protection Department (CEPD) continued its efforts towards enhancing customer protection and grievance redress mechanism, and harmonising the instructions applicable to the various regulated entities (REs) on the Internal Ombudsman (IO) scheme.

VI.5 This chapter discusses regulatory and supervisory measures undertaken during 2023-24 to strengthen the financial system and to preserve financial stability. The rest of this chapter is divided into five sections. Section 2 deals with the mandate and functions of the Financial Stability Department (FSD). Section 3 dwells upon regulatory measures undertaken by the DoR along with activities of the FinTech Department. Section 4 covers supervisory measures undertaken by the DoS and enforcement actions carried out by the Enforcement Department (EFD). Section 5 highlights the role played by CEPD and Deposit Insurance and Credit Guarantee Corporation (DICGC) in protecting consumer interests, spreading awareness and upholding consumer confidence. The agenda of these departments for 2024-25 are covered in the respective sections of this chapter. Concluding observations are set out in the last section.

2. FINANCIAL STABILITY DEPARTMENT (FSD)

VI.6 The mandate of the FSD is to monitor risks to financial stability and evaluate the resilience of the financial system by undertaking macroprudential surveillance. It also functions as the secretariat of the Sub-Committee of the Financial Stability and Development Council (FSDC-SC), an inter-regulators' institutional forum for monitoring macroprudential regulations for the financial system and preserving financial stability. The FSD is also mandated to publish the Financial Stability Report (FSR) that assesses possible risk scenarios for financial stability and early warning analyses.

Agenda for 2023-24

VI.7 The Department had set out the following goals for 2023-24:

- Peer review of stress testing framework (Paragraph VI.8);
- Conducting macroprudential surveillance (Paragraph VI.8);
- Publishing half-yearly FSRs (Paragraph VI.9); and
- Conducting meetings of the FSDC-SC (Paragraph VI.9).

Implementation Status

VI.8 A peer review of the stress testing framework was carried out by a team from the International Monetary Fund (IMF) in April 2023, which submitted its final report in September 2023. Another IMF technical assistance mission visited the Department in January 2024 to facilitate implementation of the major recommendations of the report. The Department also participated in a global stress testing exercise jointly initiated by the Basel Committee on Banking Supervision (BCBS) and Financial Stability Board (FSB) with representation from multiple jurisdictions. The exercise combined a common global scenario with a detailed dataset on various parameters of banks so as to serve as a tool for national authorities to compare the resilience of their banking systems with other jurisdictions. In this regard, the Department carried out stress tests on the global operations of 10 major Indian banks. For this purpose, the Department developed bespoke stress test models and also projected major banking parameters for the period 2023-25. The salient results, the methodology and assumptions used for the exercise were submitted to the Bank for International Settlements (BIS).

VI.9 Two editions of the FSR providing the collective assessment of the FSDC-SC on the balance of risks to financial stability and the resilience of the Indian financial system were released during the year. During 2023-24, the FSDC-SC held one meeting, in which it reviewed major global and domestic macroeconomic and financial developments, issues in inter-regulatory coordination relating to the Indian financial sector, activities of various technical groups under its purview, and the functioning of State Level Coordination Committees (SLCCs) in various states/union territories (UTs). The FSDC-

SC resolved to remain vigilant against any build-up of vulnerabilities in the Indian financial system as well as the broader economy, especially from global spillovers, and to preserve financial system stability for attaining strong, sustainable and inclusive growth.

Agenda for 2024-25

VI.10 In 2024-25, apart from its regular items of work, FSD will focus on the following:

- Implementation of recommendations of the peer review (*Utkarsh* 2.0);
- Development of a non-banking stability map/index (*Utkarsh* 2.0); and
- Enhancement of single-factor stress tests (*Utkarsh* 2.0).

3. REGULATION OF FINANCIAL INTERMEDIARIES

Department of Regulation (DoR)

VI.11 The DoR is the nodal Department for regulation of commercial banks, cooperative banks, non-banking financial companies (NBFCs), credit information companies (CICs) and all-India financial institutions (AIFIs). The regulatory framework is fine-tuned as per the evolving requirements of the Indian economy while adapting to international best practices.

Agenda for 2023-24

VI.12 The Department had set out the following goals for 2023-24:

- Comprehensive review of instructions on statutory and other restrictions in credit management (*Utkarsh* 2.0) [Paragraph VI.13];
- Review of miscellaneous non-banking companies (MNBCs) regulations (*Utkarsh* 2.0) [Paragraph VI.14];
- Recognition of self-regulatory organisations (SROs) for NBFCs (Paragraph VI.15);
- Review of liquidity management framework of UCBs (*Utkarsh* 2.0) [Paragraph VI.16];
- Review of policy on conduct of activities by banks and NBFCs (Paragraph VI.17);
- Review of regulation on agency business and referral service (Paragraph VI.17);
- Issue of harmonised regulations on 'Income Recognition, Asset Classification and Provisioning Pertaining to Advances' to regulated entities (*Utkarsh* 2.0) [Paragraph VI.18];
- Comprehensive review of all non-fund based contingent facilities issued by lending institutions (*Utkarsh* 2.0) [Paragraph VI.18];
- Review of instructions on various regulatory approvals of UCBs (Paragraph VI.19);
- Comprehensive review of guidelines on area of operations of UCBs (Paragraph VI.19); and
- Regulatory initiatives on climate risk and sustainable finance (Paragraph VI.20).

Implementation Status

VI.13 During the year, extensive consultations were undertaken with regard to the extant instructions on statutory and other restrictions in credit management. Subsequently, necessary instructions were issued as and where applicable.

VI.14 As a policy stance, the Reserve Bank has been discouraging acceptance of deposits by various non-banking financial institutions (NBFIs). As part of this, the Reserve Bank prohibited deposit acceptance by MNBCs/chit fund companies, except from their shareholders.

In view of various legislative enactments/ regulatory developments[1] on deposit acceptance, a review of the extant regulatory framework governing deposit acceptance by MNBCs/ chit fund companies is being carried out in the Department in consultation with the Government of India and other stakeholders.

VI.15 Considering the increasing number of financial entities regulated by the Reserve Bank, in terms of scale, customer outreach and diversification, along with increased adoption of innovative technologies in delivery of financial services, a need was felt to promote ethical and professional standards for orderly development of the financial ecosystem. In view of the potential role of SROs in improving compliance culture and providing consultative platform for policy making, it was decided to issue an omnibus framework for recognising SROs for various REs of the Reserve Bank. The omnibus SRO framework prescribes the broad objectives, functions, eligibility criteria, and governance standards, among others, which will be common for all SROs, irrespective of the sector. The Reserve Bank may prescribe additional conditions for recognising sector-specific SROs. A draft of the omnibus framework was released on December 21, 2023 for comments from stakeholders, following which, the final framework was issued on March 21, 2024. Applications for recognition of SROs for NBFCs would be invited henceforth.

VI.16 The extant instructions on liquidity management framework of UCBs are being reviewed, and a draft Master Direction on the subject is under examination.

VI.17 Based on the recommendations from the internal working group report and inputs received from other stakeholders, a circular consolidating instructions on conduct of activities by banks is currently under preparation. Also, the regulations on agency business and referral service by banks and NBFCs for third party products are under review.

VI.18 Based on the inputs received from the stakeholders, the work related to the harmonisation of prudential norms on 'Income Recognition, Asset Classification and Provisioning pertaining to Advances' is currently underway. A review of the various non-fund based facilities extended by the REs is also underway with a view to strengthen the regulatory framework governing such facilities.

VI.19 The Department reviewed and issued guidelines in the following regulatory areas of UCBs: (a) revised criteria regarding inclusion of UCBs in the second schedule of the RBI Act, 1934; (b) introduction of an automatic route for branch expansion in the approved area of operation for financially sound and well managed (FSWM) UCBs in all tiers (except salary earners' banks); and (c) guidelines on change in the name of cooperative banks and amendment of their bye laws. The review of guidelines on area of operation of UCBs is currently under examination.

VI.20 As announced in the Reserve Bank's Statement on Developmental and Regulatory Policies (February 8, 2023), a framework for acceptance of green deposits was issued on April 11, 2023 with an objective to encourage REs to offer green deposits to customers, protect

[1] Such as enactment of Prize Chits and Money Circulation Schemes (Banning) Act, 1978; Chit Fund Act, 1982; Companies (Acceptance of Deposits) Rules, 2014; and Banning of Unregulated Deposit Schemes Act, 2019.

depositors' interest, address greenwashing risks and help augment the flow of credit to green activities/projects. On December 29, 2023, a set of frequently asked questions (FAQs) aimed to offer clarifications and address common queries related to the green deposit framework were published on the Reserve Bank's website. A draft disclosure framework on climate-related financial risks, 2024 was placed on the Reserve Bank's website on February 28, 2024 for public consultation, which includes guidelines to the REs for climate-related financial disclosures under four thematic pillars – governance, strategy, risk management, and metrics and targets. The framework aims to foster an early assessment of climate-related financial risks and opportunities and facilitate market discipline. Further, a dedicated section was also created on the Reserve Bank's website, containing the Reserve Bank's communication on climate risk and sustainable finance.

Major Developments[2]

Guidelines on Default Loss Guarantee (DLG) in Digital Lending

VI.21 DLG arrangements involve lending service providers (LSPs) undertaking to bear a certain pre-decided percentage of default loss on the loan portfolio sourced by the LSP on behalf of the REs. The primary concern with respect to DLG arrangements entails assumption of credit risk by unregulated entities, associated business conduct issues and lack of regulatory oversight. Notwithstanding these, it had the beneficial aspect of ensuring skin-in-the-game for LSPs and improved access to formal credit. An enabling framework balancing the objectives of prudence and innovation was formulated. The guidelines cover DLG arrangements between REs and LSPs as well as amongst REs and lay down several regulatory guardrails: (i) cover both explicit and implicit DLG arrangements; (ii) limit DLG to five per cent of the outstanding loan portfolio; (iii) DLG to be offered only against cash, fixed deposit or bank guarantee; (iv) application of guidelines on asset classification and provisioning; (v) disclosure of DLG on website of LSP; and (vi) enhanced due diligence by REs while entering into/renewing DLG arrangements.

Framework for Compromise Settlements and Technical Write-offs

VI.22 The framework on compromise settlements and technical write-offs issued on June 8, 2023 consolidates and harmonises various regulatory guidelines issued on compromise settlements over the years in respect of SCBs, tightening some of the extant regulatory provisions and ensures greater transparency. In respect of other REs, especially cooperative banks, the framework provides an enabling mechanism to undertake compromise settlements. Further, it lays down guidance on important process-related matters covering Board oversight, delegation of power, reporting mechanism and a cooling period for normal cases of compromise settlements. The penal measures currently applicable to borrowers classified as fraud or wilful defaulter shall continue to be applicable in cases where banks enter into compromise settlements with such borrowers.

[2] This sub section highlights the major circulars/guidelines issued by the DoR. Annex I of this Report provides a comprehensive department-wise chronology of policy announcements during April 2023 to March 2024.

Regulatory Measures Towards Consumer Credit and Bank Credit to NBFCs

VI.23 Post-COVID, credit offtake towards the consumer segment has been quite substantial combined with proliferating dependency of NBFCs on bank borrowings leading to regulatory concerns. This warranted a prudential intervention, notwithstanding a comfortable asset quality position at broader portfolio level. Accordingly, to pre-empt the build-up of any potential risks, regulatory measures were announced on November 16, 2023.

Harmonising the Provisioning Norms for Standard Assets to All Categories of UCBs

VI.24 The provisioning norms for standard assets applicable to UCBs across all tiers were harmonised *vide* circular dated April 24, 2023. Accordingly, Tier I UCBs, were permitted to achieve the revised requirement of 0.40 per cent as standard asset provisioning *vis-à-vis* the earlier requirement of 0.25 per cent in a staggered manner by March 31, 2025.

Credit/Investment Concentration Norms – Credit Risk Transfer

VI.25 The extant Large Exposure Framework for NBFC-upper layer permits them to offset exposures to the original counterparty with eligible credit risk transfer instruments. To ensure uniformity and consistency in computation of exposures across NBFCs, a circular was issued on January 15, 2024 permitting NBFCs in the middle layer and base layer to offset their exposures with eligible credit risk transfer instruments. Further, NBFCs in the base layer are also required to put in place an internal Board approved policy for credit/investment concentration limits for both single borrower/party and single group of borrowers/parties.

Investments in Alternative Investment Funds (AIFs)

VI.26 A few instances of alleged evergreening were flagged whereby investments by REs in the AIF schemes were appropriated by the stressed borrowers of the concerned REs for repayment of their loans. To prohibit any such prudential violation including evergreening, following measures were initiated on December 19, 2023: (a) REs were prohibited from investing in any of the AIF schemes, which has downstream investment in any of the debtor companies of the concerned RE; (b) REs were mandated to liquidate their existing investments in AIFs within a stipulated period of 30 days, if AIF scheme had invested or subsequently invests in RE's debtor company, failing which REs shall make full provision for their investments in that particular scheme; and (c) REs were mandated that any investment in junior tranche will be deducted in full from their regulatory capital fund. To ensure consistency in implementation and to provide further regulatory guidance on some of the key issues, clarifications were issued on March 27, 2024, advising that: (i) downstream investments exclude equity shares but include other instruments; (ii) provisioning applies only to extent of RE's investment in the AIF scheme (proportionate basis), and not on the entire investment; (iii) compliance with paragraph 2 of the circular dated December 19, 2023 is necessary, if the AIF lacks downstream investment in a debtor company; (iv) proposed deductions from capital affect both Tier-1 and Tier-2 capital, encompassing all forms of subordinated exposures including sponsor units; and (v) investments in AIFs through intermediaries such as fund of funds or mutual funds are beyond the scope of circular.

Review of Prudential Norms for Classification, Valuation and Operations of Investment Portfolio of Commercial Banks

VI.27 The revised Directions were issued on September 12, 2023. Some of the key modifications under the revised Directions are: (i) principle-based classification of investment portfolio into three categories, *viz.*, (i) 'Held to Maturity' (HTM), 'Available for Sale' (AFS), and 'Fair Value through Profit and Loss Account' (FVTPL); (ii) clearly identifiable trading book under 'Held for Trading' (HFT), a sub-category within FVTPL; (iii) removal of the 90-day ceiling on holding period under HFT category; (iv) removal of ceiling on investments in HTM category; (v) tightening of regulation around transfer to/from HTM category and sales out of HTM; (vi) inclusion of non-statutory liquidity ratio (SLR) securities in HTM category, subject to fulfilling certain conditions; (vii) symmetric recognition of gains/losses for investments under AFS and FVTPL categories; and (viii) granular disclosure on investment portfolio. The revised Directions are expected to enhance the quality and transparency of banks' financial reporting, provide a fillip to the corporate bond market, facilitate the use of derivatives for hedging, and strengthen the overall risk management framework of banks. While adhering to the global financial reporting standards, the Directions retain important prudential safeguards such as investment fluctuation reserve (IFR), due diligence/limits with respect to non-SLR investments, internal control systems, reviews and reporting.

Minimum Capital Requirements for Operational Risk

VI.28 On June 26, 2023, the Reserve Bank prescribed the new standardised approach for determining the minimum capital requirements for operational risk in order to secure greater convergence with the revised Basel standards. The new approach would replace all the approaches presently prescribed for measuring minimum operational risk capital requirements. Under the new standardised approach, banks are required to consider a financial statement-based business indicator component (BIC), along with loss data-based internal loss multiplier (ILM) [for larger banks] in their operational risk regulatory capital calculation.

Fair Lending Practice - Penal Charges in Loan Accounts

VI.29 In the wake of divergent practices amongst the REs with regard to levy of penal interest/charges, the revised guidelines were issued which mandate REs to formulate a Board approved policy on penal charges and transparently disclose the quantum and reason for levying of penal charges to the borrowers. Further, penalty, if charged by RE for non-compliance of material terms and conditions of loan contract by the borrower, shall be in the form of 'penal charges' and shall not be levied in the form of 'penal interest'. REs have also been prohibited from capitalising the penal charges, *i.e.*, no further interest shall be computed on such charges.

Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) Based Personal Loans

VI.30 Several consumer grievances related to elongation of loan tenor and/or increase in EMI amount without proper communication with and/or consent of the borrowers were received. To address the issue, regulations were issued to ensure proper conduct framework and implementation across REs through provision of adequate headroom at origination for absorbing the impact of rising interest rates, option of switching to fixed loans and foreclosure of loans, transparent disclosure of various charges incidental to the exercise of these options, and proper communication of key information to the borrowers.

Responsible Lending Conduct - Release of Movable/Immovable Property Documents on Repayment/Settlement of Personal Loans

VI.31 To address the divergent practices followed by REs in release of movable/immovable property documents after closure of loan account, leading to customer grievances and disputes, regulations were issued, which mandate REs to release all the original movable/immovable property documents including removal of charges registered with any registry within 30 days after full repayment/settlement of the loan account. The regulations, *inter alia,* prescribe compensation for delay in return of documents by REs and place the responsibility on REs for obtaining duplicate/certified copies of the documents in case of loss/damage.

Establishment of Umbrella Organisation (UO) for UCBs

VI.32 On August 11, 2023, the Reserve Bank granted approval for issuance of certificate of registration (CoR) to National Urban Cooperative Finance and Development Corporation Ltd. (NUCFDC), the proposed UO for UCBs, as a non-deposit accepting type-II NBFC, subject to the prescribed conditions. Subsequently, final CoR was issued to the company on February 8, 2024.

Review of Instructions on Bulk Deposits for Regional Rural Banks (RRBs)

VI.33 In terms of the extant instructions, bulk deposits were defined as single rupee term deposits of '₹15 lakh and above' for RRBs. On a review, the definition of bulk deposits for RRBs was revised to '₹ one crore and above' to provide operational freedom to RRBs and create a level playing field *vis-à-vis* other banks.

Review of Regulatory Framework for Infrastructure Debt Fund (IDF) - NBFCs

VI.34 To enable the IDF-NBFCs to play a greater role in financing of the infrastructure sector and to move towards the regulatory objective of harmonisation of regulations applicable to various categories of NBFCs, the revised regulatory framework for IDF-NBFCs was issued on August 18, 2023. The key changes in the revised framework include: (i) withdrawing the requirement of a sponsor for the IDF-NBFCs; (ii) allowing IDF-NBFCs to finance toll-operate-transfer (TOT) projects as direct lenders, (iii) providing IDF-NBFCs access to funds through loan route under external commercial borrowings (ECBs); and (iv) making tri-partite agreement optional for public private partnership (PPP) projects.

Draft Guidelines on Wilful and Large Defaulters

VI.35 The draft Master Direction was placed on the Reserve Bank's website on September 21, 2023. The proposed Master Direction consolidates all instructions on wilful and large defaulters along with other modifications based on various court Judgments and representations/suggestions received from Indian Banks' Association (IBA), banks and other stakeholders. Final guidelines would be issued after examination of these comments.

Strengthening of Customer Service Rendered by CICs and Credit Institutions (CIs)

VI.36 To strengthen customer service rendered by CICs and CIs, a compensation framework has been prescribed for non-adherence to the timelines (30 days) for updation/rectification of credit information by them. Further, CICs have been advised to notify customers *via* short messaging service (SMS) or e-mail regarding access to their credit information report. To bring more transparency in the credit information reporting process, CIs have been advised to notify their borrowers *via* SMS or e-mail while submitting information to CICs regarding default or days past due in the existing credit facilities. In addition, CIs shall have a dedicated nodal point for addressing customer grievances raised by CICs, conduct root cause analysis (RCA) of customer grievances on a half-yearly basis and inform the customers the reasons for the rejection of their data correction request. CICs have been advised to ingest the credit information data into their database within seven days of receipt from CIs, disclose the data of the complaints received on their website, conduct periodic review of their 'search and match' logic algorithm and prominently display the link for accessing the free full credit reports on their website.

Display of Information Relating to Secured Assets Possessed by REs Under SARFAESI[3] Act, 2002

VI.37 REs, which are secured creditors as per the SARFAESI Act, 2002, have been advised to display information in respect of the borrowers, whose secured assets have been taken into possession by them under the said Act, on their website.

Public Consultations for Regulatory Measures

VI.38 The Reserve Bank follows a participative and consultative approach in the formulation of its policies (Box VI.1).

Box VI.1

Public Consultations for Regulatory Measures by Reserve Bank of India

Public consultations are mechanisms used by regulatory authorities like central banks to inform the public about regulatory changes under consideration and solicit their feedback and inputs. Such consultations improve transparency, efficiency and effectiveness of regulations (IMF 2000; OECD, 2006). An analysis of the recent practices followed by the major central banks[4] indicates that: (a) The central banks have resorted to public consultations at various stages of the policy formulation, before release of policies or change in existing policies/regulatory framework; (b) The stakeholders are provided 15-120 days to share their comments on the proposals, often with a dedicated web page for the feedback; (c) Comments/feedback received are often placed in the public domain; and (d) Additional consultative channels such as setting up of a Committee and organising conferences/meetings in order to have greater insights on complex and technical regulatory issues are also deployed.

Consultation Process of Reserve Bank of India

The Reserve Bank of India (RBI) generally seeks comments/feedback from the stakeholders/public on new/major regulatory measures, incremental regulatory changes in the extant guidelines and comprehensive review of the existing guidelines/regulations. The Regulations Review Authority 2.0 (RRA 2.0)[5] in its Report in 2022 had recommended that "The endeavour should be to issue instructions after necessary public consultation to the extent feasible and draft instructions, wherever possible, be placed in public domain and feedback be sought before finalising them".

In the case of new/major regulatory measures, public consultations are invariably undertaken by the Reserve Bank by placing the relevant working group reports, discussion papers, and draft circulars/guidelines on its website before issuing the final regulatory guidelines. In-

(Contd.)

[3] Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest.

[4] US Federal Reserve, Bank of England, Bank of Italy, Monetary Authority of Singapore, Reserve Bank of New Zealand and South African Reserve Bank.

[5] RRA 2.0 was constituted with a focus on enhancing the ease of compliance for the REs by reviewing the regulatory procedures. This was a comprehensive exercise involving both internal as well as external consultations at multiple levels.

house consultations with stakeholders are also undertaken to gauge their readiness and acceptability to ensure policy effectiveness.

Wider consultations with all the stakeholders usually take place while comprehensively reviewing the extant regulation. In certain cases, advisory committees are set up for discussions and consultations on various aspects of proposed measures/regulations.

In response to various queries and ongoing engagement with stakeholders on the regulatory measures, a mechanism of issuing frequently asked questions (FAQs) is also in place for providing clarifications, besides ensuring continuous feedback from the public/stakeholders on the extant regulatory guidelines.

The principal channel of public consultations remains seeking written comments/feedback on draft regulatory policies while other modes for public consultations such as discussions with stakeholders and setting up independent Working Group/Committee are also used to have a holistic view on the technical and complex regulatory issues. The need for public consultation is also evaluated while assessing policy risk through policy risk assessment template as prescribed by the Risk Monitoring Department of the Reserve Bank. Additionally, public consultations are proactively sought in the niche regulatory areas such as FinTech regulations.

Table 1: Public Consultations* - RBI

(Number)

Department	2021-22	2022-23	2023-24
1	2	3	4
Department of Regulation	5	6	21
FinTech Department^	-	-	1
Department of Supervision	-	1	4
Department of Payment and Settlement Systems	5	5	10
Financial Markets Regulation Department	6	3	3
Foreign Exchange Department	-	1	1
Total	**16**	**16**	**40**

*: Include consultations through draft circulars, reports, discussion papers and stakeholder engagements for new/major regulatory policies as well as incremental changes and comprehensive reviews of the existing guidelines.

^: Department was set up in January 2022. -: Nil.

Source: RBI.

Over the last three years (2021-22 to 2023-24), 72 public consultations with the stakeholders were undertaken by the Reserve Bank in areas of regulation and supervision of banks and NBFCs, payment and settlement systems, financial markets, foreign exchange management and consumer protection (Table 1 and Annex II). The comments/ feedback received on the proposed regulatory policies are analysed in-depth, and final guidelines are issued after incorporating suitable modifications, as appropriate. The participative and consultative approach, providing around 15-60 days[6] for the feedback, facilitates in ironing out any inconsistencies or multiple interpretations of regulations under review; identifying potential gaps between evolving market practices and underlying regulations; and formulating an objective assessment of the stakeholders' concerns and expectations.

In addition to these specific consultations on regulatory issues, the Reserve Bank follows a consultative approach by periodically interacting with various stakeholders on monetary policy formulation and other issues. With this objective, the Reserve Bank holds detailed interactions with analysts, economists, researchers, financial market participants, banks, academic bodies and research institutions, trade and industry associations, and several others (Das, 2022).

Overall, public consultations remain an integral part of the formulation of policies to the Reserve Bank of India, thereby enhancing their acceptability and efficacies, besides ensuring greater transparency and inclusiveness.

References:

1. Das, Shaktikanta (2022), 'Monetary Policy and Central Bank Communication', Address at the National Defence College, Ministry of Defence, Government of India, New Delhi, March.
2. IMF (2000), 'Supporting Document to the Code of Good Practices on Transparency in Monetary and Financial Policies', July.
3. OECD (2006), 'Background Document on Public Consultation'.
4. RBI (2022), 'Report of the Regulations Review Authority 2.0', June.

[6] Based on information for the last three years (2021-22 to 2023-24).

Agenda for 2024-25

VI.39 During 2024-25, the Department will focus on the following key deliverables:

- Review of guidelines on valuation of properties based on international best practices (*Utkarsh* 2.0);
- Regulatory framework for web-aggregation of loan products;
- With a view to strengthen the extant regulatory framework governing project finance and to harmonise the instructions across all REs, the extant prudential norms for projects under implementation were reviewed, and a comprehensive regulatory framework applicable for all REs is proposed to be issued;
- In January 2023, the Reserve Bank released a discussion paper on securitisation of stressed assets to seek comments from market participants. The final guidelines will be issued after examining the stakeholders' comments;
- The extant regulations on interest rates on advances vary across REs. In order to harmonise the same, a comprehensive review of the extant regulatory instructions is underway;
- A discussion paper on introduction of expected credit loss (ECL) framework for provisioning by banks was issued on January 16, 2023, soliciting comments from stakeholders. While comments on the discussion paper are being examined, an external working group - comprising of domain experts from academia, industry and select major banks - was constituted to holistically examine and provide independent comments on some of the technical aspects. The recommendations of the working group would be duly factored in while framing the draft guidelines;
- Delineating the role of various committees (*viz.,* Audit Committee of the Board, Nomination and Remuneration Committee, and Risk Management Committee) in NBFCs as mentioned in the scale-based regulatory framework issued on October 22, 2021;
- Reviewing the requirement of obtaining prior approval of the Reserve Bank for change in management of NBFCs/housing finance companies (HFCs), which would result in change in more than 30 per cent of the directors, excluding independent directors;
- In view of the operationalisation of a new overseas investment regime under Foreign Exchange Management (Overseas Investment) Rules, 2022, a review of extant guidelines on overseas investments by NBFCs and core investment companies shall be undertaken;
- In April 2021, an external committee was set up by the Reserve Bank to review the existing legal and regulatory framework applicable to asset reconstruction companies (ARCs) and recommend measures to enhance their efficacy. Major recommendations of the Committee were implemented *vide* circular dated October 11, 2022. Remaining recommendations of the Committee shall be examined and implemented during 2024-25;
- Standalone primary dealers (SPDs) are placed in middle layer of the scale-based regulatory framework for NBFCs. However, unlike NBFCs, the SPDs are

subject to guidelines on minimum capital requirements for market risk in view of their exposure to government securities and other market related products and are also eligible to undertake various core and non-core activities which a NBFC is not allowed to undertake. A review of the framework for market risk for SPDs would be undertaken to bring about convergence with Basel III standards for banks; and

- Connected lending can involve moral hazard issues leading to compromise in pricing and credit management. The extant guidelines on the issue are limited in scope and are not applicable uniformly to all REs. As announced in the Reserve Bank's Statement on Developmental and Regulatory Policies (December 8, 2023), a unified regulatory framework on connected lending for all the REs will be put in place for which a draft circular will be issued for public comments.

FinTech Department

VI.40 The FinTech Department is entrusted with the responsibility of fostering innovation in the FinTech ecosystem, while remaining vigilant and addressing the associated risks.

Agenda for 2023-24

VI.41 The Department had set out the following goals for 2023-24:

- Conducting further pilots with various use cases in both CBDC-R and CBDC-W segments[7] (*Utkarsh* 2.0) [Paragraph VI.42-VI.43];
- Developing an appropriate framework for managing FinTech ecosystem in the country (*Utkarsh* 2.0) [Paragraph VI.44];
- To create an open, interoperable integrated public tech platform for finance that can act as a single unified public platform which would facilitate integration of data in a seamless manner for lenders and enable the delivery of frictionless credit (Paragraph VI.45);
- Conduct of global hackathon 'HARBINGER' series (Paragraph VI.46);
- Bringing improvements in the account aggregator (AA) technological ecosystem to achieve efficiency and facilitate further growth of the same (Paragraph VI.47); and
- Facilitating the development of RegTech tools for adoption by REs and exploring identification of emerging SupTech tools. One of the cohorts under the regulatory sandbox (RS)/Hackathon would include theme relating to RegTech (*Utkarsh* 2.0) [Paragraph VI.48].

Implementation Status

VI.42 The pilot in the CBDC-W (e₹-W) segment commenced from November 1, 2022 for settlement of secondary market transactions in government securities with the participation of select banks. This pilot is aimed at reducing transaction costs by pre-empting the need for settlement guarantee infrastructure or for collateral to mitigate settlement risk. The scope of

[7] India's CBDC, the Digital Rupee (e₹), is a digital form of its official currency, introduced post announcement in the Union Budget 2022-23. It is a legal tender issued in digital form by the Reserve Bank, offering trust, safety, and immediate settlement finality in the digital realm. CBDCs come in two broad categories, CBDC-W, and CBDC-R. CBDC-W is restricted to specific users like financial institutions, while CBDC-R is widely accessible to the public.

the e₹-W was subsequently expanded to include interbank lending and borrowing transactions along with changes in technical architecture.

VI.43 The pilot in the CBDC-R (e₹-R) segment was launched on December 1, 2022, covering select locations for a closed user group (CUG) of customers and merchants. Users can make person-to-person (P2P) and person-to-merchant (P2M) transactions with e₹-R through a digital wallet offered by participating banks and store the digital currency in the wallets on their mobile phones. The pilot initially started with four banks and four cities. Subsequently, it was expanded to 15 banks and covered 81 locations. Based on the learnings from the pilot, interoperability between unified payments interface (UPI) and CBDC was introduced to leverage on the UPI acceptance infrastructure to offer convenience and seamless experience to the users. Thus, users can now transact by scanning UPI Quick Response (QR) codes with their CBDC apps. The retail pilot is envisaged to test the robustness of the entire process of Digital Rupee creation, distribution, infrastructure and retail usage in real time.

VI.44 The Working Group on regulatory review of FinTech related activities constituted to undertake the review of activities of FinTechs and suggest recommendations for sustainable development of the FinTech sector in the country submitted its report to the Reserve Bank.

VI.45 The Reserve Bank announced the development of a public tech platform for frictionless credit as part of its Statement on Developmental and Regulatory Policies (August 10, 2023). The platform was conceptualised by the Reserve Bank and developed by the Reserve Bank Innovation Hub (RBIH) [Box VI.2].

Box VI.2

Public Tech Platform for Frictionless Credit (PTPFC)

The digital *kisan* credit card (KCC) and digital dairy loan pilot projects conducted in 2022 demonstrated significant reduction in the turnaround time (TAT) and brought intended efficiency in the loan processing. It, however, also led to identification of various challenges and complexities in scaling up end-to-end digitalisation of credit assessment and delivery. The complexities underscored the need for a platform type architecture, which would enable lenders to create a frictionless loan journey without the need for multiple bespoke integrations. Based on these insights and with an objective to bring efficiency in terms of cost reduction, quicker disbursement, and scalability to all segments of loan beyond KCC and dairy loans, where rule-based lending is possible, a public tech platform for frictionless credit (PTPFC) was accordingly developed.

The platform is an enterprise-grade open architecture information technology (IT) platform, central to the operations of a large ecosystem of credit, to ensure digital access to information from various data sources. The financial service and multiple data service providers converge on the platform using standard and protocol driven architecture, in an open and shared application programming interface (API) framework. The friction in the credit processing and delivery has been addressed by breaking the silo between the data repository by integrating them with the platform and making the same available to the lenders as a plug and play service. This has obviated the need of cumbersome one-to-one integration of lenders with multiple data providers and has brought efficiency to both consumers and lenders. The lenders in turn need to connect only to the platform to source multiple data/ information required for making credit assessment and decision in a seamless manner.

The platform is beneficial to all stakeholders, including consumers, lenders and data service providers. Consumers can get frictionless tailored credit by unlocking value of digitally available data with trusted consent architecture

(Contd.)

without the need for paper-based documentation or physical visit to financial institutions (banks/non-banks). The lenders and data service providers benefit due to network effect, standardisation, efficiency in terms of cost and TAT, innovation in lending process, scalability and increasing reach/access.

As on March 31, 2024, the platform has five loan journeys, *viz.*, (a) KCC loans up to ₹1.6 lakh; (b) dairy loans; (c) micro, small, and medium enterprise (MSME) loans (unsecured); (d) personal loans; and (e) home loans, with a total of 12 banks participating in the pilot, which commenced from August 17, 2023. The platform currently enables linkage with 31 different data services[8]. Based on the learnings and the positive response from the stakeholders, the scope and coverage of the platform is being expanded to include more products, data providers and lenders.

The pilot of the platform commenced from August 17, 2023, which will be expanded based on learnings and feedback received from stakeholders.

VI.46 The Reserve Bank conducted the second edition of the global hackathon 'HARBINGER 2023 - Innovation for Transformation' with the theme 'Inclusive Digital Services'. The Hackathon featured four problem statements, *viz.*, (i) innovative, easy-to-use, digital banking services for differently-abled (*Divyaang*); (ii) RegTech solutions to facilitate more efficient compliance for REs; (iii) exploring use cases/ solutions for CBDC-R transactions, including transactions in offline mode; and (iv) increasing transactions per second (TPS)/throughput and scalability of blockchains. The Hackathon received encouraging participation from within as well as outside India. The Hackathon ran in three phases, starting with shortlisting, solution development, followed by the final evaluation. An independent jury evaluated and selected the winners and runners-up out of 28 finalist teams based on parameters like innovation, technology, demonstration, user experience, security, and ease of implementation. These innovative products are expected to make digital financial services more accessible, efficient, compliant, robust and scalable.

VI.47 The Reserve Bank in consultation with Reserve Bank Information Technology Private Ltd. (ReBIT), a wholly owned subsidiary of the Reserve Bank, and other stakeholders carried out a major upgradation of the API specification version 1.1.3. The upgraded API specification version 2.0.0 was released by the ReBIT on August 9, 2023 for adoption by all participants of the AA ecosystem. The upgradation addresses issues such as potential security concerns and compatibility challenges while sharing financial information. In order to ensure that the API specification version 2.0.0 is adopted by all participants in a smooth and timely manner, without disrupting the functioning of AA framework, an 'API Specification Adoption Strategy' has been made available on ReBIT's website. Further, to reduce the consent rejection requests in the AA framework, the 'PAN and e-mail' fields which were erstwhile mandatory were made optional for sharing of customer's data over the AA framework. The updated financial information (FI) type schemas were released on the website of ReBIT.

[8] Land record system (land records from six state governments); transliteration; *Aadhaar* e-know your customer (KYC); *Aadhaar* based e-sign; permanent account number (PAN) verification; bank account verification; account aggregator; satellite service; milk pouring data; property search data; e-stamping ID/document verification through Digilocker by providing more than 30 APIs from the platform.

VI.48 The Reserve Bank undertook the following major initiatives to promote adoption of RegTech tools and explore emerging SupTech tools: (a) launch of Hackathon HARBINGER 2023 with one of the problem statements as RegTech solutions to facilitate more efficient compliance by REs. Two RegTech solutions were shortlisted as winner and runner-up as part of the final evaluation held during October 10-11, 2023; and (b) The Reserve Bank was among 13 international regulators participating in the first ever Greenwashing TechSprint of the global financial innovation network (GFIN). This global TechSprint contained two problem statements focused on developing RegTech tools for verifying the environmental, social and governance (ESG) claims and identifying instances of Greenwashing. One of the applicants mentored by the Reserve Bank won the 'Fast Solution' award in the TechSprint.

Major Initiatives

India's G20 Presidency

VI.49 Under the G20 initiatives, the Department organised several events during the calendar year 2023: (a) outreach seminar titled 'Central Bank Digital Currency: The India Story'; (b) seminar on 'Macro-Financial Implications of CBDCs' at Seoul, South Korea on the side lines of the 4th International Financial Architecture Working Group (IFA-WG) meeting under India's G20 Presidency; (c) event as part of Finance Ministers and Central Bank Governors (FMCBG) meeting on policy issues concerning BigTech and FinTech, including third-party risk management framework at Gandhinagar; (d) showcasing some of the transformational initiatives of the Reserve Bank including CBDC, PTPFC, digital *kisan* credit card and digital dairy through 'RBI Innovation Pavilion' at various G20 events, including G20 Summit held at New Delhi; and (e) launching the 4th edition of the G20 TechSprint[9] under India's G20 Presidency, with the theme 'Technology Solutions for Cross-Border Payment Platforms'. The independent panel of judges comprising domain experts selected one team each as the winner for the three problem statements.

Regulatory Sandbox (RS) - Cohorts

VI.50 Under the third cohort of the RS on theme 'MSME Lending', five entities were found viable within the boundary conditions defined during testing under RS. Under the fourth cohort with the theme 'Prevention and Mitigation of Financial Frauds', six entities were shortlisted for the test phase and the entities completed the testing on December 31, 2023. The Reserve Bank opened the fifth cohort which was 'Theme Neutral', *i.e.*, innovative products/services/technologies cutting across various functions in the Reserve Bank's regulatory domain were eligible to apply. The applications received under this cohort are currently under assessment for shortlisting for testing phase.

VI.51 The 'On Tap' application facility under RS is currently open for themes 'Retail Payments', 'Cross-Border Payments' and 'MSME Lending'. Till now three entities have been selected for the test phase under the 'On Tap' application

[9] The TechSprint invited global innovators to help develop technology solutions for cross-border payments across three problem statements, *viz.*, (i) Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) technology solutions to reduce illicit finance risk; (ii) Foreign exchange and liquidity technology solutions to enable settlement in more emerging market and developing economy (EMDE) currencies; and (iii) Technology solutions for multilateral cross-border CBDC platforms.

facility. One application received under 'On Tap' for the theme 'Retail Payments' is currently under assessment.

Account Aggregator (AA) Framework

VI.52 The AA framework is gaining traction with increased participation of NBFC-AAs and REs belonging to financial sector regulators (FSRs) as financial information providers (FIPs) and financial information users (FIUs). In order to ensure seamless flow of customer's financial information from the FIPs, ReBIT has released the FI type schemas, in consultation with the sectoral regulators and the Reserve Bank. Further, the Reserve Bank has adopted a well-considered and nuanced approach in consultation with other stakeholders to make the ecosystem more robust, technologically sound and provide further fillip to the AA framework.

Projects Undertaken Through RBIH

VI.53 During 2023-24, the ongoing pilot projects for end-to-end digitalisation of KCC lending have been scaled up further to include four more states (Andhra Pradesh, Odisha, and select districts of Uttar Pradesh and Maharashtra, apart from Tamil Nadu, Madhya Pradesh and Karnataka) and seven banks. The PTPFC project, which was operationalised by the RBIH, commenced the pilot from August 17, 2023. Since then, banks have disbursed loans of ₹5,535 crore (including MSME loans of ₹3,640 crore) as on March 31, 2024.

Agenda for 2024-25

VI.54 In 2024-25, the Department will focus on the following goals:

- Expanding the scope of CBDC pilots to cover new use cases such as offline functionality, programmability, cross-border transactions and tokenisation of assets as well as new designs, technological considerations and more participants;
- Exploring commencing CBDC pilots on cross-border payments both on bilateral and multilateral basis to overcome key challenges related to TAT, efficiency and transparency, considering India being the world's largest recipient of remittances (*Utkarsh* 2.0);
- Launching full scale public tech platform with more financial institutions/ data service providers and product offerings;
- Putting in place the framework recognising SRO(s) for the FinTech sector for its orderly growth (*Utkarsh* 2.0);
- Setting up a repository for capturing essential information about FinTechs and repository for tech-related activities in order to effectively discern the developments in its ecosystem;
- Conduct of next global hackathon 'HARBINGER 2024';
- Testing innovative products/services and technology under sixth cohort of the RS; and
- Identification of SupTech/RegTech tools and carrying out proof of concept[10] and a working prototype to enhance the efficiency and effectiveness of supervisory activities/ regulatory compliance in financial services (*Utkarsh* 2.0).

[10] It is an exercise in which work is focused on determining whether an idea can be turned into a reality or to verify if the idea will function as envisioned.

4. SUPERVISION OF FINANCIAL INTERMEDIARIES

Department of Supervision (DoS)

VI.55 The DoS is entrusted with the responsibility of supervising all SCBs (excluding RRBs), Local Area Banks (LABs), Payments Banks (PBs), Small Finance Banks (SFBs), CICs, AIFIs, UCBs, NBFCs (excluding HFCs) and ARCs.

Commercial Banks

VI.56 The Department took several measures to further strengthen both onsite and offsite supervision during the year.

Agenda for 2023-24

VI.57 The Department had set out the following goals for 2023-24:

- Market risk - conducting scenario analysis and providing an input for system stress test (*Utkarsh* 2.0) [Paragraph VI.58];
- Implementation of a fraud vulnerability matrix using machine learning (ML) capabilities for SCBs (*Utkarsh* 2.0) [Paragraph VI.59]; and
- Strengthening and enhancement of EWS and FRMS (Paragraph VI.59).

Implementation Status

VI.58 Market risk assessment for primary dealers (PDs), public sector banks (PSBs), private sector banks (PVBs) and foreign banks (FBs) was completed. The detailed methodology has been devised and put in place to assess the interest rate risk under different stress testing scenarios and provide supervisory inputs on an ongoing basis.

VI.59 A model construct for fraud vulnerability index (FVI) was prepared. Proof of concept was carried out for a sample of SCBs and validation of the model was carried out. FVI model shall be implemented for all SCBs. The guidelines pertaining to EWS and red flagging of accounts (RFA) are being strengthened further to make these robust, effective and technology driven.

Other Initiatives

Introduction of Control Gap Assessment under Supervisory Assessment of KYC/AML Risks (SAKAR) Framework

VI.60 To assess the KYC/AML risks in SCBs in a comprehensive manner, a structured assessment of the controls and processes put in place by banks has been introduced to identify the gaps, if any. The assessment is being carried out through specifically designed templates and is integrated with the prudential risk assessment process. With this, a holistic view of the KYC/ AML risks at the SEs will be facilitated, as the inherent risk assessment through the data-driven analytical model will be supplemented by a focused supervisory assessment of the control/ risk mitigating framework at the entity level.

Cross-Border Supervisory Cooperation

VI.61 In line with the BCBS principles on cross-border supervisory cooperation, the Reserve Bank continued to have engagements with overseas counterpart supervisors. The Reserve Bank hosted the 25th South East Asian Central Banks-Financial Stability Institute (SEACEN-FSI) Conference of the Directors of Supervision of Asia-Pacific Economies and 36th Meeting of the Directors of Supervision of SEACEN members at Mumbai. The Reserve Bank also hosted a delegation of Bangladesh Bank for a study visit *cum* workshop on risk-based supervision at Mumbai.

VI.62 During the year, the Reserve Bank conducted supervisory college meetings of select banks and held seven meetings with overseas supervisors for exchange of information on supervisory concerns, methodologies and best practices. The Reserve Bank, in turn, participated in seven supervisory colleges meetings for select banks held by overseas supervisors as the host authority. Representatives from the Reserve Bank attended respective workshops by the European Central Bank (ECB) and the Hong Kong Monetary Authority (HKMA) on 'Supervisory Approach, Methodology and Practices'.

Revamping Stress Testing Model

VI.63 The single-factor stress testing model for SCBs has been substituted by a multi-factor model of stress testing, which includes macroeconomic factors like inflation, GDP growth, exchange rate and unemployment rate, supplemented by SCB specific idiosyncrasies to ensure that asset quality and capital to risk-weighted assets ratio (CRAR) positions are in sync with macroeconomic factors as well as institution specific features.

Strengthening Governance in Banks

VI.64 The supervisory initiatives taken by the Reserve Bank are aimed at identifying risks and vulnerabilities early, putting in place a structured early supervisory intervention framework to mitigate the risks, increasing the focus on root cause of vulnerabilities, and harmonising the supervisory rigour across various segments of the financial system. In this regard, strengthening governance in banks remains a supervisory priority for the Reserve Bank (Box VI.3).

Box VI.3

Governance Practices in PSBs and PVBs

One of the focus areas in recent years has been to strengthen governance practices within the SEs. This aspect is not only examined during the onsite supervisory process but is also emphasised through continuous engagements with the SEs in the form of conferences and meetings with the Board/Senior Management, and through offsite system level assessments. Banks, as the most significant providers of credit, differ from other entities as their collapse has wider ramifications for depositors, institutions, and the financial system itself. This makes it imperative to subject banks to specific regulations and close monitoring. Banks are expected to have proper policies in place and suitable internal controls so that the governance structure is well implemented as banks act as fulcrum to the financial structure and the economy.

It is imperative that banks have robust governance policies and processes encompassing strategic direction, group and organisational structure, control environment, responsibilities of the Boards and Senior Management, commensurate with the risk profile and systemic importance of the bank. The Boards have the responsibility of approving and overseeing implementation of the bank's strategic plan; risk appetite and related policies; establishing and communicating corporate culture and values; and laying down policy related to conflict of interest and a strong control environment.

During the supervisory assessment, the above aspects and implementation of policies are examined. These cover availability of adequate number of Board members with appropriate skills and expertise and effective conduct of Board meetings in accordance with laid down policies, among other aspects. Sound governance practices in PSBs and PVBs help in providing confidence to various stakeholders, particularly the depositors who do not have a say in the banks' business decisions. This requires deeper involvement of the Boards of banks in strategic issues and risk oversight.

Fraud Analysis

VI.65 An assessment of bank group-wise fraud cases over the last three years indicates that while private sector banks reported maximum number of frauds, public sector banks continued to contribute maximum to the fraud amount (Table VI.1). Frauds have occurred predominantly in the category of digital payments (card/internet), in terms of number. In terms of value, frauds have been reported primarily in the loan portfolio (advances category) [Table VI.2]. There was a 46.7 per cent decline in the amount involved in the total frauds reported during 2023-24 over 2022-23. While small value card/internet frauds contributed maximum to the number of frauds reported by the private sector banks, the frauds in public sector banks were mainly in loan portfolio.

VI.66 An analysis of the vintage of frauds reported during 2022-23 and 2023-24 shows a significant time-lag between the date of occurrence of a fraud and its detection (Table VI.3). The amount involved in frauds that occurred in previous financial years formed 94.0 per cent of the frauds reported in 2022-23 in terms of value. Similarly, 89.2 per cent of the frauds reported in 2023-24 by value occurred in previous financial years.

Table VI.1: Fraud Cases - Bank Group-wise

(Amount in ₹ crore)

Bank Group/Institution	2021-22		2022-23		2023-24	
	Number of Frauds	Amount Involved	Number of Frauds	Amount Involved	Number of Frauds	Amount Involved
1	2	3	4	5	6	7
Public Sector Banks	3,044	32,288	3,392	18,750	7,472	10,507
	(33.7)	(71.1)	(25.0)	(71.8)	(20.7)	(75.3)
Private Sector Banks	5,312	10,653	8,979	6,159	24,210	3,170
	(58.7)	(23.5)	(66.2)	(23.6)	(67.1)	(22.8)
Foreign Banks	494	1,206	804	292	2,899	154
	(5.5)	(2.7)	(5.9)	(1.1)	(8.1)	(1.1)
Financial Institutions	9	1,178	10	888	1	-
	(0.1)	(2.6)	(0.1)	(3.4)	-	-
Small Finance Banks	155	30	311	31	1,019	64
	(1.7)	(0.1)	(2.3)	(0.1)	(2.8)	(0.5)
Payments Banks	30	1	68	7	472	35
	(0.3)	-	(0.5)	-	(1.3)	(0.3)
Local Area Banks	2	2	-	-	2	-
	-	-	-	-	-	-
Total	**9,046**	**45,358**	**13,564**	**26,127**	**36,075**	**13,930**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**

-: Nil/Negligible.

Note:
1. Figures in parentheses represent the percentage share of the total.
2. Data are in respect of frauds of ₹1 lakh and above reported during the period.
3. The figures reported by banks and FIs are subject to changes based on revisions filed by them.
4. Frauds reported in a year could have occurred several years prior to year of reporting.
5. Amounts involved reported do not reflect the amount of loss incurred. Depending on recoveries, the loss incurred gets reduced. Further, the entire amount involved is not necessarily diverted.

Source: RBI Supervisory Returns.

Table VI.2: Frauds Cases - Area of Operations

(Amount in ₹ crore)

Area of Operation	2021-22		2022-23		2023-24	
	Number of Frauds	Amount Involved	Number of Frauds	Amount Involved	Number of Frauds	Amount Involved
1	2	3	4	5	6	7
Advances	3,782	43,272	4,090	24,685	4,133	11,772
	(41.8)	(95.4)	(30.2)	(94.5)	(11.5)	(84.5)
Off-balance Sheet	21	1,077	14	285	11	256
	(0.2)	(2.4)	(0.1)	(1.1)	-	(1.8)
Forex Transactions	7	7	13	12	19	38
	(0.1)	-	(0.1)	-	(0.1)	(0.3)
Card/Internet	3,596	155	6,699	277	29,082	1,457
	(39.8)	(0.3)	(49.4)	(1.1)	(80.6)	(10.4)
Deposits	471	493	652	258	2,002	240
	(5.2)	(1.1)	(4.8)	(1.0)	(5.5)	(1.7)
Inter-Branch Accounts	3	2	3	-	29	10
	-	-	-	-	(0.1)	(0.1)
Cash	649	93	1,485	159	484	78
	(7.2)	(0.2)	(10.9)	(0.6)	(1.3)	(0.6)
Cheques/DDs, *etc.*	201	158	118	25	127	42
	(2.2)	(0.4)	(0.9)	(0.1)	(0.4)	(0.3)
Clearing Accounts	16	1	18	3	17	2
	(0.2)	-	(0.1)	-	-	-
Others	300	100	472	423	171	35
	(3.3)	(0.2)	(3.5)	(1.6)	(0.5)	(0.3)
Total	**9,046**	**45,358**	**13,564**	**26,127**	**36,075**	**13,930**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**

-: Nil/Negligible.

Note: 1. Figures in parentheses represent the percentage share of the total.
2. Refer to footnotes 2-5 of Table VI.1.

Source: RBI Supervisory Returns.

Agenda for 2024-25

VI.67 The Department has set out the following goals for 2024-25:

- Setting up of cyber range to augment cyber incident response capability of SCBs (*Utkarsh* 2.0); and
- To augment supervisory capabilities by a suite of SupTech data tools on micro-data analytics and other similar use cases using artificial intelligence (AI) and machine learning (ML) [*Utkarsh* 2.0].

Urban Cooperative Banks (UCBs)

VI.68 The Department continuously monitored the performance of UCBs during the year and undertook measures for a safe and well-managed cooperative banking sector.

Agenda for 2023-24

VI.69 The Department had set out the following goals for supervision of UCBs in 2023-24:

- Examining introduction of risk-based supervision approach for UCBs (Paragraph VI.70);

Table VI.3: Vintage of Frauds Reported in 2022-23 and 2023-24

(₹ crore)

2022-23		2023-24	
1	2	3	4
Occurrence of Fraud	Amount Involved	Occurrence of Fraud	Amount Involved
Before 2013-14	1,444	Before 2013-14	2,133
2013-14	1,082	2013-14	1,327
2014-15	828	2014-15	1,616
2015-16	494	2015-16	951
2016-17	6,526	2016-17	858
2017-18	2,985	2017-18	781
2018-19	4,613	2018-19	1,196
2019-20	1,253	2019-20	835
2020-21	2,171	2020-21	807
2021-22	3,164	2021-22	844
2022-23	1,567	2022-23	1,073
		2023-24	1,509
Total	**26,127**	**Total**	**13,930**

Note: 1. Data are in respect of frauds of ₹1 lakh and above reported during the period.
2. Refer to footnotes 3 and 5 of Table VI.1.

Source: RBI Supervisory Returns.

- Reviewing the Supervisory Action Framework (SAF) for UCBs (Paragraph VI.70); and
- Expanding the scope/coverage of IT examination for level III and IV UCBs (Paragraph VI.71).

Implementation Status

VI.70 A comprehensive review of existing supervisory assessment model of UCBs was performed during the year. Based on the experience, feasibility of risk-based supervision approach for supervisory assessment of UCBs is being examined by an internal committee of the Reserve Bank. The existing SAF for UCBs was reviewed.

VI.71 IT examination of all the level IV UCBs and some select level III UCBs was carried out during the year. Based on heightened risk materialising through digital channels, select level III UCBs (as per their digital depth) offering mobile and/or internet banking services were advised to get a gap assessment done through CERT-In[11] empanelled auditors *vis-à-vis* the extant cyber security framework and certain restrictions were imposed on the outlier banks. Based on improvement in compliance position, the restrictions are being removed gradually.

Agenda for 2024-25

VI.72 The Department has identified the following goal for supervision of UCBs in 2024-25:

- Strengthening the cyber/IT risks assessment.

Non-Banking Financial Companies (NBFCs)

VI.73 The Department continued to closely monitor the NBFCs (excluding HFCs) and ARCs registered with the Reserve Bank.

Agenda for 2023-24

VI.74 The Department had set out the following goals for supervision of NBFCs in 2023-24:

- Examination of licensing requirements for NBFCs and initiating supervisory action against non-compliant NBFCs (Paragraph VI.75); and
- Impact assessment of recent modification in asset classification norms for NBFCs (Paragraph VI.76).

[11] Indian Computer Emergency Response Team is an office within the Ministry of Electronics and Information Technology of the Government of India, and is the nodal agency to deal with cyber security incidents.

Implementation Status

VI.75 During the year, the Department took several initiatives for strengthening the supervision of NBFCs. The process for cancellation of certificate of registration was suitably streamlined. The regional offices of Reserve Bank are initiating necessary action as per the revised process.

VI.76 The impact of new asset classification norms on the gross non-performing assets (GNPAs) reported by NBFCs[12] was analysed. GNPAs of the NBFC sector decreased from 6.3 per cent of gross advances as on March 31, 2022 to 5.9 per cent as on September 30, 2022, which was the cut-off date for implementation of the new norms. GNPAs decreased to 5.0 per cent of gross advances as on March 31, 2023, and further to 4.6 per cent as on September 30, 2023. Since the system of marking of days past due on a daily basis was already implemented by the larger NBFCs, the new norms did not have a major impact on the reported asset quality. The increase in gross advances of the NBFC sector by 15.9 per cent during 2022-23 also had a mitigating impact on the GNPA level.

Other Initiatives

Scale-Based Regulatory Framework for NBFCs

VI.77 An assessment on identification of NBFCs in upper layer, based on the methodology indicated in the scale-based regulatory framework for NBFCs dated October 22, 2021, was taken up during 2023-24. The assessment covered top 10 NBFCs based on asset size and sample of 50 NBFCs based on total exposure. Post assessment, 15 companies were identified for classification in NBFC-upper layer.

Extension of PCA Framework to Government NBFCs

VI.78 The Reserve Bank introduced PCA framework for NBFCs on December 14, 2021. The framework was reviewed and extended to government NBFCs (except those in base layer) and it would be applicable with effect from October 1, 2024.

Agenda for 2024-25

VI.79 The Department has identified the following goal for supervision of NBFCs in 2024-25:

- Assessment of impact of enhanced risk weights prescribed *vide* circular dated November 16, 2023 on profitability of NBFCs.

Supervisory Measures for All Supervised Entities (SEs)

VI.80 A unified DoS has been operationalised in which the supervision of banks, UCBs and NBFCs is being undertaken in a holistic manner under one umbrella Department.

Agenda for 2023-24

VI.81 The Department had set out the following supervisory goals for all SEs in 2023-24:

- A comprehensive review of supervisory processes, including that for rating models, based on internal and external inputs (*Utkarsh* 2.0) [Paragraph VI.82];
- Calibrated harmonisation of the supervisory approach across segments/ SEs (especially for NBFCs and UCBs in line with SCBs) by phased introduction

[12] The analysis is based on data for deposit taking and non-deposit taking systemically important NBFCs (including PDs) and CICs.

of process audit and compliance testing (*Utkarsh* 2.0) [Paragraph VI.82];

- Streamlining and strengthening onsite assessment of SEs related to KYC/AML and Cyber/IT risks (*Utkarsh* 2.0) [Paragraph VI.83];
- Implementing various analytics and SupTech initiatives for strengthening of supervision (Paragraph VI.84); and
- Strengthening of cyber security across SEs including setting-up of cyber range for conducting cyber drill, examining feasibility of implementing Cyber Sectoral Security Operations Centre (S-SOC), and conducting phishing simulation exercises for SEs (Paragraph VI.85).

