

MONETARY & CREDIT INFORMATION REVIEW



MCIR

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I. Monetary Policy

Governor's Monetary Policy Statement on February 8, 2024

Shri Shaktikanta Das, Governor on February 8, 2024 delivered the first Monetary Policy Statement of the year 2024, marking it as a momentous year for Reserve Bank of India which enters its 90th year of existence and operations in April. Focusing on the global economy, the Governor stated that the global scenario exhibits a mixed outlook, with improved chances of a soft landing due to inflation nearing targets and better-than-expected growth in major economies, alongside ongoing conflicts causing uncertainty. Despite global challenges, the Indian economy had shown remarkable performance, with accelerating growth and declining inflation.

Decisions and Deliberations of the Monetary Policy Committee (MPC)

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

Assessment of Growth and Inflation

i) Global Growth

Global growth was expected to remain steady in 2024 with heterogeneity across regions.

ii) Domestic Growth

Domestic economic activity remains strong. The first advance estimates (FAE) placed the real gross domestic product (GDP) growth at 7.3 percent for 2023-24, marking the third successive year of growth above 7 percent.

iii) Inflation

Headline inflation moderated to an average of 5.5 percent during April-December 2023 from 6.7 percent during 2022-23. Food price inflation, however, continued to impart considerable volatility to the inflation trajectory.

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

The Governor stated that the inflation had moderated since 2022, with monetary policy prioritising control over growth through a 250 bps repo rate increase and stimulus withdrawal. Government-supplied supply-side measures supported this effort. However, persistent high and volatile headline inflation, ranging from 4.3 percent to 7.4 percent, poses challenges, exacerbated by recurring food price shocks and geopolitical tensions. The CPI inflation target of 4.0 percent remains unmet.

Liquidity and Financial Market Conditions

Speaking about the condition of liquidity and financial market, the Governor said that system-level liquidity shifted from surplus to deficit in September 2023 after four and a half years. RBI proactively injected liquidity in December-January, but government spending reversed liquidity surplus. Six reverse repo auctions were conducted in February 2024 to absorb excess liquidity. Financial markets adjusted to liquidity changes, with short-term rates fluctuating while long-term rates remained stable.

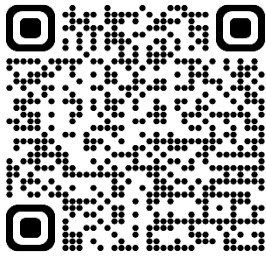
Financial Stability

The Governor mentioned that the domestic financial system maintains resilience, supported by banks and financial institutions with healthy balance sheets. Non-banking financial companies (NBFCs) show improving financial parameters aligning with banks.

External Sector

The Governor said that India's current account deficit (CAD) dropped sharply to 1.0 percent of GDP in Q2:2023-24 from 3.8 percent in Q2:2022-23. Services and remittances are expected to maintain a surplus, offsetting trade deficits. Inward remittances are estimated at US\$135 billion in 2024, making India the largest recipient globally. Foreign direct investment (FDI) reached US\$13.5 billion, while foreign portfolio investment (FPI) turned positive at US\$32.4 billion.

Further, the Governor announced certain additional measures during deliberation of his statement. Concluding his speech, the Governor said that the Indian economy shows confident progress towards sustained growth, attracting both domestic and international investors. Monetary policy direction is deemed appropriate with stable growth and decreasing inflation. Vigilance remains crucial in policymaking during uncertainties, requiring continuous assessment of incoming data. The commitment to lower inflation to 4 percent is reiterated, emphasising price and financial stability for inclusive growth. Recalling Mahatma Gandhi's saying, the Governor quoted that, 'I am moving cautiously, watching myself at every step...but there is the fixed determination behind every act of mine...' To read the full statement, please click [here](#).



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Note from the Editor

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

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

We welcome your feedback at mcir@rbi.org.in

Yogesh Dayal
Editor

Resolution of MPC

On the basis of an assessment of the current and evolving macroeconomic situation, the MPC at its meeting on February 8, 2024 decided to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.50 percent.

