

MONETARY & CREDIT INFORMATION REVIEW

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I. Monetary Policy

Governor's Monetary Policy Statement on December 8, 2023

Shri Shaktikanta Das, Governor on December 8, 2023 delivered the Monetary Policy Statement. Marking the period from 2020 to 2023 as significant global volatility, the Governor said that the time frame is characterised by various unexpected events. He said that while the global economy showed signs of slowdown, the Emerging Market Economies (EMEs) remained. Core inflation continues to be sticky, impeding the last mile of disinflation. Major central banks were maintaining interest rates amidst uncertainties. Despite the global challenges, the Indian economy stands out with strong GDP growth, healthy balance sheets for banks and corporates, fiscal consolidation, manageable external balance, and substantial forex reserves.

Decisions and Deliberations of the Monetary Policy Committee (MPC)

The MPC decided to maintain the policy repo rate at 6.50 per cent, focusing on withdrawing accommodation to align inflation with the target while supporting growth. The rationale involves the moderation of headline inflation, strong economic activity and the need for active disinflationary measures.

Assessment of Growth and Inflation

i) Global Growth

The global economy continues to remain fragile. World trade is decelerating amidst global tide of protectionism. Despite significant restoration of global supply chains, factors like elevated debt levels, lingering geopolitical hostilities and extreme weather conditions aggravate the risks to global growth and inflation outlook.

ii) Domestic Growth

Economic activity exhibited buoyancy in Q2 aided by strong domestic demand. GDP posted a robust growth of 7.6 per cent in this quarter. Two-third of rabi sowing has been completed despite late harvest of kharif crops in some States during Q3. Manufacturing sector gained strength with easing input cost pressures and pick up in demand conditions. Eight core industries recorded healthy growth in October and continued their high growth since June this year. The purchasing managers' index (PMI) for manufacturing rose in November.

Inflation

Headline inflation moderated to 4.9 per cent in October, but uncertainties in food prices pose risks. CPI inflation projected at 5.4 per cent for 2023-24.

Monetary Policy Outlook

The Governor emphasised on prioritising inflation over growth, with progress in disinflation. He said that despite growth resilience, the target of 4 per cent CPI was not reached. He also remarked the importance of monitoring the trajectory of food inflation closely.

Liquidity and Financial Market Conditions

Speaking about the Bank's balance sheet, the Governor said that the Bank achieved a significant milestone in moderating the size of it from 28.6 per cent of GDP in 2020-21 to 21.6 per cent in the current financial year (up to December 2023). Regarding the overall tightening of liquidity conditions of the Bank, he said that it was attributed mainly to higher currency leakage during the festive season, government cash balances and Bank's market operations. He also mentioned about the significance of the MoU signed between the Bank and Bank of England on cooperation and exchange of information relating to the Clearing Corporation of India Ltd (CCIL).

Financial Stability

The Governor mentioned that the Bank always stand alert with pre-emptive measures for any kind of potential risk and preserve financial sector resilience.

External Sector

The Governor said that positive trends were seen in merchandise exports and imports, resilient services exports and net FPI inflows. He stated, India's external vulnerability indicators demonstrate higher resilience, with foreign exchange reserves at \$604 billion.

Further, the Governor announced certain additional measures during deliberation of his statement. He emphasised the need for careful consideration of every action in a volatile global economy. He also said that clarity and consistency in monetary policy actions and communication are crucial for stability. India is well-positioned to navigate uncertainties, and vigilance is essential for overall macroeconomic and financial stability. Concluding the policy statement, the Governor recalled the quote of Mahatma Gandhi that 'Progress is absolutely assured whenever there is an unalterable determination.' 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 December 2023 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 Monetary Policy Committee (MPC) at its meeting today (December 8, 2023) decided to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.50 per cent.

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

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 per cent within a band of +/- 2 per cent, while supporting growth. To read more, please click [here](#).