Implementation Status

VI.82 A comprehensive review of supervisory rating models was completed. Revised models based on the review were rolled out during the year. A calibrated harmonisation of supervisory processes was undertaken across SE segments (especially for NBFCs and UCBs in line with SCBs), which led to phased introduction of process audit and compliance testing framework for UCBs and NBFCs.

VI.83 Various measures were undertaken to strengthen the onsite assessment mechanism of KYC/AML and IT/cyber risk supervision:

- The format of onsite examination report was suitably modified to highlight key KYC/AML and IT risks both to the Senior Management of banks as well as internal stakeholders in the Reserve Bank;
- Greater emphasis was laid on generating actionable insights from risks captured in offsite returns for IT supervision. The offsite returns were used as preliminary inputs to perform a focused onsite IT examination, which was supplemented by comprehensive onsite assessment of banks based on risk perception and analysis; and
- Cyber security augmentation plan (CSAP) was issued to banks highlighting major gaps observed in IT examinations with specific timelines. Half-yearly compliance assessment was conducted and outlier SEs were suitably advised to expedite compliance.

VI.84 The Reserve Bank aims to generate a holistic view of SEs across risk domains by effectively scaling/integrating the data collection and analytical functions with an objective of standardising the risk assessment process. To this end, use cases were identified in the areas of customer conduct, KYC/AML, governance effectiveness, and related party transactions, which are being developed using ML models.

VI.85 During the year, the Department undertook several initiatives for strengthening the cyber security preparedness of SEs, including initiating process of setting-up of cyber range for conducting cyber drill, examining feasibility of implementing S-SOC and conducting phishing simulation exercises for SEs. The cyber reconnaissance exercise for the first year has been completed for public facing applications[13] of 40 SEs.

[13] Accessed over the internet through a public network.

Other Initiatives

Master Direction on Outsourcing of IT Services and Master Direction on IT Governance, Risk Controls and Assurance Practices

VI.86 REs are extensively leveraging IT and IT-enabled services (ITeS) in their businesses, products and services with increasing dependence on third parties which exposes the REs to various risks. In view of the same, guidelines were issued in the form of a Master Direction on April 10, 2023. Also, the instructions on IT governance and controls, business continuity management and information systems audit were updated and consolidated in the form of a Master Direction issued on November 7, 2023.

Use of Advanced Analytics

VI.87 The Reserve Bank continues to leverage on technology for an effective and efficient supervision. Advanced analytics was deployed for risk annotation of minutes of meetings of Board and Sub-Committees of Board of SEs, assessment of the effectiveness of the Board's oversight on different functions of the SEs, and validation of deliberation by Board of the SEs on supervisory concerns.

Onsite Inspection of 'High' Risk NBFCs and UCBs for Overall Assessment of KYC/AML Risks under SAKAR Framework

VI.88 As part of the risk-based approach adopted for KYC/AML supervision of the SEs, the onsite inspection of select NBFCs and UCBs was taken up for the first time, in addition to onsite assessment of SCBs. The onsite inspection for KYC/AML risk assessment along with the offsite risk assessment provides deeper insights into the KYC/AML risks in the respective sector(s) and aids in deciding the supervisory intensity. Further, the Financial Action Task Force (FATF) assessment team carried out a comprehensive assessment of supervisory processes for KYC/AML risk assessment (Box VI.4).

Box VI.4

FATF Mutual Evaluation of India with Special Focus on Supervisory Processes for KYC/AML Risk Assessment

Currently, India is being subjected to 'Mutual Evaluation' (ME) process by the FATF. The ME process, *inter alia,* involves the assessment on the compliance to the FATF recommendations (technical compliance) as well as on the effectiveness of the AML/CFT[14]/CPF[15] framework put in place by the jurisdiction in preventing the abuse of the financial sector for money laundering/terrorist financing/proliferation financing purposes [effectiveness assessment (EA)].

While the assessment for technical compliance is mostly based on the submissions of written documents, along with supporting evidence, the EA additionally involves an onsite visit to the assessed country. The onsite visit by the FATF assessment team was conducted during November 2023 and included extensive interactions with the sectoral regulators and select REs. The EA process involves in-depth examination of the jurisdiction's ability to demonstrate that its AML/CFT measures are providing the desired level of outcomes and its level of achievement against a set of

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[14] Combating the Financing of Terrorism.

[15] Counter Proliferation Financing.

defined outcomes known as 'immediate outcomes'. Out of 11 such 'immediate outcomes', the immediate outcome 3 provides that supervisors appropriately supervise, monitor and regulate financial institutions for compliance with AML/CFT requirements commensurate with their risks.

The Reserve Bank actively engaged with FATF assessment team. As part of evaluation, the Reserve Bank elaborated on the efficacy of the supervisory processes, which included the dedicated functional KYC/AML Group within the Department focusing primarily on the KYC/AML risk assessment at the entity level as well as at the sectoral level. The use of analytical model in risk profiling the SEs, onsite inspection of 'high' risk and other identified entities, supervisory inputs to the prudential supervisors, mechanism of feedback and guidance to the SEs in identifying their inherent risks (through outliers) and strengthening the controls and processes in addressing the gaps were some of the critical aspects, which were elaborately discussed with the FATF assessment team during their onsite visit.

Engagement with SEs

VI.89 The objective of supervisory/corrective action is to guide and incentivise the SEs to remediate the identified vulnerabilities at an early stage. Frequent and wider interactions with the SEs remain a critical tool to enhance the effectiveness of the supervisory intervention. The scope and frequency of communication with the SEs is largely determined by their size, complexity and risk profile (Box VI.5).

Box VI.5

Changing Contours of Supervisory Engagements with SEs

Supervisory engagement with SEs follows the broad principles of relevance, transparency, clarity, comprehensiveness and timeliness. Over the years, the domain of engagement with SEs has enhanced significantly both in terms of interaction level and frequency. The supervisory approach of the Reserve Bank has been constantly evolving to embrace the changing realities in the banking and financial sector. Resultantly, the contours of the supervisory engagements with the SEs have been evolving constantly, moving beyond the traditional approaches as detailed below:

Constant Evaluation of the Governance Framework in SEs

As governance is of paramount importance and invariably at the root cause of supervisory concerns, the Reserve Bank has reoriented its engagement with the Management and Directors of the SEs. During the year, conferences were held for the Directors on the Boards of PSBs, PVBs and tier 3, 4 UCBs with the theme of 'Governance in Banks - Driving Sustainable Growth and Stability', which were attended by the Governor and top management of the Reserve Bank. Governor also held meetings with Managing Directors (MDs) and Chief Executive Officers (CEOs) of PSBs, PVBs, upper layer (including HFCs) and select government NBFCs, heads of federations of UCBs of states and CEOs of UCBs. Periodic conferences are also organised for the Reserve Bank Nominee Directors (ND) and Additional Directors (AD). In these meetings, SEs were encouraged to further strengthen the governance structure to enable early identification and mitigation of risks.

Meetings with Outlier SEs

The realm of analysis in offsite assessment was enhanced to identify the incipient and emerging vulnerabilities amongst banks and non-banks, and sectoral stress events. For the purpose, advanced technology and data analytics are being leveraged to facilitate data-driven decisions, identify risks, and take timely actions to safeguard financial stability. Further, close examination of the business models of SEs and meticulous assessment regarding its alignment with the stated risk appetite is also being undertaken.

The Reserve Bank's top management holds meetings with SEs identified as outliers in the above-mentioned assessments.

Assurance Functionaries

As assurance functions of the SEs act as extended supervisory arms of the Reserve Bank, strengthening of the internal assurance functions has been a supervisory priority in the recent years. During the year, a conference was organised for the assurance functionaries of

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banks to convey the supervisory expectations. Training establishments of the Reserve Bank also regularly hold programmes for assurance functionaries of the SEs.

Calibrated Continuous Supervision

In addition, supervisory teams constantly engage with SEs at multiple levels during the onsite inspection. Under the risk-based supervision framework, apart from structured annual supervisory cycle, the supervisors also proactively engage with the SEs based on the evolving situations.

In a nutshell, engagement with the SEs at various levels forms a critical part of early and effective intervention. The insights gained from these engagements help in alleviating potential supervisory concerns and/or accentuate the more escalated supervisory interventions to nudge the SEs towards desirable supervisory objectives. At the same time, gaining support from important stakeholders also enhances the acceptance, reduces the cost and, hence, makes the supervisory intervention more effective.

Inter-Regulatory Cooperation with Domestic Financial Regulators

VI.90 The Reserve Bank is working closely in coordination with other domestic financial regulators for ensuring financial system resilience. Towards this goal, the domestic regulators deliberated upon the system-wide issues in the financial sector during the 12th meeting of the Inter-Regulatory Forum (IRF). Further, SE specific issues were discussed during the IRF meetings with bank-led financial conglomerates.

Targeted Assessments

VI.91 The Reserve Bank's supervisory emphasis has been on system-wide risk monitoring and mitigation, while keeping a tab on entity-specific issues. In this context, the Reserve Bank has instituted a system of targeted thematic assessments aimed at examining root cause of system-wide concerns as well as understanding the idiosyncratic risk build-up in some of the SEs across the system. These studies have helped to take corrective action as well as make improvements in the systems and processes.

Agenda for 2024-25

VI.92 The Department has identified the following goals for supervision of all SEs in 2024-25:

- Examining information systems (IS) audit framework in REs;
- Examining data governance framework for REs;
- Developing data quality index (DQI) for offsite returns (*Utkarsh* 2.0);
- Deeper integration of offsite analytics with onsite supervision; and
- Validation of supervisory data with Ministry of Corporate Affairs (MCA) database (*Utkarsh* 2.0).

Enforcement Department (EFD)

VI.93 The EFD was set up with a view to separate enforcement action from supervisory process and to put in place a structured, rule-based approach to identify and process violations by the REs of the applicable policies and enforce the same consistently across the Reserve Bank. The objective of enforcement is to ensure compliance by the REs with the rules and regulations, within the overarching principles of financial stability, public interest and consumer protection.

Agenda for 2023-24

VI.94 The Department had set out the following goal for 2023-24:

- Endeavour to implement a scale-based approach to enforcement (Paragraph VI.95).

Implementation Status

VI.95 A scale-based approach would be put in place for enforcement action against various types of REs [banks, NBFCs, HFCs, ARCs, Factors, CICs, Payment System Operators (PSOs)] based on their size, complexity, interconnectedness, range of activities and also the seriousness of violations. The draft scale-based enforcement framework is under finalisation.

VI.96 During 2023-24, the Department undertook enforcement action against REs and imposed 281 penalties aggregating ₹86.1 crore for contraventions/non-compliance[16] with provisions of statutes and certain directions issued by the Reserve Bank from time to time (Table VI.4).

Other Initiatives

VI.97 The Department organised a few workshops on enforcement action for officers processing cases in EFD central office and regional offices. The workshops were intended to enhance the skills of the participants by sharing inputs on relevant legal and enforcement-related aspects. The Department also provided faculty support to National Bank for Agriculture and Rural Development (NABARD) for capacity building of its inspecting officers.

Agenda for 2024-25

VI.98 During 2024-25, the Department proposes to achieve the following goal:

Table VI.4: Enforcement Actions

Regulated Entity	Number of Penalties	Total Penalty (₹ crore)
1	2	3
Public Sector Banks	16	23.68
Private Sector Banks	12	24.90
Foreign Banks	3	7.04
Payments Banks	1	5.39
Small Finance Banks	1	0.29
Regional Rural Banks	4	0.12
Cooperative Banks	215	12.07
NBFCs	22	11.53
CICs	4	1.01
HFCs	3	0.08
Total	**281**	**86.11**

Source: RBI.

- Based on a feasibility study, a scale-based framework for enforcement would be put in place.

5. CONSUMER EDUCATION AND PROTECTION

Consumer Education and Protection Department (CEPD)

VI.99 The CEPD frames policy guidelines for protection of the interests of customers of REs of the Reserve Bank; monitors the functioning of internal grievance redress mechanism of REs; undertakes oversight on the performance of the ombudsman offices as well as implements 'the Reserve Bank-Integrated Ombudsman Scheme, 2021' (RB-IOS); and creates public awareness on safe banking practices, extant regulations on customer service and protection, as also on the avenues for redress of customer complaints.

[16] Illustratively, some of them include contravention of Section 26A of Banking Regulation Act, 1949; Cyber Security Framework in Banks; Exposure Norms and IRAC Norms; Reserve Bank of India [Know Your Customer (KYC)] Directions, 2016; Reserve Bank of India (Frauds Classification and Reporting by Commercial Banks and Select FIs) Directions 2016; Reporting Information on CRILC; Submission of Credit Information to CICs; Customer Protection-Limiting Liability of Customers in Unauthorised Electronic Banking Transactions; Director Related Loans; Monitoring of End Use of Funds; and the Housing Finance Companies Directions, 2010 (NHB).

Agenda for 2023-24

VI.100 The Department had proposed the following goals under *Utkarsh* 2.0 for 2023-24:

- Review, consolidation and updation of the extant Reserve Bank regulatory guidelines on customer service (Paragraph VI.101);
- Digitalisation of data compiled through incognito visits for enhanced data utility and analysis (Paragraph VI.101);
- Establish Reserve Bank contact centre at two additional locations for local languages, including disaster recovery (DR) and business continuity plan (BCP) facility (Paragraph VI.102); and
- Review and integration of the Internal Ombudsman schemes, applicable to different RE types (Paragraph VI.103).

Implementation Status

VI.101 The Master Circular on customer service in banks was published in 2015. The Reserve Bank is adopting a holistic approach in review, consolidation and updation of the customer service guidelines. Incognito visits are carried out across the bank branches in the country through regional offices of the Reserve Bank. The report submission has been digitalised for real time data availability and better data analysis. The checklists for incognito visits are also being regularly revised for effective data collection. The findings of the visits are now being actively used as feedback for supervisory and regulatory inputs.

VI.102 In response to a surge in customer calls, the Reserve Bank's contact centre has undergone a strategic evolution aimed at improving customer satisfaction and operational efficiency. The existing standalone contact centre at Chandigarh was upgraded to a state-of-the-art facility, with additional facilities at Bhubaneswar and Kochi, positioned as DR and BCP facilities. The enhanced contact centre operates in hybrid mode of outsourced agents working under the Reserve Bank's supervision. Specialised roles like quality analysts and contact centre manager further contribute to elevating service quality, with emphasis on excellence in customer interactions.

VI.103 The Reserve Bank institutionalised Internal Ombudsman (IO) mechanism for banks in 2018, non-bank system participants in 2019, select NBFCs in 2021, and CICs in 2022, with a view to strengthen the internal grievance redress system. The guidelines on IO framework currently in operation for various categories of REs have similar design features, while carrying certain variations on operational matters. Based on the learnings from the implementation of the extant IO guidelines, it was decided to harmonise the instructions applicable to the various REs on the IO mechanism. Accordingly, Master Direction on 'Reserve Bank of India (Internal Ombudsman for Regulated Entities), 2023' was issued on December 29, 2023, which brings uniformity in matters like timeline for escalation of complaints to the IO; exclusions from escalating complaints to the IO; temporary absence of the IO; minimum qualifications for appointing the IO; and updation of reporting formats, in addition to introduction of the post of Deputy Internal Ombudsman.

Major Developments

Opening/Reorganisation of Offices of RBI Ombudsman (ORBIOs)

VI.104 The Reserve Bank reviewed the geographic presence of the ORBIOs and made them available in different regions keeping in view the volume of origination of complaints. Accordingly, a new ORBIO was operationalised at Shimla and additional ORBIOs have been operationalised at Chennai and Kolkata. All Ombudsman offices operate under the overarching 'One Nation One Ombudsman' principle.

Committee for Review of the Customer Service Standards and Practices in REs

VI.105 A Committee for review of customer service standards in the REs was set-up by the Reserve Bank on May 23, 2022. The Committee's report was placed in the public domain on June 5, 2023. The recommendations of the Committee along with comments received from stakeholders are being examined for implementation.

Customer Centric Measures

VI.106 The Reserve Bank undertook 130 customer centric initiatives during 2021-22 to 2023-24 to improve customer service and satisfaction (Box VI.6).

Box VI.6

Customer Centric Measures by Reserve Bank of India

Customer centricity is about providing solutions based on understanding of customers' needs, preferences, and behaviours (World Bank, 2014). Six common core outcomes emerge from the customer perspective (World Bank, 2020): (a) Suitability and appropriateness (*i.e.,* having access to quality services that are affordable and appropriate); (b) Choice (*i.e.,* having range of products/services); (c) Safety and security (*i.e.,* money and information are kept safe, and service providers respect privacy of information); (d) Fairness and respect (*i.e.,* treating with respect and safeguard clients' interest); (e) Voice (*i.e.,* communication through easily accessible channel, with problems getting quickly resolved with minimal cost); and (f) Meets purpose (*i.e.,* to be in a better position to manage financial products or shock or to attain other goals). In line with these core outcomes, the OECD/G20 'High-Level Principles on Financial Consumer Protection' were updated in 2022 and recommended 12 principles[17] for government, oversight body and financial service providers (OECD, 2024).

Customer Centric Policies of Reserve Bank

The Reserve Bank, being a full-service central bank, has a diverse functional mandate. Depositors' protection responsibility has been entrusted to the Reserve Bank under the Banking Regulation Act, 1949[18], long before the concepts like customer service, customer satisfaction and customer centricity found an entry into the lexicon of the banking sector (Leeladhar, 2007). The Reserve Bank's enduring concern for the quality of customer services in the REs has led to continuing initiatives over decades, including setting up of various Committees[19] on customer service. Towards ensuring fair treatment of the customer and adequate quality of customer service at a reasonable cost, appropriate interventions from the regulators become important.

Over the years, the Reserve Bank has put in place various institutional mechanisms aimed at improving the customer service in the REs such as 'One Nation-One Ombudsman'

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[17] Namely, (1) Legal, Regulatory and Supervisory Framework; (2) Role of Oversight Bodies; (3) Access and Inclusion; (4) Financial Literacy and Awareness; (5) Competition; (6) Equitable and Fair Treatment of Consumers; (7) Disclosure and Transparency; (8) Quality Financial Products; (9) Responsible Business Conduct and Culture of Financial Services Providers and Intermediaries; (10) Protection of Consumer Assets against Fraud, Scam and Misuse; (11) Protection of Consumer Data and Privacy; and (12) Complaints Handling and Redress.

[18] Section 35A of the Act empowers the Reserve Bank to give directions in the public interest; or in the interest of banking policy; or to prevent the affairs of any banking company being conducted in a manner detrimental to the interests of the depositors. The Reserve Bank derives similar powers under the RBI Act, 1934 for non-banking financial companies (NBFCs) and Payment and Settlement Systems Act, 2007 for system participants.

[19] Talwar Committee on Customer Service (1975); Goiporia Committee on Customer Service in Banks (1990); Damodaran Committee on Customer Service in Banks (2010); and Kanungo Committee for Review of Customer Service Standards in Reserve Bank Regulated Entities (2023). A review of the regulatory architecture on customer service by the Kanungo Committee revealed that 'it is largely compliant with the standards laid down by international standard setting bodies and compares well with the consumer protection regulation in other jurisdictions'. Some of the recommendations of this Committee have already been implemented, while others are in the process of examination.

system under the 'Reserve Bank-Integrated Ombudsman Scheme[20] (RB-IOS)'; internal grievance redress (IGR) mechanism of REs; and Fair Practices Codes for lenders. Consumer Education and Protection Department (CEPD), set up in the Reserve Bank in 2006 as Customer Service Department, frames policy guidelines for protection of the interests of customers of its REs, besides monitoring IGR mechanism; undertaking oversight of the ombudsman offices; and creating public awareness on safe banking practices/extant regulations on customer service and protection. In order to ensure transparency in bank charges/fees, the Reserve Bank has made it mandatory for banks to display and update the details of various service charges and fees on an ongoing basis, in their branches as also on the home page of their websites. A "Charter of Customer Rights" has also been formulated by the Reserve Bank which enshrines broad, overarching principles for protection of bank customers, and enunciates the following five basic rights of bank customers: (i) fair treatment; (ii) transparency; fair and honest dealing; (iii) suitability; (iv) privacy; and (v) grievance redress and compensation.

Concerted efforts are made on an ongoing basis towards enhancing financial inclusion (including financial literacy), along with awareness campaign among public on various initiatives of the Reserve Bank towards enhancing customer safety and protection, exchange and distribution of currency, and also sensitising public about the *modus operandi* followed by fraudsters, particularly in the backdrop of increasing usage of digital transactions. Banks have also been advised to provide doorstep banking services, particularly for differently-abled and senior citizens.

Over the last three years (2021-22 to 2023-24), 130 customer centric measures were undertaken by the Reserve Bank (Annex III).

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1. Leeladhar, V (2007), 'Customer Centricity and the Reserve Bank', *RBI Bulletin*, November.
2. OECD (2024), 'Recommendations of the Council on High-Level Principles on Financial Consumer Protection', OECD/Legal/0394.
3. RBI (2023), 'Committee for Review of Customer Service Standards' (Chair: B.P. Kanungo).
4. RBI (2014), 'RBI Releases Charter of Customer Rights', Press Release, December 3.
5. World Bank (2020), 'Making Consumer Protection Regulation More Customer-Centric', Working Paper, CGAP, June.
6. World Bank (2014), 'Customer-Centricity for Financial Inclusion', CGAP, June.

Agenda for 2024-25

VI.107 During 2024-25, the Department proposes to focus on the following goals:

- Further improvement in the complaint management system to enhance support in lodging complaints and ensure greater consistency in decisions and outcomes (*Utkarsh* 2.0);
- Develop a consumer protection assessment matrix for REs (*Utkarsh* 2.0);
- Strengthen internal grievance redress framework to encourage banks to take proactive measures to improve customer service;
- Conduct of survey to assess the reasons for the low level of complaints in the rural/semi urban areas; and
- Review and rollout of reoriented nationwide intensive awareness programme based on feedback received from REs and ORBIOs.

Deposit Insurance and Credit Guarantee Corporation (DICGC)

VI.108 The DICGC, which has been established as a wholly owned subsidiary of the Reserve

[20] Under the new scheme, the customers of covered REs across the country can lodge, track and monitor their complaints with the Reserve Bank Ombudsman on a single online platform, *viz.*, Complaint Management System (CMS) or through a single physical/email address at the Centralised Receipt and Processing Centre (CRPC) in Chandigarh. Further, all complaints on grounds of "deficiency of service" against these REs are now admissible as against a specific list of grounds under the erstwhile schemes.

Bank under the DICGC Act, 1961, administers the deposit insurance system, thereby playing an important role in maintaining the stability of the financial system, particularly by assuring small depositors of protection for their deposits, and thereby preserving public confidence in the financial system. Deposit insurance extended by the DICGC covers all commercial and cooperative banks that are licensed by the Reserve Bank. The number of registered insured banks stood at 1,997 as on March 31, 2024 comprising 140 commercial banks (including 12 SFBs, 6 PBs, 43 RRBs and 2 LABs) and 1,857 cooperative banks (1,472 urban cooperative banks, 33 state cooperative banks and 352 district central cooperative banks).

VI.109 The current limit of deposit insurance in India is ₹5 lakh per depositor of a bank 'in the same capacity and in the same right'[21]. Currently, the insurance cover is 2.9 times per capita income in 2023-24. As on September 30, 2023, the number of protected accounts (281.8 crore) constituted 97.9 per cent of the total number of accounts (287.9 crore). In terms of amount, the total insured deposits of ₹90,32,340 crore as on September 30, 2023 were 44.2 per cent of assessable deposits[22] of ₹2,04,18,707 crore. Reserve ratio (Deposit Insurance Fund/ Insured Deposits) as on September 30, 2023 stood at 2.02 per cent.

VI.110 The DICGC builds up its Deposit Insurance Fund (DIF) through transfer of its surplus, *i.e.*, excess of income (mainly comprising premium received from insured banks, interest income from investments and cash recovery out of assets of failed banks) over expenditure (payment of claims of depositors and related expenses) each year, net of taxes. This fund is available for settlement of claims of depositors of banks taken into liquidation/amalgamation. During 2023-24, deposit insurance premium received was ₹23,879 crore, recording a y-o-y growth of 11.7 per cent, while the total claims settled by the Corporation were ₹1,431.5 crore. The size of the DIF stood at ₹1,98,310 crore as on March 31, 2024 (₹1,69,602 crore as on March 31, 2023).

6. CONCLUSION

VI.111 The Reserve Bank undertook several measures to safeguard the financial system by further strengthening the regulatory and supervisory framework of the banking and non-banking sector in line with the global best practices. Going forward, concerted efforts would be made towards issuing frameworks in the areas of resolution of stress in projects under implementation, securitisation of stressed assets and expected credit loss. Augmenting supervisory capabilities by a suite of SupTech data tools on micro-data analytics and other similar use cases, using AI/ML and integration of offsite analytics with onsite supervision would also engage attention, along with further strengthening of the enforcement framework. Enhancing the customer service standards along with fine-tuning the existing grievance redress mechanism would also remain focus areas.

[21] Deposit accounts are called so when the depositor has one or more types of deposit accounts and in one or more branches of a bank in his/her personal name. This also includes deposit held in the name of the proprietary concern where the depositor is the sole proprietor. If the depositor has deposit accounts in his/her capacity as a partner of a firm/guardian of a minor/director of a company/trustee of a trust/joint account, in one or more branches of the bank then such accounts are considered as held in different capacity and different right. In the case of joint accounts, if individuals open more than one joint accounts in which their names are not in the same order or group of persons are different, then the deposits held in these joint accounts are considered as held in the different capacity and different right.

[22] Assessable deposits include all bank deposits except (i) deposits of foreign governments; (ii) deposits of central/state governments; (iii) inter-bank deposits; (iv) deposits received outside India; and (v) deposits specifically exempted by the corporation with prior approval of the Reserve Bank.

VII PUBLIC DEBT MANAGEMENT

As the debt manager to the central and state governments, the Reserve Bank manages the government market borrowing programme in a non-disruptive manner while adhering to the broad objectives of cost optimisation, risk mitigation and market development. During 2023-24, while the government securities (G-secs) yields softened, the weighted average coupon on the entire outstanding debt stock increased marginally. The weighted average maturity of primary issuances increased as compared to the previous year. An ultra-long 50-year G-sec was introduced to cater to the demand from long-term investors. Issuances of sovereign green bonds also continued during the year.

VII.1 The Internal Debt Management Department (IDMD) of the Reserve Bank is entrusted with the responsibility of managing the domestic debt of the central government by statute *vide* Sections 20 and 21 of the Reserve Bank of India (RBI) Act, 1934, and of 28 state governments and two union territories (UTs) in accordance with respective bilateral agreements as provided in Section 21A of the RBI Act. In terms of Section 17(5) of the RBI Act, 1934, short-term credit up to three months is provided to both the central and state governments in the form of ways and means advances (WMA) to bridge temporary mismatches in their cash flows.

VII.2 The gross fiscal deficit (per cent to GDP) of the central government in 2023-24 was budgeted lower than the previous year. Market borrowings by the central and state governments remained elevated due to increase in their financing requirements. Notwithstanding global headwinds and tighter domestic financial conditions, the Reserve Bank ensured completion of the market borrowing programme for both central and state governments in a non-disruptive manner, keeping in mind the three broad objectives of cost optimisation, risk mitigation and market development. The weighted average yield of market borrowing for central government softened by 8 basis points (bps) during the year. The maturity profile of outstanding dated securities was elongated to contain the rollover risk. The Reserve Bank in consultation with the central government issued sovereign green bonds (SGrBs) for an amount aggregating to ₹20,000 crore during 2023-24.

VII.3 The remainder of the chapter is arranged under three sections. Section 2 presents the implementation status in respect of the agenda for 2023-24 along with major developments during the year in the areas of debt management for both central and state governments. Section 3 covers major initiatives to be undertaken in 2024-25, followed by a summary in the last section.

2. Agenda for 2023-24

VII.4 The Department had set out the following goals for 2023-24:

- Consolidation of debt through calendar driven, auction-based switch operations along with reissuance of securities to augment liquidity in the G-sec market and facilitate fresh issuances (Paragraph VII.5-VII.6);

- Development of a mobile application for improving the ease of access for retail investors under the 'RBI Retail Direct Scheme' (Paragraph VII.7);
- Taking appropriate measures for enhancing retail investor awareness about the 'RBI Retail Direct Scheme' (Paragraph VII.7);
- Implementation of Society for Worldwide Interbank Financial Telecommunications (SWIFT) module for putting through transactions of foreign central banks (FCBs) [Paragraph VII.8];
- Expansion of the coverage of government debt statistics in RBI's data warehouse system (Paragraph VII.9); and
- Conduct of capacity building programmes for sensitising the state governments about prudent practices in cash and debt management (Paragraph VII.10).

Implementation Status

VII.5 The Reserve Bank successfully completed the combined gross market borrowings of the central and state governments to the tune of ₹25.5 lakh crore, which was 17.0 per cent higher than the previous year. The Reserve Bank continued with its policy of passive consolidation by way of reissuances and active consolidation through switches. During 2023-24, there were 135 re-issuances out of 149 issuances of G-secs (90.6 per cent) as compared with 161 re-issuances out of 177 issuances (91 per cent) in the previous year. The active debt consolidation through switching of government securities maturing in the near-term with the long-dated government securities was generally conducted once in a month. Accordingly, switches amounting to ₹1.03 lakh crore were completed during 2023-24 as against the budgeted amount of ₹1 lakh crore.

VII.6 During 2023-24, securities ranging from 3 to 50 years tenor (original maturity) were issued with the objective of catering to the requirement of various investors with appetite for securities of different maturity buckets. A new 3-year benchmark security was introduced as part of government market borrowing programme during H1:2023-24. Another dated security of 50-year maturity was introduced in H2:2023-24 in response to market demand for ultra-long duration securities. The total issuance of SGrBs during 2023-24 was ₹20,000 crore, with issuances in 5-year (₹5,000 crore) and 10-year (₹5,000 crore) tenors in addition to the maiden issuance of SGrBs in 30 years (₹10,000 crore) tenor.

VII.7 To further improve the ease of access for retail investors in the 'RBI Retail Direct' portal, development of mobile application is under final stages and is expected to be rolled out in early 2024-25. During the year, the Reserve Bank continued its efforts aimed at improving the overall reach of 'RBI Retail Direct Scheme' through investor awareness programmes. In order to ease the registration process and to make the portal more user friendly, various technological upgrades have been undertaken. The basket of products offered through the 'Retail Direct' portal has also been expanded to include floating rate savings bond (FRSB), 2020 (Taxable). The national automated clearing house (NACH) payment functionality has also been enabled on the portal, enabling the investors to register one-time mandate and use the same for funding bids placed under primary auction.

VII.8 The Department carries out investments on behalf of FCBs and other multilateral financial institutions (MFIs) under the scheme of Rupee investment by FCBs. The SWIFT module has been operationalised that enables messaging using SWIFT network for back-office activities related to the transactions carried out under the scheme.

VII.9 Government debt statistics are disseminated through the Reserve Bank's website and data warehouse system. During the year, time series information was migrated to the Reserve Bank's next-generation data warehouse system, *i.e.*, centralised information management system (CIMS).

VII.10 Capacity building programmes (CBPs) for sensitising state governments about prudent cash and debt management practices were conducted for some states. In addition, a two-day CBP on cash and debt management was conducted in the Reserve Bank's College of Agricultural Banking (CAB), Pune, in December 2023 which witnessed participation from 11 state governments and the UT of Puducherry.

Major Developments

Debt Management of the Central Government

VII.11 During 2023-24, both gross and net market borrowings of Government of India (GoI) through dated G-secs were higher by 8.6 per cent and 6.5 per cent, respectively, as compared to the previous year. Net market borrowings through dated securities and T-Bills taken together were higher by 4.6 per cent as compared with the previous year (Table VII.1).

Debt Management Operations

VII.12 The weighted average yield (WAY) of G-secs issued during the year decreased by 8 bps as compared to the previous year, while the weighted average coupon on the entire debt stock increased by 3 bps. The weighted average maturity (WAM) of primary issuances and the outstanding debt as at end-March 2024 increased as compared to the previous year (Table VII.2).

VII.13 There was no devolvement on Primary Dealers (PDs) during 2023-24 as compared to eight instances, amounting to ₹23,053 crore in 2022-23. There was no instance of

Table VII.1: Market Borrowings of Central Government

(₹ crore)

Item	2020-21	2021-22	2022-23	2023-24
1	2	3	4	5
Gross Market Borrowings through Dated Securities	13,70,324 (6.90)	11,27,382 (4.78)	14,21,000 (5.27)	15,43,000 (5.25)
Net Market Borrowings (i to iv)	13,75,654 (6.93)	9,29,351 (3.94)	11,74,375 (4.36)	12,28,805 (4.18)
i) Dated Securities@	11,43,114	8,63,103	11,08,261	11,80,456
ii) 91-day T-Bills	10,713	45,439	-23,798	20,164
iii) 182-day T-Bills	-18,743	71,252	52,426	15,982
iv) 364-day T-Bills	2,40,570	-50,444	37,487	12,203

@: Without adjusting for buyback/switches. After adjusting for switches, net market borrowings during 2023-24 stood at ₹12,26,101 crore, ₹11,71,951 crore in 2022-23, ₹9,29,060 crore in 2021-22, and ₹11,46,739 crore in 2020-21.

Note: Figures in parentheses are per cent to GDP.

Source: RBI and MoSPI.

Table VII.2: Market Loans of Central Government - A Profile*

(Yield in Per cent/Maturity in Years)

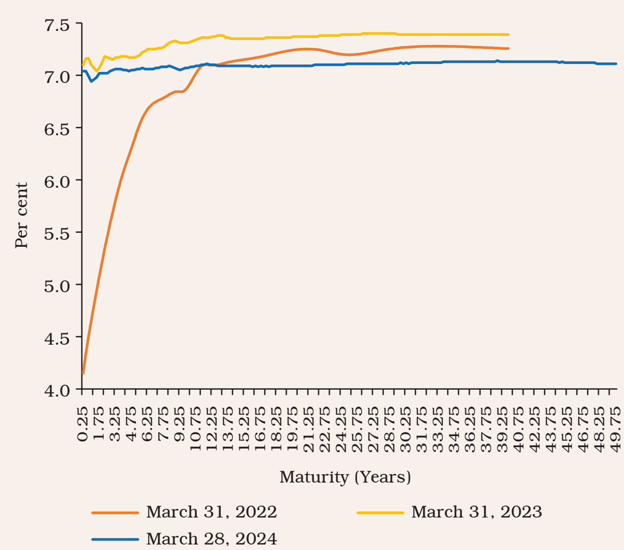
Years	Range of Cut Off Yield in Primary Issues			Issued during the Year^			Outstanding Stock#	
	Under 5 Years	5-10 Years	Over 10 Years	Weighted Average Yield	Range of Maturities@	Weighted Average Maturity	Weighted Average Maturity	Weighted Average Coupon
1	2	3	4	5	6	7	8	9
2017-18	7.23-7.27	6.42-7.48	6.68-7.67	6.97	5-38	14.13	10.62	7.76
2018-19	6.56-8.12	6.84-8.28	7.26-8.41	7.77	1-37	14.73	10.40	7.81
2019-20	5.56-7.38	6.18-7.44	5.96-7.77	6.85	1-40	16.15	10.72	7.71
2020-21	3.79-5.87	5.15-6.53	4.46-7.19	5.79	1-40	14.49	11.31	7.27
2021-22	4.07-5.10	4.04-6.78	4.44-7.44	6.28	1-40	16.99	11.71	7.11
2022-23	5.43-7.45	5.21-7.52	5.65-7.90	7.32	1-40	16.05	11.94	7.26
2023-24	6.89-7.39	6.98-7.40	7.07-7.57	7.24	3-50	18.09	12.54	7.29

@: Residual maturity of issuance and figures are rounded off.
*: Excluding special securities. ^: Excluding switch auction. #: Including switch auction.
Source: RBI.

non-acceptance of bids in 2023-24 as compared to four instances for a total notified amount of ₹16,000 crore in the previous year.

VII.14 G-sec yields softened during the year mainly driven by easing of inflationary pressures, expectations of a possible end to the monetary policy tightening cycle across major economies and surge in foreign portfolio investment (FPI) inflows. The yields declined sharply in April and May on the back of unchanged repo rate and lower than expected domestic consumer price index (CPI) prints for March and April. Though 10-year yield hardened slightly in June, overall, it softened by 21 bps in Q1 to close at 7.10 per cent as at end-June 2023. During Q2:2023-24, the yields rose tracking US treasury yields, higher crude oil prices, and higher than expected domestic CPI prints for July. The 10-year yield hardened by 12 bps in Q2 to close at 7.22 per cent as at end-September 2023. In Q3:2023-24, the yields initially rose but softened thereafter on account of decline in crude oil prices, lower than expected domestic CPI prints for October and November and news about possible inclusion of Indian government bonds (IGBs) in a major global emerging market index. The 10-year yield declined by 2 bps in Q3 to close at 7.20 per cent as at end-December 2023. The yields declined further during Q4:2023-24 on lower than expected CPI and reduced market borrowing and budgeted fiscal deficit for 2024-25. The 10-year yield softened by 13 bps in Q4 to close at 7.07 per cent as on March 28, 2024 (Chart VII.1).

Chart VII.1: FBIL Semi Annualised Par Yield Curve



Source: FBIL.

Table VII.3: Issuance of Government of India Dated Securities – Maturity Pattern

(Amount in ₹ lakh crore)

Residual Maturity	2021-22		2022-23		2023-24	
	Amount Raised	Percentage to Total	Amount Raised	Percentage to Total	Amount Raised	Percentage to Total
1	2	3	4	5	6	7
Less than 5 Years	2.3	20.3	2.7	19.0	2.5	16.5
5 - 9.99 Years	2.4	21.5	4.6	32.1	4.8	31.4
10 -14.99 Years	3.2	28.4	2.9	20.1	2.8	17.8
15 Years and Above	3.4	29.8	4.1	28.8	5.3	34.3
Total	**11.3**	**100.0**	**14.2**	**100.0**	**15.4**	**100.0**

Note: Figures in the columns might not add up to the total due to rounding off of numbers.
Source: RBI.

VII.15 During 2023-24, about 52.1 per cent of the market borrowing was raised through issuance of dated securities, with a residual maturity of 10 years and above as compared with 48.9 per cent in the previous year (Table VII.3).

Treasury Bills

VII.16 Short-term cash requirements of the central government are met through issuance of T-Bills. The net short-term market borrowing of the government through T-Bills (91, 182 and 364 days) declined to ₹48,349 crore during 2023-24 from ₹66,114 crore in the previous year.

Ownership of Securities

VII.17 Commercial banks remained the largest holders of government securities [including T-Bills and State Government Securities (SGSs)] accounting for 37.6 per cent as at end-March 2024, followed by insurance companies (25.0 per cent), provident funds (10.1 per cent) and the Reserve Bank (7.9 per cent). The share of FPIs was 1.5 per cent. The other holders of government securities (including T-Bills and SGSs) include mutual funds, state governments, financial institutions, and corporates.

Primary Dealers (PDs)

VII.18 The number of PDs stood at 21 [14 Bank-PDs and 7 standalone PDs (SPDs)]. The PDs have the mandate to underwrite primary auctions of dated G-secs with targets of achieving bidding commitment and success ratio in respect of primary auctions of T-Bills/cash management bills (CMBs). The PDs achieved an average success ratio of 59.3 per cent in H1:2023-24 and 62.2 per cent in H2:2023-24. The share of PDs in auctions of T-Bills was 69.4 per cent during 2023-24 as compared with 68.9 per cent in the previous year. The commission paid to PDs, including GST, for underwriting primary auctions of dated G-secs during 2023-24 was ₹48.5 crore as compared to ₹107.5 crore during 2022-23.

Sovereign Gold Bond (SGB) Scheme

VII.19 The Reserve Bank, in consultation with the GoI, announced a calendar comprising four tranches of SGBs to be issued during 2023-24. The aggregate sum raised during 2023-24 amounted to ₹27,031 crore (44.34 tonne). Since the inception of the SGB scheme in November 2015, a total of ₹ 72,274 crore (146.96 tonne) has been raised through 67 tranches.

Floating Rate Savings Bond, 2020 (Taxable) Scheme

VII.20 During the year, ₹7,063 crore was raised through issuance of the floating rate savings bond (FRSB), 2020 (Taxable). As part of its continuing efforts towards increasing retail participation in government securities, the Reserve Bank, in consultation with the central government has also enabled subscription to FRSB, 2020 (Taxable) through the Reserve Bank's 'Retail Direct' portal

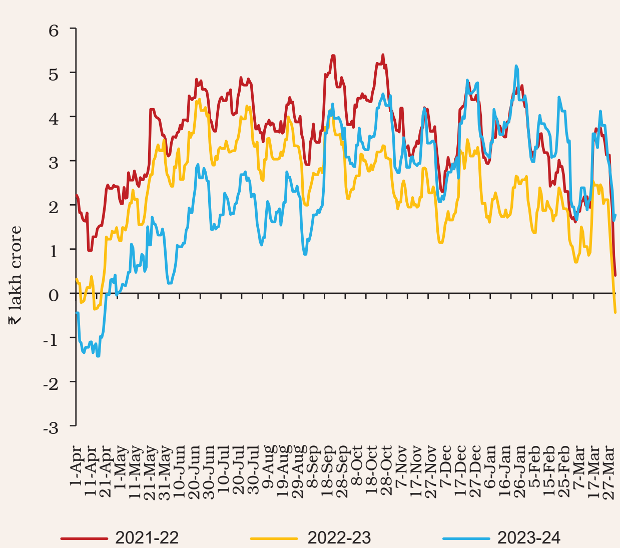
Cash Management of the Central Government

VII.21 The WMA limit of the central government was fixed at ₹1.5 lakh crore and ₹0.5 lakh crore for H1 and H2 of 2023-24, respectively. The central government resorted to WMA/overdraft (OD) for 24 days during 2023-24 *vis-à-vis* 9 days in the previous year. The cash balance of the central government remained in surplus during most part of the year (Chart VII.2).

Investments under Foreign Central Bank (FCB) Scheme

VII.22 Under the FCB scheme, the Reserve Bank invests in Indian G-secs on behalf of select FCBs and multilateral development institutions in the secondary G-sec market. Total volume transacted on behalf of these institutions stood at ₹920 crore (face value) during 2023-24 as compared to ₹4,805 crore (face value) in the previous year.

Chart VII.2: GoI Cash Balance Position



Source: RBI.

Debt Management of State Governments

VII.23 Following the recommendations of the 14th Finance Commission to exclude most of the states from the National Small Savings Fund (NSSF) financing facility, market borrowings of states have been increasing over the last few years. The share of market borrowings in financing the gross fiscal deficit of states rose to 76.1 per cent in 2023-24 (BE) from 72.4 per cent in 2022-23 (RE).

VII.24 The gross market borrowings of states in 2023-24 stood at 93 per cent of the amount indicated in the quarterly indicative calendar for market borrowings by the state governments. There were 782 issuances in 2023-24, of which 49 were re-issuances (605 issuances in 2022-23, of which 45 were re-issuances) [Table VII.4].

VII.25 The weighted average cut-off yield (WAY) of SGSs issuances during 2023-24 was lower at 7.52 per cent than 7.71 per cent in the previous year. The weighted average spread (WAS) of SGSs issuances over comparable maturity of central government securities was 31 bps in 2023-24, the same as in the previous year. In 2023-24, 23 states and two UTs issued dated securities of tenors other than 10 year, ranging from 2 to 40 years. The average inter-state spread on securities of 10-year tenor (fresh issuances) was 3 bps in 2023-24, the same as in 2022-23.

VII.26 During 2023-24, 15 states/UTs availed Special Drawing Facility (SDF), 14 states/UTs resorted to WMA and 11 states/UTs availed OD.

VII.27 Keeping in view the risks associated with contingent liabilities, it was decided during the 32nd Conference of the State Finance Secretaries held on July 7, 2022 to set up a Working Group on State Government Guarantees, comprising members drawn from the Ministry of Finance,

Table VII.4: Market Borrowings of States through SGSs

(Amount in ₹ lakh crore)

Item	2020-21	2021-22	2022-23	2023-24
1	2	3	4	5
Maturities during the Year	1.5	2.1	2.4	2.9
Gross Sanctions under Article 293(3)	9.7	9.0	8.8	11.3
Gross Amount Raised during the Year	8.0	7.0	7.6	10.1
Net Amount Raised during the Year	6.5	4.9	5.2	7.2
Amount Raised during the Year to Total Sanctions (per cent)	82.4	78.4	86.1	89.2
Outstanding Liabilities (at the end of period) #	39.3	44.3	49.3	56.4

#: Including *Ujjwal* DISCOM Assurance *Yojana* (UDAY) and other special securities.
Source: RBI.

GoI; Comptroller and Auditor General of India and state governments. The Working Group submitted its final report to the Reserve Bank on September 16, 2023 (Box VII.1).

VII.28 The outstanding investments of states in intermediate treasury bills (ITBs) and auction treasury bills (ATBs) increased during 2023-24 (Table VII.5).

Box VII.1
Working Group on State Government Guarantees

Guarantee is a potential liability that is contingent on the occurrence of an unforeseen future event. If these liabilities get crystallised without adequate buffer, it may lead to increase in expenditure, fiscal deficit, and debt levels for the state government. If the guarantee invoked is not honoured, it may cause reputational damage and legal costs to the guarantor. A related concern is the increasing bank finance to government owned entities backed by their guarantees. It is, therefore, important to assess, monitor and be prudent while issuing guarantees, especially, when such guarantees are issued by a state government.

The major recommendations of the Working Group are as under:

a. There should not be any distinction between conditional/unconditional, financial/performance guarantees;

b. The word ‘Guarantee’ should be used in a broader sense and may include instruments, by whatever name they were called, if these create obligation on the state government;

c. Government guarantees should not be used to obtain finance through state owned entities, which substitutes budgetary resources of the state government;

d. States should classify the projects/activities as high, medium and low-risk and assign appropriate risk weights before extending guarantee for them;

e. There should be a ceiling for incremental guarantees issued during a year at 5 per cent of revenue receipts or 0.5 per cent of gross state domestic product (GSDP), whichever is less. States should conservatively keep the lowest slab of risk weight at 100 per cent;

f. A minimum of 0.25 per cent per annum may be considered as the base or minimum guarantee fee and additional risk premium, based on risk assessment by the state government, may be charged to each risk category of issuances;

g. States should build a buffer of five per cent of their total outstanding guarantees over a period of five years from the date of constitution of guarantee redemption fund (GRF);

h. The borrowing state enterprises should set up escrow accounts with periodic contributions from project earnings for repayments before resorting to state government guarantees; and

i. States should publish/disclose data relating to guarantees as per the Indian Government Accounting Standards (IGAS).

Source: RBI.

Table VII.5: Investments in ITBs and ATBs by State Governments/UTs

(₹ crore)

Item	Outstanding as on March 31				
	2020	2021	2022	2023	2024
1	2	3	4	5	6
14-Day (ITBs)	1,54,757	2,05,230	2,16,272	2,12,758	2,66,805
ATBs	33,504	41,293	87,400	58,913	51,258
Total	**1,88,261**	**2,46,523**	**3,03,672**	**2,71,671**	**3,18,063**

Source: RBI.

Investments in Consolidated Sinking Fund (CSF)/ GRF

VII.29 The Reserve Bank manages two reserve fund schemes on behalf of states - the CSF and the GRF. Currently, 24 states and one UT have set up CSF while 20 states are members of the GRF. Outstanding investments by member states in the CSF and GRF as at end-March 2024 stood at ₹2,06,441 crore and ₹12,259 crore, respectively, as against ₹1,84,029 crore and ₹10,839 crore, respectively, as at end-March 2023.

3. Agenda for 2024-25

VII.30 During 2024-25, the market borrowing programme is proposed to be conducted with the following strategic milestones to achieve the overall goals of debt management:

- Consolidation of debt through calendar driven, auction-based switch operations along with reissuance of securities to augment liquidity in the G-sec market;
- Development of an application programming interface (API) to facilitate value free transfer (VFT) of government securities by the depositories in a seamless manner;
- Review of operational guidelines for floating rate saving bonds and sovereign gold bond scheme; and
- Further improving the user interface of the RBI ‘Retail Direct’ portal by providing additional payment options.

4. Conclusion

VII.31 During the year, the market borrowings of the central and state governments were successfully conducted amidst challenges emanating from volatility in global financial markets and geopolitical tensions. The market borrowing programme for 2024-25 would be rolled out in an orderly manner keeping in view the size of the budgeted fiscal deficit of the government and evolving market conditions. The Reserve Bank would continue to ensure smooth conduct of the market borrowing programme based on the guiding principles of debt management while ensuring a stable debt structure.

VIII CURRENCY MANAGEMENT

During the year, the Reserve Bank remained focused on its endeavour to provide adequate quantity of clean banknotes in circulation. In pursuance of this, the process of withdrawal of ₹2000 denomination banknotes was also undertaken. A survey was conducted to have better insights on the usage and preference for banknotes, coins and digital modes of payments in the country. An exercise was initiated to revamp the extant currency management architecture in the country to benefit from state-of-the-art technologies and enhance its operational efficiency.

VIII.1 During 2023-24, the Reserve Bank sustained its efforts to ensure adequate supply of clean banknotes and coins in the economy to meet the demand for cash from the public. The withdrawal of soiled banknotes and momentum of their disposal also continued. For better assessment of the requirement for banknotes going forward, an analysis was undertaken to glean insights from the trends in household cash usage for transactional purposes. The Reserve Bank embarked upon an exercise to modernise the currency management infrastructure in the country. The withdrawal of ₹2000 denomination banknotes, which were introduced in November 2016 to expeditiously meet the currency requirement of the economy post withdrawal of legal tender status of ₹500 and ₹1000 banknotes from circulation, was undertaken.

VIII.2 Against this backdrop, the rest of the chapter is organised into five sections. Section 2 covers the implementation status of the agenda for 2023-24, followed by important developments in currency in circulation along with other activities during the year in section 3. The developments with regard to Bharatiya Reserve Bank Note Mudran Private Ltd. (BRBNMPL), a wholly-owned subsidiary of the Reserve Bank, are given in section 4. The Department's agenda for 2024-25 is provided in section 5 with concluding observations in section 6.

2. Agenda for 2023-24

VIII.3 The Department had set out the following goals for 2023-24:

- Preparation of an implementation programme based on recommendations of the report on currency network design; mechanisation and automation; and scheduling and inventory management for achieving higher efficiency in currency management (Paragraph VIII.4);
- Establishment of a state-of-the-art facility for conducting cutting edge research on banknotes (*Utkarsh* 2.0) [Paragraph VIII.5];
- Conducting survey on quality of notes in circulation (*Utkarsh* 2.0) [Paragraph VIII.6];
- Developing cash usage indicators (*Utkarsh* 2.0) [Paragraph VIII.7];

- Implementation of recommendations of the Committee for review of extant mechanism of cash dispensation and related issues in automated teller machine (ATM) ecosystem (Paragraph VIII.8); and
- Institutionalisation of the process of certification of note sorting machines (NSMs) in alignment with the prescribed sorting standards (*Utkarsh* 2.0) [Paragraph VIII.9].

Implementation Status

VIII.4 An action plan has been formulated for redesigning and modernising the currency management architecture through use of network optimisation, technological solutions, automation and business process re-engineering. The project involving various stakeholders would be implemented in phases.

VIII.5 An adversarial analysis[1] laboratory has been operationalised at the Mysuru campus of BRBNMPL for conducting cutting edge research on banknotes.

VIII.6 Surveys on public perception of the quality of banknotes were carried out in various regions, which helped in understanding the public requirement and accordingly, necessary policy and operational measures were taken.

VIII.7 An analysis to understand the recent trends in household cash usage for transactional purposes *vis-à-vis* the growth in retail digital payments was carried out in the Department to help in better estimation of demand for banknotes, going forward. The methodology would be updated based on incoming data to make the cash usage indicators more robust.

VIII.8 The recommendations of the Committee for review of extant mechanism of cash dispensation and related issues in ATM ecosystem are currently under various stages of implementation.

VIII.9 The institutionalisation of the process of certification of note sorting machines (NSMs) in alignment with the prescribed sorting standards was undertaken by the Bureau of Indian Standards (BIS) at the behest of the Reserve Bank, wherein a panel comprising industry experts, standard setters from BIS, RBI and banks was constituted, which finalised the technical standards for NSMs. The 'Note Sorting Machines (NSMs) Specification IS 18663 : 2024' was published in 'The Gazette of India' on March 19, 2024. These standards shall be utilised for certification of NSMs used by banks across the country and will bring in uniformity in note sorting across the banks.

3. Developments in Currency in Circulation

VIII.10 Currency in circulation includes banknotes, central bank digital currency (CBDC) and coins. Presently, banknotes in circulation comprise denominations of ₹2, ₹5, ₹10, ₹20, ₹50, ₹100, ₹200, ₹500 and ₹2000. The Reserve Bank is no longer printing banknotes of denominations of ₹2, ₹5 and ₹2000. Coins in circulation comprise 50 paise and ₹1, ₹2, ₹5, ₹10 and ₹20 denominations. The Reserve Bank has been publishing denomination-wise data on currency in circulation on a weekly basis from the week ended December 29, 2023.

[1] Conducted to assess counterfeiting risks through in-house simulation of banknote features by trained experts/technicians using commercially available materials and equipment.

VIII.11 In terms of Section 22A of the RBI Act, 1934, denominations as set out in Section 24 of the Act, do not apply to banknotes in digital form. Accordingly, the live-pilot of Digital Rupee-Retail (e₹-R) has been launched in denominations of 50 paise, ₹1, ₹2, ₹5, ₹10, ₹20, ₹50, ₹100, ₹200, ₹500 and ₹2000, while e₹-Wholesale (e₹-W) does not have any specific denomination.

Banknotes

VIII.12 The value and volume of banknotes in circulation increased by 3.9 per cent and 7.8 per cent, respectively, during 2023-24 as compared with an increase of 7.8 per cent and 4.4 per cent, respectively, during the previous year (Table VIII.1). During 2023-24, the share of ₹500 banknotes increased in value terms whereas that of ₹2000 banknotes declined sharply reflecting the withdrawal of the latter denomination from circulation. In volume terms, ₹500 denomination constituted the highest share of the total banknotes in circulation, followed by ₹10 denomination banknotes as on March 31, 2024.

Withdrawal of ₹2000 Denomination Banknotes from Circulation

VIII.13 The ₹2000 denomination banknote was introduced in November 2016 under Section 24(1) of the RBI Act, primarily to meet the currency requirement of the economy in an expeditious manner after the withdrawal of legal tender status of ₹500 and ₹1000 banknotes in circulation at that time. The objective of introducing ₹2000 banknotes was met once banknotes in other denominations became available in adequate quantities. Therefore, printing of ₹2000 banknotes was stopped in 2018-19.

Table VIII.1: Banknotes in Circulation (end-March)

Denomination (₹)	Volume (pieces in lakh)			Value (₹ crore)		
	2022	2023	2024	2022	2023	2024
1	2	3	4	5	6	7
2 and 5	1,11,261	1,10,843	1,10,547	4,284	4,263	4,249
	(8.5)	(8.1)	(7.5)	(0.1)	(0.1)	(0.1)
10	2,78,046	2,62,123	2,49,506	27,805	26,212	24,951
	(21.3)	(19.2)	(17.0)	(0.9)	(0.8)	(0.7)
20	1,10,129	1,25,802	1,33,973	22,026	25,160	26,795
	(8.4)	(9.2)	(9.1)	(0.7)	(0.8)	(0.8)
50	87,141	85,716	89,783	43,571	42,858	44,892
	(6.7)	(6.3)	(6.1)	(1.4)	(1.3)	(1.3)
100	1,81,420	1,80,584	2,05,656	1,81,421	1,80,584	2,05,656
	(13.9)	(13.3)	(14.0)	(5.8)	(5.4)	(5.9)
200	60,441	62,620	77,108	1,20,881	1,25,241	1,54,215
	(4.6)	(4.6)	(5.2)	(3.9)	(3.7)	(4.4)
500	4,55,468	5,16,338	6,01,770	22,77,340	25,81,690	30,08,847
	(34.9)	(37.9)	(41.0)	(73.3)	(77.1)	(86.5)
2000	21,420	18,111	410	4,28,394	3,62,220	8,202
	(1.6)	(1.3)	(0.03)	(13.8)	(10.8)	(0.2)
Total	**13,05,326**	**13,62,137**	**14,68,754**	**31,05,721**	**33,48,228**	**34,77,805**

Note: 1. Figures in parentheses represent the percentage share in total volume/value.
2. Figures may not add up to total due to rounding-off of the numbers.
Source: RBI.

VIII.14 About 89 per cent of the ₹2000 denomination banknotes were at the end of their estimated life span of 4-5 years and were not commonly used for transactions. It was, therefore, decided to withdraw the ₹2000 denomination banknotes from circulation, while continuing their legal tender status. A press release was issued on May 19, 2023 advising the public to deposit and/or exchange ₹2000 banknotes at bank branches and at the 19 issue offices[2] of the Reserve Bank till September 30, 2023, which was later extended up to October 7, 2023. From October 9, 2023, the facility for deposit and/or exchange is available at the Reserve Bank issue offices. Further, ₹2000 banknotes can be sent through India Post to the Reserve Bank issue offices in *lieu* of credit in their bank accounts. Of the ₹3.56 lakh crore of ₹2000 banknotes in circulation as on May 19, 2023 when the withdrawal was announced, 97.7 per cent had returned to the banking system up to March 31, 2024.