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

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

Developmental and Regulatory Policies

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

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

i) Financial Markets

1. Review of the Regulatory Framework for ETPs

In October 2018, the Reserve Bank put in place a regulatory framework for electronic trading platforms (ETPs) for executing transactions in financial instruments regulated by it. Under the framework, which aimed to ensure fair access through transparent, safe and efficient trading processes, robust trading infrastructures and prevent market abuse, thirteen ETPs operated by five operators have since been authorised. Over the last few years, there has been increased integration of the onshore forex market with offshore markets, notable developments in the technology landscape and an increase in product diversity. Market makers have also made requests to access offshore ETPs offering permitted Indian Rupee (INR) products. In view of these developments, it has been decided to review the regulatory framework for ETPs. The revised regulatory framework will be issued separately for public feedback.

2. Hedging of Gold Price Risk in the OTC Market in the International Financial Services Centre

With a view to providing flexibility to resident entities to hedge their exposures to gold price risk efficiently, resident entities were permitted, in December 2022, to access recognised exchanges in the International Financial Services Centre (IFSC). It has now been decided to also allow them to hedge the price of gold in the over the counter (OTC) segment in the IFSC. This will provide resident entities more flexibility and easier access to derivative products in hedging their exposure to gold prices.

ii) Regulations

3. Key Fact Statement (KFS) for Retail and MSME Loans and Advances

The Reserve Bank has announced several measures in the recent past to foster greater transparency and disclosure by the regulated entities (REs) in pricing of loans and other charges levied on the customers. One such measure is the requirement for lenders to provide their borrowers a Key Fact Statement (KFS) containing the key information regarding a loan agreement, including all-in-cost of the

loan, in simple and easy to understand format. Currently KFS is specifically mandated in respect of loans by scheduled commercial banks to individual borrowers; digital lending by REs; and microfinance loans. Now, it has been decided to mandate all REs to provide the 'Key Fact Statement' (KFS) to the borrowers for all retail and MSME loans. Providing critical information about the terms of the loan agreement, including all-inclusive interest cost, shall greatly benefit the borrowers in making an informed decision.

iii) Payment Systems and Fintech

4. Enhancing the Robustness of AePS

Aadhaar Enabled Payment System (AePS) operated by NPCI, enables customers to perform digital payment transactions in assisted mode. In 2023, more than 37 crore users undertook AePS transactions, which points to the important role played by AePS in financial inclusion. To enhance the security of AePS transactions, it is proposed to streamline the onboarding process, including mandatory due diligence, for AePS touchpoint operators, to be followed by banks. Additional fraud risk management requirements will also be considered. Instructions in this regard shall be issued shortly.

5. Principle-based Framework for Authentication of Digital Payment Transactions

Over the years, the Reserve Bank has prioritised security of digital payments, in particular the requirement of Additional Factor of Authentication (AFA). Though RBI has not prescribed any particular AFA, the payments ecosystem has largely adopted SMS-based One Time Password (OTP). With innovations in technology, alternative authentication mechanisms have emerged in recent years. To facilitate the use of such mechanisms for digital security, it is proposed to adopt a principle-based 'Framework for authentication of digital payment transactions'. Instructions in this regard will be issued separately.

6. Introduction of Programmability and Offline Functionality in Central Bank Digital Currency (CBDC) Pilot

The CBDC Retail (CBDC-R) pilot currently enables Person to Person (P2P) and Person to Merchant (P2M) transactions using Digital Rupee wallets provided by pilot banks. It is now proposed to enable additional use cases using programmability and offline functionality. Programmability will permit users like, for instance, government agencies to ensure that payments are made for defined benefits. Similarly, corporates will be able to programme specified expenditures like business travel for their employees. Additional features like validity period or geographical areas within which CBDC may be used can also be programmed. Second, it is proposed to introduce an offline functionality in CBDC-R for enabling transactions in areas with poor or limited internet connectivity. Multiple offline solutions (proximity and non-proximity based) across hilly areas, rural and urban locations will be tested for this purpose. These functionalities will be introduced through pilots in a gradual manner.

Minutes of MPC

The 47th meeting of the Monetary Policy Committee constituted under section 45ZB of the Reserve Bank of India Act, 1934, was held during February 6 to 8, 2024.

Accordingly, under Section 45ZL of the Reserve Bank of India Act, 1934, the Reserve Bank published the minutes of the proceedings of the meeting on February 22, 2024, i.e., the 14th day after meeting of the MPC.