Statement on 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 hedging of foreign exchange risks

The regulatory framework governing the hedging of foreign exchange risks was comprehensively reviewed in 2020 with a view to ushering in a principle-based regime. Based on the feedback received from market participants and experience gained since then, the regulatory framework has been made more comprehensive by consolidating the directions in respect of all types of transactions – over-the-counter (OTC) and exchange traded - under a single Master Direction. The framework has also been refined to enhance operational efficiency and ease access to foreign exchange derivatives, especially for users with small exposures. This will also ensure that a broader set of customers with the necessary risk management expertise are given the flexibility to manage their exposures efficiently.

ii) Regulations

2. Framework for Connected Lending

Connected lending or lending to persons who are in a position to control or influence the decision of a lender can be of concern, if the lender does not maintain an arm's length relationship with such borrowers. Such 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 regulated entities. It has accordingly been decided to come out with a unified regulatory framework on connected lending for all the regulated entities of the Reserve Bank.

3. Regulatory Framework for Web-Aggregation of loan products

The Reserve Bank accepted the recommendation of the Working Group on Digital Lending (Chairman: Shri Jayant Kumar Dash) to come up with a regulatory framework for web-aggregators of loan products (WALP). WALP entails aggregation of loan offers from multiple lenders on an electronic platform which enables the borrowers to compare and choose the best available option to avail loan from one

of the available lenders.

Based on the recommendation of the Working Group, it has been decided to bring such loan aggregation services offered by the Lending Service Providers (LSPs) under a comprehensive regulatory framework. The framework will focus on enhancing the transparency in the operations of WALPs, increase customer centricity and enable the borrowers to make informed choices.

iii) Payment Systems and Fintech

4. Enhancing UPI transaction limit for Specified Categories

To encourage the use of UPI for medical and educational services, it is proposed to enhance the limit for payments to hospitals and educational institutions from ₹1 lakh to ₹5 lakh per transaction. Earlier, in December 2021, the transaction limit for UPI payments for Retail Direct Scheme and for IPO subscriptions were increased to ₹5 lakh.

5. e-Mandates for recurring online transactions – Enhancement of limit for specified categories

It is proposed to exempt the requirement of Additional Factor of Authentication (AFA) for transactions up to ₹1 lakh for the following categories, viz., subscription to mutual funds, payment of insurance premium and payments of credit card bills.

6. Establishment of Cloud Facility for the Financial Sector in India

The Reserve Bank is working on establishing a cloud facility for the financial sector in India. The proposed facility would enhance the security, integrity and privacy of financial sector data. It is also expected to facilitate scalability and business continuity. The cloud facility will be set up and initially operated by Indian Financial Technology & Allied Services (IFTAS), a wholly-owned subsidiary of RBI.

7. Setting up of Fintech Repository

For better understanding of the developments in the FinTech ecosystem, it is proposed to set-up a Repository for capturing essential information about FinTechs, encompassing their activities, products, technology stack, financial information, etc. FinTechs would be encouraged to provide relevant information voluntarily to the Repository which will aid in designing appropriate policy approaches. The Repository will be operationalised by the Reserve Bank Innovation Hub in April 2024 or earlier. To see in website, please click [here](#).

Minutes of MPC

The 46th meeting of the Monetary Policy Committee constituted under section 45ZB of the Reserve Bank of India Act, 1934, was held during December 6 to 8, 2023.

Accordingly, under Section 45ZL of the Reserve Bank of India Act, 1934, the Reserve Bank published the minutes of the proceedings of the meeting on December 22, 2023, i.e., the 14th day after meeting of the Monetary Policy Committee.

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

II. Regulation

Campaigns on Loan Waiver

The Reserve Bank on December 11, 2023 cautioned members of the public not to fall prey to false and misleading campaigns promoted by some entities in the print as well as social media platforms, enticing borrowers by offering loan waivers. The Bank also advised the public to report such incidents to law enforcement agencies. To read more, please click [here](#).

Investments in AIFs

The Reserve Bank on December 19, 2023 clamped down on lenders evergreening loans through the use of alternative investment funds (AIFs). The Bank advised that

i) Regulated entities (REs) shall not make investments in any scheme of AIFs which has downstream investments either directly or indirectly in a debtor company of the RE.

ii) If an AIF scheme, in which RE is already an investor, makes a downstream investment in any such debtor company, then the RE shall liquidate its investment in the scheme within 30 days from the date of such downstream investment by the AIF. If REs have already invested into such schemes having downstream investment in their debtor companies as on date, the 30-day period for liquidation shall be counted from date of issuance of this circular.

iii) In case REs are not able to liquidate their investments within the above-prescribed time limit, they shall make 100 percent provision on such investments. To read more, please click [here](#).