Coins

VIII.15 The total value as well as volume of coins in circulation increased in 2023-24. As on March 31, 2024, coins of ₹1, ₹2 and ₹5 together constituted 82.5 per cent of the total volume of coins in circulation, while in value terms, these denominations accounted for 68 per cent (Table VIII.2).

e₹ in Circulation

VIII.16 The live pilot of e₹-R, launched on December 1, 2022, gained momentum during the year (Table VIII.3).

Table VIII.2: Coins in Circulation (end-March)

Denomination (₹)	Volume (pieces in lakh)			Value (₹ crore)		
	2022	2023	2024	2022	2023	2024
1	2	3	4	5	6	7
Small coins	1,47,880	1,47,880	1,47,880	700	700	700
	(11.9)	(11.6)	(11.2)	(2.5)	(2.3)	(2.1)
1	5,15,879	5,21,618	5,29,934	5,159	5,216	5,299
	(41.4)	(40.8)	(40.0)	(18.4)	(17.2)	(15.9)
2	3,40,792	3,47,277	3,55,929	6,816	6,946	7,119
	(27.3)	(27.1)	(26.9)	(24.4)	(23.0)	(21.3)
5	1,84,331	1,94,155	2,05,471	9,217	9,708	10,274
	(14.8)	(15.2)	(15.5)	(33.0)	(32.1)	(30.8)
10	54,044	59,764	68,637	5,404	5,976	6,864
	(4.3)	(4.7)	(5.2)	(19.3)	(19.8)	(20.6)
20	3,372	8,483	15,667	674	1,697	3,133
	(0.3)	(0.7)	(1.2)	(2.4)	(5.6)	(9.4)
Total	**12,46,298**	**12,79,178**	**13,23,518**	**27,970**	**30,242**	**33,389**

Note: 1. Figures in parentheses represent the percentage share in total volume/value.
2. Figures may not add up to total due to rounding-off of the numbers.
Source: RBI.

[2] Ahmedabad, Bengaluru, Belapur, Bhopal, Bhubaneswar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Jammu, Kanpur, Kolkata, Lucknow, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram.

Table VIII.3: e₹ in Circulation (end-March)

e₹	Denomination (₹)	Volume (pieces in lakh)		Value (₹ crore)	
		2023	2024	2023	2024
1	2	3	4	5	6
e₹-R	0.5	2.7	18.4	0.01	0.09
		(16.1)	(7.7)	(0.2)	(0.04)
	1	3.8	37.3	0.04	0.37
		(22.2)	(15.7)	(0.7)	(0.2)
	2	2.8	27.1	0.06	0.54
		(16.2)	(11.4)	(1.0)	(0.2)
	5	2.4	27.3	0.12	1.37
		(13.9)	(11.5)	(2.1)	(0.6)
	10	1.5	21.4	0.15	2.14
		(8.8)	(9.0)	(2.6)	(0.9)
	20	1.2	19.7	0.23	3.94
		(6.8)	(8.3)	(4.1)	(1.7)
	50	0.8	17.0	0.39	8.49
		(4.6)	(7.1)	(6.9)	(3.6)
	100	0.8	20.7	0.83	20.73
		(4.8)	(8.7)	(14.5)	(8.9)
	200	0.6	16.0	1.16	32.01
		(3.4)	(6.7)	(20.4)	(13.7)
	500	0.5	32.9	2.71	164.36
		(3.2)	(13.8)	(47.5)	(70.2)
	2000	-	-	-	-
Total e₹-R		17.1	237.8	5.70	234.04
Total e₹-W		…	…	10.69	0.08
Total e₹				**16.39**	**234.12**

-: Nil. …: Not applicable.

Note: 1. Figures in parentheses represent the percentage share in total volume/value.
2. Figures may not add up to total due to rounding-off of the numbers.

Source: RBI.

Currency Management Infrastructure

VIII.17 The functions relating to issuance of currency (*i.e.,* banknotes and coins) and their management are performed by the Reserve Bank through its 19 issue offices, 2,794 currency chests and 2,460 small coin depots spread across the country. As on March 31, 2024, State Bank of India accounted for the highest share of currency chests (Table VIII.4).

Table VIII.4: Currency Chests and Small Coin Depots (end-March 2024)

Category	Number of Currency Chests	Number of Small Coin Depots
1	2	3
State Bank of India	1,467	1,339
Nationalised Banks	1,086	911
Private Sector Banks	224	194
Cooperative Banks	5	5
Foreign Banks	4	3
Regional Rural Banks	7	7
Reserve Bank of India	1	1
Total	**2,794**	**2,460**

Source: RBI.

Indent and Supply of Currency

VIII.18 The volume of indent of banknotes and coins for 2023-24 was higher than 2022-23 (Tables VIII.5 and VIII.6). The supply of banknotes and coins was also higher during 2023-24 as compared with the previous year.

Table VIII.5: Indent and Supply of Banknotes by BRBNMPL and SPMCIL (April-March)

(Pieces in lakh)

Denomination (₹)	2021-22		2022-23		2023-24	
	Indent	Supply	Indent	Supply	Indent	Supply
1	2	3	4	5	6	7
5	-	-	-	-	-	-
10	7,500	7,510	6,000	6,000	8,000	8,000
20	20,000	20,000	20,000	19,999	20,000	20,000
50	15,000	15,000	20,000	20,000	25,000	25,000
100	40,000	40,002	60,000	60,000	70,000	70,000
200	12,000	11,991	20,000	20,000	30,000	30,000
500	1,28,000	1,28,003	1,00,000	1,00,004	90,000	90,000
2000	-	-	-	-	-	-
Total	**2,22,500**	**2,22,505**	**2,26,000**	**2,26,002**	**2,43,000**	**2,43,000**

-: Nil.
BRBNMPL: Bharatiya Reserve Bank Note Mudran Private Ltd.
SPMCIL: Security Printing and Minting Corporation of India Ltd.

Note: Figures may not add up to total due to rounding-off of the numbers.

Source: RBI.

Table VIII.6: Indent and Supply of Coins by Mints (April-March)

(Pieces in lakh)

Denomination (₹)	2021-22		2022-23		2023-24	
	Indent	Supply	Indent	Supply	Indent	Supply
1	2	3	4	5	6	7
1	-	-	1,000	1,000	3,000	3,058
2	2,000	2,000	3,000	3,000	3,000	3,000
5	2,000	2,000	3,000	3,000	3,000	3,000
10	2,000	2,000	1,000	1,002	1,000	1,000
20	2,000	2,000	2,000	2,000	2,000	1,999
Total	**8,000**	**8,000**	**10,000**	**10,002**	**12,000**	**12,056**

-: Nil.
Note: Figures may not add up to total due to rounding-off of the numbers.
Source: RBI.

Disposal of Soiled Banknotes

VIII.19 Details regarding the disposal of soiled banknotes during 2023-24 are set out in Table VIII.7. The Reserve Bank has been publishing denomination wise data on disposal of soiled notes on monthly basis from December 2023.

Table VIII.7: Disposal of Soiled Banknotes (April-March)

(Pieces in lakh)

Denomination (₹)	2021-22	2022-23	2023-24
1	2	3	4
2000	3,847	4,824	18,458
1000	-	-	4
500	22,082	51,092	63,320
200	6,167	13,062	13,594
100	59,203	58,282	60,217
50	27,696	34,219	19,095
20	20,771	21,393	13,971
10	46,778	45,077	23,461
Up to 5	1,257	1,315	370
Total	**1,87,801**	**2,29,264**	**2,12,493**

-: Not applicable.
Note: Figures may not add up to total due to rounding-off of the numbers.
Source: RBI.

Counterfeit Notes

VIII.20 During 2023-24, out of the total Fake Indian Currency Notes (FICNs) detected in the banking sector, 7.9 per cent were detected at the Reserve Bank (Table VIII.8).

VIII.21 The counterfeit notes detected in denominations of ₹10, ₹20, ₹50, ₹100 and ₹500 declined during 2023-24, while those in ₹200

Table VIII.8: Number of Counterfeit Notes Detected (April-March)

(Number of pieces)

Year	Detection at the Reserve Bank	Detection at Other Banks	Total
1	2	3	4
2021-22	15,878	2,15,093	2,30,971
	(6.9)	(93.1)	(100.0)
2022-23	10,465	2,15,304	2,25,769
	(4.6)	(95.4)	(100.0)
2023-24	17,613	2,05,026	2,22,639
	(7.9)	(92.1)	(100.0)

Note: 1. Figures in parentheses represent the percentage share in total.
2. Does not include counterfeit notes seized by the police and other enforcement agencies.
Source: RBI.

denomination increased marginally as compared with the previous year. On account of the ongoing withdrawal of ₹2000 banknotes from circulation and processing of these notes in large numbers, counterfeit notes detected in this denomination increased during the year (Table VIII.9).

Table VIII.9: Denomination-wise Counterfeit Notes Detected in the Banking System (April-March)

(Number of pieces)

Denomination (₹)	2021-22	2022-23	2023-24
1	2	3	4
2 and 5	1	3	1
10	354	313	235
20	311	337	297
50	17,696	17,755	15,366
100	92,237	78,699	66,310
200	27,074	27,258	28,672
500 (Specified Banknotes)	14	6	11
500	79,669	91,110	85,711
1000 (Specified Banknotes)	11	482	1
2000	13,604	9,806	26,035
Total	**2,30,971**	**2,25,769**	**2,22,639**

Source: RBI.

Expenditure on Security Printing

VIII.22 The expenditure incurred on security printing during 2023-24 was ₹5,101.4 crore as against ₹4,682.8 crore in the previous year.

Other Activities

Survey on the Usage of Coins and Banknotes

VIII.23 In the evolving scenario of growth in retail digital payments coupled with continued increase in demand for cash, a survey was conducted in 2023 to understand the usage and preference for cash, coins, factors influencing demand and to assess the shortage/surfeit of cash and coins (Box VIII.1).

Box VIII.1

Survey on the Usage of Coins and Banknotes

The survey covered a total of 22,725 respondents, comprising 11,474 consumers and 11,251 merchants (*viz.,* small manufacturers, retail traders and service providers) spread across 20 states/union territories. Around 63 per cent of the total respondents were from rural and semi-urban areas, 19 per cent from urban areas and 18 per cent from metropolitan centres.

Major Findings

Consumers

According to the survey, 56.7 per cent of the consumer respondents required coins predominantly for tendering change while shopping, travelling and for making donations. The need for ₹5 coins was the highest, followed by ₹2 and ₹10. A majority of the respondents reported that they had not faced any shortage of coins in the last one year.

With regard to banknotes, more than 80 per cent of the consumer respondents required banknotes for shopping, travelling, making utility/fee payments and for emergencies. More than 70 per cent of the respondents cited better availability of banknotes of ₹100 and above *vis-à-vis* banknotes of ₹50 and below. Around 80 per cent of the respondents did not encounter scarcity of banknotes in the last one year.

With increasing ticket size of transactions, the preference among consumer respondents has shifted towards digital payments. Compared to the all-India average, the penetration of digital payment usage was less in rural areas due to lower familiarity with digital payment modes, besides safety concerns. This disparity was more pronounced among the people of age 60 years and above.

Merchants

Around two-thirds of the merchant respondents utilised coins for business transactions, travelling and donations, with its usage being higher among retail traders followed by service providers. The requirement for ₹5 coins was the highest followed by ₹2 coins and ₹10 coins. Around 25 per cent of

(Contd.)

the respondents cited shortage of coins in the last one year with 41 per cent of those deeming it as a seasonal factor.

As regards banknotes, about 90 per cent of the merchant respondents utilised them for business transactions, travelling and exigencies. Easy availability of banknotes particularly of ₹100 and above was noted by the respondents. Above 80 per cent of the respondents reported that they did not face scarcity of banknotes in last one year.

There was a preference for digital payments with increase in transaction value. However, non-familiarity with digital payment modes and safety concerns were reported as impediments in the usage of digital payment options, especially in rural and semi-urban areas.

In sum, the survey indicated that, while cash remained prevalent, the digital modes of payment were gaining traction among the public.

Procurement of New Shredding and Briquetting Systems (SBS)

VIII.24 During the year, purchase orders were placed for procurement of new shredding and briquetting systems for 21 regional offices following due tendering process. Delivery and installation of these SBS machines will commence from Q1:2024-25 and is likely to be completed in the next two years for all the offices.

Mobile Coin Vans (MCVs) for Distribution of Coins – Expansion in Geographical Reach and Operational Scope

VIII.25 To enhance distribution of coins, the scheme of MCVs operating in select states has been extended across the country. Additionally, the scope of services has been broadened to facilitate the exchange of lower denomination notes, which are unfit for circulation. These MCVs distribute coins and banknotes to the public located particularly in semi-urban, rural and remote areas.

Awareness Campaign on Mobile Aided Note Identifier (MANI) App and Misinformation on Coins

VIII.26 The MANI App was launched on January 1, 2020 to facilitate visually impaired persons to identify denomination of Indian banknotes. The App notifies the banknote denomination in 11 regional languages apart from Hindi and English. A pan India radio campaign through *Akashvani*/*Vividh Bharti*/private FM radio channels was conducted to promote awareness on the MANI App.

VIII.27 During the year, the Reserve Bank embarked on an awareness campaign through a media mix of print and radio to dispel misinformation about coins among members of the public.

Procurement of New Security Features for Indian Banknotes

VIII.28 The Reserve Bank is actively taking forward the process of introduction of new/upgraded security features for banknotes.

4. Bharatiya Reserve Bank Note Mudran Private Ltd. (BRBNMPL)

VIII.29 The BRBNMPL has been playing a critical role in designing, printing and supply of banknotes. It has been a key partner of the Reserve Bank in implementation of its strategic goal of indigenisation of banknote production, including backward integration for raw materials. The procurements by BRBNMPL are compliant with directions issued under 'Make in India' initiative by the Government of India. BRBNMPL presses have increased direct remittances of banknotes to currency chests, resulting in enhanced logistical efficiency and cost effectiveness. At the behest of the Reserve Bank, BRBNMPL is also establishing a Currency Research and Development Centre (CRDC) at its Mysuru campus for conducting cutting-edge research in the domain of currency.

5. Agenda for 2024-25

VIII.30 During the year, the Department will focus on the following:

- Carrying forward the project on modernisation of the currency management infrastructure;
- Replacement of existing SBS machines;
- Exploring more sustainable and eco-friendly disposal of currency note briquettes;
- Finetuning policies and initiating measures for improving delivery of banknotes/coins to members of the public; and
- Implementation of technical standards issued by BIS for NSMs used by banks across the country.

6. Conclusion

VIII.31 During 2023-24, the Reserve Bank continued with initiatives to enhance banknote distribution efficiency, increase public awareness on banknotes and coins and ensure availability of adequate quantity of clean banknotes and coins for the public. The Reserve Bank formulated an action plan for modernisation and automation of currency management infrastructure and smoothly conducted the process of withdrawal of ₹2000 denomination banknotes from circulation. Going forward, the Reserve Bank's endeavour would be to modernise the currency management infrastructure and sustain the self-sufficiency in banknote production. Analytical research for further strengthening the integrity of banknotes and understanding the trends in public preference for cash *vis-à-vis* other modes of payment shall continue to remain a focus area.

IX PAYMENT AND SETTLEMENT SYSTEMS AND INFORMATION TECHNOLOGY

The Reserve Bank during 2023-24 sustained its endeavour towards providing secure, accessible, affordable and efficient payment systems for every user of the country. The Reserve Bank also explored avenues for expanding the global outreach of Unified Payments Interface (UPI) and RuPay cards. The Reserve Bank remained steadfast in its efforts to ensure robust and secured Information and Communication Technology (ICT) infrastructure for smooth functioning of IT systems and applications in the Reserve Bank.

IX.1 Efficient payment and settlement systems foster economic development, promote financial stability and support financial inclusion. Ensuring safe and efficacious payment systems has been one of the important strategic goals of the Reserve Bank. The Reserve Bank is increasingly becoming a catalyst of innovation in the payments' ecosystem, while also addressing risks and challenges and ensuring that the benefits of advancements reach a wider segment of the population. The Reserve Bank explored the possibilities for increasing the global footprints of UPI and RuPay cards by engaging with the central banks of various countries.

IX.2 The Department of Information Technology (DIT) persevered with its efforts towards developing a state-of-the-art ICT infrastructure in the Reserve Bank for smooth functioning of its in-house IT systems and applications. During the year, besides enhancements in *e-Kuber* and payment systems, several initiatives were undertaken towards revamping major internal software applications such as enterprise knowledge portal (EKP), *Sarthi* (electronic document management system/digital workflow application), and *EKAMEV* (single sign-on portal for the employees).

IX.3 Against this backdrop, section 2 covers developments in payment and settlement systems during 2023-24 and an assessment of the implementation status of the agenda for 2023-24. Section 3 provides various measures undertaken by the DIT during the year *vis-à-vis* the agenda set for 2023-24. The agenda for 2024-25 is also discussed. The chapter has been summarised in section 4.

2. DEPARTMENT OF PAYMENT AND SETTLEMENT SYSTEMS (DPSS)

IX.4 During the year, the DPSS launched initiatives in line with the Payments Vision Document 2025 across anchor goalposts of integrity, inclusion, innovation, and internationalisation. These measures were aimed at enhancing the payments ecosystem and fostering a regulatory environment conducive to the growth of payment systems (Box IX.1).

Payment Systems

IX.5 The payment and settlement systems[1] recorded a growth of 44 per cent in terms of transaction volume during 2023-24 on top of the expansion of 57.8 per cent in the previous year (Table IX.1). In value terms, the growth was 15.8 per cent in 2023-24 as against 19.2 per cent in the previous year, with moderation in growth rate of

[1] Data are for total payments, including digital payments and paper-based instruments.

Box IX.1
Enhancements in UPI to Facilitate User Access and Convenience

UPI, with its ease of usage, safety and security, and real-time feature, has transformed the digital payments ecosystem in India. A fast payment system like UPI with features like instant transfer of funds (24X7), use of virtual payment address, facilitation of peer-to-peer (P2P) and peer-to-merchant (P2M) transactions is immensely useful to the users. The steady stream of innovations has enhanced its usefulness and ease of use, which has resulted in UPI becoming the single largest retail payment system in terms of volume of transactions. The Reserve Bank has supported addition of many new features in UPI to enrich product offering - for instance, UPI123Pay, UPI Lite on-device wallet, linking RuPay credit cards to UPI, and processing mandates with single-block-and-multiple-debits. Continuing this trend, the following new enhancements were introduced in UPI during 2023-24:

i. An innovative payment mode, *viz*., 'Conversational Payments' was enabled in UPI to allow users to engage in conversation with an artificial intelligence (AI)-powered system to initiate and complete transactions in a safe and secure environment. This channel is made available in both smartphones and feature phones-based UPI channels to deepen digital penetration in the country;

ii. UPI Lite on-device wallet has been gaining traction and currently processes more than 10 million transactions a month. To promote the use of UPI-Lite, offline transactions using near field communication (NFC) technology were also enabled. This feature not only allows retail digital payments in situations where internet/telecom connectivity is weak or not available, but also ensures faster transactions, with minimal rejections; and

iii. The scope of UPI was expanded by enabling transfer to/from pre-sanctioned credit lines at banks in addition to deposit accounts. In other words, UPI network will facilitate payments financed by credit from banks. This can reduce the cost of such offerings and help in development of unique products for Indian markets.

Such innovations on an ongoing basis have facilitated the expansion of usage and user base of UPI and enabled the provision of digital payment instruments as 'public goods.'

both retail and large value payment system [*viz*., real time gross settlement (RTGS)]. The share of digital transactions in the total volume of non-cash retail payments increased marginally to 99.8 per cent during 2023-24 from 99.6 per cent in the previous year.

Digital Payments

IX.6 Among the digital modes of payments, RTGS transactions increased by 11.3 per cent during 2023-24 in volume terms and 14 per cent in value terms. The volume and value of retail transactions increased by 44.1 per cent and 20.1 per cent, respectively (Table IX.1). As at end-March 2024, RTGS services were available through 1,70,855 IFSCs[2] of 247 member banks, while NEFT services were available through 1,72,290 IFSCs of 233 member banks.

IX.7 Payments Infrastructure Development Fund (PIDF) substantially aided the growth in digital payments during the year by subsidising deployment of Point of Sale (PoS)/mobile PoS (mPoS) terminals, interoperable Quick Response (QR) infrastructure, *Aadhaar* enabled biometric devices, and other contemporary devices. It has improved the availability of acceptance infrastructure, especially in Tier III to Tier VI centres. During 2023-24, the number of PoS terminals increased by 14.3 per cent to 89.0 lakh, while the number of *Bharat* QR (BQR) codes deployed increased by 16.1 per cent to 62.5 lakh. UPI QR codes increased by 35.0 per cent to 34.6 crore as at end-March 2024.

[2] Indian Financial System Code.

Table IX.1: Payment System Indicators - Annual Turnover (April-March)

Item	Volume (lakh)			Value (₹ lakh crore)		
	2021-22	2022-23	2023-24	2021-22	2022-23	2023-24
1	2	3	4	5	6	7
A. Settlement Systems						
CCIL Operated Systems	33	41	43	2,068.7	2,588.0	2,592.1
B. Payment Systems						
1. Large Value Credit Transfers - RTGS	**2,078**	**2,426**	**2,700**	**1,286.6**	**1,499.5**	**1,708.9**
Retail Segment (2 to 6)						
2. Credit Transfers	**5,77,935**	**9,83,621**	**14,86,107**	**427.3**	**550.1**	**675.4**
2.1 AePS (Fund Transfers)	10	6	4	0.006	0.004	0.003
2.2 APBS	12,573	17,834	25,888	1.3	2.5	3.9
2.3 ECS Cr	-	-	-	-	-	-
2.4 IMPS	46,625	56,533	60,053	41.7	55.9	65.0
2.5 NACH Cr	18,758	19,257	16,227	12.8	15.4	15.3
2.6 NEFT	40,407	52,847	72,640	287.3	337.2	391.4
2.7 UPI	4,59,561	8,37,144	13,11,295	84.2	139.1	200.0
3. Debit Transfers and Direct Debits	**12,189**	**15,343**	**18,250**	**10.3**	**12.9**	**16.9**
3.1 BHIM *Aadhaar* Pay	228	214	194	0.1	0.1	0.1
3.2 ECS Dr	-	-	-	-	-	-
3.3 NACH Dr	10,755	13,503	16,426	10.3	12.8	16.8
3.4 NETC (Linked to Bank Account)	1,207	1,626	1,629	0.02	0.03	0.03
4. Card Payments	**61,783**	**63,325**	**58,470**	**17.0**	**21.5**	**24.2**
4.1 Credit Cards	22,399	29,145	35,610	9.7	14.3	18.3
4.2 Debit Cards	39,384	34,179	22,860	7.3	7.2	5.9
5. Prepaid Payment Instruments	**65,783**	**74,667**	**78,775**	**2.8**	**2.9**	**2.8**
6. Paper-based Instruments	**6,999**	**7,109**	**6,632**	**66.5**	**71.7**	**72.1**
Total Retail Payments (2+3+4+5+6)	7,24,689	11,44,065	16,48,234	523.9	659.1	791.5
Total Payments (1+2+3+4+5+6)	7,26,767	11,46,491	16,50,934	1,810.5	2,158.6	2,500.4
Total Digital Payments (1+2+3+4+5)	**7,19,768**	**11,39,382**	**16,44,302**	**1,744.0**	**2,086.8**	**2,428.2**

CCIL : Clearing Corporation of India Ltd.
APBS : *Aadhaar* Payment Bridge System.
IMPS : Immediate Payment Service.
NEFT : National Electronic Funds Transfer.
NETC : National Electronic Toll Collection.
AeP : *Aadhaar* Enabled Payment System.
ECS : Electronic Clearing Service.
NACH : National Automated Clearing House.
BHIM : *Bharat* Interface for Money.
Cr : Credit.
Dr : Debit.
- : Nil/Negligible.

Note: 1. RTGS system includes customer and inter-bank transactions only.
2. Settlements of government securities and forex transactions are through the CCIL. Government securities include outright trades and both legs of repo transactions and triparty repo transactions.
3. Figures for cards are for payment transactions at Point of Sale (PoS) terminals and online.
4. Figures in the columns might not add up to the total due to rounding off of numbers.

Source: RBI.

Authorisation of Payment Systems

IX.8 During the year, the Reserve Bank accorded Certificate of Authorisation to 22 online Payment Aggregators (PAs), two non-bank Prepaid Payment Instrument (PPI) issuers and one Trade Receivables Discounting System (TReDS) platform operator, besides granting in-principle authorisation to a few other online PAs, PPIs, one white label ATM (WLA) operator and one TReDS platform operator. Moreover, during the year, the Reserve Bank granted approval to one bank for PPI issuance, two banks for operating as *Bharat*

Table IX.2: Authorisation of Payment System Operators (PSOs) [end-March]

(Number)

Entities	2023	2024
1	2	3
A. Non-Banks – Authorised		
PPI Issuers	36	38
Payment Aggregator (Online)	-	22
WLA Operators	4	4
Instant Money Transfer Service Providers	1	1
BBPOUs	10	10
TReDS Platform Operators	3	4
MTSS Operators	8	8
Card Networks	5	5
ATM Networks	2	2
B. Banks – Approved		
PPI Issuers	58	59
BBPOUs	44	46
Mobile Banking Providers	725	777
ATM Networks	3	3

Note: 1. PSOs comprise PPI issuers, online payment aggregators (PAs-Online), cross-border money transfer service schemes (MTSS), WLA operators, TReDS platforms, ATM networks, instant money transfer service providers, card networks, BBPOUs and central counterparty (CCP), besides the CCIL and the National Payments Corporation of India (NPCI).
2. In addition, one non-bank entity has also been granted authorisation to operate as a CCP.

Source: RBI.

Bill Payment Operating Units (BBPOUs), and 52 banks for providing mobile banking facility to their customers (Table IX.2). In addition, guidelines have been prescribed to include PAs-Cross Border as well under the regulatory purview of the Reserve Bank.

Agenda for 2023-24

IX.9 The Department had set out the following goals for 2023-24:

- Based on learnings from the internal assessment of the centralised payment systems (CPS), *i.e.*, NEFT and RTGS, in compliance with principles for financial market infrastructure (PFMI) standards, a resilient framework prescribing standards, frequency and disclosures for the oversight of CPS would be formulated (*Utkarsh* 2.0) [Paragraph IX.10];
- The PIDF has received overwhelming support from the contributors (*viz.,* the Reserve Bank, card networks and card issuing banks) and acquirers for deployment of payment acceptance infrastructure[3]. The implementation of the scheme threw up various innovative ideas and field level experiences. The feasibility of continuing the PIDF scheme would be explored (*Utkarsh* 2.0) [Paragraph IX.10];
- To enhance the payment experience further, the feasibility of real-time payee name validation before actual fund transfer would be explored (Paragraph IX.10); and
- To continue with initiatives to enhance dissemination of granular data on payment systems to provide useful insights to stakeholders and facilitate research and further innovations in payment systems (Paragraph IX.10).

Implementation Status

IX.10 The Reserve Bank has formulated a standard operating procedure (SOP) for oversight of CPS, *i.e.*, NEFT and RTGS, based on the learnings from the internal assessment of CPS in line with PFMI standards. As announced in the Statement on Developmental and Regulatory Policies (October 6, 2023), the PIDF scheme was extended by a period of two years, *i.e.*, up

[3] The scheme's initial target of creating 90 lakh payment touch points by the end of December 2023 was met by the end of the first year itself, *i.e.*, December 2021.

to December 31, 2025. The Reserve Bank is working on the implementation of the 'payee name look-up facility' in compliance with newly enacted 'The Digital Personal Data Protection Act, 2023'. The Reserve Bank is also working on enhancing coverage and granularity of published payment transaction data, which shall provide useful insights to stakeholders and facilitate research and further innovations in payment systems.

Major Developments

Integrity

Regulation of Payment Aggregators - Cross Border (PAs - Cross Border)

IX.11 PAs-Cross Border are entities that facilitate cross-border payment transactions for import and export of permissible goods and services in online mode. Keeping in view the developments that have taken place in cross-border payments, it was decided to bring all such entities under direct regulation of the Reserve Bank, and guidelines for the regulation of PAs-Cross Border were accordingly issued during the year.

Creating a Common Corporate Governance Structure for RTGS and NEFT

IX.12 A Standing Committee for management of CPS has been constituted for providing a structured forum for continuous dialogue with members to create a common corporate governance structure for RTGS and NEFT systems.

Card-on-File Tokenisation (CoFT)[4] - Enabling Tokenisation Through Card Issuing Banks

IX.13 The Reserve Bank permitted CoFT facilities directly through card issuing banks/ institutions. This will provide cardholders with an additional choice to tokenise their cards for multiple merchant sites through a single process.

Cyber Resilience and Payment Security Controls of PSOs

IX.14 The Reserve Bank placed 'Draft Master Direction on Cyber Resilience and Payment Security Controls of PSOs' on its website for comments. The document covers robust governance mechanisms for identification, analysis, monitoring and management of information security, including cyber security risks and vulnerabilities, and baseline security measures for ensuring safe and secure digital payment transactions.

Arrangements with Card Networks for Issue of Credit Cards

IX.15 The Reserve Bank asked card issuers (banks/non-banks), with 10 lakh or more active cards issued by them, not to enter into any arrangement or agreement with card networks that may limit their ability to tie-up with other card-networks. They were also mandated to provide the customers the facility to choose among multiple card networks.

Amendments to Master Direction on PPIs

IX.16 The Reserve Bank permitted authorised bank and non-bank PPI issuers to issue PPIs for mass transit systems (PPI-MTS) for making payments across various public transport systems. This will provide convenience, speed, affordability and safety of digital modes of payment to commuters for transit services.

[4] Under this framework, cardholders can create "tokens" (a unique alternate code) in *lieu* of card details. These tokens can then be stored by the merchants for processing transactions in future. A token thus created is specific to the card and online/e-commerce merchant, *i.e.*, the token cannot be used for payment at any other merchant.

Self-Assessment of RTGS and NEFT Under Principles for Financial Market Infrastructures (PFMIs)

IX.17 The centralised payment systems which include RTGS and NEFT, are owned and operated by the Reserve Bank. To enhance the robustness of the centralised payment systems, their self-assessment against the PFMIs was carried out in 2023-24. Such self-assessments will be carried out annually from 2023-24. Since RTGS is categorised as a financial market infrastructure, a public disclosure document for RTGS, based on the self-assessment, has been published on the Reserve Bank's website.

Innovation

Interoperable Payment System for Internet Banking Transactions

IX.18 Internet banking transactions processed through PAs are not interoperable, *i.e.*, a bank is required to separately integrate with each PA of different online merchants. As a result, there are delays in actual receipt of payments by merchants, which may result in settlement risks. The Reserve Bank gave approval for implementing an interoperable payment system for internet banking transactions to NPCI *Bharat* BillPay Ltd. (NBBL). The new system will facilitate quicker settlement of funds for merchants.

Financial Inclusion

Expanding the Scope of TReDS

IX.19 The Reserve Bank expanded the scope of activity in TReDS by permitting insurance for transactions, increasing the pool of financiers, and enabling secondary market for factoring units (FUs). This will improve the cash flows of MSMEs.

Expanding the Scope and Reach of e-RUPI Vouchers

IX.20 The Reserve Bank expanded the scope of e-RUPI vouchers by permitting non-bank PPI issuers to issue e-RUPI vouchers, enabling its issuance on behalf of individuals, and modifying other aspects like reloading of vouchers, authentication process, and issuance limits to facilitate use of e-RUPI vouchers.

Streamlining Bharat Bill Payment System (BBPS) Processes and Membership Criteria

IX.21 The Reserve Bank revised the regulatory framework for BBPS in view of significant developments that have taken place in this domain. This will streamline the process of bill payments, enable greater participation, and enhance customer protection, among other changes.

Inclusion of Pradhan Mantri Vishwakarma Scheme Beneficiaries Under PIDF Scheme

IX.22 The beneficiaries identified as part of the *Pradhan Mantri Vishwakarma* scheme across the country were included as merchants for deployment under the PIDF scheme. Other contemporary devices, *viz.*, (i) soundbox devices and (ii) *Aadhaar*-enabled biometric devices, were also made eligible for subsidy under the scheme. The amount of subsidy for devices deployed in special focus areas, *viz.*, North-Eastern states, and Union Territories of Jammu & Kashmir and Ladakh, was increased from 75 per cent to 90 per cent of the total cost, irrespective of the type of device, to further accelerate and augment the deployment of payment acceptance infrastructure.

Processing of e-Mandates for Recurring Transactions

IX.23 The Reserve Bank enhanced the limit for subsequent recurring transactions undertaken without additional factor of authentication, as prescribed in the e-mandate framework, from ₹15,000 to ₹1,00,000 per transaction for the following categories: (a) subscription to mutual funds, (b) payment of insurance premia, and (c) credit card bill payments.

Enhancing UPI Transaction Limit for Specified Categories

IX.24 The Reserve Bank enhanced the limit for UPI payments made to hospitals and educational institutions from ₹1 lakh to ₹5 lakh per transaction.

Enhancing the Robustness of Aadhaar Enabled Payment System (AePS)

IX.25 The Reserve Bank proposed to streamline the onboarding process, including mandatory due diligence, for AePS touchpoint operators, to be followed by banks. In 2023, more than 37 crore users undertook AePS transactions, which points to the important role played by AePS in financial inclusion. Additional fraud risk management requirements will also be considered, which will enhance the robustness of the AePS.

Merger of Grids Under Cheque Truncation System (CTS)

IX.26 To promote efficient cheque processing, the Reserve Bank had undertaken to migrate CTS from an architecture of three regional grids to one national grid. The merger was completed on October 13, 2023. The merged grid has been named as National Grid Clearing House (NGCH) and the Reserve Bank, Chennai office, has been designated as the nodal office for management and oversight of the operations of the merged grid. The merger has improved liquidity efficiency of the system and has enabled rationalisation of cheque clearing infrastructure. After the merger, all cheques presented through the CTS are being processed as local cheques.

Enhancing Public Awareness through Various Channels

IX.27 The Reserve Bank has been conducting electronic banking awareness and training (e-BAAT) programmes regularly for the benefit of various strata of society across the country. During the year, 340 e-BAAT programmes were conducted by the regional offices of the Reserve Bank, in which safe usage of electronic payment systems, their benefits and grievance redressal mechanisms were explained to the participants.

Digital Payments Awareness Week 2024

IX.28 The Reserve Bank observed the Digital Payment Awareness Week during March 4-10, 2024 with the theme 'Digital Payment, *Surakshit* Payment' ('Digital Payment, Safe Payment') under the mission '*Har* Payment Digital'[5]. As part of the initiative, all regional offices of the Reserve Bank will start regional campaigns to convert market places like vegetable markets/*mandis* and public transport infrastructure like auto/taxis into digital payment enabled clusters in their chosen areas.

Internationalisation

Global Outreach of Payment Systems

IX.29 The Payments Vision Document 2025 has outlined expanding the global outreach of UPI and RuPay cards as one of the key objectives under the internationalisation pillar. The Reserve Bank is in talks with central banks of various countries for entering into collaborative arrangements.

[5] Launched on March 6, 2023.

IX.30 In July 2023, the Reserve Bank and the Central Bank of the UAE (CBUAE) signed a memorandum of understanding (MoU) for interlinking their payments infrastructure. Under this MoU, the two central banks agreed, *inter alia,* to cooperate on linking their Fast Payment Systems [UPI of India with Instant Payment Platform (IPP) of UAE called *Aani*] and for linking their respective Card Switches (RuPay switch and UAESWITCH).

IX.31 In February 2024, RuPay cards and UPI connectivity between India and Mauritius was launched. With this connectivity, an Indian traveller to Mauritius will be able to pay a merchant in Mauritius using UPI apps. Similarly, a Mauritian traveller will be able to do the same in India using the instant payment system apps of Mauritius. Further, with the adoption of RuPay technology, the Mauritius Central Automated Switch (MauCAS) card scheme will enable banks in Mauritius to issue RuPay cards domestically. Such cards can be used at ATMs and PoS terminals locally in Mauritius as well as in India. With this, Mauritius has become the first country outside Asia to issue cards using RuPay technology.

IX.32 In February 2024, UPI connectivity between India and Sri Lanka was launched. This connectivity has enabled Indian travellers to make QR code-based payments at merchant locations in Sri Lanka using UPI apps.

IX.33 The Reserve Bank and Nepal Rastra Bank are actively exploring the linkage of UPI platform of India and National Payments Interface of Nepal for enabling cross-border payments. In June 2023, NPCI International Payments Ltd. (NIPL) and Nepal Clearing House Ltd. (NCHL) signed a MoU for the purpose.

Other Initiatives

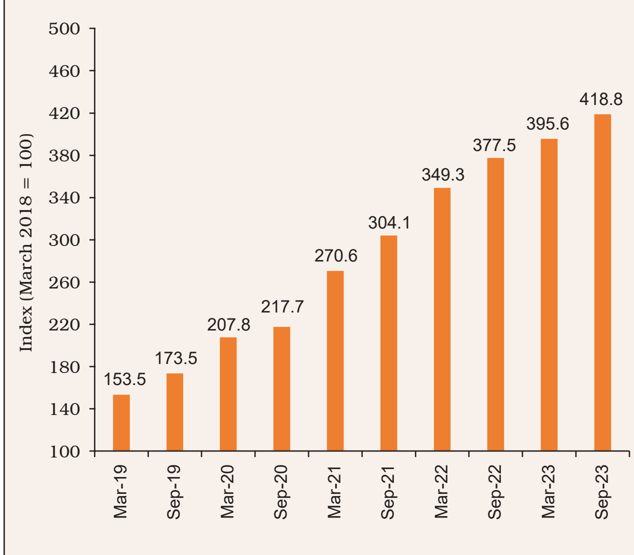
Digital Payments Index (DPI)

IX.34 The Reserve Bank had constructed a composite DPI in 2021 to capture the extent of digitisation of payments across the country. The RBI-DPI index is computed semi-annually and has demonstrated significant growth, representing rapid adoption and deepening of digital payments across the country. The DPI increased by 10.9 per cent to 418.8 in September 2023 from 377.5 in September 2022 (Chart IX.1).

Inspection of PSOs

IX.35 Under Section 16 of the Payment and Settlement Systems Act, onsite inspections of 49 entities, *viz.*, one retail payment organisation [NPCI which includes NPCI *Bharat* BillPay Ltd. (NBBL), RuPay Cards, and NPCI International Payments Ltd. (NIPL)], 29 non-bank PPI issuers, four WLA operators (WLAOs), 10 BBPOUs, one card network, two TReDS platform providers, one ATM network provider, and one entity facilitating instant money transfer (IMT) were carried out by

Chart IX.1: Digital Payments Index



Source: RBI.

the Reserve Bank during 2023-24. The Department undertook enforcement action against one PSO for contraventions/non-compliance of directions issued by the Reserve Bank.

Developments in CCIL

IX.36 The Reserve Bank and the Bank of England (BoE) signed a MoU on December 1, 2023, concerning cooperation and exchange of information in relation to CCIL. The MoU establishes a framework for BoE to place reliance on the Reserve Bank's regulatory and supervisory activities while safeguarding United Kingdom's (UK's) financial stability. The MoU also demonstrates the importance of cross-border cooperation to facilitate international clearing activities and BoE's commitment to defer to other regulators' regimes, besides confirming the interests of both the authorities in enhancing cooperation in line with their respective laws and regulations. It also enables BoE to assess the application of CCIL for recognition as a third country CCP, which is a pre-requisite for UK-based banks to clear transactions through CCIL. Pursuant to the signing of the MoU on December 15, 2023, BoE provided recognition to CCIL.

Agenda for 2024-25

IX.37 In 2024-25, the Department will focus on the following goals:

- The Central Payments Fraud Information Registry (CPFIR) reporting will be extended to local area banks, state cooperative banks, district cooperative banks, regional rural banks (RRBs) and non-scheduled urban cooperative banks (UCBs) for payment fraud reporting (*Utkarsh* 2.0);
- Presently, CTS has two settlements, one for presentation session and other for return session. Under on-realisation model, a single settlement would be arrived at after closure of return session for net position of each bank. This is expected to improve liquidity efficiency of the CTS;
- In light of goals for *Viksit Bharat* 2047, the Reserve Bank, along with NPCI International Payments Ltd. (NIPL) will work towards taking UPI to 20 countries with initiation timeline of 2024-25 and completion timeline of 2028-29. Further, Fast Payment System (FPS) collaboration with group of countries like European Union and South Asian Association for Regional Cooperation (SAARC), as well as multilateral linkages will be explored;
- At present, the payments ecosystem (card networks/banks/PPI entities) has largely adopted SMS-based one-time password (OTP) as additional factor of authentication (AFA). However, with the advancements in technology, various innovative solutions are now available to address the fraud and friction in payments. Hence, an alternate risk-based authentication mechanism leveraging behavioural biometrics, location/historical payments, digital tokens, and in-app notifications will be explored; and
- Presently, centralised payment systems (RTGS and NEFT) rely only on account number and IFSC for transfer of funds. With an aim to curb frauds and enhance the payment experience further, the introduction of real-time payee name validation before the actual fund transfer will be explored in compliance with newly enacted 'The Digital Personal Data Protection Act, 2023'.

3. DEPARTMENT OF INFORMATION TECHNOLOGY (DIT)

IX.38 During the year, enhancements in *e-Kuber* and payment systems were carried out to meet the evolving business requirements like roll-out of central bank digital currency (CBDC), reversal of facilities under liquidity adjustment facility (LAF) and making NEFT compliant with ISO 20022 standards. With the objective of digital transformation of work culture in the Reserve Bank, the Department undertook a comprehensive revamp of major internal applications of the Reserve Bank, *viz.*, Enterprise Knowledge Portal-Intranet (EKP); *SWAGAT* (access management system); *Sarthi* (electronic document management system); and SAMWAD (video conferencing system). *EKAMEV* - identity access management (IAM) and mobile device management (MDM) were also rolled-out during the year to enhance the cyber security posture in the Reserve Bank.

IX.39 Best practices in cyber hygiene have been adopted to ensure the security of the Reserve Bank's IT infrastructure, consisting of IT applications, systems, networks, devices and data, against cyber risks by adopting emerging technologies, state-of-the-art tools, and continuous monitoring of the controls. The Department continues to collaborate with the Indian Computer Emergency Response Team (CERT-In) and other government agencies like National Critical Information Infrastructure Protection Centre (NCIIPC). Based on the advisories issued by agencies, inputs from threat intelligence sources, and continuous risk assessment and monitoring, the security controls are being upgraded on an ongoing basis, thus elevating the defence against cyber threats. An extended six-month long cyber-security awareness drive across the Reserve Bank with the overarching theme of 'Secure Our World' has also been implemented. While the construction of the 'Enterprise Computing and Cybersecurity Training Institute' is under progress to foster a safe and responsible cyber culture within the Reserve Bank, 26 training programmes covering around 753 officers from various locations have been conducted till March 31, 2024.

IX.40 Further, in line with the Payments Vision Document 2025, and in order to support the global outreach and expand the footprint of domestic payment systems, a Global Structured Financial Messaging System (SFMS) Hub project was initiated. This would further improve the efficiency of the Reserve Bank's payment system.

Agenda for 2023-24

IX.41 The Department had set out the following goals for 2023-24:

- The *e-Kuber* application interface with many important stakeholders including Government of India and state governments needs to be up to date with the latest technology architecture to match the evolving IT and financial landscape. The *e-Kuber* has been designated as a Critical Information Infrastructure (CII) by the NCIIPC. The upgraded *e-Kuber* shall employ latest technologies using application programming interfaces (APIs), microservices and containers, and was expected to be completed for implementation in 2023-24 (*Utkarsh* 2.0) [Paragraph IX.42];
- The Reserve Bank has initiated the project to construct a new state-of-the-art greenfield next generation data centre to address the capacity expansion constraints, meet ever-increasing IT landscape needs and avoid region

specific risks. The construction of the data centre has commenced and shall be in an advanced stage of completion in 2023-24 (*Utkarsh* 2.0) [Paragraph IX.43];

- The Reserve Bank, in its continuous endeavour to update and upgrade India's national payment systems, has planned to upgrade the RTGS system. This will include improvements in existing functionalities and introduction of several new functionalities supported by the RTGS. The upgraded RTGS will take care of the futuristic requirements like scalability, enhanced security and performance (Paragraph IX.44); and
- The Department will be enhancing the internal applications to facilitate a transformation towards digital modes and reducing dependence on manual and paper-based procedures in day-to-day work. Continuous improvements in *Sarthi*, a revamped EKP, improved visitor management system and development of a web interface for regulated entities to submit applications/requests has been planned, which will help bring about the digital transformation (Paragraph IX.45 – Paragraph IX.48).

Implementation Status

IX.42 With the vision of providing best-in-class and environment-friendly digital and physical infrastructure, the Department upgraded *e-Kuber* to *e-Kuber* 2.0 with the latest technology. All the participants are now using the upgraded version of *e-Kuber* online portal. The currency management module has also been upgraded and is in use by various offices of the Reserve Bank. Currency chest (CC) holding banks have also started using the upgraded currency chest portal for real-time reporting of CC related transactions.

IX.43 The construction of the data centre has commenced with the laying of foundation stone by the Governor, Reserve Bank, on March 22, 2023. The core and shell construction of the data centre is in the advanced stage of completion. The project is expected to be completed within the stipulated timeline.

IX.44 The Department updated and upgraded RTGS system during 2023-24 with new functionality like Foreign Contribution (Regulation) Act (FCRA) code introduction, improved and efficient automated message flow, among various nodes of RTGS. Apart from these, the security features of the system have been upgraded in terms of better user management control and compatibility with latest digital certificates issued by the certifying authority, *viz.,* Institute for Development & Research in Banking Technology (IDRBT).

IX.45 The Department undertook a comprehensive revamp of the EKP, with the new EKP being a state-of-the-art, interactive and collaborative intranet portal with enhanced user interface and employee engagement features.

IX.46 With the enhanced access management system christened as 'Seamless SWAGAT', the Department is seeking to implement facial recognition for employee access management and QR code technology for visitor access management system. This technology is presently being developed on a pilot basis at the Reserve Bank's central office building, Mumbai. This is expected to be rolled out gradually in phases, based on feedback and user experiences.

IX.47 The password-less authentication project for internal users of the Reserve Bank was implemented in two phases. Phase I enabled password-less biometric (face/fingerprint) authentication for desktop login. Phase II is identity access management (IAM) solution christened as "*EKAMEV*", a secure single sign-on (SSO) portal to enhance user experience and security, while accessing the Reserve Bank's web applications by its internal users.

IX.48 Continuous enhancements in *Sarthi* are also being undertaken to improve the user experience and a revamped *Sarthi* 2.0 is under implementation. *Sarthi* 2.0 will come out with a host of features, including improved user interface (UI)/user experience (UX), mobile responsiveness, knowledge repository functionality, and integration with Microsoft Office.

Major Initiatives

Central Bank Digital Currency (CBDC)

IX.49 CBDC (e₹) has been implemented in both wholesale and retail pilot segments. The use cases of CBDC are still evolving. The Reserve Bank introduced another use case in the e₹-Wholesale (e₹-W) pilot in October 2023 for facilitating inter-bank call money trades using e₹. Presently, the existing inter-bank call money trades are settled using RTGS. However, with e₹-W, banks can settle the call money trades in real time in *e-Kuber* without involvement of RTGS application. Further, the balances of e₹-W were mirrored with NPCI in real time to facilitate migration of e₹-W to distributed ledger technology (DLT) platform.

'Just-in-Time' Release of Centrally Sponsored Schemes (CSS) Funds Through e-Kuber

IX.50 The project of using *e-Kuber* platform for releasing funds under CSS by Department of Expenditure, Ministry of Finance, Government of India, was implemented, wherein *e-Kuber* is handling the CSS funds flow 'just in time' from central government and state governments to the beneficiaries. Currently, seven state governments have been onboarded, and other state governments are being onboarded.

Reversal of Facilities under LAF

IX.51 As per the Statement on Developmental and Regulatory Policies (December 8, 2023), it was proposed to allow reversal of liquidity facilities under both Standing Deposit Facility (SDF) and Marginal Standing Facility (MSF) even during weekends and holidays with effect from December 30, 2023, as simultaneous high utilisation was observed in both MSF and SDF. This measure was expected to facilitate better fund management by the banks. Accordingly, changes were carried out in *e-Kuber* core banking solution (CBS) for enabling this. Further, the reversal of liquidity facilities availed under Automated Sweep-In and Sweep-Out (ASISO) facility for the transactions over the weekends and holidays were previously carried out on the next working day at Mumbai. Changes were also carried out in *e-Kuber* to facilitate reversal of these ASISO transactions immediately on next day (regardless of whether holiday or not).

Making NEFT Compliant to ISO 20022 Messaging Standards

IX.52 The NEFT system at the Reserve Bank has been migrated and made compliant with ISO 20022 messaging standards. The process of onboarding more than 230 member banks on ISO 20022 messaging standards has already started. The migration and onboarding of all the member banks is expected to be completed in early 2024. The adoption of ISO 20022 will provide structured and granular data, improved analytics, end-to-end automation, and better global harmonisation. It will also pave the way for interoperability between RTGS and NEFT.

Continuous Upgradation of IT and Cyber Security

IX.53 The Department strives to continuously assess and upgrade the IT security infrastructure to enhance its efficiency and effectiveness of tackling the emergent threats and protect its IT infrastructure that caters to critical payment infrastructure. Towards this endeavour, the Department upgraded 'Security Automation, Threat Analysis and Response Centre (SATARC): Next Generation Security Operation Centre (NGSOC)' with innovative capabilities and additional advancements like security orchestration, automation and response, user entity behaviour analytics, extended detection and response.

IX.54 During the year, the Department further strengthened its security posture by availing the services of an offensive security platform, which is used for proactive defence and automatic continuous fine-tuning of multiple security devices/ software, including policies pertaining to the Reserve Bank's networks, systems, applications, and endpoints. The platform provides security assessments which simulate real time attack scenarios in a controlled environment to identify the security gaps and enable further fine-tuning of the systems based on the assessment results.

Private Cloud Infrastructure Augmentation

IX.55 The Department initiated the process of augmentation of its private cloud infrastructure (*viz.,* virtualised compute, memory and storage) to increase the capacity of the existing clusters and replace servers reaching end of support. The added capacity will host next generation core banking solution (CBS) application (*e-Kuber* 3.0) as well as additional non-payment applications in the pipeline. The Reserve Bank's private cloud provides additional benefits like centralised management of servers, scalability, and reduction in the overhead costs for application hosting.

Centralised Digital Application Receipts and Tracking System

IX.56 A secured web-based centralised portal named as PRAVAAH (Platform for Regulatory Application, Validation And AutHorisation) has been developed to simplify and streamline the process of submitting applications seeking licence/authorisation/regulatory approvals from the Reserve Bank under various statutes/ regulations. By end-to-end digitisation of the entire processing lifecycle of applications, it will bring greater efficiencies into regulatory processes and facilitate ease of doing business for the regulated entities (REs). The portal will show time limits for deciding on the applications/approvals sought and real-time status updates shall be provided to the applicant. PRAVAAH has been designed with dynamic form-building capabilities to enable the regulatory departments to easily create/modify the template of online forms as and when required. The filled forms along with relevant documents will flow to *Sarthi* (the Reserve Bank's internal electronic workflow application), for internal processing by the concerned departments. Features for seeking additional information from the applicants and replying to the applicant will also be available in the portal obviating the need to send e-mails/letters.

Revamping of Video Conference

IX.57 The Department has undertaken the SAMWAD (Secure Audio-Video Meetings With Advanced Devices) project under which the existing video conferencing (VC) system installed in the Reserve Bank is being revamped. The project entails a uniform, standardised and state-of-the-art audio-video and VC system across offices of the Reserve Bank. The revamped system provides advanced features such as active speaker tracking functionality, native 4K resolution display units, and capacity augmentation across centralised servers for more concurrent meetings. The implementation of the project is underway.

Agenda for 2024-25

IX.58 The Department's goals for 2024-25 are set out below:

- The Reserve Bank has initiated the project to construct a new state-of-the-art greenfield next generation data centre to address the capacity expansion constraints, meet ever-increasing IT landscape needs and avoid region specific risks. The data centre, which is envisaged to cater to the internal needs of the Reserve Bank and its subsidiary organisations, shall commence its operations in 2024-25 (*Utkarsh* 2.0);
- To enhance the security, integrity, and privacy of Indian financial sector data, cloud facility will be set up and initially operated by the IFTAS. This cloud facility is intended to be rolled out in a calibrated fashion in the medium-term (Box IX.2);

Box IX.2
Cloud Facility for India's Financial Sector

Indian Financial Technology and Allied Services (IFTAS), a wholly owned subsidiary of the Reserve Bank, has more than eight years of experience in running its own cloud platform and providing various cloud services. This platform was put in place for hosting the projects of IFTAS, the Reserve Bank, and its subsidiaries for SFMS member interface.

As Indian banks and financial entities deal with ever increasing volume of data and look at options of various public and private cloud facilities, it becomes imperative for them to carry out a comprehensive business technology risk assessment for the cloud service providers (CSPs) before availing their services. Moreover, issues such as enforceability of agreements and adherence to the global standards, including aspects of storage, integrity, protection, and confidentiality of data have also become relevant. In such a scenario, the Indian Banking Community Cloud (IBCC), as a one stop solution in terms of expertise and counsel of an experienced partner to provide support at every step of the process, will be beneficial to banks/ financial institutions (FIs), especially the smaller ones. Such a cloud will also allay any concerns in respect of jurisdiction and address issues of sovereignty, integrity, protection, and confidentiality of data. Accordingly, the Reserve Bank in its Statement on Developmental and Regulatory Policies (December 8, 2023) announced the setting up of a cloud facility for the financial sector, initially to be operated by IFTAS and later, to be transferred to a separate entity. The proposed cloud platform is expected to be at par in technology with leading public cloud service providers. The cloud platform will provide on-demand scalability with clustered high availability, disaster recovery with high recovery time objective (RTO) and recovery point objective (RPO), while maintaining high degree of security, integrity and privacy of data.

Considering that the cloud platform will cater to the Indian financial system, a governance framework will be put in place for regulatory and security compliances. The framework will also define the onboarding requirements. A cloud vertical as an independent focused operating unit will be formed within IFTAS with allocation of various teams, including cloud strategy and governance, cloud architects, tech admin support teams, cloud operations and alerts monitoring teams, security teams, finance and accounting, sales and marketing, legal and contracting teams. The cloud services will be rolled out in a phased manner considering

(Contd.)

the requirements of the banking and financial sector and will be done with optimal capacity provisioning.

Phase 1 of the services offerings:

(a) Infrastructure-as-a-service, Platform-as-a-service, Software-as-a-service; (b) Container-as-a-service; (c) Storage-as-a-service; (d) Public Internet Protocol-as-a-service; (e) Disaster Recovery-as-a-service; (f) Antivirus-as-a-service; (g) Load Balance, Web Application Firewall-as-a-service; (h) Backup-as-a-service; and (i) Vulnerability Assessment-as-a-service.

Phase 2 of the services offerings:

(a) API Management; (b) Application Performance Management; (c) Availability Zone; and (d) Development, Security, and Operations (DevSecOps).

It is expected that the IBCC will be able to set up multiple data centres including edge data centres on need basis to provide the whole range of services as expected from a CSP.

Source: RBI.

- The Indian Financial Network (INFINET) is the communication backbone for the Indian banking and financial sector. It is a closed user group (CUG) network for exclusive use of member banks and financial institutions. The INFINET runs the critical payment system applications such as RTGS, NEFT and *e-Kuber*. INFINET 3.0 seeks to refresh the existing INFINET 2.0 with better technology, bandwidth, and overall services. It is proposed to be built with the latest software-defined wide area network (SD-WAN) technology. The features proposed under SD-WAN include effective load balancing of the links, voice and video traffic optimisation and application aware routing. SD-WAN also provides for centralised management of the network and zero touch provisioning;
- The Reserve Bank, in its bid to take the Indian Rupee (INR) on global platform at greater pace, has conceptualised a solution wherein India's domestic messaging system SFMS would be extended through a Global SFMS Hub to other countries. The interested countries can connect their local messaging system to Global SFMS Hub for cross-border payment messaging in their local currencies. This may help India in reducing dependence on other major trading currencies and may help in foreign exchange management; and
- To support the '*AatmaNirbhar Bharat*' initiative of the country, the Department plans to develop the following applications in-house to reduce external dependencies (including vendors), besides providing increased flexibility in terms of carrying out changes in the system by providing full control over the source codes:
    - o Development of *e-Kuber* 3.0 application by Reserve Bank Information Technology Private Ltd. (ReBIT), RBI's wholly owned subsidiary. The development of the core accounting platform along with government payment module (GPx) is in progress.
    - o Developing an alternate messaging system framework to support domestic as well cross-border financial and non-financial message communication. It would be based on globally accepted ISO 20022 messaging standards with functionalities like cross-border

solution, and letter of credit/bank guarantee (LC/BG) message.

- o Develop an alternate mechanism for digital payment systems, which would offer all the functionalities currently being offered by existing CPS along with other advanced functionalities. The system would support retail and high value payment services, bulk message support and low value fast payment services. It would provide options like thick client and open API solution to connect to CPS. It is also proposed to offer this in-house developed comprehensive system to other countries as well.