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

II. Regulation

KYC Updation

The Reserve Bank on February 2, 2024 urged members of public to exercise caution and due care to prevent loss and safeguard themselves from malicious practices. The Bank suggested that in case of financial cyber frauds, members of public should immediately lodge a complaint on the National Cyber Crime Reporting Portal (www.cybercrime.gov.in) or through cybercrime helpline (1930). Further, in order to safeguard themselves, the Bank released Do's and Don'ts measure for the members of public. To read more, please click [here](#).

Fixed Remuneration of NEDs

The Reserve Bank on February 9, 2024 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 the Private Sector Banks including Small Finance Banks (SFBs) and Payment Banks (PBs) as also the wholly owned subsidiaries of Foreign Banks. To read more, please click [here](#).

Participation of Indian Banks on IIBX

The Reserve Bank on February 9, 2024 allowed:

- i) Branch/subsidiary/joint venture of an Indian bank in GIFT-IFSC to act as a Trading Member (TM)/Trading and Clearing Member (TCM) of International Bullion Exchange IFSC Limited (IIBX) and
- ii) Indian banks authorised to import gold/silver to act as Special Category Client (SCC) of IIBX. To read more, please click [here](#).

Governor's Meetings

The Governor, Reserve Bank of India on February 14, 2024 held meetings with the MD and CEOs of Public Sector Banks and select Private Sector Banks in Mumbai. The Governor in his remarks complimented the banks on their improved financial performance and that of the whole banking sector. While noting the resilience of the domestic financial system with healthy balance sheets of banks, he observed that there is no scope for any complacency and banks should continue to maintain their vigil around build-up of risks, if any.

The meetings were also attended by Deputy Governors Shri M. Rajeshwar Rao and Shri Swaminathan J. To read more, please click [here](#).

Action against a Payment Bank

The Reserve Bank on February 16, 2024 and February 23, 2024 for the benefit of customers, wallet holders and merchants who are availing banking services from Paytm Payments Bank issued [Directions](#) and [Additional Steps](#) under section 35A of the Banking Regulation Act, 1949, respectively. The Bank on February 16, 2024 issued a list of [Frequently Asked Questions \(FAQs\)](#) for the convenience of the customers of PPBL and the public at large.

Appointment/re-appointment in ARCs

The Reserve Bank on February 27, 2024 issued guidelines with respect to appointment or re-appointment of Director, Managing Director or Chief Executive Officer 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 at least ninety days before the vacancy arises/the proposed date of appointment or re-appointment. To read more, please click [here](#).

III. Payment and Settlement Systems

UPI connectivity with Mauritius and Sri Lanka

Prime Minister of India Shri Narendra Modi, Prime Minister of Mauritius Mr. Pravind Kumar Jugnauth and President of Sri Lanka Mr. Ranil Wickremesinghe on February 12, 2024 witnessed the virtual launch of RuPay cards and Unified Payments Interface (UPI) connectivity between India and Mauritius, as well as UPI connectivity between India and Sri Lanka. Reserve Bank of India Governor Shri Shaktikanta Das, Bank of Mauritius Governor Mr. Harvesh Seegolam and Central Bank of Sri Lanka Governor Dr. P. Nandalal Weerasinghe were also present on the occasion.

These projects have been developed and executed by NPCI International Payments Limited (NIPL) along with partner banks/non-banks from Mauritius and Sri Lanka, under the guidance and support of Reserve Bank of India. The Bank of Mauritius and the Central Bank of Sri Lanka played an important role during the projects. The above facilities were made operational through select banks/non-banks/Third Party Application Providers in India, Mauritius and Sri Lanka. To read more, please click [here](#).

Terms of Reference signed between RBI and NRB

The Reserve Bank and Nepal Rashtra Bank on February 15, 2024 signed and exchanged Terms of Reference for integration of fast payment systems of India and Nepal, viz., UPI of India and National Payments Interface (NPI) of Nepal, respectively. The integration is aimed at facilitating cross-border remittances between India and Nepal by enabling users of the two systems to make instant, low-cost fund transfers.

The collaboration between the two countries in linking their fast payment systems through the UPI-NPI linkage will further deepen financial connectivity and reinforce the enduring historical, cultural and economic ties. To read more, please click [here](#).