Framework for recognising SROs

The Reserve Bank on December 21, 2023 issued a 'Draft Omnibus Framework for recognising Self-Regulatory Organisations (SROs) for Regulated Entities'. It contains broad parameters applicable to any SRO, viz., objectives, responsibilities, eligibility criteria, governance standards, application process and other basic conditions for grant of recognition to the SRO. To read more, please click [here](#).

MHP Exemption

The Reserve Bank on December 28, 2023 in order to develop secondary market operations of receivables acquired as part of 'factoring business', 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. To read more, please click [here](#).

D-SIB

The Reserve Bank on December 28, 2023 released the 2023 list of Domestic Systemically Important Banks (D-SIBs). SBI, HDFC Bank and ICICI Bank continue to be identified as Domestic Systemically Important Banks (D-SIBs). While ICICI Bank continues to be in the same bucketing structure as last year, SBI and HDFC Bank move to higher buckets – SBI shifts from bucket 3 to bucket 4 and HDFC Bank shifts from bucket 1 to bucket 2. For SBI and HDFC Bank, the higher D-SIB buffer requirements on account of the bucket increase will be effective from April 1, 2025. To read more, please click [here](#).

Penal Charges in Loan Accounts

The Reserve Bank on December 29, 2023 extended the timeline for implementation of the instructions on penal charges in loan accounts by three months. Accordingly, REs shall ensure that the instructions are implemented in respect of all the 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. To read more, please click [here](#).

Review of National Development Banks

The Reserve Bank on December 29, 2023 reviewed that besides NABARD, NHB and SIDBI; EXIM Bank and National Bank for Financing Infrastructure and Development (NaBFID) shall also be considered as National Development Banks (NDBs) for Net Stable Funding Ratio (NSFR) computation. To read more, please click [here](#).

III. Payment and Settlement Systems

MoU between RBI and BoE

The Reserve Bank on December 1, 2023 signed a [Memorandum of Understanding \(MoU\)](#) with Bank of England for concerning cooperation and exchange of information in relation to the Clearing Corporation of India Limited (CCIL). The MoU establishes a framework for the BoE to place reliance on RBI's regulatory and supervisory activities while safeguarding UK financial stability. To read more, please click [here](#).

e-Mandates for Recurring Transactions

The Reserve Bank on December 12, 2023 increased the limit of recurring transactions while processing e-mandates/standing instructions on cards, Prepaid Payment Instruments and Unified Payments Interface, from ₹15,000/- to ₹1,00,000/- per transaction for the categories, viz., i) Subscription to mutual funds, ii) Payment of insurance premiums and iii) Credit card bill payments. To read more, please click [here](#).

Card-on-File Tokenisation

The Reserve Bank on December 20, 2023 enabled Card-on-File Tokenisation (CoFT) directly through card issuing banks/institution. This will provide cardholders with an additional choice to tokenise their cards for multiple merchant sites through a single process. To read more, please click [here](#).

PIDF

The Reserve Bank on December 29, 2023 extended the Payments Infrastructure Development Fund (PIDF) Scheme by two years, i.e., upto December 31, 2025. To read more, please click [here](#).

IV. Fintech

Regulatory Sandbox

The Reserve Bank on December 11, 2023 under the 'On Tap' application facility for the theme 'Retail Payments' of the Regulatory Sandbox (RS) approved an 'Retail Payments' product developed by HDFC Bank, in partnership with Crunchfish AB, for adoption by REs. To read more, please click [here](#).

605th Meeting of Central Board

The Reserve Bank on December 18, 2023 conducted the 605th meeting of the Central Board of Directors at Ekta Nagar, Kevadia under the Chairmanship of Shri Shaktikanta Das, Governor.

The Board reviewed the economic and financial scenario, both domestic and global, including the challenges posed by global geopolitical developments. The Board also discussed the activities of select Central Office Departments and the draft Report on Trend and Progress of Banking in India, 2022-23.