4. CONCLUSION

IX.59 The Reserve Bank continued its efforts to develop state-of-the-art payment and settlement systems in the country through launch of several initiatives during the year in line with Payments Vision Document 2025 across anchor goalposts of integrity, inclusion, innovation and internationalisation. During the year, possibilities were also explored for increasing the global footprints of UPI and RuPay. Besides, enhancements in *e-Kuber* and payment systems, a revamp of major internal applications of the Reserve Bank was also undertaken. Best practices in cyber hygiene have been adopted to ensure the security of the Reserve Bank's IT infrastructure. The initiative towards setting-up of a cloud facility has commenced to enhance security, integrity, and privacy of Indian financial sector. Going forward, a state-of-the-art greenfield next generation data centre would be operationalised to address the capacity expansion constraints, meet ever-increasing IT landscape needs and avoid region specific risks.

X COMMUNICATION, INTERNATIONAL RELATIONS, RESEARCH AND STATISTICS

During 2023-24, the Reserve Bank maintained transparency, clarity and timeliness in its communications. India's G20 Presidency was conducted to a successful conclusion. The Reserve Bank also persevered with efforts towards bringing more efficiency in the government's cash management system, and the sound management of foreign exchange reserves. Economic policy analysis and research and information management systems were further refined to strengthen policy inputs. Legislative initiatives and amendments were pursued to strengthen the legal framework necessary for a stable and vibrant financial sector.

X.1 During 2023-24, the Reserve Bank's communication policy, based on the principles of relevance, transparency, clarity, comprehensiveness and timeliness, remained focused on anchoring of the expectations of the public with the objective of enhancing the effectiveness of policy actions. The Reserve Bank strengthened economic and financial relations with international organisations and multilateral bodies, and effectively articulated India's position at various international fora. Measures were initiated for an efficient government cash management system through gradual onboarding of all stakeholders on the integrated platform. Prudent principles of forex reserve management (*viz.,* safety, liquidity, and return) were followed. Research studies were undertaken on a wide range of contemporary macroeconomic and financial issues to provide effective and timely analytical inputs for policy formulation. Information management system was further strengthened through development of the next generation data warehouse [*viz.,* centralised information management system (CIMS)]. The year also witnessed a number of amendments/introduction of legislations pertaining to the financial sector.

X.2 Against this backdrop, the rest of the chapter is divided into eight sections. Section 2 presents major initiatives of the Reserve Bank with regard to its communication policy and processes. Section 3 discusses the Reserve Bank's international relations, including interactions with international organisations and multilateral bodies. Section 4 deals with the activities of the Reserve Bank as a banker to governments and banks. Section 5 analyses the conduct of foreign exchange reserves management. Section 6 focuses on research activities, including statutory reports and frontline research publications. Section 7 outlines the activities of the Department of Statistics and Information Management (DSIM), whereas Section 8 presents the activities of the Legal Department. Concluding observations are provided in the last section.

2. COMMUNICATION PROCESSES

X.3 The centrality of communication in the strategy toolkit of a central bank has attained growing significance in maintaining macroeconomic and financial stability in an environment of protracted geopolitical tensions and global volatility spillovers. Given the key role of expectations in shaping actual outcomes, effective communications by the central bank can strengthen the efficacy of its policy measures and foster price and financial stability. Apart from mainstream media, websites and speeches, central banks continued using innovative methods through social media, multimedia and direct engagement with the public. Globally, while monetary policy related communication dominated mainstream media headlines during 2023-24 due to elevated level of global inflation, supervisory concerns in select advanced economies also underlined the need for prompt and timely communication to prevent amplification of one-off incidents through social media. Heightened vigil acquires significance for central banks in the age of social media to pre-empt spread of misinformation through proactive two-way communication channel.

X.4 During the year, the Reserve Bank's structured communication on the website and social media platforms was supplemented by verbal communication through speeches and interviews by top management, press conferences, and informal media interactions and media workshops. The Reserve Bank's communication strategy encompasses the specialised audience dominated by regulated entities and financial markets as well as a much more diversified audience, who are connected directly through social media. Communication in non-technical and easy to comprehend manner has not only made it more effective, but also helped in building public trust and anchored the expectations of the public.

X.5 The Reserve Bank in its role as a full-service central bank, also conducted 360-degree public awareness campaigns (PACs) under the 'RBI *Kehta Hai*' and 'RBI Says' banners. The focus of these campaigns - executed across print, digital, television (TV), short-messaging-service (SMS), out-of-home (OOH), social media, sports programmes and other high-impact shows - is to create awareness on new initiatives of the Reserve Bank, alert people against fraudulent players/schemes and improve financial literacy. The campaigns under the overarching theme of 'RBI *Kehta Hai… Jaankaar Baniye, Satark Rahiye'* (RBI Says… Be Aware, Be Alert) aim to protect customers from usurious practices and unregistered players, along with making them aware of their rights. These campaigns are customised in 14 different languages and target all sections of the society.

Agenda for 2023-24

X.6 The Department had set out the following goals for 2023-24:

- Completion of impact assessment of the Reserve Bank's public awareness campaigns (*Utkarsh* 2.0) [Paragraph X.7];
- Launch of redesigned website, capable of communicating effectively with all stakeholders (*Utkarsh* 2.0) [Paragraph X.7]; and
- Completion of the second phase of 'The RBI Museum' at Kolkata (*Utkarsh* 2.0) [Paragraph X.8].

Implementation Status

X.7 The Reserve Bank completed the impact assessment analysis of the public awareness campaigns in May 2023. The learnings from the assessments are being used for fine-tuning the strategy for public awareness campaigns. The Reserve Bank's website has been revamped to provide a more organised and user-friendly interface. The redesign and development of the Reserve Bank's new website and mobile application has been completed and the same has been launched for all the stakeholders on April 5, 2024.

X.8 The setting up of the second phase of 'The RBI Museum' at Kolkata, depicting the role and functions of the Reserve Bank, has been completed. The museum was inaugurated and dedicated to the nation on December 12, 2023, by Shri M. Rajeshwar Rao, Deputy Governor, RBI. The innovative exhibits in 'The RBI Museum' comprise a wide array of interactive tools. The Museum elucidates the concept of money, its evolution and role in the economy, currency behaviour of the public, and continuing importance of gold in the society, in an interactive fashion (Box X.1). As on March 31, 2024, the Museum had over 35,270 visitors since its inception.

Major Developments

X.9 During 2023-24, Department of Communication (DoC) disseminated customised communication using various media, *viz.*, TV, print, radio, digital, OOH, SMS and cinema in 12 major regional languages apart from Hindi and English (Table X.1).

X.10 Apart from these thematic customised campaigns, the Reserve Bank participated in high impact events/programmes like the Indian Premier League (IPL), *Kaun Banega Crorepati* (KBC), Asian Games, and International Cricket Council

Box X.1

Central Bank Museums

A museum acts as a treasure house of knowledge, which preserves the culture and history of a country/organisation and also acts as an important mode of communication. Central banks' museums are aimed to communicate their role and functions to the common public. Understanding this importance, many central banks have developed their own museums for depicting history; evolution and functions; displaying the currencies used by the country; and their public awareness and financial literacy initiatives. These include: Banco Central do Brasil (Banco Central Museum), Bank of England (Bank of England Museum), Bank of Italy (Money Museum), Bank of Japan (Currency Museum), Bank of Russia (The Bank of Russia Museum), Deutsche Bundesbank (Money Museum), Federal Reserve (Money Museum), Monetary Authority of Singapore (MAS) [MAS Gallery], and Reserve Bank of Australia (The Reserve Bank of Australia Museum). These museums depict the currencies, coins and other monetary instruments, the history of the central bank and its functions, knowledge about money, and the evolution of currency.

The Reserve Bank of India has three museums, *viz.*, (i) The RBI museum at Kolkata; (ii) The Monetary museum at Mumbai; and (iii) The RBI Archives museum at Pune. While the museum at Mumbai mainly exhibits collection of banknotes and coins from different eras, the museum at Pune showcases rich collection of documents pertaining to the Reserve Bank's journey through the years.

'The RBI Museum' at Kolkata is the Reserve Bank's first full-fledged museum, which has artefacts on currency, exhibits of the evolution of central banking in India, the Reserve Bank and its functions, financial literacy and public awareness messages. Phase I of 'The RBI Museum' was opened to the public in March 2019, which depicts fascinating stories of money, gold and the genesis of the Reserve Bank. The museum also has an interactive gaming zone, which facilitates financial learning among young visitors. Phase II of 'The RBI Museum' at Kolkata depicts various functions of the Reserve Bank of India through 75 innovative exhibits comprising electronic flipbooks, interactive electronic panels, radio frequency identification (RFID) censor-based exhibits, mural displays, interactive games, holographic displays, dioramas and artefacts. 'The RBI Museum' at Kolkata uses social media extensively for taking its messaging and information to the public. It has a very active presence on the Facebook page - therbimuseum and Instagram page of RBI - @reservebankofindia.

Source: RBI and central banks' websites.

Table X.1: Customised Campaigns: 2023-24

Campaign Details	Period
1	2
1. Exchange of Notes	April - June 2023
2. Reserve Bank Integrated Ombudsman Scheme (RB-IOS)	June - July 2023 September - October 2023 November 2023 - January 2024
3. Retail Direct Scheme	July - August 2023
4. Forex Trading Platform	September - November 2023
5. Digital Lending Platform	October - December 2023
6. Account Aggregator	October - December 2023
7. Forex Trading Platform	December 2023 - January 2024
8. Misinformation on Coins	December 2023 - January 2024
9. Central Banking Digital Currency	December 2023 - February 2024
10. Digital Payment-UPI or Card, Say Bye to Fraud	January 2024
11. Financial Literacy Week	February 2024
12. CEPD SMS Campaigns	April - August 2023 December 2023 February 2024
13. Digital Payment Awareness Week	March 2024
14. Retail Direct Scheme	March 2024

UPI: Unified Payments Interface.
CEPD: Consumer Education and Protection Department.
Source: RBI.

(ICC) Men's Cricket World Cup for disseminating information to the public. For greater reach in tier 3 and 4 cities, campaigns were also released through national broadcasters, *viz.*, *Akashvani* and *Doordarshan.*

X.11 These public awareness messages were also released on social media platforms on a weekly basis. For better recall, two mascots, 'Money Kumar' and 'Ms. Money', are used in all PACs. These campaigns through digital media supplement the 360-degree campaign (involving all the mass media including TV, print, radio, digital, SMS, OOH and cinema).

Other Initiatives

Workshop for Regional Media Persons

X.12 The Reserve Bank conducts regular workshops and interactions with the regional media persons to enable them to appreciate the central bank's functioning and to be aware about the latest developments, concepts and rationale behind its policies. Two such workshops were conducted during the year in Jaipur and Bengaluru.

Post Monetary Policy Press Conferences

X.13 After the announcement of the bi-monthly monetary policy, the Governor and Deputy Governors interact with the media persons. Six such press conferences were conducted during the year.

Informal Media Interactions

X.14 The Reserve Bank conducts media interactions in an informal set-up as and when necessary. There were 17 such interactions during the year.

Social Media Command Centre

X.15 The Reserve Bank's presence on various social media platforms is well evidenced by the increasing number of followers, engagement, and information dissemination (Table X.2). The Reserve Bank expanded its social media presence to LinkedIn in December 2023, in addition to Facebook, Instagram, Public App, X (formerly Twitter), and YouTube.

RBI Website

X.16 During 2023-24, the Department released 2,146 press releases, 161 notifications, 19 Master Circulars and 16 Master Directions and uploaded 20 interviews and 48 speeches of the top management, seven RBI reports, seven working papers, 2,249 tenders and 46 recruitment-related advertisements and made 239 posts on X (previously Twitter).

Table X.2: Social Media Presence*

(Lakh)

Platform	Name of Social Media Handle/Page	Launch Date	Number of Followers/ Subscribers
1	2	3	4
1. X (formerly Twitter)	i. @RBI	January 2012	22.5
	ii. @RBIsays	August 2019	2.19
2. YouTube	Reserve Bank of India	August 2013	2.07
3. Facebook	i. @RBIsays	August 2019	0.13
	ii. @therbimuseum	February 2020	0.02
4. Instagram	@reservebankofindia	January 2022	3.75
5. Public App	@RBIsays	January 2023	0.49
6. LinkedIn	Reserve Bank of India (RBI)	December 2023	1.66

*: As on March 28, 2024.
Source: RBI.

Agenda for 2024-25

X.17 During 2024-25, the Reserve Bank's communication channels would be further strengthened, and efforts will be made to:

- Conduct workshops for media personnel on a periodic basis;
- Continue 360-degree public awareness campaigns on various themes;
- Comprehensively review Reserve Bank's communication policy;
- Commence RBI *Sunta Hai* (RBI Listens) programme;
- Effectively use social media platforms for spreading financial awareness and public awareness messages; and
- Develop 'The RBI Museum' microsite.

3. INTERNATIONAL RELATIONS

X.18 During 2023-24, the Reserve Bank strengthened economic and financial relations with international organisations (IOs) and multilateral bodies, through its International Department (ID). India's perspectives were articulated at various international fora such as the International Monetary Fund (IMF), the G20, the Bank for International Settlements (BIS), the Financial Stability Board (FSB), BRICS[1] and SAARCFINANCE[2]. India's G20 Presidency concluded successfully on November 30, 2023, with Brazil assuming the G20 Presidency for 2024. The Reserve Bank has assumed the chair of the South-East Asian Central Banks (SEACEN) research and training centre for the year 2024.

Agenda for 2023-24

X.19 The Department had set out the following goals for 2023-24:

[1] Brazil, Russia, India, China, and South Africa.

[2] Network of Central Bank Governors and Finance Secretaries of the South Asian Association for Regional Cooperation (SAARC) countries (*viz.*, Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka).

- G20 Presidency Finance Track (*Utkarsh* 2.0) [Paragraph X.20-X.24];
- IMF-World Bank (WB) Joint Quinquennial Surveillance - Financial Sector Assessment Programme (FSAP) for India 2024 (*Utkarsh* 2.0) [Paragraph X.26-X.27]; and
- The Reserve Bank, with the concurrence of the Government of India (GoI), would put in place a SAARC currency swap framework for 2023-26 (*Utkarsh* 2.0) [Paragraph X.29].

Implementation Status

X.20 The G20 Finance Track of the Indian Presidency accorded primacy to the broad themes of digitalisation, concerns of the Global South, and climate change with priorities cutting across various working groups. The Reserve Bank actively engaged with the Ministry of Finance (MoF), GoI, to pilot the work on several G20 Finance Track priorities under financial sector issues (FSI), international financial architecture (IFA), and on global partnership for financial inclusion (GPFI). This also involved close collaboration with IOs such as the FSB, the BIS, the IMF and the OECD. The Department prepared an e-Compendium on G20 Finance Track events under the India Presidency, titled 'G20 Finance Track – Finance Ministers and Central Bank Governors: Memories and Outcomes'.

X.21 The GPFI prioritised leveraging digital public infrastructure (DPI) to enhance financial inclusion and productivity, in addition to completion of the Financial Inclusion Action Plan (FIAP) 2020, that focused on digital financial inclusion and finance for small and medium enterprises (SMEs). The FIAP 2023 was prepared with emphasis on moving towards quality access in place of basic access to financial services.

X.22 In the international financial architecture working group (IFA WG), the Reserve Bank piloted the work on (i) assessing macro-financial implications of central bank digital currencies (CBDCs); (ii) strengthening financial resilience through sustainable capital flows; and (iii) strengthening the global financial safety net (GFSN).

X.23 Under the FSI, the Reserve Bank piloted the G20 Presidency priorities on (i) interoperability of national fast payment systems for seamless flow of funds; (ii) strengthening financial institutions' ability to manage third-party risks and outsourcing, *inter alia*, concerning BigTech and FinTech; and (iii) a reporting framework to strengthen financial sectors' cyber resilience.

X.24 Adhering to a people-centric approach, the Reserve Bank took the lead in organising "*Jan Bhagidari*" (people's participation) and domestic events to enhance public awareness about India's G20 Presidency Finance Track priorities. The Reserve Bank also organised several side-events on the Presidency priorities alongside the G20 ministerial and working group meetings. In addition, a national level event on G20 priorities of the IFA and framework working group (FWG) was organised on August 11, 2023 in Mumbai. The G20 Leaders' Summit took place in New Delhi during September 9-10, 2023, concluding with the adoption of the New Delhi Leaders' Declaration (NDLD).

X.25 The IMF concluded the 16th General Review of Quotas (GRQ). On December 15, 2023, its Board of Governors (BoG) approved an increase in members' quotas by 50 per cent (SDR 238.6 billion or US$ 320 billion), which would bring total quotas of the IMF to SDR 715.7 billion (US$ 960 billion). The increased quotas would be allocated to the members in proportion to their existing quota shares. India's quota would increase to SDR 19.67 billion (US$ 25.9 billion[3]). The 16th GRQ also envisages that once quota increases are in effect, Bilateral Borrowing Agreements (BBAs) would end and the New Arrangements to Borrow (NAB) would be reduced to maintain the IMF's current lending capacity.

X.26 The Department provided inputs for the Fund-Bank meetings of the International Monetary and Financial Committee (IMFC) held in April and October 2023. The Department facilitated the completion of the IMF's Article IV consultations held in September 2023. India's 2023 Article IV Consultation Staff Report was published on December 18, 2023.

X.27 When the FSAP program began in 1999, assessments were voluntary. In 2010, the IMF made it mandatory for 25 jurisdictions, including India with systemically important financial sectors to undergo FSAP assessments every five years. The work relating to FSAP 2024 for India has been initiated.

X.28 BRICS central banks successfully conducted a Contingent Reserve Arrangement (CRA) test run involving a liquidity instrument delinked from the IMF programme with payments in alternate currencies and an actual transfer of funds. The success of the test-run was a significant step in confirming the operational readiness of the BRICS CRA. The BRICS central banks continued their engagements with multiple knowledge sharing activities and study reports under various work streams, *viz.*, BRICS Economic Bulletin, information security, payment systems and transition finance.

X.29 A bilateral swap agreement was signed by the Reserve Bank with the Royal Monetary Authority of Bhutan (RMAB) under the SAARC currency swap framework. The meeting of the 6th Joint Technical Coordination Committee (JTCC) between the Nepal Rastra Bank (NRB) and the Reserve Bank was held on November 28, 2023. The Reserve Bank supported SAARC central banks through technical assistance in various central banking areas including monetary policy and payment systems and by granting SAARCFINANCE scholarships for higher studies. The Senior Level Dialogue (SLD) between the Bank of Japan (BoJ) and the Reserve Bank was held on March 1, 2024.

X.30 As chair of the SEACEN Centre for the year 2024, the Reserve Bank of India hosted the 59th SEACEN Governors' Conference which focused on 'Navigating Economic Headwinds and Advancing Financial Inclusion: Perspectives and Challenges' and the 43rd SEACEN Board of Governors' Meeting on February 15 and 16, 2024 at Mumbai.

X.31 The Department supported various ministries of the government in over 40 international bilateral meetings/issues with comments/inputs.

Other Initiatives

BIS Activities

X.32 The Department provided analytical support for various meetings of the BIS, including the Governors' bimonthly meetings, the Committee on the Global Financial System (CGFS)[4], the BIS annual meeting of Emerging Market Deputy Governors, the Hong Kong

[3] Based on SDR/USD exchange rate as on November 7, 2023.

[4] The CGFS assesses potential sources of stress in global financial markets and promotes improvements in their functioning and stability.

Monetary Authority High-Level Conference and the BIS annual conference. In addition, the Department participated at the BIS Preparatory Asian Consultative Council (ACC) meetings. The Department contributed to the BIS surveys such as the Financial Stability Institute's survey on non-bank lending and the Central Bank Governance Network (CBGN) survey on meeting protocols for central bank policy boards. The Department also coordinated the Reserve Bank's participation in the BIS Working Party on monetary policy, the CGFS working group on interest rate risk exposures, the CGFS workshop on macroprudential policy, the Joint Basel Committee on Banking Supervision-Markets Committee-CGFS (BCBS-MC-CGFS) working group on central bank reserves, regulation of liquidity and financial stability, and the BIS-Asian Development Bank round table discussion on climate finance among Asian Central Banks.

FSB Initiatives on Global Financial Regulation

X.33 The Department, contributed to the discussions of various standing committees of the FSB, presenting the Reserve Bank's views on a myriad of topics such as global cooperation on financial stability; resilience of non-banking financial institutions (NBFIs); crypto-assets; cross-border payments; cyber and operational resilience; and financial risks from climate change. During the year, the Department provided inputs on key FSB reports such as the G20 roadmap for enhancing cross-border payments; over the counter (OTC) derivatives market reforms; enhancing the resilience of NBFIs; global monitoring report (GMR) on non-bank financial intermediation; and global regulatory framework for crypto-asset activities.

X.34 Additionally, the Department contributed to various surveys conducted by the FSB including its annual monitoring exercise; survey on progress on implementing the recommendations on legal entity identifier (LEI) adoption; annual questionnaires on implementation of OTC derivatives market reforms, and the implementation of the FSB policy recommendations on securities financing transactions (SFTs). The Department was actively involved in providing inputs for the '12th India-UK Economic and Financial Dialogue-Joint Statement', and quarterly meetings of the 'India-USA Economic & Financial Partnership (EFP)'.

Agenda for 2024-25

X.35 During the year, the Department will focus on the following aspects of the Reserve Bank's international engagements:

- SAARC currency swap framework for 2024-26 (*Utkarsh* 2.0);
- IMF-WB Joint Quinquennial Surveillance - Financial Sector Assessment Program (FSAP) for India 2024 (*Utkarsh* 2.0); and
- As chair of the SEACEN Centre for the year 2024, the Reserve Bank would host the 17th SEACEN high-level seminar and the 23rd meeting of the SEACEN Executive Committee.

4. GOVERNMENT AND BANK ACCOUNTS

X.36 The Department of Government and Bank Accounts (DGBA) manages the functions of the Reserve Bank as the banker to banks and banker to governments, besides maintaining internal accounts and formulating accounting policies of the Reserve Bank.

Agenda for 2023-24

X.37 The Department had set out the following goal for 2023-24:

- Implementing payments under the centrally sponsored schemes (CSS) in phases through integration between *e-Kuber* and government system (Paragraph X.38).

Implementation Status

X.38 SNA-SPARSH[5] for release of CSS funds through an integrated framework of public financial management system (PFMS), state integrated financial management and information system (IFMIS) and *e-Kuber* system of the Reserve Bank was implemented during the year (Box X.2). As on March 31, 2024, seven state

Box X.2

Initiatives for Ushering in Efficiency in Government Payment - Implementation of CSS

The Reserve Bank, in coordination with governments (centre and states) has been taking various initiatives for increasing efficiency in government payments, while applying the principle of 'Just-in-Time' release of funds to the extent possible to bring about more efficiency in government's cash management system. SNA-SPARSH is another alternative fund flow mechanism for releasing CSS funds at both centre and state levels through an integrated framework. The Department of Expenditure, Ministry of Finance, Government of India, had prescribed guidelines for SNA-SPARSH on July 13, 2023, the salient features of which are as under:

- The Reserve Bank functions as primary banker to the governments without involvement of agency bank;
- Ministry/Department concerned of the Government of India shall open a drawing account with the Reserve Bank under the existing User Defined Customer Hierarchy (UDCH) code;
- State government will designate a single nodal agency (SNA) for implementing each state linked scheme (SLS) corresponding to a CSS. State government shall open SLS-wise drawing accounts of SNA in the Reserve Bank;
- At the beginning of a financial year, the Ministries/ Departments will create a 'mother sanction' in PFMS for a state for a CSS. The 'mother sanction' will define state-wise drawing limit of the Ministry/Department for that CSS;
- State government will share the consolidated (centre *plus* state share) payment file with PFMS for advance release of central share after which, the Ministry/ Department concerned will generate sanction for the transfer of central share of funds from centre's drawing account to the state's drawing account. Relevant details of sanction will be informed by PFMS to *e-Kuber* in the form of an e-payment file. Thus, state's drawing account shall be pre-funded with central share. After release of central share of funds, the 'mother sanction' for the centre's drawing account for the scheme for the state will be reduced by an equivalent amount;
- Upon receipt of central share, the consolidated payment file will be auto pushed from state treasury system to *e-Kuber,* which will debit the state's drawing amount by the total amount of the payment file and release payments to vendors/beneficiaries as per the instructions contained in the payment file. The e-*Kuber* will share the debit notification of this payment with both PFMS and state IFMIS; and
- Funds will remain in respective consolidated funds and will be released to the beneficiaries/vendors 'Just-in-Time'.

Six schemes and ten states[6] have been identified by the Ministry of Finance, Government of India as at end-December 2023 for pilot run of the project.

Source: RBI.

[5] Single Nodal Agency - *Samayochit Pranali Akikrut Sheeghra Hastantaran* (SNA-SPARSH) is a real time system of integrated quick transfers.

[6] Rajasthan, Karnataka, Odisha, Telangana, Jharkhand, Chhattisgarh, Gujarat, Andhra Pradesh, Bihar and Assam.

governments have gone live on this integrated platform along with the central government. Further expansion of the scheme will be done in consultation with Department of Expenditure, Ministry of Finance, Government of India.

Major Developments

Initiatives for Bringing in Efficiency in Government Reporting Systems

X.39 During the year, one state government went live for the functionality of receiving clearance memo and fax message reports in XML[7] format through Secure File Transfer Protocol (SFTP). With this, three state governments (*viz.,* West Bengal, Tamil Nadu and Punjab) are now live for this functionality.

Stabilisation of Government Initiatives Already Undertaken

X.40 As part of the endeavour by the Reserve Bank to continuously upgrade and enhance the process of government banking by way of integration of various government payments and receipts with the Reserve Bank's *e-Kuber* system during the year, the Tax Information Network (TIN 2.0), which replaced the Online Tax Accounting System (OLTAS) with enhancements and modifications, has stabilised. The integration of state governments and union territories (UTs) with the Reserve Bank's system for processing of online Memorandum of Error (MoE) cases related to goods and services tax (GST) was taken forward by including the states of Goa and West Bengal in the list of states integrated for the same, while user acceptance testing process is underway for the state of Meghalaya and two UTs (Delhi and Lakshadweep).

Appointment of Agency Banks

X.41 The Reserve Bank has entered into agreements with scheduled commercial banks (SCBs) as its agents as per Section 45 of the RBI Act, 1934, which provides for the appointment of banks as agents at all places or at any place in India, for purposes that the Reserve Bank may specify. During the year, a foreign bank working as a wholly owned subsidiary in India was also appointed as an agency bank, thereby increasing the total number of agency banks to 33.

Initiatives for Interaction with all Stakeholders for Exchange of Feedback

X.42 A meeting was organised with the officials of Office of the Comptroller and Auditor General of India and all the Accountant Generals of states/ UTs at New Delhi on September 22, 2023, which was the first such initiative by the Reserve Bank. Similarly, a meeting was organised with the government business heads of the 33 agency banks, and stakeholders from select states at New Delhi on December 1, 2023. These meetings were conducted for enabling broader discussions amongst the various stakeholders to resolve past pending issues, and steps to be followed by the agency banks for integrating with the Reserve Bank's *e-Kuber* system for various business processes.

Agenda for 2024-25

X.43 The Department proposes the following agenda for 2024-25:

- Implementation of centrally sponsored schemes through integration of *e-Kuber* with government system for the notified states (*Utkarsh* 2.0).

[7] eXtensible Markup Language.

5. MANAGING FOREIGN EXCHANGE RESERVES

X.44 The reserve management function continued to be challenging with increased geopolitical risks and financial market volatility. The sequence of synchronised global monetary tightening in 2022-2023 impacted fixed income investors, leading to valuation adjustments. The expected cuts in policy rates by central banks in 2024 and other policy calibrations could bring new dynamics to risks and rewards in conducting investment operations of portfolio manager.

X.45 In sync with the broader principles of reserve management (*viz.,* safety, liquidity and return), the Department of External Investments and Operations (DEIO) continued to operate in that order for the management of foreign exchange reserves (FER). The FER increased by 11.7 per cent during 2023-24 as against a decrease of 4.7 per cent during 2022-23. The Department also sustained its endeavour to ensure diversification of forex reserves by exploring new asset classes/jurisdictions for deployment of foreign currency asset (FCA) as per its defined policy objectives.

Agenda for 2023-24

X.46 The Department had set out the following goals for 2023-24:

- To ensure effective execution of the reserve management functions by implementing the Next Generation Treasury Application (NGTA) [*Utkarsh* 2.0] (Paragraph X.47);
- As part of the Reserve Bank's quest for enhancing the role of the Indian Rupee (INR) globally, and given the Department's unique position in assessing the international economic and monetary environment, it would work towards further internationalisation of the INR. Further, the Department would promote the use of INR and other domestic currencies in the Asian Clearing Union (ACU) mechanism (*Utkarsh* 2.0) [Paragraph X.48-X.49]; and
- Continue to actively manage the forex reserves and adopt strategies for enhancing returns, while conforming to the broad objectives of reserve management (Paragraph X.50).

Implementation Status

X.47 The Department is in the process of implementing NGTA and made progress during the year.

X.48 Out of short-term goals identified in the report of the Inter Departmental Group (IDG) on internationalisation of INR, partial achievements in implementation of the recommendations have been made, *viz.*, provision of export incentives for trade settlement in INR through special rupee vostro accounts; inclusion of government bonds in JP Morgan GBI-EM Global Index from June 2024; recognition of INR as designated foreign currency by Central Bank of Sri Lanka; entering into a Local Currency Settlement (LCS) MoU with the Central Bank of UAE[8] and Bank

[8] The Reserve Bank signed a memorandum of understanding (MoU) with the Central Bank of UAE (CBUAE) on July 15, 2023, for establishing a framework to promote the use of local currencies, *viz.*, INR and UAE Dirham (AED) for cross-border transactions. The MoU aims to put in place a local currency settlement system (LCSS) to promote bilateral usage of INR and AED. The creation of LCSS would enable exporters and importers to generate invoice and pay in their respective domestic currencies, which in turn would enable the development of INR-AED foreign exchange market.

Indonesia (BI)[9]; and enabling UPI Quick Response (QR) Code, RuPay card issuance and acceptance of peer-to-peer (P2P) remittance through live fast payment systems in several countries.

X.49 The Reserve Bank conducted virtual workshops and shared an in-house booklet with member central banks of the ACU, providing a broad framework for the potential use of domestic currencies in the ACU mechanism.

X.50 With the objective of portfolio diversification, the Department has explored a few non-traditional markets and products/instruments for augmentation of returns.

Agenda for 2024-25

X.51 The Department has set the following goals for 2024-25:

- To adopt global processes and investment frameworks to provide a leadership role to central bank peers in reserve management;
- To encourage internationalisation of INR in its pursuit for bringing efficiency in the trade settlements through local currency; and
- To formulate an operational mechanism for trade settlement using INR under the ACU mechanism (*Utkarsh* 2.0).

6. ECONOMIC AND POLICY RESEARCH

X.52 As the knowledge centre of the Reserve Bank, the Department of Economic and Policy Research (DEPR) provides analytical and research-based inputs on an ongoing basis for policy formulation. Various statutory and non-statutory reports of the Reserve Bank are prepared, besides compilation and dissemination of key primary and secondary data. The Department publishes research papers/articles on topical macroeconomic and financial issues, releases studies involving collaborative research by the Reserve Bank's staff with external researchers and supports the work of technical groups/committees constituted by the Reserve Bank from time to time.

X.53 The compilation and dissemination of primary statistics on monetary aggregates, balance of payments, external debt, effective exchange rates, combined government finances, household financial savings and flow of funds was completed within stipulated timeframes, while maintaining the data quality. An all-India survey of farmers, traders and retailers in *mandis* on understanding price dynamics of major agricultural commodities and identifying ways to improve value chains was undertaken to understand the price formation process in agricultural supply chains.

Agenda for 2023-24

X.54 During 2023-24, the Department had set the following goals:

- Publication of a minimum of 100 research papers while improving the quality of analysis with adequate coverage of emerging issues (*Utkarsh* 2.0) [Paragraph X.55-X.56];

[9] The RBI and the BI signed a MoU on March 7, 2024 for establishing a framework to promote the use of local currencies, *viz.,* INR and Indonesian Rupiah (IDR) bilaterally, for cross-border transactions. The LCSS MoU covers all current account transactions, permissible capital account transactions and any other economic and financial transactions as agreed upon by both countries. This framework would enable exporters and importers to invoice and pay in their respective domestic currencies, which in turn would enable the development of an INR-IDR foreign exchange market. Use of local currencies would optimise costs and settlement time for transactions.

- Studies on various topical issues having policy relevance (Paragraph X.56);
- Development of a global monetary policy and global spillovers dashboard and spillovers indices (*Utkarsh* 2.0) [Paragraph X.57]; and
- Development of a global supply chain monitoring framework (*Utkarsh* 2.0) [Paragraph X.57].

Implementation Status

X.55 During 2023-24, the Department released the Reserve Bank's flagship statutory reports, *viz.,* the Annual Report and the Report on Trend and Progress of Banking in India in a timely manner. The report titled "State Finances: A Study of Budgets – 2023-24", the Handbook of Statistics on Indian States 2022-23 and a study on Finances of *Panchayati Raj* Institutions were also released. In addition, the Report on Currency and Finance 2022-23, carrying the theme "Towards a Greener Cleaner India" was released.

X.56 The Department published 102 research papers/articles during the year covering issues like (a) fiscal costs and macroeconomic ramifications of reverting to the old pension scheme in states; (b) the impact of G-sec yield movements on bank profitability in India; (c) assessing the oil price trajectory; (d) COVID-19 pandemic and the resilience of India's research and development expenditure; (e) analysis of inflation expectations; (f) decoding monetary policy expectations from financial data; and (g) inflation forecasting in India with machine learning techniques. Various emerging areas such as the digital payments ecosystem were also covered as part of the Department's research.

X.57 The Department released the KLEMS (capital, labour, energy, material and services) data for the year 2021-22 along with manual in January 2024. A dashboard for global supply chain monitoring was developed by incorporating indicators such as freight rates, waiting time, a global supply chain pressure index (GSCPI) and an index of supply chain pressures for India (ISPI). The global monetary policy and spillovers dashboard was completed to strengthen measurement of external spillovers.

Other Initiatives

X.58 During the year, the DEPR Study Circle, an in-house discussion forum, organised 19 seminars/presentations of research papers on diverse topics. The Department also organised the Sixth Asia KLEMS International Conference at Lonavala in June 2023.

X.59 The Department organised a number of events during the year. The Eighteenth L. K. Jha Memorial Lecture was delivered by Professor Lawrence H. Summers, President Emeritus, Harvard University on "Global Economic Possibilities for Our Children" on September 26, 2023. The Eighteenth C. D. Deshmukh Memorial Lecture was delivered on December 15, 2023 by Professor Arvind Panagariya, Professor of Economics and the Jagdish Bhagwati Professor of Indian Political Economy at Columbia University, on "India at 125: Reclaiming the Lost Glory and Returning the Global Economy to the Old Normal". The Sixth P.R. Brahmananda Memorial Lecture was delivered on February 22, 2024 by Dr. Rakesh Mohan, President Emeritus and Distinguished Fellow, Centre for Social and Economic Progress (CSEP), New Delhi on "Escaping the Low Middle-Income Trap: The Imperatives of State Strengthening". Shri Vijay Gokhale, former Foreign Secretary, Government of India, delivered a talk on “Geopolitics of the Indo-Pacific: Implications for the Next Decade” on August 24, 2023.

X.60 During the year, the Central Library facilitated uninterrupted online access to various databases and other reference resources required for undertaking research. The RBI Archives accessioned files and photographs from various central office departments, regional offices and training establishments, and digitised about 5.05 lakh pages during the year.

X.61 The Reserve Bank provides financial support for external research activities through the RBI Professional Chairs and Corpus Fund Scheme in pursuance of Section 17(15B) of the Reserve Bank of India Act, 1934. At present, 19 RBI Professional Chairs have been established at various research institutes/universities in India. During the year, the research activities by the RBI Chairs covered areas, such as monetary policy transmission, financial inclusion, unemployment, productivity, global value chains, micro, small and medium enterprises and fiscal policy, while also exploring new emerging areas of CBDC, digitalisation, machine learning and climate change-related risks.

Agenda for 2024-25

X.62 The Department’s agenda for 2024-25 will focus on achieving the following goals:

- Publication of a minimum of 100 research papers while maintaining and enhancing quality of analysis and coverage (*Utkarsh* 2.0);
- Preparation of a study on new digital economy and the productivity paradox (*Utkarsh* 2.0);
- Publication of a joint Report with ICRIER[10] on “Food Inflation Projection Framework” (*Utkarsh* 2.0); and
- To strengthen inputs for policymaking, with studies on the “balance sheet channel of monetary policy transmission”, “dynamics of inflation surges in India”, “global value chain participation by India and its impact on productivity” and “financial inclusion and its impact on monetary policy effectiveness in India”.

7. STATISTICS AND INFORMATION MANAGEMENT

X.63 The Department of Statistics and Information Management (DSIM) continued with its core functions of compilation, analysis and dissemination of macro-financial statistics. It focused on refining data quality and data collection mechanisms and enhancing the information management system by deploying the latest technologies. The Reserve Bank’s next generation data warehouse, *viz.*, Centralised Information Management System (CIMS), was launched to usher in a major shift in the Reserve Bank’s framework for handling increasingly large data flows, aggregation, analysis, public dissemination and data governance. The CIMS uses state-of-the-art technology to manage big data and will also serve as a platform for ‘power users’ to carry out data analysis and text mining, visual analytics and advanced statistical analysis of cross domain data. In addition, the Department extended the reach of its household surveys to cover rural and semi-urban areas on a pilot basis. Availability of detailed banking statistics with higher frequency was ensured, while reducing publication lags and reporting burden on banks.

[10] Indian Council for Research on International Economic Relations.

Further, the Department actively engaged in statistical and analytical research and provided inputs for policy formulation.

Agenda for 2023-24

X.64 The Department had set out the following goals for 2023-24:

- Building an advanced analytical environment in a state-of-the-art data portal and customised dashboards for users (*Utkarsh* 2.0) [Paragraph X.65];
- Implementing the remaining modules of CIMS; providing query and visualisation tools; onboarding all the regulated entities; and decommissioning old systems [centralised database management system (CDBMS) and an eXtensible business reporting language (XBRL) portal] (Paragraph X.65);
- Extending the Reserve Bank's regular household surveys to rural and semi-urban areas (*Utkarsh* 2.0) [Paragraph X.66];
- Refining data quality for banking returns using artificial intelligence (AI)/machine learning (ML) techniques (*Utkarsh* 2.0) [Paragraph X.66]; and
- Building additional high-frequency indicators of economic activity by using non-traditional data (Paragraph X.66).

Implementation Status

X.65 The Reserve Bank's next generation data warehouse, *viz.*, CIMS, was launched on June 30, 2023 for reporting by SCBs. It was extended for data submission by other regulated entities [such as cooperative banks and non-banking financial companies (NBFCs)] in a phased manner. Several seminars, workshops and awareness sessions were organised for various stakeholders to ensure a smooth transition to the new system.

X.66 In order to complement the regular urban household surveys, a new bi-monthly survey covering both consumer sentiments and expectations on major economic parameters is being conducted in rural and semi-urban areas on a pilot basis. The coverage of the rural consumer confidence survey (RCCS) has been gradually extended to 74 districts in 26 states/ union territories, involving over 8,000 households in each survey round. Data quality validation, including outlier detection techniques for banking returns, was refined on the basis of tree-based ML algorithms and deep learning methods as part of a toolbox with a user interface. Exploration of non-traditional data sources was enhanced to complement the existing statistical efforts. A natural language processing (NLP) and ML based system for regular tracking of business outlook from media communications by large corporates has been developed to complement the regular enterprise surveys. In-season periodic crop production assessment was also carried out for select major agricultural commodities using remote sensing data.

Other Initiatives

X.67 The frequency of the Basic Statistical Return - 2 (BSR-2), *i.e.*, survey on deposits with SCBs excluding regional rural banks (RRBs) has been changed to quarterly from annual since the March 2023 round. Age-group distribution of individuals' deposits has been introduced in BSR-2 and information on the same is being released since the March 2023 round.

X.68 The comprehensive credit information repository (CCIR) system has been developed and it is ready for pilot runs with select SCBs. A statistical data and metadata eXchange (SDMX) manager module has been developed in CIMS. Element-based repository (EBR) has been developed, with about 1,000 data elements and related SDMX artefacts.

X.69 Big data technologies, including AI/ML techniques, are increasingly being used to analyse unstructured and high frequency information to derive relevant results and support policy making. These, *inter alia*, include development of media sentiment indices for key macroeconomic indicators and regular assessments of the Reserve Bank's policy communication through different channels, including media reception and impact on financial markets, by using NLP techniques.

X.70 The Department continued with its efforts to refine the methodologies for assessment and forecasting of key macroeconomic indicators. This, *inter alia,* included detailed analysis of inflation variations across states in view of repeated adverse supply shocks (please refer to Section II.3: Price Situation).

X.71 The Reserve Bank signed a memorandum of understanding (MoU) with the India Meteorological Department (IMD) on March 14, 2024 for more collaboration on climate and weather services with seamless sharing of information, and augmenting analytical and forecasting capabilities especially for production and prices of agricultural commodities. It would bring together observational as well as research capacities of the two institutions to improve collective understanding of extreme events and their impact analysis, and explore future areas of mutual interest aimed at fostering the development of a forward-looking knowledge base.

Agenda for 2024-25

X.72 The Department will focus on the following goals during 2024-25:

- Development and implementation of standard data query engine (DQE) for metadata-based data access and visual analytics;
- Statistical data and metadata eXchange (SDMX) standard data reporting by major regulated entities, comprising 90 per cent of banking business (*Utkarsh* 2.0);
- Mobile-based application for public access of the Database of Indian Economy (DBIE) portal;
- Development of framework for domestic/ foreign borrowing of major companies and financial accounts linkage (*Utkarsh* 2.0);
- Development of high-frequency indicators of economic activity using non-traditional data, including non-text data such as satellite imagery data (*Utkarsh* 2.0); and
- Refining the Reserve Bank's data governance framework (DGF) by implementing global data quality assessment framework (*Utkarsh* 2.0).

8. LEGAL ISSUES

X.73 The Legal Department is established for examining and advising on legal issues, and for facilitating the management of litigation on behalf of the Reserve Bank. The Department functions as the secretariat to the Appellate Authority under the Right to Information Act, 2005 and represents the Reserve Bank in the hearing of cases before the Central Information Commission. The Department extends legal support and advice to the Deposit Insurance and Credit Guarantee

Corporation (DICGC), CAFRAL[11], and other RBI-owned institutions on legal issues, litigation and court matters.

Agenda for 2023-24

X.74 The Department had set out the following goals for 2023-24:

- Upgrading the Case Management System (CaMS) to CaMS 2.0 for enabling: (a) integration with external judicial websites for real time case status; (b) access to CaMS over internet, facilitating 'work from anywhere' mode (*Utkarsh* 2.0) [Paragraph X.75];
- Drafting and publishing a Legal Department Manual for the internal use of the Reserve Bank (*Utkarsh* 2.0) [Paragraph X.75]; and
- Digitisation of available/existing legal records and providing their access to the users (Paragraph X.75).

Implementation Status

X.75 All modules of CaMS - the workflow automation process application of the Legal Department developed by Reserve Bank Information Technology Private Ltd. (ReBIT) - have been deployed. Work on the Legal Department's Manual is at an advanced stage, and shall be published shortly.

Other Developments

X.76 The following important legislations/regulations concerning the financial sector were brought in/amended during the year:

- *Enactment of the Digital Personal Data Protection Act, 2023:* The Digital Personal Data Protection Act, 2023 received the assent of the President on August 11, 2023. The Act, according to its Preamble, provides for the processing of digital personal data in a manner that recognises both the right of individuals to protect their personal data and the need to process such personal data for lawful purposes and for matters connected therewith or incidental thereto. The Act shall come into force on such date, or different dates for different provisions, as the central government may notify in the official gazette;
- *Enactment of the Jan Vishwas (Amendment of Provisions) Act, 2023*: The *Jan Vishwas* (Amendment of Provisions) Act, 2023, which amends certain enactments for decriminalising and rationalising offences to further enhance trust-based governance for ease of living and doing business, received the assent of the President on August 11, 2023. The Act makes amendments to certain provisions of the following legislations which are administered by the Reserve Bank or which are related to the functions of the Reserve Bank: (i) Government Securities Act, 2006; (ii) the High Denomination Banknotes (Demonetisation) Act, 1978; (iii) the Public Debt Act, 1944; (iv) the Deposit Insurance and Credit Guarantee Corporation Act, 1961; (v) the Factoring Regulation Act, 2011; (vi) the National Bank for Agriculture and Rural Development Act, 1981; (vii) the National Housing Bank Act, 1987; (viii) the Payment and Settlement Systems Act, 2007; and (ix) the Prevention of Money Laundering Act, 2002. The Act

[11] Centre for Advanced Financial Research and Learning.

shall come into force on such date, or different dates for different enactments, as the central government may notify in the official gazette; and

- *Amendment to the Multi-State Co-operative Societies Act, 2002:* The Multi-State Co-operative Societies (Amendment) Act, 2023 amended the Multi-State Co-operative Societies Act, 2002. The amendment aims to, *inter alia,* strengthen governance and enhance transparency in the multi-state cooperative societies by supplementing existing legislation and incorporating the provisions of Ninety-seventh Constitutional Amendment. A proviso has been inserted in Section 120B of the Act, stating that in case of a multi-state co-operative society carrying on the business of banking, the provisions of the Banking Regulation Act, 1949 shall also apply.

Agenda for 2024-25

X.77 In 2024-25, the Department will focus on the following goals:

- Digitisation of court case files of the Reserve Bank for getting uploaded on *VIDHICaMS* and updation of case status (*Utkarsh* 2.0);
- Organising training programmes on drafting of regulation; and
- Harmonisation of the Reserve Bank's statutory regulations.

9. CONCLUSION

X.78 The Reserve Bank deployed multiple channels of communication covering a wide spectrum of audience to maintain and strengthen public confidence in its policy actions for a more effective policy implementation. The international economic and financial relations were deepened through regular engagement with the international organisations and multilateral bodies. The Reserve Bank organised several events to enhance public awareness about the G20 and India's G20 Presidency priorities. An integrated framework was created for transfer of funds for centrally sponsored schemes (CSS) on a real time basis through gradual onboarding of all concerned stakeholders. The foreign exchange reserves, which provide cushion in managing the exchange rate volatility, were managed prudently. Economic research activities were sustained and sharpened by undertaking studies on a gamut of topical and emerging macroeconomic and financial issues. The statistics and information management system was further strengthened by upgrading data warehouse with state-of-the-art technologies. A robust legal framework for the financial sector was also ensured through relevant amendments in the extant regulations.

XI GOVERNANCE, HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

During the year, the Reserve Bank continued to focus on upscaling its human resources through new recruitments and training programmes while catering to the general well-being of its employees. A review of the implementation status of milestones set for its medium-term strategy framework for the period January 2023 to December 2025 (Utkarsh 2.0) was also undertaken. Several measures were initiated for strengthening risk monitoring and internal audit mechanism in the Reserve Bank.

XI.1 This chapter discusses key aspects of the Reserve Bank's organisational functioning - governance, human resource management, risk monitoring and corporate strategy and budgeting - apart from covering the activities of departments dealing with internal audit, Rajbhasha and premises. The chapter reviews the major developments, evaluates their outcomes during 2023-24 *vis-à-vis* the goals set at the beginning of the year and sets out priorities for 2024-25.

XI.2 With the objective of building and maintaining an efficient and motivated workforce, the Human Resource Management Department (HRMD) continued to upscale the skillset of the workforce through recruitment and training, besides focusing on the staff welfare measures. The Department also conducted emotional intelligence (EI) workshops for its senior executives.

XI.3 The Risk Monitoring Department (RMD), as the centralised risk unit in the Reserve Bank, further strengthened the internal risk governance through new policies on outsourcing risk, model risk and risk culture, besides carrying out a comprehensive review of the incident reporting framework. The Department also focused on propagation of risk culture and risk awareness through a formal framework for risk awareness, launch of an e-learning course for employees, and formulation of a risk dashboard.

XI.4 During the year, the Inspection Department upgraded its existing application, *viz*., audit management and risk monitoring system (AMRMS). The upgraded application, rechristened as audit management system (AMS), includes dashboards, visual analytics and can accommodate any type of audit in the Reserve Bank in addition to the existing audits; and facilitate providing effective risk assurance under its enterprise-wide risk management (ERM) framework.

XI.5 The Corporate Strategy and Budget Department (CSBD) strengthened the business continuity management (BCM) framework by reviewing extant policy as per global benchmarks. It also reviewed the implementation status of milestones set under *Utkarsh* 2.0.

XI.6 The Rajbhasha Department ensured the progressive use of Hindi in the Reserve Bank and effectively monitored the compliance of various statutory requirements under the Official Language Policy. The Department also conducted conferences, training programmes, competitions and encouraged creative writing in Hindi for the staff through its in-house publications.

XI.7 The Premises Department pursued its mandate of creating, maintaining and upgrading the Reserve Bank's infrastructure while integrating architectural excellence with environmental concerns. During the year, besides making progress in completion of ongoing construction projects, the Department updated its operating manual.

XI.8 This chapter is organised into nine sections. The developments relating to the governance structure of the Reserve Bank are set out in section 2. Section 3 outlines the initiatives undertaken by the HRMD during the year in the areas of human resource management and development. The progress on enterprise-wide risk management framework is presented in section 4. The activities of the Inspection Department and the CSBD are discussed in sections 5 and 6, respectively, while those of Rajbhasha and Premises departments are presented in sections 7 and 8, respectively. The chapter has been summarised at the end.

2. GOVERNANCE STRUCTURE

XI.9 The Central Board of Directors is entrusted with the governance functions of the Reserve Bank in accordance with the Reserve Bank of India (RBI) Act, 1934. It comprises the Governor as the Chairperson, Deputy Governors, and Directors nominated by the Central Government. There are four Local Boards, one each for the Northern, Southern, Eastern and Western areas, to advise the Central Board on matters referred to them and perform duties delegated to them by the Central Board. Members of the Local Boards are also appointed by the Central Government in accordance with the RBI Act, 1934.

XI.10 The Central Board is assisted by three Committees: the Committee of the Central Board (CCB); the Board for Financial Supervision (BFS); and the Board for Regulation and Supervision of Payment and Settlement Systems (BPSS). These Committees are headed by the Governor. In addition, the Central Board has five Sub-Committees: the Audit and Risk Management Sub-Committee (ARMS); the Human Resource Management Sub-Committee (HRM-SC); the Building Sub-Committee (B-SC); the Information Technology Sub-Committee (IT-SC); and the Strategy Sub-Committee (S-SC). Each of these Sub-Committees is headed by an external Director.

Meetings of the Central Board, CCB and Local Boards

XI.11 The Central Board held six meetings during 2023-24.

XI.12 The CCB held 46 meetings during 2023-24, 34 of which were held as e-meetings and 12 in person. The CCB attends to the current business of the Reserve Bank, including approval of its Weekly Statement of Affairs.

Central Board/Local Boards

XI.13 During 2023-24, a Standing Committee of the Central Board consisting of two external Directors functioned in *lieu* of the Northern, Western, Eastern and Southern Area Local Boards. The Standing Committee held two meetings each for Northern, Western, Eastern and Southern Areas during 2023-24. The details of participation of Directors/Members in meetings of the Central Board, its Committees and Sub-Committees and the Standing Committee of the Central Board in *lieu* of Local Boards are given in Annex Tables XI.1-4.

XI.14 The term of Shri Mahesh Kumar Jain as Deputy Governor, Reserve Bank of India ended on June 21, 2023.

XI.15 The Central Government appointed Shri Swaminathan J. as Deputy Governor, Reserve Bank of India, for a period of three years from the date of joining the post or until further orders, whichever is earlier. Shri Swaminathan J. assumed office on June 26, 2023.

XI.16 The Central Government re-appointed Shri M. Rajeshwar Rao as Deputy Governor, Reserve Bank of India, for a period of one year with effect from October 9, 2023 or until further orders, whichever is earlier.

XI.17 The Central Government re-appointed Dr. Michael Debabrata Patra as Deputy Governor, Reserve Bank of India for a further period of one year with effect from January 15, 2024 or until further orders, whichever is earlier.

XI.18 The Central Government re-appointed Shri T. Rabi Sankar as Deputy Governor, Reserve Bank of India for a period of one year with effect from May 3, 2024 or until further orders, whichever is earlier.

Executive Directors

XI.19 Executive Directors Shri Jose J. Kattoor, Dr. Sitikantha Pattanaik and Shri Ajay Kumar Choudhary superannuated on June 30, 2023, September 28, 2023 and October 31, 2023, respectively. Executive Director Shri Deepak Kumar voluntarily retired on April 30, 2024. Shri Neeraj Nigam was promoted as Executive Director on April 3, 2023; Shri P. Vasudevan on July 3, 2023; Shri Muneesh Kapur on October 3, 2023; Shri Manoranjan Mishra on November 1, 2023; and Shri R. Lakshmi Kanth Rao on May 9, 2024.

3. HUMAN RESOURCE DEVELOPMENT INITIATIVES

XI.20 The Reserve Bank has a wide canvas of operations, requiring diversified skills and a robust set of internal capabilities to fulfil its mandate. The HRMD plays the role of an enabler and a facilitator to build and maintain an efficient and motivated workforce in the Reserve Bank. During the year, the Department continued its focus on upscaling the skillset through recruitment and training, including e-learning, and prioritised staff welfare. Major initiatives undertaken during the year in these, and other areas are highlighted below, along with a status of implementation of the agenda set for 2023-24 as also the agenda for 2024-25.

Agenda for 2023-24

XI.21 The Department had set out the following goals for 2023-24:

- Installing a robust mechanism, guided by a well-distilled policy framework, for conducting town hall meetings for the employees of the Reserve Bank in all regional offices (*Utkarsh* 2.0) [Paragraph XI.22];
- A comprehensive review of the RBI (Staff) Regulations,1948 which define the service conditions of all the employees of the Reserve Bank (*Utkarsh* 2.0) [Paragraph XI.23]; and
- In order to ensure a smoother on-boarding process for all new recruits, the Department would draw up a reference booklet (Paragraph XI.24).

Implementation Status

XI.22 A town hall initiative titled "*Vartalap*" has been launched as a measure for sustaining employee engagement on a continuous basis and to reinforce organisational values.

XI.23 A comprehensive review of the RBI (Staff) Regulations, 1948 has been undertaken to align the regulations with the current organisational realities and requirements. The proposed changes are being examined from a legal angle before adoption.

XI.24 To smoothen the on-boarding process for all new recruits, a reference booklet has been prepared to help the new recruits navigate in their initial months.

Major Developments

In-house Training

XI.25 The Reserve Bank gives emphasis on continuous skill enhancement and capacity building of its human capital. To meet this objective, the Reserve Bank has set up training establishments (TEs), *viz.,* Reserve Bank Staff College (RBSC) at Chennai; College of Agricultural Banking (CAB) at Pune; four Zonal Training Centres (ZTCs) at Mumbai (Belapur), New Delhi, Kolkata and Chennai; College of Supervisors (CoS) at Mumbai; and RBI Academy at Mumbai. Recently, the Reserve Bank has also started conducting trainings for future oriented information technology (IT) related programmes under the aegis of Enterprise Computing and Cybersecurity Training Institute (ECCTI), for which a campus is being set up at Bhubaneswar. The programmes offered by the Reserve Bank's TEs are in the format of trainings, workshops, seminars and conferences (Table XI.1). As a knowledge institution, the Reserve Bank fosters continuity in learning and development and ensures that it is in harmony with changing training needs and environment.

XI.26 The Reserve Bank's training apparatus continues to focus on upgradation of technical and behavioural skills as also emotional intelligence of employees with a view to enhancing their efficiency and effectiveness. The initiatives of the Reserve Bank for enhancing awareness and capacity building for emotional intelligence are encapsulated in Box XI.1.

Table XI.1: Programmes Conducted at Reserve Bank's Training Establishments (April - March)

Training Establishment	2021-22		2022-23		2023-24	
	Number of Programmes	Number of Participants	Number of Programmes	Number of Participants	Number of Programmes	Number of Participants
1	2	3	4	5	6	7
RBSC, Chennai	122	4,267 (325)	97	2,800 (12)	109	2,437 (42)
CoS#	43	1,726*	59	2,212*	70	2,889 (1,191)
RBI Academy	18	1,185	15	1,274	17	683 (151)
CAB, Pune	216	13,308* (134)	194	23,657*	281	44,053 (43,198)
ECCTI	-	-	-	-	23	619 (22)
ZTCs (Class I)	127	3,140	112	2,511	118	2,260
ZTCs (Class III)	109	3,920	103	3,396	107	3,084
ZTCs (Class IV)	23	820	36	983	32	843

RBSC: Reserve Bank Staff College. CAB: College of Agricultural Banking.
ECCTI: Enterprise Computing and Cybersecurity Training Institute. ZTCs: Zonal Training Centres.
: College of Supervisors (CoS) is administratively attached to Department of Supervision (DoS), Central Office.
* : Figures comprise RBI participants, non-RBI participants (domestic), foreign participants and/or participants from external institutions.
- : Not applicable.
Note: Figures in parentheses pertain to foreign participants and/or participants from external institutions.
Source: RBI.