Restraining of Unauthorised Payment System

The Reserve Bank on February 15, 2024 notified that a card network had an arrangement that enables businesses to make card payments through certain intermediaries, to entities that do not accept card payments. Under this arrangement, the intermediary accepts card payments from corporates for their commercial payments and then remits the funds via IMPS/

606th Meeting of Central Board

The Reserve Bank on February 12, 2024 conducted the 606th meeting of the Central Board of Directors at New Delhi under the Chairmanship of Shri Shaktikanta Das, Governor.

Smt. Nirmla Sitharaman, Union Minister of Finance and Corporate Affairs addressed the Directors of the Central Board. She highlighted the key thrust areas outlined in the interim Union Budget 2024-25 and the expectations from the financial sector. The Directors complimented the FM on the Budget and shared their views.

RTGS/NEFT to non-card accepting recipients.

The arrangement also raised following concerns:

i) The intermediary in the above arrangement pooled large amount of funds into an account which is not a designated account under PSS Act.

ii) Transactions processed under this arrangement did not comply with the originator and beneficiary information requirements, as stipulated under Master Direction on KYC issued by the Reserve Bank. To read more, please click [here](#).

Amendment to MD on PPIs

The Reserve Bank on February 23, 2024 under Section 18 read with Section 10 (2) of Payment and Settlement Systems Act, 2007 (Act 51 of 2007) permitted authorised bank and non-bank Pre-paid Payment Instrument (PPI) issuers to issue PPIs for making payments across various public transport systems. To read more, please click [here](#).

IV. Fintech

Regulatory Sandbox

The Reserve Bank on February 28, 2024 updated the 'Enabling Framework for Regulatory Sandbox'. The framework 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. The timelines of the various stages of the Regulatory Sandbox process was revised from 7 months to 9 months. The updated framework also requires sandbox entities to ensure compliance with provisions of the Digital Personal Data Protection Act, 2023. To read more, please click [here](#).

Financial Literacy Week 2024 and Financial Literacy Ideathon



The Reserve Bank from February 26 to March 1, 2024 observed the Financial Literacy Week (FLW) 2024 on the theme 'Make a Right Start – Become Financially Smart'. The theme targeted towards young adults, mainly students. The objective was to increase awareness on the advantages of inculcating financial discipline from an early age with inputs on saving, budgeting, power of compounding, banking essentials and cyber hygiene.

As part of the campaign the Bank announced a Financial Literacy Ideathon, which is aimed at soliciting innovative ideas from postgraduate students, on creative strategies to propagate financial literacy among the youth.

V. Issuer of Currency

Withdrawal of ₹2000 Denomination Banknotes

The Reserve Bank on March 1, 2024 released the status of withdrawal of ₹2000 denomination banknotes. As per the data, the total value of ₹2000 banknotes in circulation were declined to ₹8470 crore at the close of business on February 29, 2024. Thus, 97.62 percent of the ₹2000 banknotes in circulation as on May 19, 2023, has since been returned. To read more, please click [here](#).

VI. Publication

RBI Bulletin

The Reserve Bank on February 20, 2024 released the February 2024 issue of its monthly Bulletin. The Bulletin includes Monetary Policy Statement of February 8, 2024, five speeches, four articles and current statistics. The seven articles are:

- i) State of the Economy;
- ii) The Shape of Growth Compatible Fiscal Consolidation
By Michael Debabrata Patra, Samir Ranjan Behera, Harendra Kumar Behera, Shesadri Banerjee, Ipsita Padhi and Saksham Sood;
- iii) Headline and Core Inflation Dynamics: Have the Recent Shocks Changed the Core Inflation Properties?
By Asish Thomas George, Shelja Bhatia, Joice John and Pragya Das and
- iv) Evolving Business Sentiments of Indian Services and Infrastructure Enterprises - A Deep Dive
By Abhilash Arun Satape, Nivedita Banerjee and Supriya Majumdar.

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

VII. Data Release

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

S/N	Title
1	India's International Trade in Services for the Month of December 2023
2	Data on ECB / FCCB / RDB for December 2023
3	India's Invisibles for Second Quarter (July-September) 2023-24
4	Overseas Direct Investment for January 2024
5	All-India House Price Index (HPI) for Q3:2023-24
6	Performance of Private Corporate Business Sector during Q3:2023-24
7	Lending and Deposit Rates of Scheduled Commercial Banks – February 2024