V. Foreign Exchange Management

Discontinuation of XBRL System

The Reserve Bank on December 22, 2023 decided that with effect from December 26, 2023, the submission of returns/statements through the XBRL site will be discontinued and shifted to the Centralised Information Management System (CIMS), which is the Bank's new data warehouse. To read more, please click [here](#).

Rationalisation of Licensing Framework

The Reserve Bank on December 26, 2023 rationalised and simplified the licensing framework for Authorised Persons (APs). It aims to meet the emerging requirements of the rapidly growing Indian economy, achieve operational efficiency in the delivery of foreign exchange facilities to common persons, tourists, and businesses, while maintaining appropriate checks and balances. To read more, please click [here](#).

VI. Financial Market

Reversal of SDF and MSF

The Reserve Bank on December 27, 2023 allowed reversal of liquidity facilities under both Standing Deposit Facility (SDF) and Marginal Standing Facility (MSF) during weekends and holidays with effect from December 30, 2023. The SDF/MSF bids triggered under the Automated Sweep-In and Sweep-Out (ASISO) facility will now reverse on the next calendar day. In the case of a manual bid placed through the e-Kuber portal, the choice with regard to tenor will be exercisable by the eligible entities at the time of placing of bid. To read more, please click [here](#).

VII. Financial Inclusion

Classification of MSMEs

The Reserve Bank on December 28, 2023 amended the Master Direction on 'Lending to Micro, Small & Medium Enterprises (MSME) Sector'. As per the amendment the existing Para 2.2 of the direction was revised as 'All the above enterprises are required to register online on the Udyam Registration portal and obtain 'Udyam Registration Certificate'. For PSL purposes banks shall be guided by the classification recorded in the Udyam Registration Certificate (URC)'. However, Para 2.4 to 2.7 of the direction were deleted. To read more, please click [here](#).

VIII. Consumer Education and Protection

Internal Ombudsman

The Reserve Bank on December 29, 2023 issued a master direction on Internal Ombudsman for REs to harmonise the instructions applicable to various regulated entities on the Internal Ombudsman mechanism. To read more, please click [here](#).

IX. Publications

Trend and Progress of Banking in India

The Reserve Bank on December 27, 2023 released the Report on Trend and Progress of Banking in India 2022-23, a statutory publication in compliance with Section 36 (2) of the Banking Regulation Act, 1949. This Report presents the global banking developments, policy environment, operations and performance of the banking sector, developments in co-operative banks and non-banking financial institutions, during 2022-23 and 2023-24 so far. To read more, please click [here](#).

Financial Stability Report

The Reserve Bank on December 28, 2023 released the 28th issue of the Financial Stability Report (FSR), which reflects the collective assessment of the Sub-Committee of the Financial Stability and Development Council (FSDC) on risks to financial stability and the resilience of the Indian financial system. To read more, please click [here](#).

RBI Bulletin

The Reserve Bank on December 20, 2023 released the December 2023 issue of its monthly Bulletin. The Bulletin includes Monetary Policy Statement December 8, 2023, two speeches, seven articles and current statistics. The seven articles are:

- i) State of the Economy;
- ii) Government Finances 2023-24: A Half-Yearly Review;
- iii) 'Low' Stagflation Risk in India;
- iv) Assessing Oil Price Trajectory: An Evaluation of Alternate Sources of Information;
- v) Government Borrowing and G-Sec Yields – An Analytical Enquiry;
- vi) Recent Inflation Dynamics in India: Role of Supply vis-à-vis Demand; and
- vii) Monetary Policy Report as a Communication Tool: Evidence from Textual Analysis. To read more, please click [here](#).

X. Data Release

Important data released by the Reserve Bank during the month of December 2023 are as follows:

S/N	Title
1	Result of Forward Looking Survey
2	Survey on International Trade in Banking Services, 2022-23
3	Developments in India's Balance of Payments during the Second Quarter (July-September) of 2023-24
4	Sources of Variation in Foreign Exchange Reserves in India during April-September 2023
5	India's International Investment Position (IIP), September 2023