Box XI.1

Enhancing Emotional Intelligence (EI) in the Reserve Bank

Emotional intelligence is considered as a game changer in ensuring the effectiveness of human resources at the workplace. The ability to identify one's own as well as others' emotions, regulate and appropriately express them to facilitate attainment of organisational objectives is emotional intelligence (EI). Daniel Goleman's fourfold emotional competencies framework comprising self-awareness, self-regulation, relationship management and empathy is the most widely accepted framework. Self-awareness and self-regulation are considered as personal competencies while the latter two form social competencies. Self-regulation and empathy are indispensable to EI. The importance of EI is more pronounced at senior levels in the organisation. While the intelligence quotient (IQ) peaks at a younger age, EI can be enhanced at any point in life.

Realising the need for initiative in the area of EI, the Reserve Bank has started conducting EI workshops for its senior executives and top management with the expectation that such initiatives would motivate leaders to inspire their team members to better understand the motivations and perspectives of other stakeholders, empower them to recognise and act on latent opportunities, pre-empt and resolve conflicts at an early stage and produce high performing teams.

Training at External Institutions

XI.27 The Reserve Bank nominated its officers for training programmes, seminars and conferences conducted in India and abroad, through both online and offline modes, to tap the expertise available in leading external institutes (Table XI.2). Class III and IV employees were also deputed for training in external institutions in India.

Study Schemes

XI.28 A total of 9 officers availed study leave scheme for pursuing higher studies, of which, three officers are pursuing higher studies overseas. Further, 12 officers have been selected under the Golden Jubilee Scholarship Scheme Awards 2023 to pursue their higher studies abroad.

Table XI.2: Number of Officers Trained in External Training Institutions in India and Abroad (April - March)

Year	Trained in India (External Institutions)	Trained Abroad
1	2	3
2021 - 22	326	Nil (496)
2022 - 23	401	420 (266)
2023 - 24	570	390 (29)

Note: Figures in parentheses indicate online mode.
Source: RBI.

Other Initiatives

Grants and Endowments

XI.29 As a part of its mission to promote research, training and consultancy in the banking and financial sector, the Reserve Bank provided financial support amounting to ₹35.26 crore to the Indira Gandhi Institute of Development Research (IGIDR), Mumbai; ₹12.20 crore to the Centre for Advanced Financial Research and Learning (CAFRAL), Mumbai; ₹2.95 crore to the National Institute of Bank Management (NIBM); ₹0.76 crore to the London School of Economics (LSE) India Observatory and the IG Patel Chair; and ₹0.84 crore to the Indian Institute of Bank Management (IIBM), Guwahati.

Industrial Relations

XI.30 Industrial relations in the Reserve Bank remained cordial during the year. Periodic meetings were held with recognised Associations/Federations representing officers and workmen on various matters related to service conditions and welfare measures for employees. During 2023-24, HRMD, Central Office held nine meetings with central units of recognised Unions/Associations. As per the extant instructions, regional offices (ROs) also held meetings with local units of recognised Trade Unions at quarterly/half yearly intervals.

Interface with Employees

XI.31 The Reserve Bank sustained its efforts towards developing a continuous listening culture with a view to involve employees, to harness their ideas and feedback to achieve the organisation's purposes and goals. VOICE (Voicing Opinion to Inspire, Contribute, and Excel), the initiative of the Reserve Bank, provides a platform for employees to interact in a free-flowing format with the Department. During 2023-24, the Reserve Bank conducted 14 VOICE sessions, covering around 295 participants from various ROs and the central office departments (CODs).

Recruitment and Staff Strength

XI.32 During 2023 (January-December), the Reserve Bank recruited a total of 882 employees in various cadres (Table XI.3).

XI.33 The total staff strength of the Reserve Bank as on December 31, 2023 was 13,490, an increase of 1.4 per cent from the position as at end-December 2022 (Table XI.4).

Table XI. 3: Recruitments by the Reserve Bank in 2023*

Category	Total	of which:			
		SC	ST	OBC	EWS
1	2	3	4	5	6
Class I	284	38	15	77	23
Class III	533	80	70	139	79
Class IV	65	14	18	15	5
Total	882	132	103	231	107

*: January - December, 2023.
EWS: Economically Weaker Section.
Source: RBI.

XI.34 The total strength of ex-servicemen in the Reserve Bank stood at 1,105 as on December 31, 2023, while the total number of differently-abled employees stood at 318 (Table XI.5). During January-December 2023, 18 ex-servicemen and 18 persons with benchmark disabilities (PwBD) were recruited in the Reserve Bank.

XI.35 During 2023 (January-December), four meetings between the management and representatives of the All-India Reserve Bank Scheduled Castes (SCs)/Scheduled Tribes (STs) and the Buddhist Federation were held to discuss issues pertaining to implementation of the Reserve Bank's reservation policy. Two meetings were also held with the representatives of Other Backward Classes (OBCs) Association.

Table XI.4: Staff Strength of the Reserve Bank*

Category	Total Strength		Category-wise Strength						Per cent to Total Strength		
			SC		ST		OBC		SC	ST	OBC
	2022	2023	2022	2023	2022	2023	2022	2023	2023		
1	2	3	4	5	6	7	8	9	10	11	12
Class I	6,653	7,109	1,048	1,113	459	504	1,544	1,761	15.7	7.1	24.8
Class III	3,369	3,358	541	537	228	244	1,044	1,027	16.0	7.3	30.6
Class IV	3,276	3,023	597	521	250	242	962	943	17.2	8.0	31.2
Total	**13,298**	**13,490**	**2,186**	**2,171**	**937**	**990**	**3,550**	**3,731**	**16.1**	**7.3**	**27.7**

*: End-December 2022 and end-December 2023.
Source: RBI.

Table XI.5: Total Strength of Ex-Servicemen and PwBD*

Category	Ex-Servicemen (ESM)	PwBD (Persons with Benchmark Disabilities)			
		Visually Impaired (VI)	Hearing Impaired (HI)	Orthopedically Handicapped (OH)	Intellectual Disabilities ('d')**
1	2	3	4	5	6
Class I	259	62	13	95	4
Class III	178	38	1	42	0
Class IV	668	16	6	41	0

*: As on December 31, 2023.

**: As per Rights of Persons with Disability Act, 2016, the PwBD classification is defined as: (a) blindness and low vision; (b) deafness and hard of hearing; (c) locomotor disability including cerebral palsy, leprosy cured, dwarfism, acid attack victims and muscular dystrophy; (d) autism, intellectual disability, specific learning disabilities and mental illness; and (e) multiple disabilities from amongst persons under clauses (a) to (d) including deafness-blindness.

Source: RBI.

Prevention of Sexual Harassment of Women at the Workplace

XI.36 A formal grievance redressal mechanism for prevention of sexual harassment of women at the workplace has been in place since 1998. It was strengthened with the issue of a new comprehensive set of guidelines in 2014-15 in accordance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act and Rules, 2013. During January-December 2023, ten complaints were received, and eight cases have been disposed of. Several awareness programmes on the subject were organised at various ROs and the Central Office for sensitising the staff, including the newly recruited employees.

Right to Information (RTI)

XI.37 The Reserve Bank received 20,360 requests for information and 1,626 appeals under the RTI Act during 2023-24. Seven training programmes and 99 sessions on RTI Act were also conducted during 2023-24.

Promotion of Sports and Sportspersons

XI.38 The Reserve Bank has been actively promoting sports and regularly recruits meritorious sportspersons in various disciplines and provides multifarious facilities to promote sports. The sportspersons recruited by the Reserve Bank have won medals in national and international events. Two of the Reserve Bank's employees were conferred with the Arjuna Award for the year 2022 and three employees were conferred with the Arjuna Award for the year 2023.

Organising Blood Donation Drive

XI.39 As a social responsibility measure, the offices of the Reserve Bank organised blood donation drives in tie-up with government and municipal hospitals. A total of 60 such camps were organised across the offices of the Reserve Bank and residential colonies in 2023-24, in which about 2,824 employees and their family members participated.

Vigilance-related Activities in the Reserve Bank

XI.40 The Reserve Bank's vigilance unit is under the overall charge of the Chief Vigilance Officer (CVO) and is organised on a two-tier basis with the Central Vigilance Cell (CV Cell) at the Central Office and 52 branch vigilance units (each under a branch vigilance officer) functioning in various ROs, CODs, TEs and the Deposit Insurance and Credit Guarantee Corporation (DICGC). The overall responsibility in respect of the vigilance work in the Reserve Bank, however, vests with the CV Cell, which exercises its jurisdiction over all employees of the Reserve Bank and co-ordinates the activities of the branch vigilance units. The CV Cell also maintains liaison with the Central Vigilance Commission (Commission) and the Central Bureau of Investigation (CBI). The major activities/functions of the CV Cell are as under:

a) Implementation of anti-corruption and preventive vigilance measures such as conduct of vigilance audits of the ROs/CODs/TEs, Chief Technical Examiner audit of major works and scrutiny of annual statements of assets/liabilities of employees;

b) Examination of vigilance cases, investigation and disposal of complaints received against employees from various sources, including under Public Interest Disclosure and Protection of Informers (PIDPI) Resolution, 2004;

c) Promotion of vigilance awareness among the employees of the Reserve Bank and observance of 'Vigilance Awareness Week' and training and sensitising staff on vigilance matters; and

d) Issue of instructions to the ROs/CODs/TEs on vigilance.

Agenda for 2024-25

XI.41 The roadmap for the year would include the following milestones for the Department:

- The Vision Document for Sports states the initiatives of the Reserve Bank in promoting sports related activities in a focused manner. A review and redesign of the Vision Document for Sports would be undertaken (*Utkarsh* 2.0);
- The Grade 'B' officers recruited by the Reserve Bank are exposed to development centre workshops (DCW) through which their core competencies and other abilities are assessed, and feedback provided as input for fostering their development. The design of the DCW framework would be reviewed and revamped (*Utkarsh* 2.0); and
- The Reserve Bank has entered its 90th year of existence on April 1, 2024. To commemorate this milestone in the history of the Reserve Bank, various activities/events will be organised during the year.

4. ENTERPRISE-WIDE RISK MANAGEMENT

XI.42 The Risk Monitoring Department (RMD) is the nodal department for formulation and operationalisation of enterprise-wide risk management (ERM) framework in the Reserve Bank. During the year, the Department followed a three-pronged approach of strengthening extant risk controls, developing new frameworks for widening the coverage of risks, and placing special emphasis on fostering risk culture and risk awareness in the organisation. With the concerted efforts of the Department and all stakeholders, the operational risk management maturity of the Reserve Bank has progressed from "managed" category to "advanced" category as per international peer group assessment/standards. The Reserve Bank of India has been awarded the "Risk Manager of the Year 2024" by Central Banking, UK.

Agenda for 2023-24

XI.43 The Department had set out the following goals for 2023-24:

- The extant frameworks of incident reporting and risk register will be reviewed to enable business areas to identify primary risk drivers and forecasting of risks along with scenario analysis (Paragraph XI.44);
- A handbook for guiding risk officers in undertaking their role as risk managers in their workplace will be formulated (Paragraph XI.45);
- Formulation of key risk indicators for various business areas and a framework for management of transversal risks[1] (Paragraph XI.46);
- Conduct a holistic review of the existing Vulnerability Assessment and Penetration Testing (VAPT) policy covering aspects such as approaches to VAPT, compliances, standards, tools, and risk acceptance norms, among others. The review would also include streamlining change management process of applications and operationalisation of compliance monitoring system (Paragraph XI.47);
- Benchmarking the organisational structure and operations of RMD *vis-à-vis* international best practices and acting based on the outcome of the analysis in a phased manner (*Utkarsh* 2.0) [Paragraph XI.48];
- Benchmarking the Reserve Bank's cyber security controls based on known international standards (*Utkarsh* 2.0) [Paragraph XI.49];
- Developing a liquidity-at-risk model for the forex portfolio of the Reserve Bank (*Utkarsh* 2.0) [Paragraph XI.49];
- Operationalising a framework for assessment of emerging risks to the Reserve Bank's objectives (*Utkarsh* 2.0) [Paragraph XI.49]; and
- Operationalising a framework for fostering of risk culture in the Reserve Bank (*Utkarsh* 2.0) [Paragraph XI.49].

Implementation Status

XI.44 The incident reporting framework has been comprehensively revised, and a *'Framework for Identification and Reporting of Risk Incidents (FIRRI)'* has been implemented in the Reserve Bank since November 20, 2023. The review of risk register framework is under process.

XI.45 The Handbook for risk officers in the form of a *'Compendium of Instructions for Risk Officers'* was issued on July 24, 2023. The handbook encompasses all guidelines issued by RMD, including the roles and responsibilities of risk officers in various departments/offices of the Reserve Bank.

XI.46 The policies regarding formulation of key risk indicators for various business areas and a framework for management of transversal risks have been formulated.

XI.47 A review of extant VAPT policy has been carried out by the Department based on inputs received from various stakeholders, including application owner departments and auditors, among others. The suggestions received from the stakeholders have been incorporated in the draft policy, and the same are under examination.

XI.48 The Department conducted a study on the ERM practices being followed by several central banks and financial institutions worldwide, and

[1] Risks which result from activities/processes that are common to multiple business areas or whose materialisation could simultaneously impact different functions, areas, or activities, beyond the area or process in which the risk arises.

also the benchmark practices on ERM prescribed under the COSO[2] - ERM Framework (2017) and ISO 31000 - Risk Management Guidelines (2018). The results of the study are being integrated in the review of the ERM framework of the Reserve Bank.

XI.49 The study on the alignment of the cyber security controls with the National Institute of Standards and Technology (NIST) Cybersecurity Framework was carried out in the Department. A liquidity adjusted expected shortfall (LAES) model for assessment of liquidity risk in the forex bonds portfolio has been developed and implemented. An emerging risk scanning framework for early assessment of emerging risks that could potentially impact the achievement of the Reserve Bank's mandates, has been formulated and is under finalisation. A framework for fostering the risk culture in the Reserve Bank, comprising a risk culture policy and a risk culture self-assessment framework, has been implemented.

Other Initiatives

Examining the Use of Artificial Intelligence (AI) in the Reserve Bank

XI.50 Risk management being integral to the working of central banks, the Reserve Bank is exploring possible applications of artificial intelligence (AI) to manage the complete lifecycle of risk management (Box XI.2).

Box XI.2

Artificial Intelligence (AI) and Risk Management

The world is at a critical cross-road with artificial intelligence based cutting-edge tools/technologies turning out to be the harbinger of change in several real-world applications. Machine learning and deep learning, synonymous with AI, have become essential value-creating tools, enhancing operational efficiency in various processes and functions.

Central banks are also leveraging applications of AI as an input to policy making and supervisory processes and as a key technology-based force multiplier (Table I). Additionally, application of AI is being explored in the fields of market infrastructure and payments, cash management and operations, human resources, legal

Table I: Usage of AI in Central Banks - Some Key Areas

Supervision	IT	Economics, Finance, Statistics, Risk Management	Media and Communications
1	2	3	4
1. Trends and risk identification; 2. Anomaly detection; 3. Data collection and processing; 4. Risk alerts; and 5. Systemic surveillance.	1. Cyber-security; 2. Security operations centre analytics; 3. Anti-virus and file scanning; 4. Fraud detection; and 5. Cloud.	1. Stress testing; 2. Financial and non-financial risk management; 3. Forecasting of macroeconomic and financial variables; 4. Web-scraping and nowcasting; 5. Modelling; 6. Portfolio management; 7. Compilation of data; 8. Text mining and natural language processing; and 9. Alternate data analysis.	1. Central bank reputation assessment; 2. Chatbot; 3. Media monitoring; and 4. News monitoring.

(Contd.)

[2] The Committee of Sponsoring Organisations of the Treadway Commission (COSO) is a voluntary private-sector organisation, established in the United States, dedicated to providing guidance to executive management and governance entities on critical aspects of organisational governance, business ethics, internal control, enterprise risk management, fraud, and financial reporting. COSO has established a common internal control model against which companies and organisations may assess their control systems.

and information systems, business continuity, audit, and analytics.

Globally, traditional risk management areas like credit risk management (default/downgrade predictions), market risk management (volatility analysis), asset allocation, portfolio risk optimisation, scenario and sensitivity analysis have already seen significant advancement in the usage of AI-based tools. Moving forward, the application of AI can have a profound positive impact on the complete lifecycle of risk management, considering the ability of AI-based tools to analyse voluminous data and identify patterns, facilitating data-driven proactive risk management.

AI can be used for analysis of reported risk incidents or aggregation of audit observations across various control functions to identify trends/patterns/potential vulnerabilities. Other potential AI applications in risk management include control self-assessment, use of chatbots for assistance in risk reporting, building institutional memory on past responses to risk incidents, quality checks, identification of redundancies, and providing relevant guidance for implementation of risk tools. Usage of AI could also contribute to improving operational resilience of central banks through cyber threat-hunting and surveillance and through cloud-based tools for business continuity management.

The predictive capabilities of AI can also strengthen assessment of risks in relatively newer areas for central banks such as identification of emerging risks in the broader financial system, third-party risk evaluation, and climate and natural disaster risk assessment.

References:

1. Burgt, Joost Van Der (2019), ‘General Principles for the Use of Artificial Intelligence in the Financial Sector’, De Nederlandsche Bank, Amsterdam.
2. US Department of Commerce (2023), ‘Artificial Intelligence and Risk Management Framework’, National Institute of Standards and Technology (NIST), Washington D.C.

Outsourcing Risk Management Policy

XI.51 The Reserve Bank has implemented an enterprise-wide outsourcing risk management policy, which provides guidance on management of outsourcing risks and covers various aspects of risk management relating to vendor/service provider such as risk assessment from outsourced activities, due diligence and selection, outsourcing agreement, confidentiality and security of data, ongoing monitoring and control of outsourced activities, performance standards and sub-contracting.

Agenda for 2024-25

XI.52 For 2024-25, the following goals have been proposed for the Department:

- Analysis of the approved risk tolerance limits (RTLs) of all business areas will be undertaken to identify the inter-linkages and subsequent harmonisation of similar RTLs across departments;
- Revision of Information Security Policy, 2022 of the Reserve Bank will be carried out in order to fine-tune the present version of the policy and to provide necessary guidance in view of rapidly evolving technological adoption of AI, cloud and advanced analytics;
- Balance sheet stress testing will be undertaken with reference to simultaneous movement of exchange rate and interest rate based on scenarios derived from historical periods of market stress, augmented by forward-looking stress scenarios;
- Adopting international best practices of ERM (*Utkarsh* 2.0); and
- Assessment of emerging risks in the Reserve Bank (*Utkarsh* 2.0).

5. INTERNAL AUDIT / INSPECTION

XI.53 The Inspection Department of the Reserve Bank examines, evaluates and reports on internal control and governance processes and provides risk assurance to the top management and the Central Board through risk-based internal audit (RBIA) framework. Thus, the Department acts as the third line of defence[3] (*viz.,* risk assurance) under enterprise-wide risk management (ERM) function in the Reserve Bank and reports to Audit and Risk Management Sub-Committee (ARMS) of the Central Board. The Department also oversees the functioning of the concurrent audit (CA) system and control self-assessment audit (CSAA) in the Reserve Bank. The RBIA, CA and CSAA functions are performed through an automated system named Audit Management System (AMS). The Department acts as the Secretariat to the ARMS of the Central Board and also to the Executive Directors' Committee (EDC) in overseeing the internal audit function. Further, Zonal Inspectorates (ZIs) in five zones help the Auditee Offices (AOs) in strengthening the internal control system in the Reserve Bank by ensuring quality of compliance of various audits and assist the Department in fulfilling its mandate of providing an independent and objective risk assurance to the top management on the operations of the various business areas of the Reserve Bank.

Agenda for 2023-24

XI.54 The Department had set out the following goals for 2023-24:

- Make the RBIA more risk focused as per the measures initiated during 2022-23 (*Utkarsh* 2.0) [Paragraph XI.55];
- Stabilisation of ZIs' functioning towards material contribution on risk assurance (Paragraph XI.56);
- Development of dashboards and visual analytics reports for management information system (MIS) [*Utkarsh* 2.0] (Paragraph XI.57);
- Establishing offsite reporting in audit management and risk monitoring system (AMRMS) [*Utkarsh* 2.0] (Paragraph XI.58);
- Ready reckoner of high and medium risk paragraphs of RBIA (*Utkarsh* 2.0) [Paragraph XI.59];
- Development of various modules for compliance audit and project audit (*Utkarsh* 2.0) [Paragraph XI.59];
- Upgrading Statistical Analytics System (SAS) - Enterprise Governance Risk and Compliance (EGRC) 6.1 to SAS - Governance and Compliance Manager (GCM) 7.4 platform, for AMRMS with 2,000 user licences (Paragraph XI.59); and
- Hosting an international conference of the central bank internal auditors under the aegis of Bank for International Settlements (BIS) [Paragraph XI.60].

Implementation Status

XI.55 In order to make RBIA more risk focused, various measures including pre-inspection studies, scoping notes, defining the scope of the engagement and focus areas, thematic studies and sample testing were implemented.

[3] The first line of defence is Business Area which is primarily responsible for the identification and management of risks emanating from the area of functioning while the second line of defence is the RMD which performs the centralised risk monitoring function and the third line of defence is the Inspection Department which through the inspection and audit process performs the role of risk assurance.

XI.56 The ZIs' have analysed the compliances of the Auditee Offices (AOs) and follow-up action was undertaken for perceived lacunae in compliances. Further, ZIs provided specific inputs for scoping document along with highlights of the risks observed across the AOs.

XI.57 Dashboards and visual analytics report for MIS have been developed in the upgraded version of AMRMS, rechristened as AMS, and was operationalised on December 21, 2023.

XI.58 The off-site monitoring module was made live in AMRMS and migrated to AMS on upgradation.

XI.59 Reports of all the high and medium risk observations (including design gap observations) across all the AOs of the Reserve Bank have been made available in AMS. Development of compliance audit and project audit modules has been completed by the Department.

XI.60 The Department organised the 35th Annual Meeting of Central Banks' Internal Auditors (CBIA) group under the aegis of BIS at New Delhi during April 26-28, 2023. Besides the officials of internal audit (IA) of BIS, CBIA Secretariat, European Central Bank, Federal Reserve Bank of New York, and heads of internal audit departments of 13 central banks across Asia, Europe, North and Latin America participated in the meeting.

Major Development

XI.61 The Department released its comprehensive Internal Audit and Inspection Manual on January 1, 2024.

Agenda for 2024-25

XI.62 During the year, the Department will focus on the following goals:

- Fine-tuning of existing RBIA based on "core" and "criticality" of operations undertaken by the auditee units and make the process more risk focused;
- Review of working of Zonal Inspectorates to study their efficacy in strengthening the internal control mechanism in the Reserve Bank; and
- Carrying out thematic study on efficacy and efficiency of control self-assessment audit.

6. CORPORATE STRATEGY AND BUDGET MANAGEMENT

XI.63 The CSBD coordinates and formulates the Reserve Bank's medium-term strategy framework (*Utkarsh*), prepares its annual expenditure budget, and monitors it with a view to ensuring budgetary discipline. The Department also formulates and executes the Reserve Bank's business continuity plan for its critical operations and acts as the nodal Department for external institutions funded by the Reserve Bank. It also maintains various superannuation funds and staff welfare funds.

Agenda for 2023-24

XI.64 For 2023-24, the Department had set out the following goals:

- Revision of Reserve Bank of India Expenditure Rules (*Utkarsh* 2.0) [Paragraph XI.65];
- Preparation of business continuity management (BCM) performance evaluation template for business units of the Reserve Bank (Paragraph XI.65); and
- Review of the Reserve Bank of India Employees' Provident Fund (RBI EPF) Regulations, 1935 (Paragraph XI.65).

Implementation Status

XI.65 The Reserve Bank's Expenditure Rules, 2018 were reviewed and the revised Expenditure Rules, 2023 were rolled out with effect from October 1, 2023. To determine the effectiveness of BCM measures, a BCM performance evaluation (PE) template was implemented from 2023-24 onwards. A comprehensive review of the Reserve Bank of India Employees' Provident Fund (RBI EPF) Regulations, 1935 was undertaken by an internal working group constituted for the purpose.

Major Developments

XI.66 The 6th meeting of the Strategy Sub-Committee (S-SC) of the Central Board of Directors of the Reserve Bank was held on August 31, 2023 to review the implementation status of *Utkarsh* 2.0. Out of the 93 milestones due for completion as on March 31, 2024, 68 milestones (73 per cent) were completed, 7 milestones (8 per cent) are under various stages of completion and target dates have been extended for 18 milestones (19 per cent). Departments have also completed 9 milestones which were not due as on March 31, 2024.

XI.67 A comprehensive review of the general ledger accounts in the Reserve Bank's core banking solution was taken up during the year. Obsolete accounts were deactivated/closed to ensure proper accounting under correct heads of expenditure by the budgeting units.

XI.68 The Department continued to play a key role during the year in ensuring smooth working of critical systems and business processes in the Reserve Bank. The business continuity framework was strengthened by reviewing the BCM policy against ISO 22301:2019 standards and updating of time sensitive critical activities (TSCAs) of the business units.

XI.69 As part of corporate strategy and to cater to the general economic development of north eastern states and for deepening financial inclusion, sub-offices of the Reserve Bank were opened in Kohima (Nagaland) and Itanagar (Arunachal Pradesh) in June 2023 and October 2023, respectively. With this, the Reserve Bank has expanded its presence to all the states in the north eastern region.

XI.70 During the year, the Department conducted a review of sub-committees of the boards of all four external funded institutions (EFIs), *viz.,* CAFRAL, IGIDR, IIBM and NIBM. The Department reinforced governance of EFIs through meetings of their governing boards and sub-committees, including timely filling up of vacancies and implementing the recommendations of their review committees. A mechanism was put in place for monitoring major developments, achievements and issues in EFIs related to research and training, financials and governance on a quarterly basis.

XI.71 Workshops and awareness programmes were conducted for staff of the Reserve Bank at various locations and in training establishments to create awareness about the strategy, business continuity and budget guidelines.

Agenda for 2024-25

XI.72 The Department's agenda for the year includes the following:

- Triennial review of TSCAs of the Reserve Bank (*Utkarsh* 2.0);
- Review of the BCM systems of the Reserve Bank;
- Mid-term review of *Utkarsh* 2.0;
- Review of the budget rating framework; and
- Review of budget management of the budgeting units.

7. RAJBHASHA

XI.73 Rajbhasha Department serves as the nodal Department for implementation of Official Language Policy in the Reserve Bank. The Department has ensured the progressive use of Hindi in the Reserve Bank by chalking out an exhaustive work plan and putting in place an effective monitoring system to ensure compliance of the provisions of the Official Language Act, 1963; Rajbhasha Rules, 1976; the orders of the President of India and instructions of Government of India (GoI) and the Committee of Parliament on Official Language. The Department made concerted efforts to popularise the usage of Hindi through Hindi trainings, organising lectures and webinars and various incentive schemes. It also endeavoured to create a conducive environment for the usage of Hindi. During the year, besides meeting the requirements of Official Language Policy and the targets of the Annual Programme, the Department continued with its efforts towards bilingualisation of the Reserve Bank's publications and its website and encouraged the use of Hindi through its publications, *viz., 'Kriti-Anukriti' and* 'Banking *Chintan-Anuchintan'*.

Agenda for 2023-24

XI.74 The Department had set out the following goal for the year:

- Publication of a new edition of the 'Banking Glossary (Banking *Shabdawali)'* by December 2023 (*Utkarsh* 2.0) [Paragraph XI.75].

Implementation Status

XI.75 The new edition of the Banking Glossary (Banking *Shabdawali*) was released on February 3, 2024 during Rajbhasha Conference held at RBSC, Chennai.

Major Developments

Visits by Hon'ble Committee of Parliament on Official Language in the Reserve Bank

XI.76 The third Sub-committee of the Hon'ble Committee of Parliament on Official Language carried out inspection of Shimla, Raipur, Lucknow, Kanpur, Patna, Ranchi, Jaipur, New Delhi, Ahmedabad and Panaji offices during the year.

XI.77 Annual Rajbhasha Conference for Rajbhasha officers was organised at RBSC, Chennai during February 3-4, 2024. During the conference, papers on contemporary and important topics related to Hindi language and Rajbhasha implementation were presented and a panel discussion was also held.

Training

XI.78 During the year, 311 additional staff members passed the *Parangat* examination conducted under the Hindi Teaching Scheme, Department of Official Language, Government of India (GoI). In order to cater to the needs of all segments of the Reserve Bank staff, various training programmes were conducted throughout the year including Hindi workshop for personal secretaries on November 20, 2023; training on Parliamentary Committee inspections for Rajbhasha officers during December 4-5, 2023; and a faculty development programme for Rajbhasha officers during January 15-17, 2024.

Publications

XI.79 Aimed at encouraging creative writing in Hindi for the staff, a half yearly e-magazine '*Kriti-Anukriti*' was published that gave a wide coverage to various activities based on the Official Language Policy and its various statutory aspects, and other promotional events were organised across CODs and ROs. The new edition of Hindi Journal '*Banking Chintan-Anuchintan*' was also published during the year, covering articles on current topics of banking and finance. The evaluation of Hindi magazines published by the regional offices for promoting creative writing in Hindi was carried out and the awards were given to the winner regional offices in A, B and C regions in a prize distribution ceremony held on November 22, 2023.

Annual Work Plan

XI.80 The Department of Official Language, GoI, releases an Annual Programme for transacting the official work in Hindi wherein various targets for different areas of Hindi usage are laid out for ensuring the implementation of Rajbhasha policy related statutory provisions. Keeping in mind all the directives and implementation targets as set out in the Annual Programme issued by the GoI, an elaborate 'Annual Work Plan 2023-24' was prepared by the Rajbhasha Department. This target oriented comprehensive work plan covering all areas of policy implementation was published on April 28, 2023 and circulated to all the ROs/CODs.

Agenda for 2024-25

XI.81 During the year, the Department plans to focus on the following:

- To increase the number of sections specified to do their entire work in Hindi with an addition of 120 sections by December 2024 (*Utkarsh* 2.0);
- To increase the number of staff members proficient in Hindi by imparting training under *Parangat* course;
- To organise a special programme for the Regional Directors on inspection questionnaire of Hon'ble Committee of Parliament on Official Language;
- To impart Hindi training to the members of faculty of RBSC, Chennai and CAB, Pune;
- To organise debate competition on economic, banking and financial topics for officers at regional office and central office levels to create more awareness as part of RBI@90 celebrations;
- To provide training to newly recruited staff members in order to help them acquire the compulsory working knowledge of Hindi;
- To organise training programmes related to various Rajbhasha inspections for Rajbhasha officers; and
- To organise faculty development programme for Rajbhasha officers.

8. PREMISES DEPARTMENT

XI.82 The vision of the Premises Department is to provide 'best in class' and environment-friendly physical infrastructure by integrating architectural excellence and aesthetic appeal with green ratings in the Reserve Bank's premises while ensuring the highest level of cleanliness.

Agenda for 2023-24

XI.83 Last year, the Department had set out the following goals:

- Achieve the targets set under *Utkarsh* 2.0 (Paragraph XI.84);
- Complete construction of Dehradun office and Raipur office projects (Paragraph XI.85);
- Complete acquisition of office/residential space (Paragraph XI.85);
- Complete renovation of 25th floor, Central Office building (Paragraph XI.86);

- Take forward various construction projects currently in planning stage at various ROs (Paragraph XI.86); and
- Bring out revised edition of Premises Department Manual (Paragraph XI.87).

Implementation Status

XI.84 The Department has achieved the following goals under *Utkarsh* 2.0: (i) As against the goal for obtaining relevant green rating from IGBC/GRIHA[4] for at least 9 office buildings and 16 residential buildings by December 2025, green rating from IGBC has been received for 5 office buildings and 6 residential buildings (till end-December 2023); (ii) as against the target of achieving power consumption from renewable sources at 6.5 per cent of consumption set for period ending December 2023 (base year June 2018), 7.5 per cent has been achieved across all office premises; and (iii) the Reserve Bank has achieved energy saving of 13.9 per cent as against the target of 5.5 per cent set for period ending December 2023 (base year June 2018).

XI.85 The Reserve Bank's new office building at Dehradun was inaugurated on October 25, 2023. With respect to Raipur office building, the work is expected to be completed in the year 2024. The total additional office space requirement in Mumbai was assessed. Residential space at Mazgaon (Mumbai) and Curca village (Goa) has been acquired.

XI.86 The renovation of the 25th floor of Central Office building has been completed and the renovated floor was inaugurated on June 28, 2023. Progress is being made for various construction projects at different ROs and ZTC-cum-residential quarters at Kharghar.

XI.87 Regarding the target of bringing out the revised edition of Premises Department (PD) Manual, the work has been completed and the revised PD manual (2024 edition) has been uploaded on enterprise knowledge portal (EKP).

Major Developments

XI.88 The Reserve Bank has been generating renewable energy through solar power plants installed at various offices and residential colonies. As at end of March 2024, 28 office premises and 58 residential premises had solar power plants with solar power generation capacity at 4,028 kWp (Kilowatts peak).

XI.89 The GREEN[5] data platform which was made fully operational last year for the purpose of consolidation and analysis of data to assess Department's goals under *Utkarsh* 2.0 has been further strengthened by adding several new functional modules.

Other Initiatives

XI.90 The Department has been prioritising skill enhancement of the officials of estate departments located across various regional offices of the Reserve Bank through targeted training programmes on various functional aspects covering fixed asset policy, e-tendering through MSTC portal, procurement through Government e-Marketplace (GeM) portal, centralised insurance of assets, familiarisation

4 Indian Green Building Council (IGBC)/Green Rating for Integrated Habitat Assessment (GRIHA).

5 A web-based platform named GREEN (**G**eneration of **R**enewable **E**nergy, **E**nergy Conservation and ***N****eer* Conservation) has been developed in consultation with ReBIT for consolidation and analysis of data and information on other green initiatives and energy/ water audit received from the ROs with an aim to improve energy efficiency/conservation.

6 Software that helps in monitoring and efficiently managing the projects.

and walkthrough training programmes for smooth implementation of enterprise project management software[6]. The Department reviews the performance standards of vendors from time to time in order to strengthen them.

XI.91 The Department is at an advanced stage of updating its procurement policy and policy on disposal of surplus property. The process is expected to be completed in 2024.

Agenda for 2024-25

XI.92 For the year 2024-25, the Department has set the following goals:

- Achieve the targets set under *Utkarsh* 2.0 for December 2024;
- Complete the construction of Raipur office project;
- Take forward various construction projects currently in planning stage at various ROs; and
- Complete the acquisition of residential space in Mumbai.

9. CONCLUSION

XI.93 The Reserve Bank undertook various initiatives during 2023-24 in the areas of governance, human resources, internal audit and the corporate strategy of the Reserve Bank along with measures to align its risk management operations with global best practices. Apart from measures to upgrade, augment and diversify the internal capabilities of its human resources, the Reserve Bank also explored new initiatives such as emotional intelligence workshops for senior executives for building high performing teams. The departments have evaluated their performance relative to the goals set for the year and also set out the agenda for 2024-25 in line with the Reserve Bank's medium-term strategy framework *(Utkarsh* 2.0).

Annex

Table XI.1: Attendance in the Meeting of the Central Board of Directors during April 1, 2023 – March 31, 2024

Name of the Member	Appointed/Nominated under RBI Act, 1934	Number of Meetings Held	Number of Meetings Attended
1	2	3	4
Shaktikanta Das	8(1)(a)	6	6
Mahesh Kumar Jain*	8(1)(a)	1	1
Michael Debabrata Patra	8(1)(a)	6	6
M. Rajeshwar Rao	8(1)(a)	6	6
T. Rabi Sankar	8(1)(a)	6	6
Swaminathan J.#	8(1)(a)	5	5
Revathy Iyer	8(1)(b)	6	6
Sachin Chaturvedi	8(1)(b)	6	5
Satish Kashinath Marathe	8(1)(c)	6	4
Swaminathan Gurumurthy	8(1)(c)	6	2
Anand Gopal Mahindra	8(1)(c)	6	3
Venu Srinivasan	8(1)(c)	6	2
Pankaj Ramanbhai Patel	8(1)(c)	6	4
Ravindra H. Dholakia	8(1)(c)	6	6
Ajay Seth	8(1)(d)	6	5
Vivek Joshi	8(1)(d)	6	3

*: Deputy Governor till June 21, 2023. #: Deputy Governor *w.e.f.* June 26, 2023.

Table XI.2: Attendance in the Meeting of the Committees of the Central Board during April 1, 2023 – March 31, 2024

Name of the Member	Appointed /Nominated under RBI Act,1934	Number of Meetings Held	Number of Meetings Attended
1	2	3	4
I. Committee of the Central Board (CCB)			
Shaktikanta Das	8(1)(a)	46	39
Mahesh Kumar Jain*	8(1)(a)	11	8
Michael Debabrata Patra	8(1)(a)	46	39
M. Rajeshwar Rao	8(1)(a)	46	39
T. Rabi Sankar	8(1)(a)	46	43
Swaminathan J.#	8(1)(a)	35	31
Revathy Iyer	8(1)(b)	15	15
Sachin Chaturvedi	8(1)(b)	14	8
Satish Kashinath Marathe	8(1)(c)	37	37
Swaminathan Gurumurthy	8(1)(c)	13	2
Anand Gopal Mahindra	8(1)(c)	16	16
Venu Srinivasan	8(1)(c)	12	6
Pankaj Ramanbhai Patel	8(1)(c)	21	21
Ravindra H. Dholakia	8(1)(c)	41	41
Ajay Seth	8(1)(d)	2	2

*: Deputy Governor till June 21, 2023. #: Deputy Governor *w.e.f.* June 26, 2023.

II. Board for Financial Supervision (BFS)			
Shaktikanta Das	Chairman	15	15
Mahesh Kumar Jain*	Vice-Chairman	3	2
Swaminathan J.#	Vice-Chairman	12	12
Michael Debabrata Patra	Member	15	10
M. Rajeshwar Rao	Member	15	12
T. Rabi Sankar	Member	15	12
Satish Kashinath Marathe	Member	15	10
Sachin Chaturvedi	Member	15	11
Ravindra H. Dholakia	Member	15	11
Revathy Iyer@	Member	4	3

*: Deputy Governor till June 21, 2023.
#: Deputy Governor *w.e.f.* June 26, 2023 and nominated as Vice-Chairman from August 23, 2023.
@: Nominated as Member of BFS *w.e.f.* January 1, 2024.

III. Board for Regulation and Supervision of Payment and Settlement Systems (BPSS)			
Shaktikanta Das	Chairman	1	1
T. Rabi Sankar	Vice-Chairman	1	1
Mahesh Kumar Jain*	Member	Nil	Nil
Michael Debabrata Patra	Member	1	1
M. Rajeshwar Rao	Member	1	1
Swaminathan J.#	Member	1	1
Sachin Chaturvedi	Member	1	1
Venu Srinivasan$	Member	1	1
Ravindra H. Dholakia@	Member	1	1

*: Deputy Governor till June 21, 2023. #: Deputy Governor *w.e.f.* June 26, 2023.
@: Nominated as Member of BPSS *w.e.f.* January 1, 2024. $: Member till March 1, 2024.

Table XI.3: Attendance in the Meeting of the Sub-Committees of the Board
April 1, 2023 – March 31, 2024

Name of the Member	Appointed/Nominated under RBI Act, 1934	Number of Meetings Held	Number of Meetings Attended
1	2	3	4
I. Audit & Risk Management Sub-Committee (ARMS)			
Revathy Iyer	Chairperson	7	7
Venu Srinivasan	Member	7	2
Pankaj Ramanbhai Patel	Member	7	4
Sachin Chaturvedi @	Member	1	1
M. Rajeshwar Rao*	Member	2	2
Swaminathan J.#	Member	5	5

*: Member till June 25, 2023. #: Member of ARMS *w.e.f.* June 26, 2023.
@: Nominated as Member of ARMS *w.e.f.* January 1, 2024.

II. Building Sub-Committee (BSC)			
Pankaj Ramanbhai Patel	Chairman	2	2
Anand Gopal Mahindra	Member	2	2

III. Human Resource Management Sub-Committee (HRM-SC)			
Anand Gopal Mahindra	Chairman	2	2
Pankaj Ramanbhai Patel	Member	2	2

IV. Information Technology Sub-Committee (IT-SC)			
Sachin Chaturvedi	Chairman	3	3
Venu Srinivasan@	Member	2	Nil

@: Member till February 21, 2024.

V. Strategy Sub-Committee (S-SC)			
Revathy Iyer	Chairperson	1	1
Anand Gopal Mahindra	Member	1	1
Michael Debabrata Patra	Member	1	1
Venu Srinivasan@	Member	Nil	Nil

@: Nominated as Member of S-SC *w.e.f.* January 1, 2024.

Table XI.4: Attendance in the Meeting of Standing Committee of the Central Board of Directors in *lieu* of Local Board/s during April 1, 2023 – March 31, 2024*		
Name of the Member	Number of Meetings Held	Number of Meetings Attended
1	2	3
Revathy Iyer, Chairperson	8	8
Satish Kashinath Marathe, Member	8	8

***:** Standing Committee of the Central Board is functioning in *lieu* of Northern, Western, Eastern and Southern Area Local Boards.
Note: Two meetings each were held for Northern, Western, Eastern and Southern Areas.

XII THE RESERVE BANK'S ACCOUNTS FOR 2023-24

The size of the Reserve Bank's balance sheet increased by 11.08 per cent for the year ended March 31, 2024. While income for the year increased by 17.04 per cent, expenditure decreased by 56.30 per cent. The year ended with an overall surplus of ₹2,10,873.99 crore as against ₹87,416.22 crore in the previous year, resulting in an increase of 141.23 per cent.

XII.1 The balance sheet of the Reserve Bank reflects activities carried out in pursuance of its various functions including issuance of currency as well as monetary policy and reserve management objectives.

XII.2 Key financial results of the Reserve Bank's operations during the year 2023-24 are set out in the following paragraphs.

XII.3 The size of the balance sheet increased by ₹7,02,946.97 crore, *i.e.,* 11.08 per cent from ₹63,44,756.24 crore as on March 31, 2023 to ₹70,47,703.21 crore as on March 31, 2024. Increase on assets side was due to rise in foreign investments, gold, and loans and advances by 13.90 per cent, 18.26 per cent and 30.05 per cent, respectively. On liabilities side, expansion was due to increase in notes issued, deposits and other liabilities by 3.88 per cent, 27.00 per cent and 92.57 per cent, respectively. Domestic assets constituted 23.31 per cent while foreign currency assets, gold (including gold deposit and gold held in India) and loans and advances to financial institutions outside India constituted 76.69 per cent of total assets as on March 31, 2024 as against 26.08 per cent and 73.92 per cent, respectively, as on March 31, 2023.

XII.4 A provision of ₹42,819.91 crore was made and transferred to Contingency Fund (CF). No provision was made towards Asset Development Fund (ADF). Trends in income, expenditure, net income and surplus transferred to the Central Government are given in Table XII.1.

XII.5 Independent Auditors' Report, balance sheet and Income Statement for the year 2023-24 along with schedules, statement of Significant Accounting Policies and supporting Notes to Accounts are given in the ensuing paragraphs.

Table XII.1: Trends in Income, Expenditure, Net Income and Surplus Transferred to the Central Government

(Amount in ₹ crore)

Item	2019-20	2020-21	2021-22	2022-23	2023-24
1	2	3	4	5	6
a) Income	1,49,672.46	1,33,272.75	1,60,112.13	2,35,457.26	2,75,572.32
b) Total Expenditure[1]	92,540.93[2]	34,146.75[3]	1,29,800.68[4]	1,48,037.04[5]	64,694.33[6]
c) Net Income (a-b)	57,131.53	99,126.00	30,311.45	87,420.22	2,10,877.99
d) Transfer to funds[7]	4.00	4.00	4.00	4.00	4.00
e) Surplus transferred to the Central Government (c-d)	57,127.53	99,122.00	30,307.45	87,416.22	2,10,873.99

Note:
1. Include provisions towards CF and ADF.
2. Includes a provision of ₹73,615 crore towards transfer to CF.
3. Includes a provision of ₹20,710.12 crore towards transfer to CF.
4. Include provisions of ₹1,14,567.01 crore and ₹100 crore towards transfer to CF and ADF, respectively.
5. Includes a provision of ₹1,30,875.75 crore towards transfer to CF.
6. Includes a provision of ₹42,819.91 crore towards transfer to CF.
7. An amount of ₹1 crore each has been transferred to the National Industrial Credit (Long Term Operations) Fund, the National Housing Credit (Long Term Operations) Fund, the National Rural Credit (Long Term Operations) Fund and the National Rural Credit (Stabilisation) Fund during each of the five years.

INDEPENDENT AUDITORS' REPORT

To,

The President of India

Report on Audit of Financial Statements of the Reserve Bank of India

Opinion

We, the undersigned Auditors of the Reserve Bank of India (hereinafter referred to as the "Bank"), do hereby report to the Central Government upon the Balance Sheet of the Bank as on March 31, 2024 and the Income Statement for the year ended on that date (hereinafter referred to as "Financial Statements"), which have been audited by us.

In our opinion and to the best of our information and according to explanations given to us and as shown by the books of accounts of the Bank, the Balance Sheet read with Schedules and Significant Accounting Policies is a full and fair Balance Sheet containing all necessary particulars and is properly drawn up in accordance with the requirements of the provisions of the Reserve Bank of India Act, 1934 ("RBI Act, 1934") and Regulations framed there under so as to exhibit true and correct view of the state of affairs of the Bank as on March 31, 2024 and its results of operations for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ("SAs") issued by the Institute of Chartered Accountants of India ("ICAI"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the Financial Statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Financial Statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Management is responsible for the other information. The other information comprises the information included in the Notes to Accounts but does not include the Financial Statements and our report thereon.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Bank's Management and those Charged with Governance for the Financial Statements are responsible for the preparation of the Financial Statements that give a true and correct view of the state of affairs and results of operations of the Bank in accordance with the requirements of the provisions of the RBI Act, 1934 and Regulations framed thereunder and the accounting policies and practices followed by the Bank. This responsibility also includes maintenance of adequate accounting records and preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent and the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Financial Statements that give a true and correct view and are free from material misstatement, whether due to fraud or error.

As per the RBI Act, 1934, the Bank can be liquidated only by the Central Government by order and in any other manner as it may direct. Also, while the fundamental basis of preparation of Financial Statements of the Bank are based on provisions of the RBI Act, 1934 and Regulations framed thereunder, the Management has adopted the accounting policies and practices which reflects its continuity as a Going concern.

Those charged with governance are also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal financial control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of management's use of the Going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a Going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report.
- Evaluate the overall presentation, structure and content of the Financial Statements, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matters

We report that we have called for information and explanations from the Bank considered necessary for the purpose of our audit and such information and explanations have been given to our satisfaction.

We also report that the Financial Statements include the accounts of twenty-five accounting units of the Bank which have been audited by Statutory Branch Auditors and we have relied on their report in this regard.

For Chandabhoy & Jassoobhoy
Chartered Accountants
(ICAI Firm Registration No. 101647W)

Ambesh Dave
Partner
Membership No. 049289
UDIN:24049289BKDHQQ9690

For Ford Rhodes Parks & Co. LLP
Chartered Accountants
(ICAI Firm Registration No. 102860W/W100089)

Astha Kariya
Partner
Membership No. 122491
UDIN:24122491BKHBBJ4500

Place: Mumbai
Date: May 22, 2024

RESERVE BANK OF INDIA
BALANCE SHEET AS ON MARCH 31, 2024

(Amount in ₹ crore)

Liabilities	Schedule	2022-23	2023-24	Assets	Schedule	2022-23	2023-24
Capital		5.00	5.00	**Assets of Banking Department (BD)**			
Reserve Fund		6,500.00	6,500.00	Notes, Rupee Coin, Small Coin	6	9.50	10.13
Other Reserves	1	238.00	240.00	Gold-BD	7	2,30,733.95	2,74,714.27
Deposits	2	13,54,217.22	17,19,838.56	Investments-Foreign-BD	8	10,08,993.26	14,89,081.42
Risk Provisions				Investments-Domestic-BD	9	14,06,422.89	13,63,368.97
Contingency Fund		3,51,205.69	4,28,621.03	Bills Purchased and Discounted		0.00	0.00
Asset Development Fund		22,974.68	22,974.68	Loans and Advances	10	2,88,813.53	3,75,593.49
Revaluation Accounts	3	11,26,088.12	11,30,963.71	Investment in Subsidiaries	11	2,063.60	2,063.60
Other Liabilities	4	1,35,282.86	2,60,520.73	Other Assets	12	59,474.84	64,831.83
Liabilities of Issue Department				**Assets of Issue Department (ID) (As backing for Notes Issued)**			
Notes Issued	5	33,48,244.67	34,78,039.50	Gold-ID	7	1,40,765.60	1,64,604.91
				Rupee Coin		277.29	458.54
				Investments-Foreign-ID	8	32,07,201.78	33,12,976.05
				Investments-Domestic-ID	9	0.00	0.00
				Domestic Bills of Exchange and other Commercial Papers		0.00	0.00
						33,48,244.67	**34,78,039.50**
Total Liabilities		**63,44,756.24**	**70,47,703.21**	**Total Assets**		**63,44,756.24**	**70,47,703.21**

Sangeeta Lalwani	Swaminathan J	T. Rabi Sankar	M. Rajeshwar Rao	M. D. Patra	Shaktikanta Das
Chief General Manager-In-Charge	Deputy Governor	Deputy Governor	Deputy Governor	Deputy Governor	Governor

RESERVE BANK OF INDIA

INCOME STATEMENT FOR THE YEAR ENDED MARCH 31, 2024

(Amount in ₹ crore)

INCOME	Schedule	2022-23	2023-24
Interest	13	1,43,073.11	1,88,605.73
Other Income	14	92,384.15	86,966.59
Total		**2,35,457.26**	**2,75,572.32**
EXPENDITURE			
Printing of Notes		4,682.80	5,101.40
Expenditure on Remittance of Currency		118.19	128.39
Agency Charges	15	4,068.62	3,976.31
Employee Cost		6,003.93	7,890.11
Interest		1.92	2.19
Postage and Telecommunication Charges		191.18	242.75
Printing and Stationery		26.97	29.53
Rent, Taxes, Insurance, Lighting, *etc.*		161.47	254.14
Repairs and Maintenance		126.21	173.07
Directors' and Local Board Members' Fees and Expenses		4.15	5.75
Auditors' Fees and Expenses		7.44	7.37
Law Charges		16.88	18.06
Depreciation		303.18	370.62
Miscellaneous Expenses		1,448.35	3,674.73
Provisions		1,30,875.75	42,819.91
Total		**1,48,037.04**	**64,694.33**
Available Balance		**87,420.22**	**2,10,877.99**
Less:			
(a) Contribution to:			
(i) National Industrial Credit (Long Term Operations) Fund		1.00	1.00
(ii) National Housing Credit (Long Term Operations) Fund		1.00	1.00
(b) Transferable to NABARD:			
(i) National Rural Credit (Long Term Operations) Fund[1]		1.00	1.00
(ii) National Rural Credit (Stabilisation) Fund[1]		1.00	1.00
(c) Others			
Surplus payable to the Central Government		**87,416.22**	**2,10,873.99**

1. These funds are maintained by the National Bank for Agriculture and Rural Development (NABARD).

Sangeeta Lalwani	Swaminathan J	T. Rabi Sankar	M. Rajeshwar Rao	M. D. Patra	Shaktikanta Das
Chief General Manager-In-Charge	Deputy Governor	Deputy Governor	Deputy Governor	Deputy Governor	Governor

SCHEDULES FORMING PART OF BALANCE SHEET AND INCOME STATEMENT

(Amount in ₹ crore)

			2022-23	2023-24
Schedule 1:	**Other Reserves**			
	(i) National Industrial Credit (Long Term Operations) Fund		32.00	33.00
	(ii) National Housing Credit (Long Term Operations) Fund		206.00	207.00
		Total	**238.00**	**240.00**
Schedule 2:	**Deposits**			
	(a) Government			
	(i) Central Government		5,000.93	5,000.30
	(ii) State Governments		42.49	42.46
		Sub total	***5,043.42***	***5,042.76***
	(b) Banks			
	(i) Scheduled Commercial Banks		8,68,939.67	9,56,010.64
	(ii) Scheduled State Co-operative Banks		8,100.09	10,934.25
	(iii) Other Scheduled Co-operative Banks		11,530.78	12,272.97
	(iv) Non-Scheduled State Co-operative Banks		5,177.27	6,515.91
	(v) Other Banks		36,729.16	39,714.96
		Sub total	***9,30,476.97***	***10,25,448.73***
	(c) Financial Institutions outside India			
	(i) Repo Borrowing-Foreign		1,00,952.11	1,61,402.27
	(ii) Reverse Repo Margin-Foreign		1,255.08	2,146.54
		Sub total	***1,02,207.19***	***1,63,548.81***
	(d) Others			
	(i) Administrators of RBI Employee PF A/c		4,642.35	4,778.94
	(ii) Depositor Education and Awareness Fund		62,224.89	78,212.53
	(iii) Balances of Foreign Central Banks		1,059.02	1,702.86
	(iv) Balances of Indian Financial Institutions		6,796.52	7,727.18
	(v) Balances of International Financial Institutions		507.06	501.00
	(vi) Mutual Funds		1.34	1.33
	(vii) Others		2,41,258.46	4,32,874.42
		Sub total	***3,16,489.64***	***5,25,798.26***
		Total	**13,54,217.22**	**17,19,838.56**
Schedule 3:	**Revaluation accounts**			
	(i) Currency and Gold Revaluation Account (CGRA)		11,24,733.16	11,30,793.34
	(ii) Investment Revaluation Account-Foreign Securities (IRA-FS)		0.00	0.00
	(iii) Investment Revaluation Account-Rupee Securities (IRA-RS)		0.00	0.00
	(iv) Foreign Exchange Forward Contracts Valuation Account (FCVA)		1,354.96	170.37
		Total	**11,26,088.12**	**11,30,963.71**
Schedule 4:	**Other Liabilities**			
	(i) Provision for Forward Contracts Valuation Account (PFCVA)		0.00	0.00
	(ii) Provision for payables		3,665.97	4,827.02
	(iii) Gratuity and Superannuation Fund		30,892.24	33,321.37
	(iv) Surplus payable to the Central Government		87,416.22	2,10,873.99
	(v) Bills Payable		0.11	11.35
	(vi) Miscellaneous		13,308.32	11,487.00
		Total	**1,35,282.86**	**2,60,520.73**
Schedule 5:	**Notes Issued**			
	(i) Notes held in the Banking Department		9.43	10.06
	(ii) Notes in circulation		33,48,218.85	34,77,795.32
	(iii) CBDC-W		10.69	0.08
	(iv) CBDC-R		5.70	234.04
		Total	**33,48,244.67**	**34,78,039.50**

		2022-23	2023-24
Schedule 6:	**Notes, Rupee Coin, Small Coin**		
	(i) Notes	9.43	10.06
	(ii) Rupee Coin	0.06	0.06
	(iii) Small Coin	0.01	0.01
	Total	**9.50**	**10.13**
Schedule 7:	**Gold**		
	(a) Banking Department		
	(i) Gold	2,04,401.58	2,60,537.16
	(ii) Gold deposit	26,332.37	14,177.11
	Sub total	***2,30,733.95***	***2,74,714.27***
	(b) Issue Department	1,40,765.60	1,64,604.91
	Total	**3,71,499.55**	**4,39,319.18**
Schedule 8:	**Investments-Foreign**		
	(i) Investments-Foreign-BD	10,08,993.26	14,89,081.42
	(ii) Investments-Foreign-ID	32,07,201.78	33,12,976.05
	Total	**42,16,195.04**	**48,02,057.47**
Schedule 9:	**Investments-Domestic**		
	(i) Investments-Domestic-BD	14,06,422.89	13,63,368.97
	(ii) Investments-Domestic-ID	0.00	0.00
	Total	**14,06,422.89**	**13,63,368.97**
Schedule 10:	**Loans and Advances**		
	(a) Loans and Advances to:		
	(i) Central Government	48,677.00	0.00
	(ii) State Governments	791.72	6,599.94
	Sub total	***49,468.72***	***6,599.94***
	(b) Loans and Advances to:		
	(i) Scheduled Commercial Banks	1,12,731.34	1,93,341.00
	(ii) Scheduled State Co-operative Banks	0.00	0.00
	(iii) Other Scheduled Co-operative Banks	0.00	0.00
	(iv) Non-Scheduled State Co-operative Banks	0.00	0.00
	(v) NABARD	0.00	0.00
	(vi) Others	24,485.36	12,397.51
	Sub total	***1,37,216.70***	***2,05,738.51***
	(c) Loans and Advances to Financial Institutions outside India		
	(i) Reverse Repo Lending-Foreign	1,01,968.98	1,62,822.88
	(ii) Repo Margin-Foreign	159.13	432.16
	Sub total	***1,02,128.11***	***1,63,255.04***
	Total	**2,88,813.53**	**3,75,593.49**
Schedule 11:	**Investment in Subsidiaries/Associates**		
	(i) Deposit Insurance and Credit Guarantee Corporation (DICGC)	50.00	50.00
	(ii) Bharatiya Reserve Bank Note Mudran (P) Ltd. (BRBNMPL)	1,800.00	1,800.00
	(iii) Reserve Bank Information Technology (P) Ltd. (ReBIT)	50.00	50.00
	(iv) National Centre for Financial Education (NCFE)	30.00	30.00
	(v) Indian Financial Technology & Allied Services (IFTAS)	33.60	33.60
	(vi) Reserve Bank Innovation Hub (RBIH)	100.00	100.00
	Total	**2,063.60**	**2,063.60**

		2022-23	2023-24
Schedule 12:	**Other Assets**		
	(i) Fixed Assets (net of accumulated depreciation)	981.57	2,042.64
	(ii) **Accrued income (a + b)**	**55,217.80**	**58,878.51**
	a. on loans to employees	*383.70*	*421.47*
	b. on other items	*54,834.10*	*58,457.04*
	(iii) Swap Amortisation Account (SAA)	0.00	0.00
	(iv) Revaluation of Forward Contracts Account (RFCA)	1,354.96	170.37
	(v) Miscellaneous	1,920.51	3,740.31
	Total	**59,474.84**	**64,831.83**
Schedule 13:	**Interest**		
	(a) Domestic Sources		
	(i) Interest on holding of Rupee Securities	96,516.05	92,589.51
	(ii) Net Interest on LAF Operations	-9,068.41	-7,052.08
	(iii) Interest on SDF	-7,444.71	-5,616.80
	(iv) Interest on MSF Operations	361.02	3,413.37
	(v) Interest on Loans and Advances	2,411.98	2,094.09
	Sub total	***82,775.93***	***85,428.09***
	(b) Foreign Sources		
	(i) Interest Income from Foreign Securities	43,649.26	65,327.93
	(ii) Net Interest on Repo/Reverse Repo transactions	228.25	228.64
	(iii) Interest on Deposits	16,419.67	37,621.07
	Sub total	***60,297.18***	***1,03,177.64***
	Total	**1,43,073.11**	**1,88,605.73**
Schedule 14:	**Other Income**		
	(a) Domestic Sources		
	(i) Exchange	0.00	0.00
	(ii) Discount	0.00	0.00
	(iii) Commission	3,469.14	3,886.95
	(iv) Rent Realised	8.99	9.19
	(v) Profit/ Loss on sale and redemption of Rupee Securities	-222.86	859.32
	(vi) Depreciation on Rupee Securities inter portfolio transfer	-110.67	-68.74
	(vii) Amortisation of premium/ discount on Rupee Securities	-2,264.19	-2,394.71
	(viii) Profit/ Loss on sale of Bank's property	2.45	1.73
	(ix) Provision no longer required and Miscellaneous Income	-330.07	379.29
	Sub total	***552.79***	***2,673.03***
	(b) Foreign Sources		
	(i) Amortisation of premium/ discount on Foreign Securities	-9,972.25	2,235.86
	(ii) Profit/ Loss on sale and redemption of Foreign Securities	-1,740.59	-630.56
	(iii) Exchange gain/ loss from Foreign Exchange transactions	1,03,308.35	83,615.86
	(iv) Miscellaneous Income	235.85	-927.60
	Sub total	***91,831.36***	***84,293.56***
	Total	**92,384.15**	**86,966.59**
Schedule 15:	**Agency Charges**		
	(i) Agency Commission on Government Transactions	3,873.06	3,806.71
	(ii) Underwriting Commission paid to the Primary Dealers	107.47	48.47
	(iii) Sundries (Handling charges and turnover commission paid to banks for Relief/Savings Bonds subscriptions; SBLA, *etc.*)	20.98	28.12
	(iv) Fees paid to the External Asset Managers, Custodians, Brokers, *etc.*	67.11	93.01
	Total	**4,068.62**	**3,976.31**

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED MARCH 31, 2024

(a) General

1.1 Among other things, the Reserve Bank was established under the Reserve Bank of India Act, 1934 (RBI Act, 1934) "to regulate the issue of Bank notes and the keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage".

1.2 The main functions of the Reserve Bank are:-

a) Issue of Bank notes and circulation of coins;

b) Acts as monetary authority and formulates, implements and monitors the monetary policy, including acting as the Lender of Last Resort;

c) Regulation and supervision of the financial system;

d) Regulation and supervision of the payment and settlement systems;

e) Acts as manager of foreign exchange;

f) Maintaining and managing the country's foreign exchange reserves;

g) Acting as the banker to banks and the governments;

h) Acting as the debt manager of the governments;

i) Developmental functions to support national objectives.

1.3 The RBI Act, 1934 requires that the issue of Bank notes should be conducted by the Reserve Bank in an Issue Department which shall be separated and kept wholly distinct from the Banking Department, and the assets of the Issue Department shall not be subject to any liability other than the liabilities of the Issue Department. The RBI Act, 1934 requires that the assets of the Issue Department shall consist of gold coins, gold bullion, foreign securities, rupee coins and rupee securities to such aggregate amount as is not less than the total of the liabilities of the Issue Department. The RBI Act, 1934 requires that the liabilities of the Issue Department shall be an amount equal to the total of the amount of the currency notes of the Government of India and Bank notes for the time being in circulation.

(b) Significant Accounting Policies

2.1 Convention

The Financial Statements are prepared in accordance with the RBI Act, 1934 and notifications issued thereunder and, in the form, prescribed by the Reserve Bank of India General Regulations, 1949. These are based on historical cost except where it is modified to reflect revaluation and/ or amortisation. The accounting policies followed in preparing financial statements are consistent with those followed in the previous year unless otherwise stated.

2.2 Revenue Recognition

a) Income and expenditure are recognised on accrual basis except penal interest charged from banks which is accounted for only when there is certainty of realisation. Dividend income on shares is recognised on accrual basis when the right to receive the same is established.

b) Balances unclaimed and outstanding for more than three clear consecutive accounting years in certain transit accounts including Drafts Payable Account, Payment

Orders Account, Sundry Deposit Account-Miscellaneous-BD, Remittance Clearance Account, Earnest Money Deposit Account and Security Deposit Account are reviewed and written back to income. Claims, if any, are considered and charged against income in the year of payment.

c) Income and expenditure in foreign currency are recorded at exchange rates prevailing on the day.

d) Exchange gains/ losses on sale of foreign currencies and gold are accounted for using the weighted average cost method for arriving at the cost.

2.3 Gold & Foreign Currency Assets and Liabilities

Transactions in gold & foreign currency assets and liabilities are accounted for on settlement date basis.

a) Gold

Gold (including gold deposit) is revalued on a daily basis at ninety (90) per cent of the London Bullion Market Association (LBMA) gold price in US dollar and Rupee-US dollar market exchange rate. Unrealised valuation gains/ losses are accounted for in Currency and Gold Revaluation Account (CGRA).

b) Foreign Currency Assets and Liabilities

All foreign currency assets and liabilities (excluding foreign currency received under swaps that are in the nature of repos and contracts where the rates are fixed contractually) are translated on a daily basis at market exchange rates prevailing on the day. Unrealised gains/ losses arising from such translation of foreign currency assets and liabilities are accounted for in CGRA.

Foreign securities, other than Treasury Bills (T-Bills), Commercial Papers and certain 'Held to Maturity' securities [such as investments in notes issued by the International Monetary Fund and bonds issued by India Infrastructure Finance Company (IIFC), UK which are valued at cost] are marked-to-market on a daily basis. Unrealised gains/ losses on revaluation are recorded in 'Investment Revaluation Account-Foreign Securities' (IRA-FS). Credit balance in IRA-FS is carried forward to subsequent accounting year. Debit balance in IRA-FS, if any, on the balance sheet date, is charged to Contingency Fund (CF) and the same is reversed on the first working day of the following accounting year.

Foreign T-Bills and Commercial Papers are carried at cost as adjusted by daily amortisation of discount/ premium. Premium or discount on foreign securities is amortised daily. Profit/ loss on sale of foreign securities is recognised with respect to the amortised book value.

c) Forward/Swap Contracts

Forward contracts entered into by the Reserve Bank are revalued on a half-yearly basis. While mark-to-market net gain is credited to 'Foreign Exchange Forward Contracts Valuation Account' (FCVA) with contra debit to 'Revaluation of Forward Contracts Account' (RFCA), mark-to-market net loss is debited to FCVA with contra credit to 'Provision for Forward Contracts Valuation Account' (PFCVA). On maturity of the contract, actual gain or loss is recognised in the income account and unrealised gains/ losses previously recorded in FCVA, RFCA and PFCVA are reversed. At the time of half-yearly revaluation, balance in FCVA and RFCA or PFCVA as on that day is reversed and fresh revaluation is done for all outstanding forward contracts.

Debit balance in FCVA, if any, on the balance sheet date, is charged to CF and reversed on the first working day of the following accounting year. The balance in RFCA and PFCVA represents net unrealised gains and losses, respectively, on valuation of forward contracts.

In case of swaps at off-market rates that are in the nature of repo, the difference between future contract rate and the rate at which the contract is entered into is amortised over the period of the contract and recorded in income account with contra entry in 'Swap Amortisation Account' (SAA). Amounts recorded in SAA are reversed on maturity of underlying contracts. Further, amounts received under these swaps are not subject to periodic revaluation.

While FCVA forms part of 'Revaluation Accounts', PFCVA forms part of 'Other Liabilities' and RFCA and SAA forms part of 'Other Assets'.

d) Repurchase Transactions

The Reserve Bank participates in foreign Repurchase transactions (Repo and Reverse Repo) as part of Reserve Management operations. Repo transactions are treated as borrowing of foreign currencies and are shown under 'Deposits', whereas Reverse Repo transactions are treated as lending of foreign currencies and are shown under 'Loans and Advances'.

e) Transactions in Derivatives

Transactions in derivatives like Interest Rate Futures, Currency Futures, Interest Rate Swaps and Overnight Indexed Swaps undertaken as part of Reserve Management operations are marked-to-market periodically and resultant gain/ loss is booked in income account.

f) Security Lending Transactions

The Reserve Bank participates in Security Lending transactions as part of Reserve Management operations. The securities lent remain a part of the Reserve Bank's Investments and continue to be amortised, accrue interest and are marked-to-market.

2.4 Transactions in Exchange Traded Currency Derivatives (ETCD)

ETCD transactions undertaken by the Reserve Bank as part of its intervention operations are marked-to-market on a daily basis and resultant gain/ loss is booked in income account.

2.5 Domestic Investments

a) Rupee Securities and Oil Bonds, except T-Bills and those mentioned in (d), are marked-to-market as on the last business day of each week ending Friday and the last business day of each month. Unrealised gains/ losses on revaluation are recorded in 'Investment Revaluation Account-Rupee Securities' (IRA-RS). Credit balance in IRA-RS is carried forward to subsequent accounting year. Debit balance in IRA-RS, if any, on the balance sheet date, is charged to CF and the same is reversed on the first working day of the following accounting year. On sale/ redemption of Rupee Securities/ Oil Bonds, valuation gain/ loss thereof, lying in IRA-RS, is transferred to income account. Rupee Securities and Oil Bonds are also subjected to daily amortisation.

b) T-Bills are carried at cost as adjusted by daily amortisation of discount/ premium.

c) Investments in shares of subsidiaries are valued at cost.

d) Rupee Securities and Oil Bonds earmarked for various staff funds [like Gratuity and Superannuation Fund, Provident Fund, Leave Encashment Fund, Medical Assistance Fund (MAF)], Depositor Education and Awareness (DEA) Fund and Payments Infrastructure Development Fund (PIDF) are treated as 'Held to Maturity' and are held at amortised cost.

e) Transactions in domestic investment are accounted for on settlement date basis.

2.6 Liquidity Adjustment Facility (LAF) Repo/ Reverse Repo, Marginal Standing Facility (MSF) and Standing Deposit Facility (SDF)

Repo transactions under LAF and MSF are treated as lending and are accordingly being shown under 'Loans and Advances' whereas Reverse Repo transactions under LAF and SDF are being treated as deposits and shown under 'Deposits-Others'.

2.7 Fixed Assets

Fixed Assets are stated at cost less depreciation except art and paintings and freehold land which are held at cost.

2.7.1 Fixed Assets other than Land and Buildings

a) Fixed Assets, costing up to ₹1 lakh (except easily portable electronic assets like laptop/ e-book reader) are charged to income in the year of acquisition. Easily portable electronic assets, such as laptops, *etc.* costing more than ₹10,000 are capitalised and depreciation is calculated on monthly *pro-rata* basis at the applicable rate.

b) Individual items of computer software costing more than ₹1 lakh are capitalised, and depreciation is calculated on monthly *pro-rata* basis at applicable rates.

c) Depreciation on fixed assets acquired and capitalised during the accounting year would be reckoned on a monthly *pro-rata* basis from the month of capitalisation and effected on a half-yearly basis at prescribed rates depending upon the useful life of assets applied.

d) Depreciation on fixed assets is provided on a straight-line basis depending on the useful life of an asset in the following manner:

Asset Category	Useful life (Rate of Depreciation)
1	2
Electrical installations, UPS, Motor Vehicles, Furniture, Fixtures, CVPS/ SBS Machines, *etc.*	5 years (20 per cent)
Computers, Servers, Micro-processors, Printers, Software, Laptops, e-book reader/ i-Pad, *etc.*	3 years (33.33 per cent)

e) Depreciation is provided on half year-end balances of fixed assets on monthly *pro-rata* basis. In case of additions/ deletions of assets, depreciation is calculated on monthly *pro-rata* basis including the month of addition/ deletion of such assets.

f) Depreciation on subsequent expenditure:

   i. Subsequent expenditure incurred on an existing fixed asset which has not been fully depreciated in the books of accounts, is depreciated over remaining useful life of the principal asset;

ii. Subsequent expenditure incurred on modernisation/ addition/ overhauling of an existing fixed asset, which has already been fully depreciated in the books of accounts, is first capitalised and thereafter depreciated fully in the year in which the expenditure is incurred.

2.7.2 Land and Buildings: Accounting treatment in respect of land and buildings is as follows:

a) Land

i. Land acquired on leasehold basis for a period of more than 99 years is treated as on perpetual lease basis. Such leases are considered as freehold properties and accordingly, not subjected to amortisation.

ii. Land acquired on lease up to 99 years is amortised over the period of lease.

iii. Land acquired on a freehold basis is not subject to any amortisation.

b) Buildings

i. The life of all buildings is assumed as thirty years and depreciation is charged on a 'straight-line' basis over a period of thirty years. In respect of buildings constructed on lease hold land (where the lease period is less than thirty years) depreciation is charged on 'straight-line' basis over the lease period of the land.

ii. Impairment of buildings: For assessment of impairment, buildings are classified into two categories, as under:

- *Buildings which are in use but have been identified for demolition in future or will be discarded in future*: The value in use of such buildings is the aggregate of depreciation for the future period up to the date it is expected to be discarded/ demolished. The difference between the book value and aggregate of depreciation so arrived at, is charged as depreciation.
- *Buildings which have been discarded/ vacated*: These buildings are shown at realisable value (net selling price if the asset is likely to be sold in future) or scrap value less demolition cost (if it is to be demolished). If the resultant amount is negative, then the carrying value of such buildings is shown at ₹1. The difference between book value and realisable value (net selling price)/ scrap value less demolition cost is charged as depreciation.

2.8 Employee Benefits

a) The Reserve Bank contributes monthly at a determined rate to Provident Fund for eligible employees and these contributions are charged to income in the year to which it relates.

b) Other liability on account of long-term employee benefits is provided based on an actuarial valuation under 'Projected Unit Credit' method.

NOTES TO ACCOUNTS

XII.6 LIABILITIES OF THE RESERVE BANK

XII.6.1 Capital

The Reserve Bank was constituted as a private shareholders' bank in 1935 with an initial paid-up capital of ₹5 crore. The Reserve Bank was nationalised with effect from January 1, 1949 and its entire ownership remains vested with the Government of India. The paid-up capital continues to be ₹5 crore in terms of Section 4 of the RBI Act, 1934.

XII.6.2 Reserve Fund

The original Reserve Fund of ₹5 crore was created in terms of Section 46 of the RBI Act, 1934 as contribution from the Central Government for currency liability of the then sovereign government taken over by the Reserve Bank. Thereafter, an amount of ₹6,495 crore was credited to this fund from out of gains on periodic revaluation of gold up to October 1990, taking it to ₹6,500 crore. The fund has been static since then as unrealised gain/ loss on account of valuation of gold and foreign currency is since being booked in Currency and Gold Revaluation Account (CGRA) which appears under the head 'Revaluation Accounts'.

XII.6.3 Other Reserves

This includes National Industrial Credit (Long Term Operations) Fund and National Housing Credit (Long Term Operations) Fund.

a) *National Industrial Credit (Long Term Operations) Fund*

This fund was created in July 1964, in terms of Section 46C of the RBI Act, 1934 with an initial corpus of ₹10 crore. The fund witnessed annual contributions from the Reserve Bank for financial assistance to eligible financial institutions. Since 1992-93, a token amount of ₹1 crore is being contributed each year to the Fund. The balance in the fund stood at ₹33 crore as on March 31, 2024.

b) *National Housing Credit (Long Term Operations) Fund*

This fund was set up in January 1989, in terms of Section 46D of the RBI Act, 1934 for extending financial accommodation to the National Housing Bank (NHB). The initial corpus of ₹50 crore has been enhanced by annual contributions from the Reserve Bank thereafter. Since 1992-93, a token amount of ₹1 crore is being contributed each year to the Fund. The balance in the fund stood at ₹207 crore as on March 31, 2024.

Note: Contribution to other Funds

There are two other Funds constituted in terms of Section 46A of the RBI Act, 1934, *viz*., National Rural Credit (Long Term Operations) Fund and National Rural Credit (Stabilisation) Fund which are maintained by the National Bank for Agriculture and Rural Development (NABARD) for which a token amount of ₹1 crore each is set aside and transferred to NABARD every year.

XII.6.4 Deposits

These represent balances maintained with the Reserve Bank, by banks, the Central and State Governments, All India Financial Institutions, such as, Export Import Bank (EXIM Bank), NABARD, *etc*., Foreign Central Banks, International Financial Institutions, balances in Administrators of RBI Employee Provident Fund, DEA Fund, amount outstanding against Reverse Repo, SDF, MAF, PIDF, *etc*. Total deposits increased by 27.00 per cent from ₹13,54,217.22 crore as on March 31, 2023 to ₹17,19,838.56 crore as on March 31, 2024.

a. Deposits-Government

The Reserve Bank acts as the banker to the Central Government in terms of Sections 20 and 21, and as banker to State Governments by mutual agreement in terms of Section 21A of the RBI Act, 1934. Accordingly, the Central and State Governments maintain deposits with the Reserve Bank. The balances held by the Central and State Governments were ₹5,000.30 crore and ₹42.46 crore, respectively, as on March 31, 2024 as compared to ₹5,000.93 crore and ₹42.49 crore, respectively, as on March 31, 2023.

b. Deposits-Banks

Banks maintain balance in their current accounts with the Reserve Bank to provide for Cash Reserve Ratio (CRR) requirements and for working funds to meet payment and settlement obligations. Deposits held by banks increased by 10.21 per cent from ₹9,30,476.97 crore as on March 31, 2023 to ₹10,25,448.73 crore as on March 31, 2024. Increase in this head was on account of increase in Net Demand and Time Liabilities (NDTL) of banks.

c. Deposits-Financial Institutions Outside India

The balance under the head increased by 60.02 per cent from ₹1,02,207.19 crore as on March 31, 2023 to ₹1,63,548.81 crore as on March 31, 2024, due to increase in volume of repo transactions during the year.

d. Deposits-Others

'Deposits-Others' consist of balances of Administrators of RBI Employee Provident Fund, DEA Fund, Foreign Central Banks, Indian and International Financial Institutions, MAF, PIDF, amount outstanding under Reverse Repo, SDF, *etc*. 'Deposits-Others' increased by 66.13 per cent from ₹3,16,489.64 crore as on March 31, 2023 to ₹5,25,798.26 crore as on March 31, 2024 primarily due to increase in reverse repo deposits.

XII.6.5 Risk Provisions

The Reserve Bank makes risk provisioning in terms of Section 47 of the RBI Act, 1934. Risk provisions maintained by the Reserve Bank comprise Contingency Fund (CF) and Asset Development Fund (ADF). These risk provisions, along with Capital and Reserve Fund, are components of the Reserve Bank's Available Realised Equity (ARE) under the Economic Capital Framework[1] (ECF) adopted by the Reserve Bank. Details of Capital and Reserve Fund have been given in earlier paragraphs. Details of the two risk provisions are as under:

a. Contingency Fund (CF)

This is a specific provision meant for meeting unexpected and unforeseen contingencies, including depreciation in value of securities, risks arising out of monetary/ exchange rate policy operations, systemic risks and any risk arising on account of special responsibilities enjoined upon the Reserve Bank. As on March 31, 2024, amounts of ₹1,43,220.82

[1] Based on the Report of the Expert Committee to Review the Extant Economic Capital Framework of the Reserve Bank of India, the ECF was adopted by the Central Board of the Reserve Bank in August 2019.

crore and ₹7,090.29 crore were charged to CF on account of debit balances in IRA-FS and IRA-RS, respectively. The charge to CF is reversed on first working day of the following accounting year. Further, an amount of ₹42,819.91 crore was also provided towards CF to maintain the Available Realised Equity at the level of 6.50 per cent of the size of the balance sheet. Accordingly, balance in CF as on March 31, 2024 was ₹4,28,621.03 crore as compared to ₹3,51,205.69 crore as on March 31, 2023.

b. *Asset Development Fund (ADF)*

Asset Development Fund was created in 1997-98 and the balance therein represents provision specifically made till date towards investments in subsidiaries and associate institutions and to meet internal capital expenditure. No provision was made towards ADF in the year 2023-24. As on March 31, 2024, the balance in ADF at ₹22,974.68 crore remains the same as on March 31, 2023 (Table XII.2).

XII.6.6 Revaluation Accounts

Unrealised marked-to-market gains/ losses are recorded in revaluation heads, *viz*., Currency and Gold Revaluation Account (CGRA), Investment Revaluation Accounts (IRA) and Foreign Exchange Forward Contracts Valuation Account (FCVA). Details of the same are given here:

a. *Currency and Gold Revaluation Account (CGRA)*

Major sources of market risk faced by the Reserve Bank are currency risk, interest rate risk and movement in gold prices. Unrealised gains/ losses on valuation of Foreign Currency Assets (FCA) and Gold are not taken to income account but instead accounted for in CGRA. Net balance in CGRA, therefore, varies with size of the asset base, its valuation and movement in exchange rate and price of gold. CGRA provides a buffer against exchange rate/ gold price fluctuations. It can come under pressure if there is an appreciation of rupee *vis-à-vis* major currencies or a fall in

Table XII.2: Balances in Capital, Reserve Fund and Risk Provisions [Available Realised Equity (ARE)]

(₹ crore)

As on	Capital	Reserve Fund	CF	ADF	ARE	ARE as a per cent of balance sheet
1	2	3	4	5	6 = (2+3+4+5)	7
June 30, 2020	5.00	6,500.00	2,64,033.94	22,874.68	2,93,413.62	5.50
March 31, 2021	5.00	6,500.00	2,84,542.12[@]	22,874.68	3,13,921.80	5.50
March 31, 2022	5.00	6,500.00	3,10,986.94[$]	22,974.68[$$]	3,40,466.62	5.50
March 31, 2023	5.00	6,500.00	3,51,205.69*	22,974.68	3,80,685.37	6.00
March 31, 2024	5.00	6,500.00	4,28,621.03^	22,974.68	4,58,100.71	6.50

@ : Increase in CF is the net impact of provision of ₹20,710.12 crore and charging of the debit balance in FCVA amounting to ₹6,127.35 crore.
$: Increase in CF is the net impact of provision of ₹1,14,567.01 crore and charging of the debit balance in IRA-FS amounting to ₹94,249.54 crore.
$$: Increase in ADF is due to provision of ₹100 crore on account of investment in RBIH.
* : Increase in CF is the net impact of provision of ₹1,30,875.75 crore and charging of debit balances in IRA-FS and IRA-RS amounting to ₹1,65,488.93 crore and ₹19,417.61 crore, respectively.
^ : Increase in CF is the net impact of provision of ₹42,819.91 crore and charging of debit balances in IRA-FS and IRA-RS amounting to ₹1,43,220.82 crore and ₹7,090.29 crore, respectively.

price of gold. When CGRA is not sufficient to fully meet exchange losses, it is replenished from CF. The balance in CGRA increased from ₹11,24,733.16 crore as on March 31, 2023 to ₹11,30,793.34 crore as on March 31, 2024 mainly due to depreciation of rupee and increase in price of gold.

b. *Investment Revaluation Account-Foreign Securities (IRA-FS)*

Foreign dated securities are marked-to-market on a daily basis and unrealised gains/ losses arising therefrom are accounted for in IRA-FS. The balance in IRA-FS increased from ₹ (-)1,65,488.93 crore as on March 31, 2023 to ₹ (-)1,43,220.82 crore as on March 31, 2024 because of softening of yields for almost all major markets across maturity buckets. As per the extant policy, debit balance of ₹1,43,220.82 crore in IRA-FS was adjusted against CF on March 31, 2024 which was reversed on the first working day of the following accounting year. Accordingly, balance in IRA-FS as on March 31, 2024 was Nil.

c. *Investment Revaluation Account-Rupee Securities (IRA-RS)*

Rupee Securities and Oil Bonds (with exception as mentioned under significant accounting policy) held as assets of the Banking Department are marked-to-market as on the last business day of each week ending Friday and the last business day of each month and unrealised gains/ losses arising therefrom are accounted for in IRA-RS. The balance in IRA-RS increased from ₹ (-)19,417.61 crore as on March 31, 2023 to ₹ (-)7,090.29 crore as on March 31, 2024 due to softening of yields across the curve. As per the extant policy, debit balance of ₹7,090.29 crore in IRA-RS was adjusted against CF on March 31, 2024 which was reversed on the first working day of the following accounting year. Accordingly, balance in IRA-RS as on March 31, 2024 was Nil.

d. *Foreign Exchange Forward Contracts Valuation Account (FCVA)*

Marking to market of outstanding forward contracts as on March 31, 2024 resulted in net unrealised gain of ₹170.37 crore, which was credited to FCVA with contra debit to Revaluation of Forward Contracts Account (RFCA) as compared to net unrealised gain of ₹1,354.96 crore as on March 31, 2023.

XII.6.7 Other Liabilities

'Other Liabilities' increased by 92.57 per cent from ₹1,35,282.86 crore as on March 31, 2023 to ₹2,60,520.73 crore as on March 31, 2024, primarily due to increase in surplus payable to the Central Government.

i. *Provision for Forward Contracts Valuation Account (PFCVA)*

The balance was Nil in this account as on March 31, 2024 as well as on March 31, 2023.

Balances in Revaluation Accounts and PFCVA for the last five years are given in Table XII.3.

ii. *Provision for payables*

This represents year-end provisions made for expenditure incurred but not defrayed and income received in advance/ payable, if any. The balance under this head increased by 31.67 per cent from ₹3,665.97 crore as on March 31, 2023 to ₹4,827.02 crore as on March 31, 2024.

Table XII.3: Balances in Currency and Gold Revaluation Account (CGRA), Investment Revaluation Account-Foreign Securities (IRA-FS), Investment Revaluation Account-Rupee Securities (IRA-RS), Foreign Exchange Forward Contracts Valuation Account (FCVA) and Provision for Forward Contracts Valuation Account (PFCVA)

(₹ crore)

As on	CGRA	IRA-FS	IRA-RS	FCVA	PFCVA
1	2	3	4	5	6
June 30, 2020	9,77,141.23	53,833.99	93,415.50	0.00	5,925.41
March 31, 2021	8,58,877.53	8,853.67	56,723.79	0.00	6,127.35
March 31, 2022	9,13,389.29	0.00	18,577.81	2,576.90	0.00
March 31, 2023	11,24,733.16	0.00	0.00	1,354.96	0.00
March 31, 2024	11,30,793.34	0.00	0.00	170.37	0.00

iii. Surplus Payable to the Central Government

Under Section 47 of the RBI Act, 1934, after making provisions for bad and doubtful debts, depreciation in assets, contribution to staff and superannuation funds and for all matters for which provisions are to be made by or under the Act or that are usually provided by bankers, the balance of the profits of the Reserve Bank is required to be paid to the Central Government. Under Section 48 of the RBI Act, 1934, the Reserve Bank is not liable to pay income tax or super tax on any of its income, profits or gains. Accordingly, after adjusting the expenditure including provision for CF and contribution of ₹4 crore to four statutory funds, the surplus payable to the Central Government for the year 2023-24 amounted to ₹2,10,873.99 crore (including ₹291.42 crore as against ₹424.07 crore in the previous year payable towards the difference in interest expenditure borne by the Government, consequent on conversion of special securities into marketable securities).

iv. Bills Payable

The Reserve Bank provides remittance facilities for its constituents through issue of Demand Drafts (DDs) and Payment Orders (POs) [besides electronic payment mechanism]. The balance under this head represents unclaimed DDs/ POs. The amount outstanding under this head increased from ₹0.11 crore as on March 31, 2023 to ₹11.35 crore as on March 31, 2024.

v. Miscellaneous

This is a residual head representing items such as interest earned on earmarked securities, amounts payable on account of leave encashment, medical provisions for employees, global provision, *etc*. The balance under this head decreased from ₹13,308.32 crore as on March 31, 2023 to ₹11,487.00 crore as on March 31, 2024.

XII.6.8 Liabilities of Issue Department-Notes Issued

Liabilities of Issue Department reflect quantum of currency notes in circulation. Section 34(1) of the RBI Act, 1934 requires that all banknotes issued by the Reserve Bank since April 1, 1935 and currency notes issued by the Government of India before the commencement of operations of the Reserve Bank, be part of the liabilities of the Issue Department. 'Notes Issued' increased by 3.88 per cent from

₹33,48,244.67 crore[2] as on March 31, 2023 to ₹34,78,039.50 crore as on March 31, 2024. The value of banknotes in circulation in digital form, *i.e.*, e₹-Wholesale (e₹-W) and e₹-Retail (e₹-R) stood at ₹0.08 crore and ₹234.04 crore, respectively, as on March 31, 2024 as compared to ₹10.69 crore and ₹5.70 crore, respectively, as on March 31, 2023.

Earlier, an amount of ₹10,719.37 crore, representing the value of Specified Bank Notes (SBNs) not paid was transferred to 'Other Liabilities' as on June 30, 2018. The Reserve Bank has made payments to the extent of ₹5.93 crore towards exchange value of SBNs to eligible tenderers during the year ended March 31, 2024 and the cumulative payment made against the head stands at ₹36.14 crore.

XII.7 ASSETS OF THE RESERVE BANK

XII.7.1 ASSETS OF BANKING DEPARTMENT

i) Notes, Rupee Coin, Small Coin

This head represents the balances of Bank notes, one-rupee notes, rupee coins of ₹1, 2, 5, 10 and 20 and small coins kept for meeting day to day requirements of banking functions conducted by the Reserve Bank. The balance as on March 31, 2024 was ₹10.13 crore as against ₹9.50 crore as on March 31, 2023.

ii) Gold-Banking Department (BD)

As on March 31, 2024, total gold held by the Reserve Bank was 822.10 metric tonnes as compared to 794.63 metric tonnes as on March 31, 2023. This increase is on account of addition of 27.47 metric tonnes of gold during the year.

Table XII.4: Physical holding of Gold

	As on March 31, 2023	As on March 31, 2024
	Volume in metric tonnes	Volume in metric tonnes
1	2	3
Gold held as backing for Notes Issued (held in India)	301.09	308.03
Gold (including Gold Deposit) held as asset of Banking Department (including gold held abroad)	493.54	514.07#
Total	**794.63**	**822.10**

#: 100.28 metric tonnes held in India and 413.79 metric tonnes held abroad.

Of 822.10 metric tonnes as on March 31, 2024, 308.03 metric tonnes of gold are held as backing for Notes Issued as compared to 301.09 metric tonnes as on March 31, 2023 and is shown separately as an asset of Issue Department. The balance 514.07 metric tonnes as on March 31, 2024 as compared to 493.54 metric tonnes on March 31, 2023 is treated as an asset of Banking Department (Table XII.4).

The value of gold (including gold deposit) held as asset of Banking Department increased by 19.06 per cent from ₹2,30,733.95 crore as on March 31, 2023 to ₹2,74,714.27 crore as on March 31, 2024. This increase is on account of addition of 20.53 metric tonnes of gold, increase in price of gold and depreciation of INR *vis-à-vis* USD.

iii) Bills purchased and discounted

Though the Reserve Bank can undertake purchase and discounting of commercial bills under the RBI Act, 1934, no such activity was undertaken in the year 2023-24. Consequently, there was no such asset in the books of the Reserve Bank as on March 31, 2024.

[2] Includes banknotes in physical and digital form.

iv) Investments-Foreign-Banking Department (BD)

Foreign Currency Assets (FCA) of the Reserve Bank include, (i) deposits with other central banks, (ii) deposits with the Bank for International Settlements (BIS), (iii) deposits with commercial banks overseas, (iv) investments in foreign T-Bills and securities, and (v) Special Drawing Rights (SDR) acquired from the Government of India (GoI).

FCA is reflected under two heads in the balance sheet: (a) 'Investments-Foreign-BD' shown as an asset of Banking Department, and (b) 'Investments-Foreign-ID' shown as an asset of Issue Department.

'Investments-Foreign-ID' are FCA, eligible as per Section 33(6) of the RBI Act, 1934, used for backing of Notes Issued. The remaining of FCA constitutes 'Investments-Foreign-BD'.

The position of FCA for the last two years has been given in Table XII.5.

v) Investments-Domestic-Banking Department (BD)

Investments comprise dated Government Rupee Securities, State Government Securities and Special Oil Bonds. The Reserve Bank's holding of domestic securities decreased by 3.06 per cent, from ₹14,06,422.89 crore as on March 31, 2023 to ₹13,63,368.97 crore as on March 31, 2024. The decrease was mainly on account of liquidity management operations conducted by way of net sale of government securities and redemption of securities in the portfolio.

Table XII.5: Details of Foreign Currency Assets (FCA)

(₹ crore)

Particulars		As on March 31	
		2023	2024
1		2	3
I	Investments-Foreign-BD*	10,08,993.26	14,89,081.42
II	Investments-Foreign-ID	32,07,201.78	33,12,976.05
Total		**42,16,195.04**	**48,02,057.47**

*: Includes Shares in BIS and Society for Worldwide Interbank Financial Telecommunications (SWIFT) and SDR transferred from GoI valued at ₹12,553.70 crore as on March 31, 2024 compared to ₹12,096.82 crore as on March 31, 2023.

Note: 1. The Reserve Bank has agreed to make resources available under the IMF's New Arrangements to Borrow (NAB). Effective January 01, 2021, India's commitment under NAB stands at SDR 8.88 billion (₹98,080.69 crore/ US$11.76 billion). As on March 31, 2024, no investments are outstanding under NAB.

2. The Reserve Bank has agreed to invest up to an amount, the aggregate of which shall not exceed US$5 billion (₹41,701.05 crore), in the bonds issued by India Infrastructure Finance Company (UK) Limited. As on March 31, 2024, the Reserve Bank has invested US$0.93 billion (₹7,773.08 crore) in such bonds.

3. During the year 2013-14, the Reserve Bank and GoI entered into a MoU for transfer of SDR holdings from GoI to RBI in a phased manner. As on March 31, 2024, SDR 1.11 billion (₹12,225.23 crore/ US$1.46 billion) were held by the Reserve Bank.

4. With a view to strengthening regional financial and economic cooperation, the Reserve Bank has agreed to offer an amount of US$2 billion both in foreign currency and Indian Rupee under SAARC Swap Arrangement to SAARC member countries. As on March 31, 2024, amount lent under SAARC and ACU currency swap arrangements stood at US$2.42 billion (₹20,214.68 crores).

5. The nominal value of foreign securities posted as collateral and margin in repurchase and IRF transactions was ₹1,62,047.22 crore/ US$19.43 billion and the nominal value of those received under reverse repurchase transactions was ₹1,76,406.05 crore/ US$21.15 billion as on March 31, 2024.

6. The nominal value of foreign securities lent under Security Lending arrangement was ₹81,283.23 crore/ US$9.75 billion as on March 31, 2024.

A part of Investments-Domestic-BD is also earmarked for various staff funds, DEA Fund and PIDF as explained in para 2.5(d). As on March 31, 2024, ₹1,19,173 crore (face value) was earmarked for various staff funds and DEA Fund.

vi) Loans and Advances

a) *Central and State Governments*

These loans are extended in the form of Ways and Means Advances (WMA) and Overdraft (OD) to the Central Government and in the form of WMA, OD and Special Drawing Facility (SDF) to State Governments in terms of Section 17(5) of the RBI Act, 1934. The WMA limit, in case of the Central Government, is fixed from time to time in consultation with the Government of India and in case of State Governments, the limit for individual State/ Union Territory is fixed based on the recommendations of Advisory Committee/ Group constituted for this purpose. As on March 31, 2023, the Central Government had availed WMA, the loan amount outstanding being ₹48,677.00 crore as against Nil as on March 31, 2024. Loans and advances to State Governments increased from ₹791.72 crore as on March 31, 2023 to ₹6,599.94 crore as on March 31, 2024.

b) *Loans and Advances to Commercial, Co-operative Banks, NABARD and others*

- *Loans and Advances to Commercial and Co-operative Banks:* These include amounts outstanding against Repo under Liquidity Adjustment Facility (LAF), Marginal Standing Facility (MSF) and special liquidity facility to banks. The amount outstanding increased from ₹1,12,731.34 crore as on March 31, 2023 to ₹1,93,341.00 crore as on March 31, 2024 due to increase in funds availed by banks under LAF due to lower system liquidity and under MSF due to skewed system liquidity in the banking system during the year.

- *Loans and Advances to NABARD:*

  The Reserve Bank can extend loans to NABARD under Section 17(4E) of the RBI Act, 1934. No loans and advances were outstanding as on March 31, 2024 as well as on March 31, 2023 and accordingly, balance in this account was Nil.

- *Loans and Advances to Others:*

  The balance under this head represents loans and advances to National Housing Bank (NHB), Small Industries Development Bank of India (SIDBI) and liquidity support provided to Primary Dealers (PDs). The balance under this head decreased by 49.37 per cent from ₹24,485.36 crore as on March 31, 2023 to ₹12,397.51 crore as on March 31, 2024, primarily due to decrease in liquidity support facility availed by Financial Institutions as on March 31, 2024.

c) *Loans and Advances to Financial Institutions Outside India*

Balances under the head increased from ₹1,02,128.11 crore as on March 31, 2023 to ₹1,63,255.04

crore as on March 31, 2024 due to increase in volume of reverse repo transactions during the year.

vii) Investment in Subsidiaries/Associates

The comparative position of investment in subsidiaries/ associate institutions as on March 31, 2023 and March 31, 2024 has been given in Table XII.6. Total holding as on March 31, 2024 was ₹2,063.60 crore, same as on March 31, 2023.

viii) Other Assets

'Other Assets' comprise fixed assets (net of depreciation), accrued income, Swap Amortisation Account (SAA), Revaluation of Forward Contracts Account (RFCA) and miscellaneous assets. Miscellaneous assets comprise mainly loans and advances to staff, amount spent on projects pending completion, security deposit paid, *etc*. The amount outstanding under 'Other Assets' increased by 9.01 per cent from ₹59,474.84 crore as on March 31, 2023 as compared to ₹64,831.83 crore as on March 31, 2024.

a. Swap Amortisation Account (SAA)

As on March 31, 2024 as well as on March 31, 2023, the balance in SAA was Nil as there were no outstanding contracts of swaps which were in nature of repo at off market rate.

b. Revaluation of Forward Contracts Account (RFCA)

The balance in RFCA was ₹170.37 crore as on March 31, 2024 representing net marked-to-market gain on outstanding forward contracts as against ₹1,354.96 crore on March 31, 2023.

XII.7.2 Assets of Issue Department

The eligible assets of the Issue Department held as backing for Notes Issued consist of gold coins, gold bullion, foreign securities, rupee coins, rupee securities and Domestic Bills of Exchange and other Commercial Papers. The Reserve Bank holds 822.10 metric tonnes of gold, of which 308.03 metric tonnes are held as backing for Notes Issued as on March 31, 2024 (Table XII.4). The value of gold held as asset of

Table XII.6: Holdings in Subsidiaries/Associates

(₹ crore)

		2022-23	2023-24	Per cent holding as on March 31, 2024
1		2	3	4
a)	Deposit Insurance and Credit Guarantee Corporation (DICGC)	50.00	50.00	100
b)	Bharatiya Reserve Bank Note Mudran (P) Ltd. (BRBNMPL)	1,800.00	1,800.00	100
c)	Reserve Bank Information Technology (P) Ltd. (ReBIT)	50.00	50.00	100
d)	National Centre for Financial Education (NCFE)	30.00	30.00	30
e)	Indian Financial Technology & Allied Services (IFTAS)	33.60	33.60	100
f)	Reserve Bank Innovation Hub (RBIH)	100.00	100.00	100
Total		**2,063.60**	**2,063.60**	

Issue Department increased by 16.94 per cent from ₹1,40,765.60 crore as on March 31, 2023 to ₹1,64,604.91 crore as on March 31, 2024.

This increase in the value of gold during the year is on account of addition of 6.94 metric tonnes of gold, increase in price of gold and depreciation of INR *vis-à-vis* USD.

Consequent upon increase in Notes Issued, Investments-Foreign-ID held as its backing increased by 3.30 per cent from ₹32,07,201.78 crore as on March 31, 2023 to ₹33,12,976.05 crore as on March 31, 2024.

The balance of Rupee Coins held by the Issue Department increased by 65.36 per cent from ₹277.29 crore as on March 31, 2023 to ₹458.54 crore as on March 31, 2024.

FOREIGN EXCHANGE RESERVES

XII.8 Foreign Exchange Reserves (FER) comprise Foreign Currency Assets (FCA), Gold (including gold deposit), Special Drawing Rights (SDR) holdings and Reserve Tranche Position (RTP). SDR holdings acquired from GoI form part of the Reserve Bank's balance sheet and is included under 'Investments-Foreign-BD'. SDR holdings remaining with GoI and RTP, which represents India's quota contribution to IMF in foreign currency, is not a part of the Reserve Bank's balance sheet. The position of FER as on March 31, 2023 and March 31, 2024 in Indian Rupees and US dollar, which is the numéraire currency for the Reserve Bank's FER, has been furnished in Tables XII.7 (a) and (b).

Table XII.7(a): Foreign Exchange Reserves (Rupee)

(₹ crore)

Components	As on		Variation	
	March 31, 2023	March 31, 2024	Absolute	Per Cent
1	2	3	4	5
Foreign Currency Assets (FCA)	41,89,132.39^	47,61,844.48#	5,72,712.09	13.67
Gold (including gold deposit)	3,71,499.55@	4,39,319.18*	67,819.63	18.26
Special Drawing Rights (SDR)	1,51,164.10	1,51,223.44	59.34	0.04
Reserve Tranche Position (RTP) in IMF	42,468.49	38,868.77	-3,599.72	-8.48
Foreign Exchange Reserves (FER)	**47,54,264.53**	**53,91,255.87**	**6,36,991.34**	**13.40**

^: Excludes (a) SDR Holdings of the Reserve Bank amounting to ₹11,767.83 crore, which is included under SDR holdings; (b) Investment of ₹9,558.65 crore in bonds issued by IIFC (UK); and (c) ₹5,736.17 crores lent under currency swap arrangement made available for SAARC countries.

#: Excludes (a) SDR Holdings of the Reserve Bank amounting to ₹12,225.23 crore, which is included under the SDR holdings; (b) Investment of ₹7,773.08 crore in bonds issued by IIFC (UK); and (c) ₹20,214.68 crores lent under SAARC and ACU currency arrangements.

@: Of this, Gold valued at ₹1,40,765.60 crore is held as an asset of Issue Department and Gold (including gold deposit) valued at ₹2,30,733.95 crore is held as an asset of Banking Department.

*: Of this, Gold valued at ₹1,64,604.91 crore is held as an asset of Issue Department and Gold (including gold deposit) valued at ₹2,74,714.27 crore is held as an asset of Banking Department.

Table XII.7(b): Foreign Exchange Reserves (USD)

(US$ billion)

Components	As on		Variation	
	March 31, 2023	March 31, 2024	Absolute	Per Cent
1	2	3	4	5
Foreign Currency Assets (FCA)	509.69*	570.95**	61.26	12.02
Gold (including gold deposit)	45.20	52.67	7.47	16.53
Special Drawing Rights (SDR)	18.39	18.13	-0.26	-1.41
Reserve Tranche Position (RTP) in IMF	5.17	4.66	-0.51	-9.86
Foreign Exchange Reserves (FER)	**578.45**	**646.41**	**67.96**	**11.75**

*: Excludes (a) SDR Holdings of the Reserve Bank amounting to US$1.43 billion, which is included under SDR holdings; (b) US$1.16 billion invested in bonds of IIFC (UK); and (c) US$0.70 billion lent under currency swap arrangement made available for SAARC countries.

**: Excludes (a) SDR Holdings of the Reserve Bank amounting to US$1.46 billion, which is included under SDR holdings; (b) US$0.93 billion invested in bonds of IIFC (UK); and (c) US$2.42 billion lent under the SAARC and ACU currency swap arrangements.

ANALYSIS OF INCOME AND EXPENDITURE

INCOME

XII.9 The components of Reserve Bank's income are 'Interest' and 'Other Income' including (i) Discount (ii) Exchange (iii) Commission (iv) Amortisation of premium/ discount on Foreign and Rupee Securities (v) Profit/ Loss on sale and redemption of Foreign and Rupee Securities (vi) Depreciation on Rupee Securities inter portfolio transfer (vii) Rent Realised (viii) Profit/ Loss on sale of Bank's property, and (ix) Provision no longer required and Miscellaneous Income. Certain items of income such as interest on LAF repo, Repo in foreign security and exchange gain/ loss from foreign exchange transactions are reported on net basis.

Earnings from Foreign Sources

XII.10 Income from foreign sources increased by 23.23 per cent from ₹1,52,128.54 crore in the year 2022-23 to ₹1,87,471.20 crore in the year 2023-24. The rate of earnings on foreign currency assets was 4.21 per cent in the year 2023-24 as compared to 3.73 per cent in the year 2022-23 (Table XII.8).

Earnings from Domestic Sources

XII.11 Net income from domestic sources increased by 5.73 per cent from ₹83,328.72 crore in the year 2022-23 to ₹88,101.12 crore in the year 2023-24 mainly on account of decrease in net outgo of interest under LAF/ MSF/ SDF in the current year as compared to previous year (Table XII.9).

Table XII.8: Earnings from Foreign Sources

(₹ crore)

Item	2022-23	2023-24	Variation	
			Absolute	Per Cent
1	2	3	4	5
Foreign Currency Assets (FCA)	42,16,195.04	48,02,057.47	5,85,862.43	13.90
Average FCA	40,81,053.94	44,52,358.86	3,71,304.92	9.10
Earnings from FCA (interest, discount, exchange gain/ loss, capital gain/ loss on securities)	1,52,128.54	1,87,471.20	35,342.66	23.23
Earnings from FCA as per cent of average FCA	3.73	4.21	0.48	12.87

Table XII.9: Earnings from Domestic Sources

(₹ crore)

Item	2022-23	2023-24	Variation	
			Absolute	Per cent
1	2	3	4	5
Earnings (I+II+III+IV)	**83,328.72**	**88,101.12**	**4,772.41**	**5.73**
I. Earnings from Rupee Securities and discounted instruments				
i) Interest on holding of Rupee Securities (including Oil Bonds)	96,516.05	92,589.51	-3,926.54	-4.07
ii) Profit/Loss on sale and redemption of Rupee Securities	-222.86	859.32	1,082.18	485.59
iii) Depreciation on Rupee securities inter portfolio transfer	-110.67	-68.74	41.93	37.89
iv) Amortisation of premium/ discount on Rupee securities (including Oil Bonds)	-2,264.19	-2,394.71	-130.52	-5.76
v) Discount	0.00	0.00	0.00	0.00
Sub Total (i+ii+iii+iv+v)	***93,918.33***	***90,985.38***	***-2,932.95***	***-3.12***
II. Interest on LAF/ MSF/ SDF				
i) Net Interest on LAF Operations	-9,068.41	-7,052.08	2,016.33	22.23
ii) Interest on SDF	-7,444.71	-5,616.80	1,827.91	24.55
iii) Interest on MSF operations	361.02	3,413.37	3,052.35	845.48
Sub Total (i+ii+iii)	***-16,152.10***	***-9,255.51***	***6,896.59***	***42.70***
III. Interest on other loans and advances				
i) Government (Central & States)	556.49	1,294.43	737.94	132.61
ii) Banks & Financial Institutions	1,791.55	718.92	-1,072.63	-59.87
iii) Employees	63.94	80.74	16.80	26.27
Sub Total (i+ii+iii)	***2,411.98***	***2,094.09***	***-317.89***	***-13.18***
IV. Other Earnings				
i) Exchange	0.00	0.00	0.00	0.00
ii) Commission	3,469.14	3,886.95	417.81	12.04
iii) Rent Realised, Profit or Loss on sale of Bank's Property, Provision no longer required and Miscellaneous Income	-318.64	390.21	708.85	222.46
Sub Total (i+ii+iii)	***3,150.50***	***4,277.16***	***1,126.66***	***35.76***

XII.12 *Interest on holding of Rupee Securities (including Oil Bonds)* decreased from ₹96,516.05 crore in the year 2022-23 to ₹92,589.51 crore in the year 2023-24.

XII.13 *Net Interest Income from Liquidity Adjustment Facility (LAF)/ Marginal Standing Facility (MSF)/ Standing Deposit Facility (SDF)* operations increased from ₹ (-)16,152.10 crore in the year 2022-23 to ₹ (-)9,255.51 crore in the year 2023-24 due to lower liquidity in the banking system in the current year as compared to previous year.

XII.14 *Profit on sale and redemption of Rupee Securities* increased from ₹ (-)222.86 crore in the year 2022-23 to ₹859.32 crore in the year 2023-24 primarily on account of softening of yields across the curve in the current year which led to higher realisation on sale of securities. In the year 2023-24, net sale operations amounted to ₹18,505 crore (Face Value).

XII.15 *Amortisation of premium/ discount on Rupee Securities (including Oil Bonds):* Premium/ discount on Rupee Securities and Oil Bonds held by the Reserve Bank, are amortised on a daily basis during the period of residual maturity. Net income from premium/ discount on amortisation of Rupee Securities decreased from ₹ (-)2,264.19 crore in the year 2022-23 to ₹ (-)2,394.71 crore in the year 2023-24.

XII.16 *Discount:* There was no income from holding of discounted instruments (T-Bills) in the year 2023-24, same as the year 2022-23.

XII.17 *Interest on Loans and Advances*

a. *Central and State Governments:*

Interest income on loans and advances extended to Central and State Governments increased by 132.61 per cent from ₹556.49 crore in the year 2022-23 to ₹1,294.43 crore in the year 2023-24. Of thetotal, interest income received from theCentral Government on account of WMA/ OD increased by 1,086.07 per cent from ₹32.52 crore in the year 2022-23 to ₹385.71 crore in the year 2023-24 and interest income received from State Governments on account of WMA/ OD/ SDF increased by 73.43 per cent from ₹523.97 crore in the year 2022-23 to ₹908.72 crore in the year 2023-24. The increase was on account of higher availment of funds from the Reserve Bank by the Central and State Governments.

b. *Banks & Financial Institutions*:

Interest income from loans and advances to banks and financial institutions decreased by 59.87 per cent from ₹1,791.55 crore in the year 2022-23 to ₹718.92 crore in the year 2023-24 due to lower availment of funds by Financial Institutions under Special Liquidity Facility.

c. *Employees*:

Interest income from loans and advances to employees increased by 26.27 per cent from ₹63.94 crore in the year 2022-23 to ₹80.74 crore in the year 2023-24.

XII.18 *Commission:* Commission income increased by 12.04 per cent from ₹3,469.14 crore in the year 2022-23 to ₹3,886.95 crore in the year 2023-24, primarily on account of increase in a) management commission received for servicing outstanding Central Government loans including Sovereign Gold Bonds and Savings Bonds b) management commission received for servicing outstanding State Governments loan and c) floatation charges recovered from the Central and State Governments for loans issued during the current year.

XII.19 *Rent Realised, Profit/ Loss on sale of Bank's property, Provision no longer required and Miscellaneous Income*: Earnings from these income heads increased from ₹ (-)318.64 crore in the year 2022-23 to ₹390.21 crore in the year 2023-24.

EXPENDITURE

XII.20 The Reserve Bank incurs expenditure in the course of performing its statutory functions by way of agency charges/commission, printing of notes, expenditure on remittance of currency, besides employee related and other expenses. Total expenditure of the Reserve Bank decreased by 56.30 per cent from ₹1,48,037.04 crore in the year 2022-23 to ₹64,694.33 crore in the year 2023-24 (Table XII.10).

Table XII.10: Expenditure

(₹ crore)

Item	2019-20	2020-21	2021-22	2022-23	2023-24
1	2	3	4	5	6
i. Interest	1.34	1.10	1.77	1.92	2.19
ii. Employee Cost	8,928.06	4,788.03	3,869.43	6,003.93	7,890.11
iii. Agency Charges/Commission	3,876.08	3,280.06	4,400.62	4,068.62	3,976.31
iv. Printing of Notes	4,377.84	4,012.09	4,984.80	4,682.80	5,101.40
v. Provisions	73,615.00	20,710.12	1,14,667.01	1,30,875.75	42,819.91
vi. Others	1,742.61	1,355.35	1,877.05	2,404.02	4,904.41
Total (i+ii+iii+iv+v+vi)	**92,540.93**	**34,146.75**	**1,29,800.68**	**1,48,037.04**	**64,694.33**

i) Interest

During the year 2023-24, an amount of ₹2.19 crore was paid as interest to Dr. B. R. Ambedkar Birth Centenary Year Fund (set up for giving scholarship to wards of staff) and Employees Benevolent Fund as compared to ₹1.92 crore in the year 2022-23.

ii) Employee Cost

Employee cost increased by 31.42 per cent from ₹6,003.93 crore in the year 2022-23 to ₹7,890.11 crore in the year 2023-24. The increase was due to increase in Reserve Bank's provision towards accrued liabilities of various superannuation funds in the year 2023-24.

iii) Agency Charges/Commission

a. Agency Commission on Government Transactions

The Reserve Bank discharges the function of banker to governments through a large network of agency bank branches that serve as retail outlets for governments' receipts and payments. The Reserve Bank pays commission to these agency banks at prescribed rates. Net agency commission paid on account of government business decreased marginally by 1.71 per cent from ₹3,873.06 crore in the year 2022-23 to ₹3,806.71 crore in the year 2023-24.

b. Underwriting Commission Paid to Primary Dealers

The expenditure on account of underwriting commission paid to Primary Dealers (PDs) decreased from ₹107.47 crore in the year 2022-23 to ₹48.47 crore in the year 2023-24. Increase in investment demand and no instance of any devolvement on PDs contributed to significant reduction in underwriting commission during the current year.

c. Sundries

This includes expenses incurred on handling charges, turnover commission paid to banks for Relief/ Savings Bonds subscriptions and Commission paid on Securities Borrowing and Lending Arrangement (SBLA), *etc*. The commission paid under this head increased from ₹20.98 crore in the year 2022-23 to ₹28.12 crore in the year 2023-24.

d. Fees Paid to the External Asset Managers, Custodians, Brokers, etc.

Expenditure under the head increased from ₹67.11 crore in the year 2022-23 to ₹93.01 crore in the year 2023-24.

iv) Printing of Notes

The supply of notes increased by 7.52 per cent from 2,26,002 lakh pieces during the year 2022-23 to 2,43,000 lakh pieces during the year 2023-24. Expenditure incurred on printing of banknotes increased from ₹4,682.80 crore in the year 2022-23 to ₹5,101.40 crore in the year 2023-24.

v) Provisions

The ECF requires Contingent Risk Buffer (CRB) to be maintained in the range of 5.50 per cent to 6.50 per cent of the size of the balance sheet. The Central Board approved that CRB may be maintained at 6.50 per cent of the size of the balance sheet of the Reserve Bank for the year 2023-24. Accordingly, a provision of ₹42,819.91 crore was made and transferred to CF during the year (Table XII.2).

vi) Others

Other expenses comprise expenditure on remittance of currency, printing and stationery, audit fees and related expenses, miscellaneous expenses, *etc.* which increased by 104.01 per cent from ₹2,404.02 crore in the year 2022-23 to ₹4,904.41 crore in the year 2023-24.

Contingent Liabilities

XII.21 Total contingent liabilities of the Reserve Bank amounted to ₹1,002.45 crore. The main component of this being partly paid shares, denominated in SDR, of Bank for International Settlements (BIS) held by the Reserve Bank. The uncalled liability on partly paid shares of the BIS as on March 31, 2024 was ₹985.36 crore. The balances are callable at three months' notice by a decision of the BIS Board of Directors.

Prior period transactions

XII.22 For the purpose of disclosure, prior period transactions of ₹1 lakh and above only have been considered. The prior period transactions under expenditure and income amounted to ₹0.12 crore and ₹2.09 crore, respectively.

Payment to Micro and Small Enterprises under the Micro, Small & Medium Enterprises Development Act, 2006

XII.23 The following table sets forth the cases of delayed payments of the principal amount or interest due thereon to Micro and Small Enterprises:

(₹ crore)

Particulars	2022-23		2023-24	
	Principal	Interest	Principal	Interest
1	2	3	4	5
i. the principal amount and the interest due thereon remaining unpaid to any supplier as at March 31;	-	-	-	-
ii. the amount of interest paid by the buyer in terms of section 16, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year;	-	-	-	-
iii. the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Act;	-	-	-	-
iv. the amount of interest accrued and remaining unpaid at the end of the accounting year;	-	-	-	-
v. the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.	NA	NA	NA	NA

-: Nil. NA: Not Applicable.

Previous year's figures

XII.24 Figures for the previous year have been rearranged, wherever necessary to make them comparable with the current year.

Auditors

XII.25 The statutory auditors of the Reserve Bank are appointed by the Central Government in terms of Section 50 of the RBI Act, 1934. The accounts of the Reserve Bank for the year 2023-24 were audited by M/s Chandabhoy & Jassoobhoy, Mumbai and M/s Ford Rhodes Parks & Co. LLP, Mumbai, as the Statutory Central Auditors and M/s S. Ghose & Co., Kolkata, M/s N. C. Rajagopal & Co., Chennai and M/s J. C. Bhalla & Co., New Delhi as Statutory Branch Auditors.

ANNEX I

CHRONOLOGY OF MAJOR POLICY ANNOUNCEMENTS: APRIL 2023 TO MARCH 2024[1]

Date of Announcement	Policy Initiative
Monetary Policy Department	
April 6, 2023	The monetary policy committee (MPC) decided to keep the policy repo rate unchanged at 6.50 per cent. The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns with the target, while supporting growth. The policy repo rate and stance remained unchanged during 2023-24.
Financial Inclusion and Development Department	
April 25, 2023	A revised circular on 'General Credit Card (GCC) Facility - Review' was issued. It stipulates that GCC may be issued to individuals/entities who are sanctioned working capital facilities for non-farm entrepreneurial activities which are eligible for classification under the priority sector guidelines. GCC shall be issued in the form of a credit card conforming to the stipulations in 'Master Direction - Credit Card and Debit Card - Issuance and Conduct Directions' dated April 21, 2022 (as updated from time to time).
April 26, 2023	• The revolving fund support provided to women self-help groups (SHGs) under *Deendayal Antyodaya Yojana* -National Rural Livelihoods Mission (DAY-NRLM) has been revised to ₹20,000-₹30,000 per SHG from the earlier sum of ₹10,000-₹15,000 per SHG. • Regarding data sharing with various entities under DAY-NRLM, banks have been advised to be guided by the provisions of paragraph 25 of the Master Circular on customer service in banks dated July 1, 2015. Regarding consent of customers, as mentioned in paragraph 25(iv) of the aforesaid Master Circular, banks may ensure that consent may be obtained specially and separately from the customers and not in the form of a general clause either in the applications for opening the account or for the loan.
May 9, 2023	In order to facilitate formalisation of informal micro enterprises (IMEs) which were not able to register on the *Udyam* registration portal due to lack of mandatory documents such as permanent account number (PAN) or goods and services tax identification number (GSTIN), the Ministry of Micro, Small and Medium Enterprises (MSMEs), Government of India (GoI) had launched an *Udyam* assist platform (UAP). Accordingly, a circular was issued stipulating that IMEs with *Udyam* assist certificate shall be treated as micro enterprises under MSMEs for the purposes of priority sector lending (PSL) classification.
September 13, 2023	A circular was issued drawing attention of banks and non-banking financial companies (NBFCs) to the guidelines on '*Pradhan Mantri Vishwakarma* Scheme' introduced by the GoI, for appropriate action at their end.
December 28, 2023	The Master Direction on 'Lending to Micro, Small & Medium Enterprises Sector' was updated to incorporate latest developments on MSME-PSL classification. For PSL purposes, banks were advised to be guided by the classification recorded in the *Udyam* registration certificate (URC) of an enterprise.
Financial Markets Regulation Department	
May 12, 2023	With the cessation of publication of all London Interbank Offered Rate (LIBOR) settings after June 30, 2023, the Reserve Bank issued a final advisory to its regulated entities (REs) in May 2023, advising them to ensure that new transactions are not undertaken by them or by their customers through the LIBOR or the domestic benchmark - the Mumbai Interbank Forward Outright Rate (MIFOR).

[1] The list is indicative in nature and details are available on the Reserve Bank's website.

Date of Announcement	Policy Initiative
June 6, 2023	Authorised Dealer (AD) Category-I banks operating International Financial Services Centre (IFSC) Banking Units (IBUs) were permitted to offer Indian Rupee (INR) non-deliverable derivative contracts (NDDCs) to resident non-retail users for the purpose of hedging.
June 8, 2023	Scheduled commercial banks (excluding small finance banks and payment banks) were allowed greater flexibility in money market operations by permitting them to set their own limits for borrowing in the call and notice money markets, within the prescribed prudential limits for interbank liabilities.
June 23, 2023	The modified MIFOR (MMIFOR), developed as an alternative to the MIFOR, was notified as a 'significant benchmark'.
November 8, 2023	The list of specified securities under the fully accessible route (FAR) was expanded to include all sovereign green bonds (SGrBs) issued by the GoI in 2023-24.
November 24, 2023	The 'Alert List' of unauthorised entities understood to be offering or promoting unauthorised entities/ electronic trading platforms (ETPs) [published in September 2022] was updated on June 7, 2023 and November 24, 2023.
December 27, 2023	Securities lending and borrowing in government securities (G-secs) was permitted with the objective of providing investors an avenue to deploy their idle securities to enhance portfolio returns and deepen the G-sec market.
December 28, 2023	• A comprehensive risk-based regulatory framework covering administration of all benchmarks related to financial markets regulated by the Reserve Bank has been issued, requiring benchmark administrators, *inter alia*, to comply with governance and oversight arrangements, conflict of interest, controls and transparency. • In order to expand the suite of interest rate derivatives available in the domestic financial market and to enable market participants, especially long-term investors, draft Directions permitting bond forwards on G-sec to facilitate management of cash flows and interest rate risk were issued for market feedback.
January 3, 2024	Directions on commercial papers (CPs) and non-convertible debentures (NCDs) of original maturity up to one year were reviewed and revised Directions were issued to bring consistency across products in terms of issuers, investors and other participants in these markets.
January 5, 2024	The regulatory framework for hedging of foreign exchange (FX) risks was reviewed and revised Directions were issued, consolidating the previous rules and notifications in respect of all types of transactions - over-the-counter (OTC) and exchange traded - under a single Master Direction, expanding the suite of permitted FX derivative products and refining the user classification framework to enable a larger set of users with the necessary risk management capabilities to efficiently manage their risks.
Financial Markets Operations Department	
December 27, 2023	To facilitate better fund management by the banks, the Reserve Bank allowed reversal of liquidity facilities under both standing deposit facility (SDF) and marginal standing facility (MSF), even during weekends and holidays, with effect from December 30, 2023.
Foreign Exchange Department	
April 6, 2023	A new software application called 'APConnect' was developed to facilitate the processing of application for licensing of full-fledged money changers (FFMCs) and non-bank AD Category-II entities, authorisation as money transfer service scheme (MTSS) agent, renewal of existing licence/authorisation and also for submission of various statements/returns by these authorised persons (APs).

Date of Announcement	Policy Initiative
April 12, 2023	To improve customer convenience and turnaround time, effective April 12, 2023, AD Category-II entities were permitted to allow online submission of Form A2 by their customers, while undertaking remittances other than imports and intermediary trade transactions.
April 26, 2023	With an objective to align the liberalised remittance scheme (LRS) for IFSCs *vis-à-vis* other foreign jurisdictions, the condition of repatriating any funds lying idle in the account beyond a period of 15 days from the date of its receipt was withdrawn and was aligned with the period applicable for such remittances to other foreign jurisdictions, *i.e.*, 180 days, with effect from April 26, 2023.
May 9, 2023	Due to instances of levying of charges/fees on forex prepaid card/store value cards, payable in India for services provided to customers in India in foreign currency by few APs, instructions have been issued advising APs that any fees/charges payable in India must be denominated and settled in INR only.
June 22, 2023	Pursuant to the gazette notification dated May 23, 2022, which has notified select courses offered by foreign universities/institutions in IFSC, as financial services, with effect from June 22, 2023, remittances by resident individuals for payment of course fees to foreign universities/institutions in IFSCs have been enabled under LRS for the defined purpose, *i.e.*, ‘studies abroad’.
November 10, 2023	Consequent to the Directorate General of Foreign Trade (DGFT) notification dated October 11, 2023, AD banks have been permitted to allow qualified jewellers (as notified by IFSC Authority) to remit advance payment for 11 days for import of silver through India International Bullion Exchange (IIBX) in IFSC, subject to specified conditions, from November 10, 2023.
November 17, 2023	To provide greater operational flexibility to the exporters, AD Category-I banks maintaining special Rupee vostro account (as per the provisions of the Reserve Bank circular dated July 11, 2022) were permitted to open an additional special current account for its exporter constituent exclusively for settlement of their export transactions, from November 17, 2023.
December 21, 2023	To promote the internationalisation of INR and to support to the local currency settlement with partner countries, a significant step was taken on December 21, 2023, through the issuance of Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2023.
December 22, 2023	With the launch of the Reserve Bank’s next generation data warehouse, *viz.*, centralised information management system (CIMS) on June 30, 2023, the submission of six returns by AD Category-I banks through the eXtensible business reporting language (XBRL) site has been discontinued and shifted to CIMS platform with effect from December 26, 2023.
January 31, 2024	Pursuant to the DGFT notification dated November 20, 2023, AD banks have been permitted to allow valid tariff rate quota (TRQ) holders under the India-UAE Comprehensive Economic Partnership Agreement (CEPA) to remit advance payment for 11 days for import of gold through IIBX against the TRQ, from January 31, 2024, subject to specified conditions mentioned in the circular dated May 25, 2022.
March 5, 2024	Following the launch of the Reserve Bank’s next generation data warehouse CIMS, submission of the quarterly statement on the quantum of remittances received through MTSS by APs who are Indian agents under MTSS, was shifted to CIMS platform with effect from the quarter-ending March 2024.

Date of Announcement	Policy Initiative
Department of Regulation	
April 11, 2023	A framework for acceptance of green deposits for the REs was introduced. The purpose/rationale of the framework is to encourage REs to offer green deposits to customers, protect interest of the depositors, aid customers to achieve their sustainability agenda, address greenwashing concerns and help augment the flow of credit to green activities/projects. REs shall be allocating the funds raised from green deposits in the sectors adopted from the Government of India's 'Framework for Sovereign Green Bonds'. REs shall issue green deposits as cumulative/non-cumulative deposits and in Indian Rupees only. The framework came into effect from June 1, 2023.
April 24, 2023	The provisioning norms for standard assets applicable to all categories of urban co-operative banks (UCBs), irrespective of their Tier in the revised framework, were harmonised. Accordingly, the standard asset provisioning norms applicable to Tier I, Tier 2, Tier 3 and Tier 4 UCBs under the revised framework shall be as under: (i) direct advances to agriculture and small and medium enterprise (SME) sectors - 0.25 per cent; (ii) advances to commercial real estate (CRE) sector - 1 per cent; (iii) advances to CRE- residential housing (CRE-RH) sector - 0.75 per cent; and (iv) for all other advances, banks shall maintain a uniform general standard asset provision of a minimum of 0.40 per cent of the funded outstanding on a portfolio basis.
April 28, 2023	The Master Direction on know your customer (KYC) was amended comprehensively to align the instructions with certain financial action task force (FATF) recommendations and amendments dated March 7, 2023 to the prevention of money laundering (PML) rules. Further, the update dated March 15, 2023 to the procedure for implementation of Section 51A of the Unlawful Activities (Prevention) Act, 1967, as also the newly laid down "Procedure for Implementation of Section 12A of the Weapons of Mass Destruction (WMD) Act, 2005 (Government Order dated January 30, 2023)" was also incorporated in the Master Direction.
May 4, 2023	Following the recommendations of the 'Working Group (WG) on Wire Transfer' constituted by the Reserve Bank, the extant instructions on wire transfer were revised to align with the FATF recommendations.
June 8, 2023	• The timeline for achieving overall PSL target and sub-target for advances to weaker sections by UCBs was extended by an additional period of two years, *i.e.,* up to March 2026 with milestones recalibrated for each year. UCBs shall contribute to Rural Infrastructure Development Fund (RIDF) and other eligible funds against their shortfall in PSL target/sub-targets *vis-à-vis* the prescribed targets with effect from March 31, 2023 (instead of March 31, 2021). • General permission for branch expansion was granted in the approved area of operation to financially strong UCBs. In addition to the general permission, the branch expansion under the prior approval route as per the existing framework will also continue as hitherto for other eligible UCBs. • A comprehensive regulatory framework governing compromise settlements and technical write-offs covering all REs was issued. • Arrangements between REs and lending service providers (LSPs) or between two REs involving default loss guarantee (DLG) in digital lending, commonly known as first loss default guarantee (FLDG) was permitted. DLG arrangements conforming to the guidelines shall not be treated as 'synthetic securitisation' and/or shall also not attract the provisions of 'loan participation'.

Date of Announcement	Policy Initiative
June 26, 2023	As part of the convergence of the Reserve Bank's guidelines with the revised Basel Committee on Banking Supervision (BCBS) standards on operational risk, the Master Direction on 'Minimum Capital Requirements for Operational Risk' was issued to all commercial banks [excluding local area banks, payments banks, regional rural banks (RRBs) and small finance banks]. The Master Direction prescribes the new standardised approach (Basel III standardised approach) for operational risk capital calculation. It overcomes the conceptual weakness of the existing basic indicator approach (BIA) by requiring banks to consider: (a) a financial statement-based business indicator component (considering wider parameters) and (b) loss data-based internal loss multiplier (for larger banks) in their operational risk regulatory capital calculation methodology.
August 10, 2023	The Reserve Bank issued a directive under Section 42(1A) of the Reserve Bank of India Act, 1934 requiring all scheduled commercial banks/RRBs/all scheduled UCBs/all scheduled state co-operative banks to maintain with the Reserve Bank of India, effective from the fortnight beginning August 12, 2023, an incremental cash reserve ratio (I-CRR) of 10 per cent on the increase in net demand and time liabilities (NDTL) between May 19, 2023 and July 28, 2023.
August 18, 2023	• A circular on 'Penal Charges in Loan Accounts' was issued advising banks and other lending institutions that penalty, if charged, for non-compliance with terms and conditions of a loan contract by the borrower, shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances. Further, there shall be no capitalisation of penal charges. REs shall ensure that the instructions are implemented in respect of all fresh loans availed from April 1, 2024 onwards. In the case of existing loans, the switchover to new penal charges regime shall be ensured on the next review/ renewal date falling on or after April 1, 2024, but not later than June 30, 2024. • The Reserve Bank revised the guidelines for Infrastructure Debt Fund - Non-Banking Financial Companies (IDF-NBFCs) to enable them to play a greater role in financing the infrastructure sector as well as to harmonise the regulations governing financing of the infrastructure sector by NBFCs. The revised framework, *inter alia*, withdraws the requirement of a sponsor for an IDF-NBFC, allows IDF-NBFCs to finance toll operate transfer (TOT) projects as direct lenders, has made tri-partite agreement optional for public private partnership (PPP) projects and has permitted IDF-NBFCs to raise funds through loan route under external commercial borrowings (ECBs). • The Reserve Bank issued guidelines to reset equated monthly instalments (EMIs) based on floating rate personal loans, including allowing borrowers to switch over to a fixed rate as per the bank board approved policy. The Reserve Bank directed REs to clearly communicate at the time of sanction to the borrowers about the possible impact of a change in the benchmark interest rate on the loan leading to changes in EMI, tenor or both.
September 8, 2023	The Reserve Bank discontinued the I-CRR in a phased manner. Based on an assessment of current and evolving liquidity conditions, it has been decided that the amounts impounded under the I-CRR would be released in stages so that system liquidity is not subjected to sudden shocks and money markets function in an orderly manner.
September 12, 2023	A revised regulatory framework was put in place by the Reserve Bank for the investment portfolio. The revised framework updates the regulatory guidelines with global standards and best practices while introducing a symmetric treatment of fair value gains and losses, a clearly identifiable trading book under held for trading (HFT), removing the 90-day ceiling on holding period under HFT, removal of ceilings on held to maturity and more detailed disclosures on the investment portfolio. Further, to facilitate smooth implementation, illustrative guidance has been developed on the revised framework and annexed to the Directions. The revised framework as detailed in the Reserve Bank of India (Classification, Valuation and Operation of Investment Portfolio of Commercial Banks) Directions, 2023 shall be applicable from April 1, 2024 to all commercial banks excluding RRBs.

Date of Announcement	Policy Initiative
September 13, 2023	Directions were issued to banks and other lenders, including NBFCs, housing finance companies and cooperative banks, to release all original movable or immovable property documents within 30 days of full repayment or settlement of personal loans by borrowers. In case of delay, the lenders will have to compensate the borrowers by paying ₹5,000 for each day of delay. The Directions, released as part of responsible lending conduct, will be applicable to all cases where release of original property documents is due on or after December 1, 2023. In the event of loss of or damage to original property documents, either in part or in full, the lender will have to assist the borrower in obtaining duplicate or certified copies of the documents and will have to bear the associated costs. This cost will be in addition to the daily compensation of ₹5,000 for each day of delay. However, in such cases, an additional time of 30 days will be available to the lender to complete this procedure, and the penalty for delay will be calculated thereafter, that is, after a total period of 60 days.
September 14, 2023	A list of 15 NBFCs in the Upper Layer, identified as per the methodology specified under scale-based regulation for NBFCs, was released.
September 20, 2023	The Reserve Bank directed the credit information companies (CICs) to prepare data quality index (DQI) for commercial and microfinance segments. Credit information is reported by credit institutions (CIs) to CICs under three reporting segments, *i.e.*, consumer, commercial and microfinance. Earlier, DQI was being provided by CICs for the data submitted under the consumer segment only. DQI has now been introduced for the commercial and microfinance segments also. Further, CIs have been advised to undertake half yearly review of the DQI for all segments (consumer, commercial and microfinance) to improve the quality of data being submitted to CICs. Additionally, a report on the issues identified and corrective steps taken shall be placed before its top management by each CI for review within two months from the end of that half year.
September 21, 2023	Master Direction on "Prudential Regulations on Basel III Capital Framework, Exposure Norms, Significant Investments, Classification, Valuation and Operation of Investment Portfolio Norms and Resource Raising Norms for All India Financial Institutions (AIFIs)" was issued marking a significant shift which entails extending the Basel III capital regulations, currently applicable to banks, to AIFIs, replacing the currently applicable Basel I capital regulations. The applicability of Basel III to AIFIs will ensure, *inter alia*, the following: (i) raise capital standards; (ii) enable better recognition of credit risk, based on external ratings; (iii) enable broad-based capturing of market risk instead of the simplified approach followed currently, and the recognition of operational risk of AIFIs; (iv) facilitate more efficient capturing of off-balance sheet exposures of AIFIs, under the leverage ratio framework; and (v) bring about the applicability of large exposure framework (LEF) to AIFIs, thus setting prudent limits to their large exposures. The Master Direction is applicable with effect from April 1, 2024.
September 25, 2023	The Reserve Bank, as a part of the move towards greater transparency, directed REs of the Reserve Bank which are secured creditors as per the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002, to display information in respect of the borrowers whose secured assets have been taken into possession by the REs under the Act. Further, the Reserve Bank advised the REs to upload the information on their website in a prescribed format. The first such list shall be displayed on the website of REs within six months from the date of this circular, and the list shall be updated on monthly basis.

Date of Announcement	Policy Initiative
October 6, 2023	The Reserve Bank increased the monetary ceiling of gold loans that can be granted under the bullet repayment scheme from ₹2 lakh to ₹4 lakh for the UCBs who met the overall priority sector lending targets and sub-targets as on March 31, 2023 and continue to meet the targets and sub-targets as prescribed in the Reserve Bank's circular dated June 8, 2023.
October 16, 2023	It was clarified that the banks should adhere to the below-mentioned practice for presentation of reverse repo transactions in the Form 'A' Return: • Reverse repo transactions with the banks should be reported as under: o For original tenors up to, and inclusive of 14 days, item III(b) of Form 'A' (*i.e.,* money at call and short notice) and memo item 2.1 of Annex A to Form 'A' (*i.e.,* under inter-bank assets). o For original tenors more than 14 days item III(c) of Form 'A' (*i.e.,* advances to banks) and memo item 2.1 and 2.2 of Annex A to Form 'A' (*i.e.,* under inter-bank assets). • Reverse repo transactions with non-banks (other institutions) for all tenors should be reported under item VI(a) of Form 'A' [*i.e.*, loans, cash credits and overdrafts under bank credit in India (excluding inter-bank advances)].
October 17, 2023	The Master Direction on KYC was amended to update certain instructions in accordance with the FATF recommendations and the amendments dated September 4, 2023 and October 17, 2023 to the PML rules. Further, the update dated August 29, 2023 to the procedure for implementation of Section 51A of the Unlawful Activities (Prevention) Act, 1967, along with the revised "Procedure for Implementation of Section 12A of the WMD Act, 2005 (Government Order dated September 1, 2023)" was incorporated in the Master Direction. Again, on receipt of office memorandum (OM) dated August 29, 2023 from the government, instructions to REs regarding jurisdictions that do not or insufficiently apply the FATF recommendations were amended advising REs to apply enhanced due diligence measures, which are effective and proportionate to the risks, to business relationships and transactions with natural and legal persons (including financial institutions) from countries, for which this is called for by the FATF.
October 25, 2023	• The Reserve Bank advised the banks to ensure the presence of at least two Whole Time Directors (WTDs), including the Managing Director and Chief Executive Officer (CEO), on their Boards. The number of WTDs shall be decided by the Board of the bank by considering factors such as the size of operations, business complexity, and other relevant aspects. Further, banks that currently do not meet the minimum requirement as above are advised to submit their proposals for the appointment of WTD(s) under Section 35B(1)(b) of the Banking Regulation Act, 1949, within a period of four months from the date of issuance of the relevant circular. • The Reserve Bank advised that all co-operative banks shall present all unclaimed liabilities (where the amount due has been transferred to depositor education and awareness (DEA) fund under 'Contingent Liabilities-Others'. Further, all banks shall specify in the disclosures in the notes to accounts to the financial statements that balances of the amount transferred to DEA fund are included under 'Schedule 12 - Contingent Liabilities - Other items for which the bank is contingently liable' or 'Contingent Liabilities - Others,' as the case may be.

Date of Announcement	Policy Initiative
October 26, 2023	• The Reserve Bank directed CIs and CICs to compensate customers at the rate of ₹100 per calendar day in case their complaint is not resolved within a period of 30 calendar days from the date of the initial filing of the complaint by the complainant with a CI/CIC. • The Reserve Bank issued directions on measures to strengthen customer service rendered by CIs and CICs. Among other things, the directions provide for notifying customers through SMS/email regarding access of their credit information report (CIR) or reporting of default/ days past due in their existing credit facilities to CICs. • The Reserve Bank enhanced the bulk deposit limit for RRBs. Accordingly, 'Bulk Deposit' for RRBs would mean single Rupee term deposits of ₹ one crore and above. • The Reserve Bank reviewed the Master Direction on 'Interest Rate on Deposits' and decided that (i) the minimum amount for offering non-callable term deposits (TDs) may be increased from ₹ 15 lakh to ₹ one crore; and (ii) these instructions shall also be applicable for Non-Resident (External) Rupee (NRE) Deposit/Non-Resident Ordinary (NRO) Deposits. • The circular on 'Review of Financial Information Provider (FIP) under Account Aggregator (AA) Framework' replaced 'Pension Fund' with 'Central Recordkeeping Agency' as the FIP in the AA ecosystem. • With a view to ensure efficient and optimum utilisation of the AA ecosystem, REs joining the AA ecosystem as Financial Information User (FI-U) shall necessarily join as FIP also, if they hold the specified financial information and fall under the definition of FIP.
October 30, 2023	• The Reserve Bank issued requisite clarifications regarding shifting of branches/offices/extension counters within the same city, town or village by district central co-operative banks (DCCBs) and guidelines on closure of branches and extension counters by DCCBs. In terms of section 23(a), read with Section 56 of Banking Regulation Act, 1949 as applicable to co-operative societies, the DCCBs may shift their branches/offices/extension counters located in the rural or semi-urban or urban/metropolitan areas, within the same village or town or locality/municipal ward, respectively, without prior permission of the Reserve Bank. Further, DCCBs are allowed to close their un-remunerative branches without prior permission of the Reserve Bank, subject to fulfilment of certain conditions. • The Reserve Bank issued guidelines with regard to the procedure to be followed for any change in name by a co-operative bank. A co-operative bank desirous of change in its name shall approach the Department of Supervision (DoS) of the concerned Regional Office of the Reserve Bank for grant of no-objection certificate (NOC) under Section 49B and 49C of the Banking Regulation Act, 1949, clearly stating the reason/s for such change.
November 16, 2023	Post COVID-19, credit offtake towards the consumer credit segment has been quite substantial. Also, increasing dependency of NBFCs on bank borrowings was leading to regulatory concerns. Although asset quality at broader portfolio level was not exhibiting any major signs of stress, the consistent high credit growth reported in the above segments warranted a prudential intervention. Hence, to pre-empt build-up of any potential risk from interconnectedness and excessive credit growth in these segments, the Reserve Bank issued a circular on regulatory measures towards consumer credit and bank credit to NBFCs dated November 16, 2023. The measures included higher risk weights for such exposure as also tighter exposure limits. These measures are likely to reduce build-up of vulnerabilities in consumer credit segment.

Date of Announcement	Policy Initiative
December 19, 2023	Certain instances of regulatory arbitrage through investments in alternate investment funds (AIFs) by the REs were observed. This route was used for evergreening of stressed assets, resulting in under provisioning and less resilient balance sheets of REs. With a view to addressing these concerns, *vide* circular dated December 19, 2023, following measures were taken: (a) REs shall not invest in any of the AIF schemes which has downstream investment, excluding the equity investments, in any of the debtor companies of the concerned RE. This also excludes investments by REs in AIFs through intermediaries such as fund of funds or mutual funds; (b) REs shall liquidate their existing investments in AIFs within a stipulated period of 30-days if AIF scheme had invested or invests in RE's debtor company, failing which REs shall proportionately provide for their investments in AIFs; and (c) REs have also been mandated that any investment in junior tranche, irrespective of the motive of such investment, will be deducted in full, from its regulatory capital fund. These measures would prevent the regulatory arbitrage employed by certain REs by investing through AIF route. Further, in order to ensure consistency in implementing of the circular, clarifications were issued on March 27, 2024 advising that: (i) downstream investments exclude equity shares but include other investments as per paragraph 2(i) of the circular; (ii) provisioning applies only to extent of RE's investment in the AIF scheme, not the entire investment; (iii) compliance with paragraph 2 of the circular is necessary if the AIF lacks downstream investment in a debtor company; (iv) proposed deductions from capital affect both Tier-1 and Tier-2 capital, encompassing all forms of subordinated exposures including sponsor units; and (v) investments in AIFs through intermediaries such as fund of funds or mutual funds are beyond the circular's scope.
December 22, 2023	Para B of the circular dated October 16, 2023 on 'Reporting of Reverse Repo Transactions in Form 'A' Return' was modified. According to the revised instructions, the reverse repo transactions of a bank with non-banks (other institutions) should be reported as under: (i) for original tenors up to and inclusive of 14 days - not required to be reported in Form 'A'; and (ii) for original tenors more than 14 days - item VI(a) of Form 'A' [*i.e.*, loans, cash credits and overdrafts under bank credit in India (excluding inter-bank advances)].
December 28, 2023	• In order to develop secondary market operations of receivables acquired as part of 'factoring business', the Reserve Bank decided that transfer of such receivables by eligible transferors will be exempted from minimum holding period (MHP) requirement, subject to fulfilment of the following conditions: (i) the residual maturity of such receivables, at the time of transfer, should not be more than 90 days; and (ii) as specified under clauses 10 and 35 of Master Directions on 'Transfer of Loan Exposures', the transferee conducts proper credit appraisal of the drawee of the bill, before acquiring such receivables. • Framework for Dealing with Domestic Systemically Important Banks (D-SIBs) was revised.
December 29, 2023	The Reserve Bank upon review included Export-Import (EXIM) Bank and National Bank for Financing Infrastructure and Development (NaBFID) as National Development Banks (NDBs) for net stable funding ratio (NSFR) computation, besides National Bank for Agriculture and Rural Development (NABARD), National Housing Bank (NHB) and Small Industries Development Bank of India (SIDBI).
January 1, 2024	• The Reserve Bank enhanced the bulk deposit limit for scheduled UCBs in Tier 3 and 4 to ₹ one crore and above. Accordingly, 'Bulk Deposit' for primary UCBs would now mean: (i) single Rupee term deposits of ₹ one crore and above for scheduled UCBs categorised as Tier 3 and 4 UCBs under the revised regulatory framework; and (ii) single Rupee term deposits of ₹ 15 lakh and above for all other UCBs, *i.e.*, other than scheduled UCBs in Tier 3 and 4.

Date of Announcement	Policy Initiative
January 1, 2024	• As a measure to assist the account holders and with a view to consolidating and rationalising the extant instructions on inoperative accounts, the Reserve Bank decided to issue comprehensive guidelines on the measures to be put in place by the banks covering various aspects of classifying accounts and deposits as inoperative accounts and unclaimed deposits, as the case may be, periodic review of such accounts and deposits, measures to prevent fraud in such accounts/ deposits, grievance redress mechanism for expeditious resolution of complaints, steps to be taken for tracing the customers of inoperative accounts/unclaimed deposits including their nominees/ legal heirs for re-activation of accounts, settlement of claims or closure and the process to be followed by them. These instructions were expected to complement the ongoing efforts and initiatives taken by banks and the Reserve Bank, to reduce the quantum of unclaimed deposits in the banking system and return such deposits to their rightful owners/claimants. The revised instructions are applicable to all commercial banks (including RRBs) and all co-operative banks and have come into effect from April 1, 2024.
January 4, 2024	The Master Direction on KYC was amended, aiming to redefine and provide clearer parameters for identifying politically exposed persons (PEPs). Prior to amendment, the definition of PEPs was provided in sub-clause (xvii) of clause (a) of Section 3 of the Master Direction on KYC. However, in order to provide better clarity, the Reserve Bank included the definition of PEPs as an explanation to Section 41 of the Master Direction as follows: *'For the purpose of this Section, Politically Exposed Persons (PEPs) are individuals who are or have been entrusted with prominent public functions by a foreign country, including the Heads of States/Governments, senior politicians, senior government or judicial or military officers, senior executives of State-owned corporations and important political party officials'.*
January 15, 2024	In order to ensure uniformity and consistency in computation of exposures among NBFCs, the instructions now allow NBFC-Middle Layer (NBFC-ML) and NBFC-Base Layer (NBFC-BL) to offset exposures to the original counterparty using eligible credit risk transfer instruments. To be eligible as credit risk transfer instruments, guarantees from central/state government shall be direct, explicit, irrevocable and unconditional. Further, direct exposures to central/state government as well as exposures fully guaranteed by the central government have been exempted from concentration limits. While no concentration limit is prescribed for NBFC-BL, they are advised to put in place an internal Board approved policy for concentration limits.
January 17, 2024	The Reserve Bank revised the eligibility norms for inclusion of UCBs in the Second Schedule to the Reserve Bank of India Act, 1934 to bring them in conformity with the revised regulatory framework. Accordingly, licensed Tier 3 and Tier 4 UCBs, subject to maintenance of minimum deposits required for categorisation as a Tier 3 UCB for two consecutive years and satisfying the following criteria will be considered eligible for inclusion: (a) fulfilling the criteria stipulated by the Reserve Bank for financially sound and well managed (FSWM) UCBs; (b) capital to risk (weighted) asset ratio (CRAR) of at least 3 per cent more than the minimum CRAR requirement applicable to the UCB; and (c) having no major regulatory and supervisory concerns.
February 9, 2024	• The Reserve Bank revised the remuneration of Non-Executive Directors (NEDs) from the ceiling of ₹20 lakh per annum to ₹30 lakh per annum. The instructions would be applicable to all private sector banks including small finance banks and payment banks as well as the wholly owned subsidiaries of foreign banks. • The Reserve Bank, *vide* circular dated June 7, 2022, had laid down the framework for the participation of Indian banks' branches in GIFT International Financial Services Centre (GIFT-IFSC) as professional clearing member (PCM) of IIBX. On a review, it was decided to additionally allow (a) participation of Indian banks (through branch/subsidiary/joint venture) as trading member (TM)/trading and clearing member (TCM) of IIBX, and (b) banks authorised by the Reserve Bank to import gold/silver as special category client (SCC) of IIBX.

Date of Announcement	Policy Initiative
February 22, 2024	Government of India has been operating the interest equalisation scheme (IES) on pre and post shipment Rupee export credit to eligible exporters, since April 1, 2015. The government has allowed for extension of the scheme up to June 30, 2024 *vide* an amendment. Further, DGFT which administers the scheme has made amendments to the scheme in respect of average interest rate and cap on subvention amount. The above amendments were notified to banks *vide* circular dated February 22, 2024.
February 27, 2024	The Reserve Bank issued guidelines with respect to appointment or re-appointment of Director, Managing Director or CEO in asset reconstruction companies (ARCs). ARCs were advised to submit applications, complete in all respect, along with duly signed Annex I and the documents/information mentioned in Annex II to Department of Regulation (DoR) at least 90 days before the vacancy arises/ the proposed date of appointment or re-appointment.
February 28, 2024	Guidelines were issued amending the extant instructions for market risk capital charge as below: (a) aligned the definition of 'Trading Book' for the purpose of capital adequacy in line with the Master Direction on investment, applicable from April 1, 2024; and (b) introduced intermediate scalars for commercial banks under Basel III framework to smoothen the transition towards adoption of 'Draft Guidelines on Minimum Capital Requirements for Market Risk - Basel III'.
March 7, 2024	Based on developments in the card ecosystem and suggestions from various stakeholders, amendments were carried out in the Master Direction - Credit Card and Debit Card - Issuance and Conduct Directions, 2022. The major updates were: (a) general permission to all banks and NBFCs registered with the Reserve Bank to become co-branding partners of card issuers; (b) permission to issue credit card in other form factors (wearables, keychain, *etc.*); (c) monitoring end-use of funds for business credit cards; and (d) restrictions on sharing card data, including transaction data, with outsourcing partners.
March 21, 2024	An omnibus framework for recognising self-regulatory organisations (SROs) for the REs was issued which prescribes common broad parameters, *viz.*, objectives, responsibilities, eligibility criteria, governance standards, application process and other basic conditions for any SRO proposed to be recognised by the Reserve Bank.
FinTech Department	
May 4, 2023	Under India's G20 Presidency, the Reserve Bank and the BIS Innovation Hub (BISIH) of the Bank for International Settlements jointly launched the fourth edition of the G20 TechSprint on May 4, 2023, a global technology competition to promote innovative solutions aimed at improving cross-border payments. The winners of fourth edition of G20 TechSprint were announced on September 4, 2023.
August 14, 2023	As per the Developmental and Regulatory Policies of August 10, 2023, the Reserve Bank announced the development of a Public Tech Platform for Frictionless Credit. The Platform has been developed by the Reserve Bank Innovation Hub (RBIH), a wholly owned subsidiary of the Reserve Bank. The pilot of the platform commenced on August 17, 2023.
December 8, 2023	The Developmental and Regulatory Policies of December 8, 2023 set out the creation of Fintech Repository by the RBIH.
January 15, 2024	Draft framework for recognising SROs for FinTech sector was placed on the website for comments/ feedback from stakeholders and members of the public.
February 28, 2024	The enabling framework for regulatory sandbox was revised based on the experience gained over the last four and half years in running four cohorts and feedback received from FinTechs, banking partners and other stakeholders. Among others, the timelines of the various stages of the regulatory sandbox process were revised from seven months to nine months. The updated framework also requires sandbox entities to ensure compliance with provisions of the Digital Personal Data Protection Act, 2023.

Date of Announcement	Policy Initiative
Department of Supervision	
April 10, 2023	The Reserve Bank issued guidelines in the form of "Master Direction on Outsourcing of Information Technology Services", which stipulate regulatory requirements regarding information technology (IT) outsourcing and managing related risks and other aspects like IT outsourcing within a group/ conglomerate, specific requirements on usage of cloud computing services, *etc*.
October 10, 2023	The prompt corrective action (PCA) framework for NBFCs was extended to government NBFCs (except those in base layer) *vide* circular dated October 10, 2023. The framework would be applicable to government NBFCs with effect from October 1, 2024, based on the audited financials of the NBFCs as on March 31, 2024, or thereafter. The objective of the PCA framework is to enable supervisory intervention at appropriate time and require the supervised entity (SE) to initiate and implement remedial measures in a timely manner to restore its financial health.
November 7, 2023	The instructions on information technology governance and controls, business continuity management and information systems (IS) audit were updated and consolidated in the form of a "Master Direction on Information Technology Governance, Risk, Controls and Assurance Practices".
January 15, 2024	The Reserve Bank issued "Guidelines on Appointment/Re-Appointment of Statutory Auditors of State Co-operative Banks (StCBs) and Central Co-operative Banks (CCBs)" applicable to StCBs and CCBs for seeking prior approval of the Reserve Bank for appointment, re-appointment or removal of statutory auditor (SA), and other related matters.
January 31, 2024	The Reserve Bank issued a circular 'Streamlining of Internal Compliance Monitoring Function - Leveraging Use of Technology', advising REs to implement comprehensive, integrated, enterprise-wide and workflow-based solutions/tools to enhance the effectiveness of the compliance function.
February 27, 2024	Master Direction on 'Reserve Bank of India (Filing of Supervisory Returns) Directions 2024' was issued to bring clarity, brevity and harmonisation to the instructions issued to various supervised entities for submission of returns.
March 1, 2024	The Reserve Bank withdrew 34 circulars based on an internal review of regulations.
Consumer Education and Protection Department	
December 29, 2023	To strengthen and improve the efficacy of the Internal Ombudsman mechanism in various REs, Master Direction – Reserve Bank of India (Internal Ombudsman for Regulated Entities) Directions, 2023 was issued.
Internal Debt Management Department	
March 29, 2023	The ways and means advances (WMA) limit for the GoI for H1:2023-24 (April to September 2023) was fixed at ₹1,50,000 crore.
September 26, 2023	• The WMA limit for the GoI for H2:2023-24 (October 2023 to March 2024) was fixed at ₹50,000 crore. • The Reserve Bank, in consultation with the GoI introduced an ultra-long 50-year paper, in addition to the existing benchmark tenor papers, to cater to the demand from long-term investors. • Issuance of SGrBs for an aggregate amount of ₹20,000 crore, as a part of issuance calendar for marketable dated securities for October 2023 - March 2024 included maiden issuance of 30-year SGrB in addition to 5-year and 10-year papers.

Date of Announcement	Policy Initiative
Department of Currency Management	
May 15, 2023	Small finance banks doing banking business for more than two years have been mandated to provide the services of exchange of soiled/mutilated/defective notes to the members of public, bringing them at par with branches of all other banks in the country, except for payments banks, for which the service remains optional.
May 19, 2023	• In pursuance of its "Clean Note Policy", the Reserve Bank announced the withdrawal of ₹2000 denomination banknotes from circulation while continuing their legal tender status. • Time till October 7, 2023 was given to the public to deposit and/or exchange ₹2000 banknotes at bank branches and at the 19 issue offices of the Reserve Bank. • From October 9, 2023, the facility for exchange and/or deposit, including through India Post, was available at the Reserve Bank's issue offices.
January 18, 2024	To streamline the detection/reporting of fake Indian currency notes (FICN) in the banking system, a centralised reporting structure has been introduced.
Department of Payment and Settlement Systems	
June 7, 2023	The scope of trade receivables discounting system (TReDS) was expanded by permitting insurance for transactions, expanding pool of financiers and enabling secondary market for factoring units (FUs).
June 8, 2023	• The Reserve Bank expanded the scope of e-RUPI vouchers by permitting non-bank prepaid payment instrument (PPI) issuers to issue e-RUPI vouchers, enabling its issuance on behalf of individuals and modifying other aspects like reloading of vouchers, authentication process and issuance limits to facilitate its use. • The Reserve Bank permitted the issuance of RuPay Prepaid Forex cards by banks in India for use at automated teller machines (ATMs), point of sale (PoS) machines and online merchants overseas.
August 10, 2023	• The Reserve Bank announced the launch of an innovative payment mode, *viz.*, 'Conversational Payments' on unified payment interface (UPI), that will enable users to engage in a conversation with an artificial intelligence-powered system to initiate and complete transactions in a safe and secure environment. • The Reserve Bank announced the proposal to facilitate offline transactions using near field communication (NFC) technology in UPI-Lite.
August 24, 2023	For further improving the traction in small value digital payments in offline mode [including National Common Mobility Card (NCMC) and UPI Lite], the per transaction limit was increased from ₹200 to ₹500.
September 4, 2023	The scope of UPI was expanded by permitting linkage of credit lines to UPI as funding account and enabling transfer to/from pre-sanctioned credit lines at banks.
October 31, 2023	The Reserve Bank issued guidelines on 'Regulation of Payment Aggregators - Cross Border (PA-Cross Border)' to bring all entities facilitating cross-border payment transactions for import and export of goods and services under its direct regulation.

Date of Announcement	Policy Initiative
December 1, 2023	The Reserve Bank and the Bank of England (BoE) signed a memorandum of understanding (MoU) on cooperation and exchange of information in relation to the Clearing Corporation of India Ltd. (CCIL).
December 8, 2023	The Reserve Bank announced the enhancement in transaction limits in UPI from the existing ₹1 lakh to ₹5 lakh for making payments to hospitals and educational institutions.
December 12, 2023	The Reserve Bank revised the e-mandate framework for recurring transactions, enhancing the limit for subsequent transactions without additional factor of authentication (AFA) from ₹15,000 to ₹1 lakh for subscription to mutual funds, payment of insurance premium and payments of credit card bills.
December 20, 2023	The Reserve Bank permitted card-on-file token (CoFT) creation facilities directly through card issuing banks/institutions.
December 29, 2023	The Reserve Bank extended the Payments Infrastructure Development Fund (PIDF) scheme for a period of two years, *i.e.*, up to December 31, 2025 and also included beneficiaries of *Pradhan Mantri Vishwakarma* scheme in all centres and payment acceptance infrastructure, such as soundbox and *Aadhaar*-enabled biometric devices in the PIDF scheme.
February 8, 2024	• The Reserve Bank announced that the process followed by banks for onboarding *Aadhaar* enabled Payment Systems (AePS) touchpoint operators will be streamlined, including mandatory due diligence and additional fraud risk management requirements. • The Reserve Bank announced to adopt a principle-based "Framework for authentication of digital payment transactions".
February 12, 2024	RuPay cards and UPI connectivity between India and Mauritius, as well as UPI connectivity between India and Sri Lanka was launched.
February 15, 2024	Reserve Bank of India and Nepal Rastra Bank signed and exchanged Terms of Reference for integration of fast payment systems of India and Nepal, *viz.*, UPI of India and National Payments Interface of Nepal, respectively.
February 23, 2024	The Reserve Bank amended the 'Master Direction on Prepaid Payment Instruments' to permit authorised bank and non-bank PPI issuers to issue PPIs for making payments across various public transport systems.
February 29, 2024	The Reserve Bank issued a revised regulatory framework covering *Bharat* Bill Payment System (BBPS), which streamlines the process of bill payments, enable greater participation, and enhance customer protection among other changes.
March 4, 2024	The Reserve Bank announced creation of an interoperable payment system for internet banking transactions, implementation of which will be done by NPCI[2] *Bharat* BillPay Ltd. (NBBL).
March 6, 2024	The Reserve Bank issued instructions to card issuers, with number of active cards issued by them being 10 lakh or less in number, to not enter into any arrangement or agreement with card networks that restrain them from availing the services of other card networks, and provide an option to their eligible customers to choose from multiple card networks at the time of issue.

[2] National Payments Corporation of India.

ANNEX II

Regulatory Measures[1] Undertaken Post Public Consultations: April 2021 to March 2024

Year	Date	Topic
Financial Markets Regulation Department		
2021-22	April 1, 2021	Directions on call, notice and term money markets were issued, allowing participants the flexibility of setting their own lending limits in the call, notice and term money markets within extant prudential regulatory norms.
	June 4, 2021	• Authorised Dealer (AD) Category-I banks were permitted to lend to foreign portfolio investors (FPIs) for placing margins with Clearing Corporation of India Ltd. (CCIL) for the settlement of transactions in government securities (G-secs) within their credit risk management frameworks. • Directions on certificates of deposit (CDs) were issued, allowing regional rural banks (RRBs) to issue CDs and banks to buyback CDs.
	June 7, 2021	FPIs/custodian banks were provided with an extended time window for reporting their G-sec transactions to negotiated dealing system-order matching (NDS-OM) platform.
	September 16, 2021	Directions for market-makers in over-the-counter (OTC) derivative products were revised for setting robust standards of governance, risk management and assessment of customer suitability and appropriateness in derivative business, in line with best international practices.
	February 10, 2022	The revised credit derivative directions were issued, permitting market participants to utilise single name credit default swap (CDS) contracts in the OTC segment and the stock exchanges. Retail users have been permitted to buy protection only for hedging. Non-retail users, *viz.*, regulated financial entities and FPIs, have been permitted to (i) buy protection for hedging and for purposes other than hedging; and (ii) sell protection.
2022-23	June 1, 2022	Master Direction - Reserve Bank of India (Variation Margin) Directions, 2022, were issued, mandating covered entities to exchange variation margin for non-centrally cleared derivative (foreign exchange, interest rate and credit) transactions.
	June 16, 2022	Draft directions prescribing guidelines for exchange of initial margin for non-centrally cleared derivatives (NCCDs) were issued.
	February 17, 2023	Draft directions to permit lending and borrowing of G-secs were issued. Final directions were issued on December 27, 2023.
2023-24	December 28, 2023	Draft directions to introduce bond forwards on G-secs were issued.
	January 3, 2024	Directions on commercial paper (CP) and non-convertible debentures (NCDs) of original maturity up to one year were reviewed and revised directions were issued to bring consistency across products in terms of issuers, investors and other participants in these markets.

[1] Include new/major regulatory policies as well as incremental changes and comprehensive reviews of the existing guidelines, post consultations through draft circulars, reports, discussion papers and stakeholder engagements. Public consultations for some draft circulars/ draft guidelines/discussion papers included in this Annex are still in progress.

Year	Date	Topic
2023-24	January 5, 2024	The regulatory framework for hedging of foreign exchange (FX) risks was reviewed and revised directions were issued, consolidating the previous rules and notifications in respect of all types of transactions - OTC and exchange traded - under a single Master Direction, expanding the suite of permitted FX derivative products and refining the user classification framework to enable a larger set of users with the necessary risk management capabilities to efficiently manage their risks.
Foreign Exchange Department		
2022-23	August 22, 2022	Rationalisation of overseas investment framework under FEMA, 1999 was undertaken. Based on feedback/comments from all stakeholders, Rationalised 'Overseas Investment Regulations' were issued.
2023-24	December 26, 2023	Draft Licensing Framework for Authorised Persons (APs) under FEMA, 1999 was issued.
Department of Regulation		
2021-22	May 10, 2021	Amendment to Master Direction on Know Your Customer (KYC) [with respect to periodic updation in KYC (Re-KYC) and video-based customer identification process (V-CIP) related changes].
	August 23, 2021	Report of the Expert Committee on Primary (Urban) Co-operative Banks (Chairman: N. S. Vishwanathan) was released and subsequently, guidelines were issued.
	October 29, 2021	Circular on 'Opening of Current Accounts by Banks - Need for Discipline'.
	November 11, 2021	London Inter-Bank Offered Rate (LIBOR) transition - interest rate on foreign currency non-resident (bank) [FCNR (B)] deposits.
	March 14, 2022	Master Direction - Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022.
2022-23	July 27, 2022	Discussion paper on climate risk and sustainable finance.
	September 2, 2022	Guidelines on digital lending.
	October 11, 2022	Review of regulatory framework for ARCs.
	January 16, 2023	Discussion paper on expected loss (EL) - based approach for loan loss provisioning by banks.
	January 25, 2023	Discussion paper on securitisation of stressed assets framework (SSAF).
	February 17, 2023	Draft guidelines on minimum capital requirements for market risk under Basel III.
2023-24	April 28, 2023	Amendment to the Master Direction on KYC to align with Prevention of Money Laundering (PML) Rules, 2005 (amended from time to time) and Financial Action Task Force (FATF) recommendations.
	May 4, 2023	Amendment to Master Direction on KYC - instructions on wire transfer.
	June 8, 2023	Guidelines on default loss guarantee (DLG) in digital lending.
	June 26, 2023	Master Direction on minimum capital requirements for operational risk.

Year	Date	Topic
	August 18, 2023	• Reset of floating interest rate on equated monthly instalment (EMI) based personal loans. • Fair Lending Practice - Penal Charges in Loan Accounts.
	September 12, 2023	Master Direction on classification, valuation and operation of investment portfolio of commercial banks.
	September 13, 2023	Circular on 'Responsible Lending Conduct - Release of Movable/Immovable Property Documents on Repayment/Settlement of Personal Loans'.
	September 21, 2023	• Draft Master Direction on treatment of wilful defaulters and large defaulters. • Master Direction - Reserve Bank of India (Prudential Regulations on Basel III Capital Framework, Exposure Norms, Significant Investments, Classification, Valuation and Operation of Investment Portfolio Norms and Resource Raising Norms for All India Financial Institutions) Directions, 2023.
	October 17, 2023	Amendment to Master Direction on KYC to align with PML Rules, 2005 (amended from time to time) and FATF recommendations.
	October 26, 2023	• Draft Master Direction on managing risks and code of conduct in outsourcing of financial services. • Review of instructions on bulk deposits for regional rural banks (RRBs).
	January 1, 2024	Circular on inoperative accounts/unclaimed deposits in banks - revised instructions.
	January 2, 2024	Draft circular on declaration of dividend by banks and remittance of profits to head office by foreign bank branches in India.
	January 15, 2024	• Draft circular on credit/investment concentration norms - government owned non-banking financial companies (NBFCs). • Draft circular on review of regulatory framework for housing finance companies (HFCs) and harmonisation of regulations applicable to HFCs and NBFCs.
	February 9, 2024	Circular on participation of Indian banks on India International Bullion Exchange IFSC Ltd. (IIBX).
	February 28, 2024	Draft disclosure framework on climate-related financial risks, 2024.
	March 7, 2024	Amendments to Master Direction - Credit Card and Debit Card - Issuance and Conduct Directions, 2022 - updated guidelines, along with related frequently asked questions (FAQs), were issued as Appendix to the above Master Direction and also placed on the Reserve Bank's website.
	March 21, 2024	Omnibus framework for recognition of SROs for REs of the Reserve Bank of India.
FinTech Department		
2023-24	January 15, 2024	Draft framework for recognising SROs for FinTech sector was issued.

Year	Date	Topic
Department of Supervision		
2022-23	March 6, 2023	Revised guidelines for appointment/re-appointment of SBAs of public sector banks (PSBs)/ norms on business coverage under statutory branch audit of PSBs were issued.
2023-24	April 10, 2023	Master Direction on outsourcing of information technology services was issued.
	October 13, 2023	General approval to PSBs was granted for deciding remuneration payable to their SBAs for audit of non-performing asset (NPA) recovery branches and branches with zero advances.
	November 7, 2023	Master Direction on information technology governance, risk, controls and assurance practices was issued.
	January 15, 2024	Guidelines on appointment/re-appointment of statutory auditors of state co-operative banks and central co-operative banks were issued.
Department of Payment and Settlement Systems		
2021-22	June 10, 2021	Interchange fee and customer charges for usage of automated teller machines/cash recycler machines were reviewed.
	June 14, 2021	'Mobile prepaid recharges' were permitted as a biller category in *Bharat* Bill Payment System (BBPS).
	September 7, 2021	Card-on-file tokenisation (CoFT) services were permitted.
	December 23, 2021	Notification on restriction on storage of actual card data [*i.e.*, card-on-file (CoF)] was issued.
	January 3, 2022	Framework for facilitating small value digital payments in offline mode was released.
2022-23	May 19, 2022	Interoperable card-less cash withdrawal (ICCW) at ATMs was enabled.
	May 26, 2022	Guidelines on *Bharat* Bill Payment System were amended.
	June 16, 2022	On a review of implementation of the e-mandate framework and the protection available to customers, the limit for relaxation of additional factor of authentication (AFA) was increased from ₹5,000 to ₹15,000 per transaction.
	July 28, 2022	Regulation of Payment Aggregators - timeline for submission of applications for authorisation was reviewed.
	August 17, 2022	Discussion paper on charges in payment systems was issued.
2023-24	June 2, 2023	Draft Master Directions on cyber resilience and digital payment security controls for payment system operators were issued.
	June 7, 2023	The scope of trade receivables discounting system was expanded.
	July 5, 2023	Draft circular on arrangements with card networks for issue of debit credit, and prepaid cards was issued.
	August 24, 2023	Transaction limits for small value digital payments in offline mode were enhanced.
	October 31, 2023	Circular on 'Regulation of Payment Aggregator - Cross Border' was issued.

Year	Date	Topic
2023-24	December 12, 2023	Limits for subsequent recurring transactions undertaken without AFA under the e-mandate framework were enhanced for specified categories.
	December 20, 2023	CoFT - tokenisation through card issuing banks was enabled.
	December 29, 2023	Payments Infrastructure Development Fund (PIDF) scheme was enhanced and extended by a further period of two years, *i.e.*, up to December 31, 2025.
	February 23, 2024	Master Direction on Prepaid Payment Instruments was amended.
	February 29, 2024	Master Direction on *Bharat* Bill Payment System was issued.

ANNEX III

Customer Centric Measures[1]: April 2021 to March 2024

Year	Date	Topic
Financial Inclusion and Development Department		
2021-22	-	Scaling-up Centre for Financial Literacy (CFL) project - 1,107 CFLs were established.
	-	52 town hall meetings were conducted by the Reserve Bank across India which benefitted approximately 3,799 entrepreneurs.
2022-23	-	Scaling-up CFL project - additional 362 CFLs were established.
	-	60 town hall meetings were conducted by the Reserve Bank across India which benefitted approximately 5,784 entrepreneurs.
2023-24	-	Scaling-up CFL project - additional 952 CFLs were established.
	-	60 town hall meetings were conducted by the Reserve Bank across India which benefitted approximately 6,352 entrepreneurs.
Financial Markets Regulation Department		
2021-22	September 16, 2021	Directions for market-makers in over-the-counter (OTC) derivative products were revised for setting robust standards of governance, risk management and assessment of customer suitability and appropriateness in derivative business, in line with international best practices.
	February 3, 2022	• An advisory was issued cautioning residents against undertaking forex transactions with unauthorised persons or on unauthorised electronic trading platforms. • A set of frequently asked questions (FAQs) on forex transactions was published for the general information of the members of the public.
2022-23	September 7, 2022	• An “Alert List” of entities which are neither authorised to deal in forex under the Foreign Exchange Management Act (FEMA), 1999 nor authorised to operate electronic trading platforms for forex transactions was issued. • FAQs on foreign exchange transactions were updated to provide information regarding the “Alert List”.
	February 10, 2023	An “Alert List” of entities which are neither authorised to deal in forex under the FEMA, 1999 nor authorised to operate electronic trading platforms for forex transactions was issued.
2023-24	June 7, 2023	The “Alert List” of entities which are neither authorised to deal in forex under the FEMA, 1999 nor authorised to operate electronic trading platforms for forex transactions was updated.
	November 24, 2023	The “Alert List” of entities which are neither authorised to deal in forex under the FEMA, 1999 nor authorised to operate electronic trading platforms for forex transactions was updated.
	January 3, 2024	The regulatory framework for hedging foreign exchange risks was reviewed and revised Directions were issued, consolidating the previous rules and notifications in respect of all types of transactions.

[1] Include new measures as well as revisions/modifications in the existing guidelines.

Year	Date	Topic
Foreign Exchange Department		
2021-22	September 8, 2021	In view of the impending cessation of London Inter-Bank Offered Rate (LIBOR) as benchmark rate, the Foreign Exchange Management Regulations (Export of Goods and Services), 2021, was amended by indicating that the rate of interest, if any, payable on the advance payment shall not exceed 100 basis points (bps) above the LIBOR or other applicable benchmark as may be directed by the Reserve Bank.
	January 6, 2022	Based on a Directorate General of Foreign Trade (DGFT) notification, it was decided to permit qualified jewellers, as notified by International Financial Services Centres Authority (IFSCA), to import gold under specific Indian Trade Classification – Harmonised System [ITC (HS)] Codes through India International Bullion Exchange IFSC Ltd. (IIBX).
2022-23	May 19, 2022	In view of the difficulties being experienced by exporters in receipt of export proceeds from Sri Lanka, it was decided that trade transactions with Sri Lanka may be settled in Indian Rupee (INR) outside the Asian Clearing Union (ACU) mechanism.
	May 25, 2022	Qualified jewellers (as notified by IFSCA) were permitted to import gold through IIBX and allowed to remit advance payment through Authorised Dealer (AD) banks for the same.
	July 6, 2022	Under the measures to liberalise forex flows to India, the borrowing limit under the external commercial borrowings (ECB) automatic route was raised from US$ 750 million per financial year to US$ 1.5 billion. Further, the all-in-cost ceiling under the ECB framework was also raised by 100 bps, provided the borrower was of investment grade rating. These measures were effective till December 31, 2022.
	July 8, 2022	AD category-I banks were advised that all eligible current account transactions including trade transactions with Sri Lanka shall be settled in any permitted currency outside the ACU mechanism until further notice.
	July 11, 2022	To facilitate global trade with emphasis on promoting exports from India and to encourage the use of INR for cross-border transactions, an additional arrangement for invoicing, payment, and settlement of exports/imports in INR was provided through the use of Special Rupee Vostro Accounts of overseas correspondent bank/s maintained with AD banks.
	August 22, 2022	In order to foster ease of doing business and reduce turnaround time (TAT), concept of Late Submission Fee (LSF) was introduced for regularisation of reporting delays of overseas investment transactions.
	September 15, 2022	Foreign inward remittances received by the AD Category-I bank having Rupee Drawing Agreement (RDA) with Non-Resident Exchange Houses were allowed to be directly credited to any bank account of the beneficiary through the *Bharat* Bill Payment System (BBPS).
	September 30, 2022	For ease of doing business, it was decided to have a simple and uniform computation matrix for determining LSF for reporting delays involving all transactions.
	January 5, 2023	Foreign Investment Reporting and Management System (FIRMS), the application for reporting foreign investment in India, was revamped. The new version of FIRMS enabled seamless reporting of foreign investment by allowing simultaneous filing of transactions by multiple stakeholders, reduced TAT for approval process and automated calculation of LSF.
2023-24	April 6, 2023	A software application called 'APConnect' was developed and rolled out for processing of application for licensing of full-fledged money changers (FFMCs), non-bank AD Category-II, authorisation as Money Transfer Service Scheme (MTSS) agent, renewal of existing licence/ authorisation, for seeking approval as per the extant instructions; and for submission of various statements/returns by FFMCs and non-bank AD Category-II.

Year	Date	Topic
2023-24	April 12, 2023	The facility of online submission of 'Form A2' was extended to AD Category-II entities to accept online submission of 'Form A2' for transactions with an upper limit of US$ 25,000 (or its equivalent) for individuals and US$ 100,000 (or its equivalent) for corporates.
	April 26, 2023	The condition of repatriating any funds lying idle in the Foreign Currency Account (FCA) of resident individuals in IFSCs for Liberalised Remittance Scheme (LRS) for a period up to 15 days from the date of its receipt was changed and made in line with the provisions of the scheme as contained in the Master Direction on LRS for all jurisdictions in general.
	May 9, 2023	Instructions were issued by advising Authorised Persons (APs) that fees/changes payable in India on forex prepaid cards, store value cards, *etc.* must be denominated and settled in INR only, as these transaction between AP and the residents were essentially domestic transactions between two residents.
	May 12, 2023	In order to foster ease of doing business, payment of LSF, for reporting delays related to foreign investments, was enabled through online payment modes such as National Electronic Funds Transfer (NEFT)/Real Time Gross Settlement (RTGS) in addition to demand draft mode. Similarly for overseas investment transactions the online payment modes such as NEFT/RTGS for payments of LSF was enabled with effect from June 19, 2023.
	June 22, 2023	LRS remittances to IFSCs were permitted only for making investments in securities. Government of India *vide* gazette notification dated May 23, 2022 had notified courses in financial management, FinTech, science, technology, engineering and mathematics offered by foreign universities/institutions in IFSC, as financial services. Accordingly, with effect from June 22, 2023, remittances by resident individuals for payment of course fees to foreign universities/institutions in IFSCs was enabled under LRS for the defined purpose 'studies abroad'.
	November 10, 2023	Based on a DGFT notification, it was decided that AD Category-I banks may allow qualified jewellers to remit advance payment for 11 days for import of silver through IIBX.
	November 17, 2023	In terms of the Para 4.1 of circular DOR.CRE.REC.23/21.08.008/2022-23 dated April 19, 2022 on opening of current accounts and cash credit (CC)/overdraft (OD) accounts by banks and in order to provide greater operational flexibility to the exporters, AD Category-I banks maintaining Special Rupee Vostro Account were permitted to open an additional special current account for its exporter constituent exclusively for settlement of their export transactions.
	January 31, 2024	Guidelines including for allowing advance payment for 11 days were issued for import of gold by Tariff Rate Quota (TRQ) holders under the India-UAE Comprehensive Economic Partnership Agreement (CEPA) as notified by the IFSCA.
Department of Regulation		
2021-22	May 5, 2021	Certain relaxations regarding periodic updation of KYC (re-KYC) were provided in view of COVID-19 related restrictions.
	May 10, 2021	• Video-based customer identification process (V-CIP) introduced in 2020 was expanded to allow V-CIP of proprietors in case of a proprietorship firm and authorised signatories and beneficial owners in case of legal entity customers. V-CIP has also been allowed for updation/periodic updation (re-KYC) of eligible customers. • Re-KYC process was simplified by allowing the customer to provide a simple self-declaration when there is "no change in KYC information" and also when there is "change in address", through customers' email ID/mobile registered with regulated entities (REs), automated teller machine (ATM), SMS and digital channels.

Year	Date	Topic
2021-22	September 13, 2021	A press release was issued to sensitise the public about the frauds committed in the name of KYC updation.
	December 30, 2021	Certain relaxations regarding re-KYC were provided in view of COVID-19 related restrictions.
	March 14, 2022	Comprehensive regulatory framework for microfinance loans applicable to all REs was issued, which, *inter alia*, introduced a number of customer protection measures for microfinance borrowers belonging to low-income households.
2022-23	April 7, 2022	As a part of continued efforts to improve availability of digital infrastructure for banking services and deepen digital financial inclusion and education, the concept of "Digital Banking Units" (DBUs) was introduced by the Reserve Bank.
	April 21, 2022	Master Direction on 'Credit Card and Debit Card - Issuance and Conduct' was released (effective July 1, 2022).
	June 8, 2022	The Reserve Bank permitted eligible urban cooperative banks (UCBs) to offer 'Doorstep Banking' services to their customers by issuing circular on "Section 23 of the Banking Regulation Act, 1949 - Doorstep Banking".
	August 12, 2022	In view of concerns arising from the activities of agents employed by REs, the Reserve Bank advised that the REs shall strictly ensure that they or their agents do not resort to intimidation or harassment of any kind including calling the borrower before 8:00 a.m. and after 7:00 p.m. for recovery of overdue loans.
	September 2, 2022	The Reserve Bank issued the guidelines on digital lending to ensure that the benefits of technology are effectively leveraged in a sustainable and orderly manner.
	January 5, 2023	A press release was issued to sensitise the public about the different options available with them regarding re-KYC.
2023-24	April 28, 2023	• Updation/periodic updation - *Aadhaar* OTP based e-KYC in non-face to face mode has been permitted to be used for periodic updation of KYC by customer. • Customer due diligence (CDD) procedure of sole proprietorship firm - *Udyam* registration certificate (URC) has been included in the list of documents for proof of activity in case of sole proprietorship firm for CDD process *vide* an amendment to Master Direction on KYC.
	August 17, 2023	To facilitate the depositors to search the unclaimed deposits across multiple banks easily and at one place and in pursuance of the Directions of the Depositor Education and Awareness (DEA) Fund Committee, the Reserve Bank developed a centralised web portal UDGAM - Unclaimed Deposits Gateway to Access inforMation.
	August 18, 2023	• Circular on 'Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) based Personal Loans' was issued with the objective to ensure a proper conduct framework and implementation across REs. • Circular on 'Fair Lending Practice - Penal Charges in Loan Accounts' was issued which mandates a clear conduct framework with regard to levy of penal charges in a reasonable and transparent manner.
	September 13, 2023	Circular on 'Responsible Lending Conduct - Release of Movable/Immovable Property Documents on Repayment/ Settlement of Personal Loans' was issued to promote responsible lending conduct among the REs.

Year	Date	Topic
2023-24	October 26, 2023	• Framework for compensation to customers for delayed updation/rectification of credit information was introduced wherein complainants shall be entitled to a compensation of ₹100 per calendar day in case their complaint is not resolved within a period of 30 calendar days from the date of the initial filing of the complaint. • To improve the efficacy of grievance redress mechanism and strengthen the customer service provided by credit information companies (CICs) and credit institutions (CIs), various measures were introduced, which, *inter alia*, include compensation mechanism for delayed updation/rectification of credit information and notifying customers *via* SMS/ email regarding access of their credit information reports (CIRs) or reporting of default information by CIs to CICs.
	January 1, 2024	Revised instructions on the circular 'Inoperative Accounts/Unclaimed Deposits in Banks' were issued.
	February 2, 2024	A press release was issued to sensitise the public about the frauds committed in the name of KYC updation.
	March 7, 2024	Master Direction on 'Credit Card and Debit Card - Issuance and Conduct Directions, 2022', was amended, further strengthening the consumer protection measures. FAQs on the subject were also issued based on feedback received from all stakeholders.
	-	With an objective to create awareness about account aggregator (AA) to general public, public awareness campaigns for AA facility were organised through a media mix.
	-	Public awareness campaigns through television mode were launched to educate the public about: (i) the use of the KYC identifier issued by the central know your customer record registry (CKYCR) for paperless onboarding process; (ii) different options available for re-KYC; and (iii) preventing customers' accounts from being misused as mule account.
FinTech Department		
2021-22	September 13, 2021	Opening of application window for Third cohort under the Regulatory Sandbox (RS) with the theme 'MSME Lending' was announced.
	October 8, 2021	Revision in enabling framework for RS was undertaken.
	November 9, 2021	First global hackathon - HARBINGER 2021 - with the theme 'Smarter Digital Payments' was launched.
2022-23	June 6, 2022	Opening of application window for Fourth cohort under the RS with the theme 'Prevention and Mitigation of Financial Frauds' was announced.
	September 2, 2022	Digitalisation of rural finance in India - pilot for *kisan* credit card (KCC) lending developed in association with the Reserve Bank Innovation Hub commenced.
	October 7, 2022	'Concept Note on Central Bank Digital Currency (CBDC)' was issued.
	November 29, 2022	Operationalisation of CBDC - Pilot for CBDC - retail (e₹-R) was launched on December 1, 2022.
	February 14, 2023	Second global hackathon - HARBINGER 2023 - with the theme 'Inclusive Digital Services' was launched.

Year	Date	Topic
2023-24	August 14, 2023	Pilot project for Public Tech Platform for Frictionless Credit was launched on August 17, 2023.
	October 27, 2023	Opening of application window for Fifth cohort under RS which was theme neutral was announced.
	February 28, 2024	Revision in enabling framework for RS was undertaken.
Department of Supervision		
2023-24	April 10, 2023	Master Direction on 'Outsourcing of Information Technology Services' was issued to ensure that outsourcing arrangements shall not diminish RE's ability to fulfil its obligations towards customers while ensuring security of customer data.
	November 7, 2023	Master Direction on 'Information Technology Governance, Risk, Controls and Assurance Practices' was released. The Master Direction requires adequate oversight across an organisation in order to ensure availability of digital services to the customers in a safe and secure manner.
Consumer Education and Protection Department		
2021-22	-	A customer satisfaction survey was conducted in June-July 2021 across 30 banks covering 21 states through a third party to assess the level of bank customers' satisfaction with the internal grievance redress (IGR) system.
	-	Complaint Management System (CMS) application was revamped to support the Reserve Bank-Integrated Ombudsman Scheme, 2021.
	November 12, 2021	In order to build public confidence in the financial system and also to protect the interests of customers of REs by making the alternate dispute redress mechanism simpler, more efficient and responsive, the Reserve Bank rolled out an Integrated Ombudsman Scheme, 2021 by adopting a 'One Nation One Ombudsman' approach in November 2021.
	November 15, 2021	Internal Ombudsman (IO) scheme was made applicable to select NBFCs wherein all partially or wholly rejected customer complaints were mandated to be referred to the IO of the NBFC, before conveying the final decision to the complainant to enable satisfactory resolution of complaints at the end of the REs themselves.
	-	The Reserve Bank published on its website, BE(A)WARE - a booklet on the common *modus operandi* used by fraudsters and precautions to be taken while carrying out various financial transactions.
	March 15, 2022	On the World Consumer Rights Day, an "Ombudsman Speak" programme was conducted in regional multi-media channels across the country to sensitise consumers/customers in the remotest areas on the Reserve Bank grievance redress mechanism as also on safeguards for protection against digital and electronic frauds.
2022-23	-	Satisfaction survey was conducted to assess the satisfaction levels of complainants who approached the Office of RBI Ombudsman (ORBIOs).
	October 6, 2022	To strengthen and improve the efficiency of the IGR mechanism of CICs, the IO mechanism was extended to CICs.

Year	Date	Topic
2022-23	-	The information provided on the interactive voice response system (IVRS) of the contact centre was improved, with 24x7 support. Expanded language support was provided at the contact centre by adding call support in Punjabi (with effect from January 6, 2022) and Assamese (with effect from June 21, 2022), thereby increasing availability of call support to 10 regional languages in addition to Hindi and English.
	-	A pan-India awareness campaign was launched to ensure deeper percolation of the financial consumer awareness on safe banking practices, the Reserve Bank's AGR mechanism and extant regulations for protection of consumer interests. The campaign was run as a multi-phased, multi-pronged financial awareness campaign in the wake of the "*Azadi ka Amrit Mahotsav*" and covered three phases, *viz.*, Ombudsman speak events; talkathon by Top Management; and a month long nationwide intensive awareness programme (NIAP).
	-	A booklet, namely, 'Raju and the Forty Thieves' in Hindi and English was released to provide glimpses of the *modus operandi* on financial frauds and simple tips about do's and don'ts as safeguards against such incidents. The booklet is also available in multiple regional languages.
	March 15, 2023	The second edition of the 'Ombudsman Speak' programme was conducted.
2023-24	April 1, 2023	A new office of RBI Ombudsman was set up in Shimla to expand the presence of the offices of RBI Ombudsman in more states of the country.
	April 24, 2023	Committee to review the customer service standards in regulated entities, chaired by Shri B. P. Kanungo, former Deputy Governor, RBI, submitted its report.
	-	Considering the volume of complaints received from Tamil Nadu and West Bengal, two new offices of RBI Ombudsman were set up in Chennai (with effect from April 17, 2023) and Kolkata (with effect from June 1, 2023).
	December 29, 2023	Master Direction - Reserve Bank of India (Internal Ombudsman for Regulated Entities) Directions, 2023 was issued to harmonise the instructions applicable to the various REs on the IO mechanism.
	February 5, 2024	State-of-the-art contact centres at two more locations, *viz.*, Bhubaneswar and Kochi to address queries from the customers of the REs on alternate grievance redressal (AGR) of the Reserve Bank were operationalised. The new centres also facilitate business continuity and disaster recovery. The existing contact centre at Chandigarh was upgraded.
	March 15, 2024	The third awareness booklet 'The Alert Family' was launched in March 2024. The booklet provides guidance to the members of the public on financial frauds and dispels common misconceptions regarding various banking services and facilities.
	-	CMS platform was enhanced with additional audio captcha functionality specifically designed for visually impaired consumers.
	-	The readability of the communication templates residing in CMS was significantly improved leading to better comprehension and a more positive user experience.
Internal Debt Management Department		
2021-22	November 12, 2021	'Reserve Bank of India-Retail Direct Scheme' was launched, which provides one-stop solution to facilitate investment in G-secs by retail investors.

Year	Date	Topic
2022-23	-	Public awareness programmes were undertaken across the country to improve the overall reach of the 'RBI Retail Direct Scheme'. In addition, upgradation of video KYC module, fetching of user details directly from Digilocker account and automatic saving of data during KYC process were undertaken to make the portal more user friendly.
2023-24	October 23, 2023	Subscription to floating rate savings bonds was enabled through 'Retail Direct' portal. National Automated Clearing House (NACH) payment functionality was also made available on the portal from October 9, 2023.
Department of Currency Management		
2021-22	December 1, 2021	In pursuance of the Reserve Bank's objective of enhanced distribution of coins, all currency chests were advised to conduct coin mela at least once in a quarter starting from December 2021.
	August 27, 2021	Currency Distribution and Exchange Scheme (CDES) for banks was reviewed in 2021-22 wherein the incentive for distribution of coins was increased from ₹25 to ₹65 per bag. An additional incentive of ₹10 per bag was also provided for coin distribution in rural and semi-urban areas. Banks were also advised to provide coins to bulk customers which was not permitted earlier.
	-	With a view to enhance customer service, the Reserve Bank embarked on an awareness campaign on exchange facility for banknotes through TV commercials and print advertisements.
2022-23	September 21, 2022	The accessibility of the Mobile Aided Note Identifier (MANI) app, launched on January 1, 2020, was enhanced for identification of banknote denominations through audio notification by inclusion of 11 more languages, in addition to Hindi and English that were available earlier. The app was also enabled for use by partially-sighted persons.
	-	To create awareness on customer services, a campaign was undertaken on 'Exchange of Banknotes' through SMS, FM radio and digital media (website).
	-	A campaign was undertaken for dispelling misconceptions and allaying fears on coins of different designs of the same denomination in circulation through a media mix of print and radio.
2023-24	April 1, 2023	To facilitate ease of transaction for public, the Reserve Bank introduced value-based, *viz.*, ₹50, ₹100, ₹150, *etc.*, packets of coins in various denominations.
	February 1, 2024	Mobile coin vans (MCVs) scheme, launched on October 1, 2022, has been extended across the country since February 2024. Additionally, the scope of services has been broadened to facilitate the exchange of lower denomination notes, which are unfit for circulation.
	-	Pan-India radio campaign through *Akashwani*/*Vividh Bharti*/private FM radio channels was conducted to promote awareness about the MANI app, which facilitates visually impaired persons to identify denomination of Indian banknotes.
	-	Surveys were conducted with a view to understand the perception among the members of public on quality of notes in circulation. The first one conducted during 2022-23 covered select states of the country, followed by another pan-India survey during 2023-24.
Department of Payment and Settlement Systems		
2021-22	May 19, 2021	Notification was issued for Prepaid Payment Instruments (PPIs) - mandating interoperability; increasing the limit to ₹2 lakh for full-KYC PPIs; and permitting cash withdrawal from full-KYC PPIs of non-bank PPI issuers.

Year	Date	Topic
2021-22	May 26, 2021	Acceptance of RuPay cards was launched in the UAE.
	June 10, 2021	Usage of ATMs/cash recycler machines - review of interchange fee and customer charges were undertaken.
	July 13, 2021	Acceptance of unified payments interface (UPI) through QR codes for merchant payments was enabled in Bhutan.
	August 27, 2021	Indo-Nepal remittance facility scheme was enhanced by increasing ceiling per transactions from ₹50,000 to ₹2 lakh and removal of cap of 12 remittance in a year per remitter.
	September 7, 2021	Card-on-file tokenisation (CoFT) services were permitted.
	January 3, 2022	Framework for facilitating small value digital payments in offline mode was issued.
2022-23	April 2, 2022	Acceptance of RuPay cards was launched in Nepal.
	May 19, 2022	Interoperable card-less cash withdrawal (ICCW) at ATMs was enabled.
	June 16, 2022	On a review of implementation of the e-mandate framework and the protection available to customers, the limit for relaxation of additional factor of authentication (AFA) was increased from ₹5,000 to ₹15,000 per transaction.
	February 10, 2023	Issuance of PPIs to access UPI was allowed to foreign nationals from G20 countries visiting India.
	February 21, 2023	The Reserve Bank and the Monetary Authority of Singapore (MAS) operationalised linkage of their respective fast payment system (FPS), UPI and PayNow, enabling users of the two systems to make instant and low-cost cross-border peer-to-peer (P2P) payments on a reciprocal basis.
	March 6, 2023	Mission '*Har* Payment Digital' was launched.
2023-24	June 7, 2023	The scope of trade receivables discounting system was expanded.
	August 24, 2023	Transaction limits for small value digital payments in offline mode were enhanced.
	October 31, 2023	Circular on 'Regulation of Payment Aggregator - Cross Border' was issued.
	December 12, 2023	Limits for subsequent recurring transactions undertaken without additional factor of authentication under the e-mandate framework were enhanced for specified categories.
	December 20, 2023	CoFT - tokenisation through card issuing banks was enabled.
	February 1, 2024	Acceptance of UPI through QR codes for merchant payments in France (e-commerce) was launched.
	February 12, 2024	RuPay cards and UPI connectivity between India and Mauritius, and UPI connectivity between India and Sri Lanka was launched.
	February 23, 2024	Master Direction on PPIs was amended.
	February 29, 2024	Master Direction on *Bharat* Bill Payment System was issued.
	March 6, 2024	Guidelines on 'Arrangements with Card Networks for issue of Credit Cards' were issued.
	March 8, 2024	Acceptance of UPI through QR codes for merchant payments in Nepal went live.

-: Not applicable (ongoing in nature).

APPENDIX TABLE 1: MACROECONOMIC AND FINANCIAL INDICATORS

Item	Average 2003-04 to 2007-08 (5 years)	Average 2009-10 to 2013-14 (5 years)	Average 2014-15 to 2018-19 (5 years)	2021-22	2022-23	2023-24
1	2	3	4	5	6	7
I. Real Economy						
I.1 Real GDP at Market Prices (% change)*	7.9	6.7	7.4	9.7	7.0	7.6
I.2 Real GVA at Basic Prices (% change)*	7.7	6.3	7.0	9.4	6.7	6.9
I.3 Foodgrains Production (Million Tonnes)**	213.6	248.8	269.8	315.6	329.7	309.3
I.4 a) Food Stocks (Million Tonnes)***	18.6	50.1	44.6	74.0	51.7	60.7
b) Procurement (Million Tonnes)	39.3	61.3	66.5	107.2	77.2	79.4
c) Off-take (Million Tonnes)	41.5	57.0	61.5	105.7	92.7	66.9
I.5 Index of Industrial Production (% change)	11.2	4.6	4.0	11.4	5.2	5.8
I.6 Index of Eight Core Industries (% change)	5.9	4.9	4.3	10.4	7.8	7.5
I.7 Gross Domestic Saving Rate (% of GNDI at Current Prices)*	33.6	33.9	31.2	30.8	29.7	-
I.8 Gross Domestic Investment Rate (% of GDP at Current Prices)*	35.2	38.0	33.1	32.4	32.2	-
II. Prices[#]						
II.1 Consumer Price Index (CPI) Combined (average % change)	-	-	4.5	5.5	6.7	5.4
II.2 CPI-Industrial Workers (average % change)	5.0	10.3	4.9	5.1	6.1	5.3
II.3 Wholesale Price Index (average % change)	5.5	7.1	1.3	13.0	9.4	-0.7
III. Money and Credit[##]						
III.1 Reserve Money (% change)	20.4	12.1	10.7	13.0	7.8	6.7
III.2 Broad Money (M_3) [% change]	18.6	14.7	9.5	8.8	9.0	11.2
III.3 a) Aggregate Deposits of Scheduled Commercial Banks (% change)	20.2	15.0	9.5	8.9	9.6	12.9
b) Bank Credit of Scheduled Commercial Banks (% change)	26.7	16.7	9.6	9.6	15.0	16.3
IV. Financial Markets						
IV.1 Interest rates (%)						
a) Call/Notice Money rate	5.6	7.2	6.7	3.3	5.4	6.6
b) 10-year G-sec yield	7.0	8.0	7.6	6.3	7.3	7.2
c) 91-Days T-bill yield	5.8	7.1	7.0	3.5	5.6	6.8
d) Weighted Average cost of Central Government Borrowings	7.2	8.1	7.7	6.3	7.3	7.2
e) Commercial Paper	7.7	8.4	7.8	4.3	6.3	7.4
f) Certificates of Deposit	8.9[†]	8.2	7.5	4.1	6.4	7.2
IV.2 Liquidity (₹ lakh crore)						
a) LAF Outstanding	-	-	-	5.9	1.3	0.6
b) MSS Outstanding~	-	-	-	-	-	-
c) Average Daily Call Money Market Turnover	0.2	0.3	0.3	0.2	0.2	0.2
d) Average Daily G-sec Market Turnover	0.1	0.2	0.6	0.4	0.4	0.6
e) Variable Rate Repo~~	-	-	-	0.0	0.0	1.0
f) Variable Rate Reverse Repo~~	-	-	-	2.8	0.0	0.0
g) MSF~~	-	-	-	0.0005	0.3	0.9
h) SDF~~	-	-	-	-	2.3	2.5
V. Government Finances						
V.1 Central Government Finances (% of GDP)[$]						
a) Revenue Receipts	10.0	9.2	8.6	9.2	8.8	9.2
b) Capital Outlay	1.6	1.6	1.5	2.3	2.3	2.7
c) Total Expenditure	14.9	15.0	12.8	16.1	15.6	15.3
d) Gross Fiscal Deficit	3.7	5.4	3.7	6.7	6.4	5.9
V.2 State Government Finances[$$]						
a) Revenue Deficit (% of GDP)	0.3	-0.1	0.1	0.4	0.3	0.5
b) Gross Fiscal Deficit (% of GDP)	2.7	2.3	2.8	2.8	2.7	3.3
c) Primary Deficit (% of GDP)	0.3	0.6	1.2	1.0	1.0	1.6

APPENDIX TABLE 1: MACROECONOMIC AND FINANCIAL INDICATORS *(Concld.)*

Item	Average 2003-04 to 2007-08 (5 years)	Average 2009-10 to 2013-14 (5 years)	Average 2014-15 to 2018-19 (5 years)	2021-22	2022-23	2023-24
1	2	3	4	5	6	7
VI. External Sector@						
VI.1 Balance of Payments						
a) Merchandise Exports (% change)	25.3	12.2	1.6	44.8	6.3	-6.0
b) Merchandise Imports (% change)	32.3	9.7	2.7	55.3	16.6	-7.3
c) Trade Balance/GDP (%)	-5.5	-9.1	-6.2	-6.0	-7.9	-7.4
d) Invisible Balance/GDP (%)	5.2	5.8	4.8	4.8	5.9	6.2
e) Current Account Balance/GDP (%)	-0.3	-3.3	-1.4	-1.2	-2.0	-1.2
f) Net Capital Flows/GDP (%)	4.7	3.8	2.7	2.7	1.8	2.5
g) Reserve Changes (BoP basis) [US $ billion] [(Increase (-)/Decrease (+)]	-40.3	-6.6	-28.2	-47.5	9.1	-32.9
VI.2 External Debt Indicators@@						
a) External Debt Stock (US$ billion)	156.5	359.0	500.6	619.0	624.3	648.2
b) Debt-GDP Ratio (%)	17.8	20.9	21.4	20.0	19.0	18.7
c) Import Cover of Reserves (in Months)	14.0	8.5	10.3	11.8	9.6	11.0
d) Short-term Debt to Total Debt (%)	13.6	21.3	18.6	19.7	20.6	19.5
e) Debt Service Ratio (%)	8.3	5.6	7.7	5.2	5.3	6.5
f) Reserves to Debt (%)	113.7	84.8	76.2	98.1	92.7	96.0
VI.3 Openness Indicators (%)						
a) Export plus Imports of Goods/GDP	30.7	41.0	32.0	33.1	35.1	31.8
b) Export plus Imports of Goods & Services/GDP	41.3	53.2	43.7	45.8	50.2	46.4
c) Current Receipts plus Current Payments/GDP	47.1	59.4	49.4	51.7	57.0	53.7
d) Gross Capital Inflows plus Outflows/GDP	37.3	50.4	45.2	45.4	38.4	43.5
e) Current Receipts & Payments plus Capital Receipts & Payments/GDP	84.4	109.8	94.6	97.0	95.3	97.3
VI.4 Exchange Rate Indicators						
a) Exchange Rate (Rupee/US Dollar)						
End of Period	43.1	51.1	65.6	75.8	82.2	83.4
Average	44.1	51.2	65.6	74.5	80.4	82.8
b) 40-Currency REER (% change)	3.1^	0.8	1.8	1.2	-1.7	0.9
c) 40-Currency NEER (% change)	1.7^	-4.9	0.2	-0.8	-2.0	-0.6
d) 6-Currency REER (% change)	5.7^	2.3	2.0	0.4	-0.3	-0.01
e) 6-Currency NEER (% change)	2.6^	-5.1	-1.1	-1.6	-1.3	-2.7

- : Not Available/ Not Applicable.
* : Data are at 2011-12 base year series.
** : Data for 2023-24 are only for *kharif* and *rabi* crops (excluding summer) as per second advance estimates for agriculture production.
*** : Data pertain to stocks as on March 31 for all years.
# : Data for Wholesale Price Index for 2023-24 are provisional; data for CPI-Industrial Workers for 2023-24 pertain to April-January.
: Data for 2023-24 for reserve money pertain to March 29, 2024, while that of money supply relate to March 22, 2024.
† : Data in column 2 pertains to April 13, 2007 - March 28, 2008.
~ : Outstanding as on last Friday of the financial year.
~~ : Outstanding as on March 31.
$: Data for 2023-24 are revised estimates. Ratios may vary from those published in the Union Budget due to revision in GDP numbers.
$$: Data till 2021-22 pertain to all states and union territories (UT) with legislatures. Data for 2022-23 and 2023-24 are accounts and revised estimates, respectively, for 27 states/UTs, out of which 19 states/UTs have presented their final budgets and remaining states have presented Vote on Account budgets.
@ : Data for 2023-24 are provisional and pertain to April-December 2023, unless indicated otherwise.
@@ : Data for 2023-24 are provisional and pertain to end-December 2023.
^ : Data in column 2 is average of period 2005-06 to 2007-08.

Note : 1. For Index of Industrial Production, data in columns 2, 3 and 4 are at 2011-12 base year.
2. Base year for Consumer Price Index (All India) is 2012=100; base year for WPI is 2011-12=100 for annual data and 2004-05=100 for average of 5 years inflation; base for CPI-IW is 2001=100 till August 2020 and 2016=100 from September 2020 onwards.
3. For Average Daily G-sec Market Turnover, outright trading turnover is in central government dated securities (based on calendar days).
4. LAF negative value means injection.
5. Base year for 6- and 40-currency NEER/REER indices is 2015-16=100. REER figures are based on Consumer Price Index.

Source : RBI, National Statistical Office, Ministry of Agriculture & Farmers Welfare, Ministry of Commerce and Industry, Ministry of Finance, Food Corporation of India (FCI), Labour Bureau and Budget documents of the central and state governments.

APPENDIX TABLE 2: GROWTH RATES AND COMPOSITION OF REAL GROSS DOMESTIC PRODUCT

(At 2011-12 Prices)

(Per cent)

Sector	Growth Rate				Share		
	Average 2016-17 to 2023-24	2021-22	2022-23	2023-24*	2021-22	2022-23	2023-24*
1	2	3	4	5	6	7	8
GDP at Market Prices (Expenditure Side)							
1. Private Final Consumption Expenditure	5.4	11.7	6.8	3.0	58.1	58.0	55.6
2. Government Final Consumption Expenditure	5.0	0.0	9.0	3.0	9.9	10.0	9.6
3. Gross Fixed Capital Formation	7.0	17.5	6.6	10.2	33.4	33.3	34.1
4. Change in Stocks	57.1	525.4	14.5	5.0	1.1	1.1	1.1
5. Valuables	6.9	32.5	-19.1	13.8	1.9	1.4	1.5
6. Net Exports	-79.2	47.0	52.7	-517.8	-1.0	-0.4	-2.5
a) Exports	7.0	29.6	13.4	1.5	22.6	23.9	22.6
b) Less Imports	7.6	22.1	10.6	10.9	23.6	24.4	25.1
7. Discrepancies	-15.5	-386.9	11.2	-121.0	-3.3	-3.4	0.7
8. GDP	**5.5**	**9.7**	**7.0**	**7.6**	**100.0**	**100.0**	**100.0**
GVA at Basic Prices (Supply Side)							
1. Agriculture, Forestry and Fishing	**4.5**	**4.6**	**4.7**	**0.7**	**15.6**	**15.3**	**14.5**
2. Industry	**4.4**	**9.6**	**-0.6**	**8.3**	**23.0**	**21.4**	**21.7**
of which:							
a) Mining and Quarrying	1.1	6.3	1.9	8.1	2.2	2.1	2.2
b) Manufacturing	4.7	10.0	-2.2	8.5	18.5	16.9	17.2
c) Electricity, Gas, Water Supply and Other Utility Services	6.7	10.3	9.4	7.5	2.3	2.4	2.4
3. Services	**6.0**	**10.6**	**9.9**	**7.9**	**61.4**	**63.3**	**63.9**
of which:							
a) Construction	6.8	19.9	9.4	10.7	8.6	8.8	9.1
b) Trade, Hotels, Transport, Communication and Services Related to Broadcasting	5.6	15.2	12.0	6.5	17.9	18.8	18.7
c) Financial, Real Estate and Professional Services	6.1	5.7	9.1	8.2	22.5	23.0	23.3
d) Public Administration, Defence and Other Services	6.0	7.5	8.9	7.7	12.4	12.7	12.8
4. GVA at Basic Prices	**5.3**	**9.4**	**6.7**	**6.9**	**100.0**	**100.0**	**100.0**

*: Second advance estimates of national income for 2023-24.

Source: National Statistical Office (NSO).

APPENDIX TABLE 3: GROSS SAVINGS

(Per cent of GNDI)

Item	2019-20	2020-21	2021-22	2022-23
1	2	3	4	5
I. Gross Savings	**29.1**	**28.7**	**30.8**	**29.7**
I.1 Non-financial Corporations	10.4	10.4	11.4	11.1
I.1.1 Public Non-financial Corporations	1.4	1.2	1.3	1.2
I.1.2 Private Non-financial Corporations	9.0	9.2	10.1	9.9
I.2 Financial Corporations	**2.6**	**2.6**	**2.5**	**2.8**
I.2.1 Public Financial Corporations	1.5	1.4	1.5	1.7
I.2.2 Private Financial Corporations	1.0	1.2	1.0	1.1
I.3 General Government	**-2.7**	**-6.6**	**-2.9**	**-2.2**
I.4 Household sector	**18.8**	**22.4**	**19.8**	**18.1**
I.4.1 Net Financial Saving	7.6	11.6	7.2	5.2
Memo: Gross Financial Saving	11.4	15.2	10.9	10.9
I.4.2 Saving in Physical Assets	11.0	10.6	12.4	12.7
I.4.3 Saving in the Form of Valuables	0.2	0.2	0.3	0.2

GNDI: Gross national disposable income.

Note: Net financial saving of the household sector is obtained as the difference between gross financial savings and financial liabilities during the year.

Source: NSO.

APPENDIX TABLE 4: INFLATION, MONEY AND CREDIT

(Per cent)

Inflation									
Consumer Price Index (All India)	**Rural**			**Urban**			**Combined**		
	2021-22	**2022-23**	**2023-24**	**2021-22**	**2022-23**	**2023-24**	**2021-22**	**2022-23**	**2023-24**
1	2	3	4	5	6	7	8	9	10
General Index (All Groups)	**5.4**	**6.8**	**5.6**	**5.6**	**6.4**	**5.1**	**5.5**	**6.7**	**5.4**
Food and Beverages	3.9	6.8	6.9	4.7	6.5	7.3	4.2	6.7	7.0
Housing	…	…	…	3.7	4.3	3.9	3.7	4.3	3.9
Fuel and Light	10.0	9.6	1.8	13.4	11.6	0.3	11.3	10.3	1.2
Miscellaneous	6.6	5.9	4.6	6.8	6.6	4.4	6.7	6.3	4.5
Excluding Food and Fuel	6.7	6.3	4.5	5.4	5.9	4.2	6.0	6.1	4.3
Other Price Indices	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**
1. Wholesale Price Index (2011-12=100)									
All Commodities	**-3.7**	**1.7**	**2.9**	**4.3**	**1.7**	**1.3**	**13.0**	**9.4**	**-0.7**
Primary Articles	-0.4	3.4	1.4	2.7	6.8	1.7	10.2	10.0	3.5
of which : Food Articles	2.6	4.0	2.1	0.3	8.4	3.2	4.1	7.3	6.6
Fuel and Power	-19.7	-0.3	8.2	11.5	-1.8	-8.0	32.5	28.1	-4.5
Manufactured Products	-1.8	1.3	2.7	3.7	0.3	2.8	11.1	5.6	-1.7
Non-food Manufactured Products	-1.8	-0.1	3.0	4.2	-0.4	2.2	11.0	5.8	-1.4
2. CPI- Industrial Workers (IW) [2016=100] #	**5.6**	**4.1**	**3.1**	**5.4**	**7.5**	**5.0**	**5.1**	**6.1**	**5.3**
of which : CPI- IW Food	6.1	4.4	1.5	0.6	7.4	5.8	4.7	6.1	7.2
3. CPI- Agricultural Labourers (1986-87=100) ##	**4.4**	**4.2**	**2.2**	**2.1**	**8.0**	**5.5**	**4.0**	**6.8**	**7.0**
4. CPI- Rural Labourers (1986-87=100) ##	**4.6**	**4.2**	**2.3**	**2.2**	**7.7**	**5.5**	**4.2**	**7.0**	**6.9**
Money and Credit									
	2015-16	**2016-17^**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24^^**
Reserve Money (RM)	**13.1**	**-12.9**	**27.3**	**14.5**	**9.4**	**18.8**	**13.0**	**7.8**	**6.7**
Currency in Circulation	14.9	-19.7	37.0	16.8	14.5	16.6	9.8	7.8	4.1
Bankers' Deposits with RBI	7.8	8.4	3.9	6.4	-9.6	28.5	25.4	6.1	15.4
Currency-GDP Ratio$	12.1	8.7	10.7	11.3	12.2	14.4	13.3	12.5	12.0
Narrow Money (M_1)	**13.5**	**-3.9**	**21.8**	**13.6**	**11.2**	**16.2**	**10.7**	**6.9**	**7.5**
Broad Money (M_3)	**10.1**	**6.9**	**9.2**	**10.5**	**8.9**	**12.2**	**8.8**	**9.0**	**11.2**
Currency-Deposit Ratio	16.0	11.0	14.4	15.4	16.3	17.2	17.4	17.3	16.0
Money Multiplier*	5.3	6.7	5.8	5.6	5.5	5.2	5.0	5.2	5.4
GDP-M_3 Ratio$*	1.2	1.2	1.2	1.2	1.2	1.1	1.2	1.2	1.2
Scheduled Commercial Banks									
Aggregate Deposits	9.3	11.3	6.2	10.0	7.9	11.4	8.9	9.6	12.9
Bank Credit	10.9	4.5	10.0	13.3	6.1	5.6	9.6	15.0	16.3
Non-food Credit	10.9	5.2	10.2	13.4	6.1	5.5	9.7	15.4	16.3
Credit-Deposit Ratio	77.7	72.9	75.5	77.7	76.4	72.4	72.2	75.8	78.1
Credit-GDP Ratio$	52.6	50.9	50.5	51.7	51.6	55.2	50.4	50.7	54.1

\# : Data for 2023-24 pertain to April - January.
\#\# : Data for 2023-24 pertain to April - February.
… : CPI Rural for Housing is not compiled.
^ : March 31, 2017 over April 1, 2016, barring RM and its components.
^^ : Data for reserve money pertain to March 29, 2024, while that of money supply relate to March 22, 2024.
$: GDP data from 2011-12 onwards are based on new series *i.e.*, base: 2011-12. GDP refers to GDP at current market prices.
* : Not expressed in per cent.

Note : 1. Data refers to y-o-y change in per cent unless specified otherwise.
2. Base for Consumer Price Index (All India) is 2012 = 100, whereas base for CPI-IW is 2001=100 till August 2020 and 2016 = 100 from September 2020 onwards.

Source : RBI, NSO, Labour Bureau and Ministry of Commerce and Industry.

APPENDIX TABLE 5: CAPITAL MARKET - PRIMARY AND SECONDARY

(Amount in ₹ crore)

Item	2022-23		2023-24 (P)	
	Number	Amount	Number	Amount
1	2	3	4	5
I. PRIMARY MARKET				
A. Public and Rights Issues				
1. Private Sector (a+b)	**271**	**54,486.7**	**383**	**97,284.2**
a) Financial	45	13,631.5	61	29,133.1
b) Non-financial	226	40,855.2	322	68,151.1
2. Public Sector (a+b+c)	**1**	**20,557.2**	**2**	**4,974.7**
a) Public Sector Undertakings	1	20,557.2	2	4,974.7
b) Government Companies	…	…	…	…
c) Banks/Financial Institutions	…	…	…	…
3. Total (1+2, i+ii, a+b)	**272**	**75,043.9**	**385**	**102,258.8**
Instrument Type				
(i) Equity	238	65,823.3	340	83,092.5
(ii) Debt	34	9,220.6	45	19,166.3
Issuer Type				
(a) IPOs	164	54,772.4	272	67,955.3
(b) Listed	108	20,271.5	113	34,303.5
B. Euro Issues (ADRs and GDRs)	**…**	**…**	**…**	**…**
C. Private Placement				
1. Private Sector (a+b)	**1,385**	**452,300.7**	**1276**	**537,366.2**
a) Financial	1,123	356,541.1	954	343,467.5
b) Non-financial	262	95,759.6	322	193,898.7
2. Public Sector (a+b)	**227**	**352,038.3**	**215**	**438,207.4**
a) Financial	156	284,200.4	191	406,652.5
b) Non-financial	71	67,837.9	24	31,555.0
3. Total (1+2, i+ii)	**1,612**	**804,338.9**	**1,491**	**975,573.6**
(i) Equity^	11	8,212.3	61	68,971.5
(ii) Debt	1,601	796,126.6	1,430	906,602.2
D. Qualified Institutional Placement	**11**	**8,212.3**	**61**	**68,971.5**
E. Mutual Funds Mobilisation (Net)#				
1. Private Sector		15,983.0		308,898.0
2. Public Sector		60,242.5		45,803.3
II. SECONDARY MARKET				
BSE				
Sensex: End-Period	58,991.5		73,651.4	
Period Average	58,307.5		66,822.7	
Price Earnings Ratio@	22.4		25.2	
Market Capitalisation to GDP ratio (%)*	95.8		131.7	
Turnover Cash Segment		1,028,864.8		1,629,038.4
Turnover Equity Derivatives Segment		34,315,313.1		802,835,384.3
NSE				
Nifty 50: End-Period	17,359.8		22,326.9	
Period Average	17,335.9		19,978.3	
Price Earnings Ratio@	20.4		22.9	
Market Capitalisation to GDP ratio (%)*	95.1		130.7	
Turnover Cash Segment		13,305,073.4		20,103,439.4
Turnover Equity Derivatives Segment		3,822,326,468.1		7,992,767,152.4

…: Nil. P: Provisional. #: Net of redemptions. @ : As at the end of the period.

^ : Does not include preferential allotments.

* : GDP for 2023-24 are as per second advance estimates.

Note: Figures in the columns might not add up to the total due to rounding of numbers.

Source: SEBI, NSE, BSE, various merchant bankers and RBI staff estimates.

APPENDIX TABLE 6: KEY FISCAL INDICATORS

(As per cent of GDP)

Year	Primary Deficit	Revenue Deficit	Primary Revenue Deficit	Gross Fiscal Deficit	Outstanding Liabilities@	Outstanding Liabilities$
1	2	3	4	5	6	7
Centre						
1990-91	4.0	3.2	-0.5	7.7	54.6	60.6
1995-96	0.8	2.5	-1.7	5.0	50.3	58.3
2000-01	0.9	4.0	-0.7	5.6	54.6	60.4
2009-10	3.2	5.3	2.0	6.6	55.4	57.3
2010-11	1.8	3.3	0.2	4.9	51.6	53.2
2011-12	2.8	4.5	1.4	5.9	51.7	53.5
2012-13	1.8	3.7	0.5	4.9	51.0	52.5
2013-14	1.1	3.2	-0.2	4.5	50.5	52.2
2014-15	0.9	2.9	-0.3	4.1	50.1	51.4
2015-16	0.7	2.5	-0.7	3.9	50.1	51.5
2016-17	0.4	2.1	-1.1	3.5	48.4	49.5
2017-18	0.4	2.6	-0.5	3.5	48.3	49.5
2018-19	0.4	2.4	-0.7	3.4	48.5	49.6
2019-20	1.6	3.3	0.3	4.6	51.4	52.6
2020-21	5.7	7.3	3.9	9.2	61.5	62.7
2021-22	3.3	4.4	1.0	6.7	58.1	59.0
2022-23	3.0	4.0	0.5	6.4	57.0	58.0
2023-24 (RE)#	2.3	2.9	-0.7	5.9	57.9	58.7
2024-25 (BE)	1.5	2.0	-1.6	5.1	56.5	57.1
States*						
1990-91	1.8	0.9	-0.6	3.3	22.2	22.2
1995-96	0.8	0.7	-1.1	2.6	20.8	20.8
2000-01	1.8	2.5	0.1	4.2	28.1	28.1
2009-10	1.2	0.4	-1.4	3.0	26.4	26.4
2010-11	0.4	-0.2	-1.8	2.1	24.4	24.4
2011-12	0.4	-0.3	-1.9	2.0	23.2	23.2
2012-13	0.4	-0.3	-1.8	2.0	22.6	22.6
2013-14	0.7	0.0	-1.5	2.2	22.3	22.3
2014-15	1.1	0.3	-1.2	2.6	22.0	22.0
2015-16	1.5	0.0	-1.6	3.0	23.7	23.7
2016-17	1.8	0.2	-1.4	3.5	25.1	25.1
2017-18	0.7	0.1	-1.6	2.4	25.1	25.1
2018-19	0.8	0.1	-1.6	2.4	25.3	25.3
2019-20	0.9	0.6	-1.1	2.6	26.6	26.6
2020-21	2.1	1.9	-0.1	4.1	31.0	31.0
2021-22	1.0	0.4	-1.4	2.8	29.3	29.3
2022-23	1.0	0.3	-1.4	2.7	…	…
2023-24 (RE)	1.6	0.5	-1.2	3.3	…	…
2024-25 (BE)	1.3	0.2	-1.5	3.0	…	…

... : Not Available.   RE: Revised Estimates.   BE: Budget Estimates.

@ : Includes external liabilities of the centre calculated at historical exchange rates.

$: Includes external liabilities of the centre calculated at current exchange rates.

: Going by the principle of using latest GDP data for any year, GDP used for 2023-24 (RE) is the latest available second advance estimates. In view of this, the fiscal indicators as per cent to GDP given in this table may at times marginally vary from those reported in the Union Budget documents.

* : Data till 2021-22 pertain to all states and union territories (UT) with legislatures. Data for 2022-23, 2023-24 and 2024-25 are accounts, revised estimates and budget estimates, respectively, for 27 states/UTs, out of which 19 states/UTs have presented their final budgets and remaining states have presented Vote on Account budgets.

Note: 1. Negative sign (-) indicates surplus in deficit indicators.
2. GDP figures used in this table are on 2011-12 base, which are the latest available estimates.
3. Columns 6 and 7 are outstanding figures as at end-March of respective years.

Source: Budget documents of central and state governments, Status paper on government debt and Quarterly report on public debt management.

APPENDIX TABLE 7: COMBINED RECEIPTS AND DISBURSEMENTS OF THE CENTRAL AND STATE GOVERNMENTS

(Amount in ₹ thousand crore)

Item	2018-19	2019-20	2020-21	2021-22	2022-23 RE	2023-24 BE
1	2	3	4	5	6	7
1 Total Disbursements	**5,041**	**5,411**	**6,353**	**7,098**	**8,377**	**9,045**
1.1 Developmental	2,883	3,074	3,823	4,189	5,073	5,426
1.1.1 Revenue	2,224	2,447	3,150	3,255	3,839	3,836
1.1.2 Capital	597	588	550	862	1,146	1,472
1.1.3 Loans	62	40	123	72	89	118
1.2 Non-Developmental	2,078	2,253	2,443	2,810	3,189	3,491
1.2.1 Revenue	1,966	2,110	2,272	2,603	2,989	3,278
1.2.1.1 Interest Payments	895	956	1,061	1,227	1,403	1,589
1.2.2 Capital	111	141	169	176	197	208
1.2.3 Loans	1	2	2	32	3	5
1.3 Others	80	83	87	99	115	128
2 Total Receipts	**5,023**	**5,734**	**6,397**	**7,156**	**8,258**	**9,150**
2.1 Revenue Receipts	3,798	3,852	3,688	4,824	5,706	6,337
2.1.1 Tax Receipts	3,279	3,232	3,193	4,160	4,837	5,477
2.1.1.1 Taxes on Commodities and Services	2,030	2,013	2,076	2,627	2,968	3,373
2.1.1.2 Taxes on Income and Property	1,246	1,216	1,115	1,531	1,865	2,100
2.1.1.3 Taxes of Union Territories (Without Legislature)	3	3	3	3	4	4
2.1.2 Non-tax Receipts	519	620	495	663	869	860
2.1.2.1 Interest Receipts	36	31	33	35	38	45
2.2 Non-debt Capital Receipts	140	110	65	44	88	119
2.2.1 Recovery of Loans & Advances	45	60	17	28	26	35
2.2.2 Disinvestment Proceeds	96	51	48	16	63	85
3 Gross Fiscal Deficit [1 - (2.1 + 2.2)]	**1,103**	**1,449**	**2,600**	**2,231**	**2,582**	**2,589**
3A Sources of Financing: Institution-wise						
3A.1 Domestic Financing	1,097	1,441	2,530	2,194	2,559	2,567
3A.1.1 Net Bank Credit to Government	387	572	890	627	688	….
3A.1.1.1 Net RBI Credit to Government	326	190	107	351	1	….
3A.1.2 Non-Bank Credit to Government	710	869	1,640	1,567	1,871	….
3A.2 External Financing	6	9	70	36	24	22
3B Sources of Financing: Instrument-wise						
3B.1 Domestic Financing	1,097	1,441	2,530	2,194	2,559	2,567
3B.1.1 Market Borrowings (net)	796	971	1,696	1,213	1,777	1,903
3B.1.2 Small Savings (net)	89	209	459	527	404	441
3B.1.3 State Provident Funds (net)	51	38	41	28	36	37
3B.1.4 Reserve Funds	-18	10	5	42	4	24
3B.1.5 Deposits and Advances	66	-14	26	42	82	58
3B.1.6 Cash Balances	17	-323	-44	-58	119	-105
3B.1.7 Others	96	549	348	400	137	207
3B.2 External Financing	6	9	70	36	24	22
4 Total Disbursements as per cent of GDP	*26.7*	*26.9*	*32.0*	*30.1*	*31.1*	*30.0*
5 Total Receipts as per cent of GDP	*26.6*	*28.5*	*32.2*	*30.3*	*30.6*	*30.3*
6 Revenue Receipts as per cent of GDP	*20.1*	*19.2*	*18.6*	*20.4*	*21.2*	*21.0*
7 Tax Receipts as per cent of GDP	*17.3*	*16.1*	*16.1*	*17.6*	*17.9*	*18.2*
8 Gross Fiscal Deficit as per cent of GDP	*5.8*	*7.2*	*13.1*	*9.5*	*9.6*	*8.6*

…: Not Available. RE: Revised Estimates. BE: Budget Estimates.

Note: 1. GDP data are as per 2011-12 base. GDP for 2023-24 is from Union Budget 2023-24.

2. The revision of general government fiscal data will be undertaken after all states present their final budget and they are tabulated, consolidated and disseminated by the Reserve Bank through its annual publication - 'State Finances: A Study of Budgets'.

3. Figures in the columns might not add up to the total due to rounding of numbers.

Source: Budget Documents of the central and state governments.

APPENDIX TABLE 8: INDIA'S OVERALL BALANCE OF PAYMENTS

(US$ million)

	2019-20	2020-21	2021-22	2022-23	2023-24 (P)
1	2	3	4	5	6
A CURRENT ACCOUNT					
1 Exports, f.ol.b.	320,431	296,300	429,164	456,073	319,861
2 Imports, c.i.f.	477,937	398,452	618,623	721,364	512,693
3 Trade Balance	-157,506	-102,152	-189,459	-265,291	-192,832
4 Invisibles, Net	132,850	126,065	150,694	198,236	161,773
a) 'Non-factor' Services *of which :*	84,922	88,565	107,516	143,283	120,082
Software Services	84,643	89,741	109,540	131,284	105,432
b) Income	-27,281	-35,960	-37,269	-45,923	-35,376
c) Private Transfers	76,217	74,439	81,230	101,776	77,681
5 Current Account Balance	-24,656	23,912	-38,766	-67,055	-31,059
B. CAPITAL ACCOUNT					
1 Foreign Investment, Net (a+b)	44,417	80,092	21,809	22,834	41,173
a) Direct Investment	43,013	43,955	38,587	27,986	8,483
b) Portfolio Investment	1403	36,137	-16,777	-5,152	32,690
2 External Assistance, Net	3,751	11,167	5,366	5,521	5,435
3 Commercial Borrowings, Net	22,960	-134	8135	-3,790	-1,560
4 Short Term Credit, Net	-1,026	-4,130	20,105	6,539	-1,821
5 Banking Capital *of which :*	-5,315	-21,067	6,669	20,980	33,631
NRI Deposits, Net	8,627	7,364	3,234	8,989	9,338
6 Rupee Debt Service	-69	-64	-71	-68	-65
7 Other Capital, Net[&]	18,462	-2,143	23,794	6,928	-12,075
8 Total Capital Account	83,180	63,721	85,807	58,943	64,718
C. Errors & Omissions	974	-347	459	-1024	-711
D. Overall Balance [A(5)+B(8)+C]	59,498	87,286	47,501	-9,135	32,948
E. Monetary Movements (F+G)	-59,498	-87,286	-47,501	9,135	-32,948
F. IMF, Net	0	0	0	0	0
G. Reserves and Monetary Gold (Increase -, Decrease +)	-59,498	-87,286	-47,501	9,135	-32,948
of which : **SDR Allocation**	0	0	-17,862	0	0
Memo: As a ratio to GDP					
1 Trade Balance	-5.6	-3.8	-6.0	-7.9	-7.4
2 Net Services	3.0	3.3	3.4	4.3	4.6
3 Net Income	-1.0	-1.3	-1.2	-1.4	-1.3
4 Current Account Balance	-0.9	0.9	-1.2	-2.0	-1.2
5 Capital Account, Net	2.9	2.4	2.7	1.8	2.5
6 Foreign Investment, Net	1.6	3.0	0.7	0.7	1.6

P : Data are provisional and pertain to April-December 2023.

& : Includes delayed export receipts, advance payments against imports, net funds held abroad, and advances received pending issue of shares under FDI.

Note: 1. Gold and silver brought by returning Indians have been included under imports, with a contra entry in private transfer receipts.

2. Data on exports and imports differ from those given by DGCI&S on account of differences in coverage, valuation, and timing.

Source: RBI.

APPENDIX TABLE 9: FOREIGN DIRECT INVESTMENT FLOWS TO INDIA: COUNTRY-WISE AND INDUSTRY-WISE

(US$ billion)

Source/Industry	2019-20	2020-21	2021-22	2022-23	2023-24 (P)
1	2	3	4	5	6
Total FDI	50.0	59.6	58.8	46.0	44.4
Country-wise Inflows					
Singapore	14.7	17.4	15.9	17.2	11.8
Mauritius	8.2	5.6	9.4	6.1	8.0
US	4.1	13.8	10.5	6.0	5.0
Netherlands	6.5	2.8	4.6	2.5	4.9
Japan	3.2	1.9	1.5	1.8	3.2
UAE	0.3	4.2	1.0	3.4	2.9
UK	1.3	2.0	1.6	1.7	1.2
Qatar	0.1	0.2	0.2	0.0	1.0
Cyprus	0.9	0.4	0.2	1.3	0.8
Canada	0.2	0.0	0.5	0.8	0.6
Germany	0.5	0.7	0.7	0.5	0.5
Luxembourg	0.3	0.3	0.5	0.5	0.4
France	1.9	1.3	0.3	0.4	0.4
South Korea	0.8	0.4	0.3	0.3	0.4
Australia	0.0	0.0	0.0	0.1	0.3
Others	7.0	8.5	11.2	3.5	3.0
Sector-wise Inflows					
Manufacturing	9.6	9.3	16.3	11.3	9.3
Electricity and Other Energy Generation, Distribution & Transmission	2.8	1.3	2.2	3.3	5.5
Computer Services	5.1	23.8	9.0	5.6	4.9
Financial Services	5.7	3.5	4.7	6.8	4.4
Retail & Wholesale Trade	5.1	3.9	5.1	5.3	4.1
Transport	2.4	7.9	3.3	1.7	3.8
Communication Services	7.8	2.9	6.4	4.5	3.7
Business services	3.8	1.8	2.5	2.0	2.6
Construction	2.0	1.8	3.2	1.4	2.2
Miscellaneous Services	1.1	0.9	1.0	1.2	1.9
Education, Research & Development	0.8	1.3	3.6	1.9	0.6
Restaurants and Hotels	2.7	0.3	0.7	0.2	0.4
Real Estate Activities	0.6	0.4	0.1	0.1	0.3
Mining	0.3	0.2	0.4	0.2	0.1
Trading	0.0	0.0	0.0	0.0	0.0
Others	0.2	0.2	0.4	0.5	0.7

P: Data are provisional.

Note: Includes FDI through approval, automatic and acquisition of existing shares routes.

Source: RBI.

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