

MONETARY & CREDIT INFORMATION REVIEW

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MCIR



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Note from the Editor

Welcome to another edition of the Monetary and Credit Information Review (MCIR). This monthly periodical of the Reserve Bank helps keep abreast with new developments and important policy initiatives taken by the Reserve Bank during the month of December 2022 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

I. Monetary Policy

Governor's Monetary Policy Statement, December 7, 2022

At the end of another turbulent year, the global economy is still marred by profound shocks and unprecedented uncertainty. In the beginning of this year (2022), the war in Ukraine overwhelmed the world in a black swan moment and fundamentally altered the global economic outlook. Surges in food and energy prices and shortages have severely affected the people across the world. Though international food, energy and other commodity prices have eased moderately in recent times, inflation remains high and broad-based. The IMF has projected that more than one-third of the global economy will contract this year or next year. While no country is spared the ill-effects of such large shocks, emerging market economies (EMEs), especially the ones dependent on food, energy and commodity imports, have been the worst affected.

2. Looking beyond the pandemic and the war, fragmentation in trade, finance and technology is also adding to the forces of deglobalisation. Supply chains are being redrawn on considerations of geopolitical security, leading to 'reshoring' and 'friend-shoring'. Food and energy security, together with climate change, have become the biggest challenges to the world.

3. In this hostile international environment, the Indian economy remains resilient, drawing strength from its macroeconomic fundamentals. Our financial system remains robust and stable. Banks and corporates are healthier than before the crisis. To read more, please click [here](#).

Resolution of the Monetary Policy Committee

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting on December 7, 2022 decided to:

i) Increase the policy repo rate under the Liquidity Adjustment Facility (LAF) by 35 basis points to 6.25 per cent with immediate effect. Consequently, the Standing Deposit Facility (SDF) rate stands adjusted to 6.00 per cent and the Marginal Standing Facility (MSF) rate and the Bank Rate to 6.50 per cent.

ii) The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, 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

This statement sets out various developmental and regulatory policy measures relating to I) Regulation and Supervision; II) Payment and Settlement Systems; and III) Financial Markets.

I. Regulation and Supervision

SLR Holdings in Held to Maturity category

The limits under Held to Maturity (HTM) category has been increased from 19.5 per cent to 23 per cent of net demand and time liabilities (NDTL) in respect of statutory liquidity ratio (SLR) eligible securities acquired on or after September 1, 2020, up to March 31, 2023. The HTM limits would be restored from 23 per cent to 19.5 per cent in a phased manner starting from the quarter ending June 30, 2024.

II. Payment and Settlement Systems

i) Enhancements to Unified Payments Interface (UPI)

Unified Payments Interface (UPI) has emerged as a popular retail payments system for Person to Person (P2P) and Person to Merchant (P2M) transactions. Over 70 lakh autopay mandates are handled every month and more than half of Initial Public Offer (IPO) applications are processed using the block feature of UPI. It has, therefore, been decided to introduce a single-block-and-multiple-debits functionality in UPI, which will significantly enhance the ease of making payments in e-commerce space and towards investments in securities. Separate instructions to NPCI will be issued shortly.

ii) Expanding the Scope of Bharat Bill Payment System

Bharat Bill Payment System (BBPS), an interoperable platform operated by NPCI Bharat BillPay Ltd. (NBBL), has been facilitating the bill payment needs of the consumers and the billers who raise recurring bills, and facilitating in-bound cross-border bill payments. However, BBPS currently does not enable non-recurring payments or collection requirements of individuals even if the payments are recurring. Consequently, some categories of payments/collections remain outside the ambit of the BBPS, viz., professional service fee payments, education fees, tax payments. It has, therefore, been decided to expand the scope of BBPS to include all categories of payments and collections, both recurring and non-recurring in nature.

III. Financial Markets

Hedging of Gold Price Risk in the International Financial Services Centre

Resident entities in India are currently not permitted to hedge their exposure to gold price risk in overseas markets. With a view to providing greater flexibility to these entities to hedge the price risk of their gold exposures efficiently, it has been decided to permit resident entities to hedge their gold price risk on recognised exchanges in the International Financial Services Centre (IFSC). To read more, please click [here](#).

Minutes of the MPC Meeting

The 40th meeting of the Monetary Policy Committee (MPC), constituted under section 45ZB of the Reserve Bank of India Act, 1934, was held during December 5-7, 2022.

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 21, 2022, i.e., the 14th day after meeting of the Monetary Policy Committee. To read more, please click [here](#).

Meeting of Central Board

The 599th meeting of the Central Board of Directors of Reserve Bank of India was held on December 16, 2022 in Kolkata under the Chairmanship of Shri Shaktikanta Das, Governor.

Deputy Governors Shri Mahesh Kumar Jain, Dr. Michael D. Patra, Shri M. Rajeshwar Rao, Shri T. Rabi Sankar and other Directors of the Central Board viz., Shri Satish K. Marathe, Smt. Revathy Iyer, Prof. Sachin Chaturvedi, Shri Venu Srinivasan, Shri Pankaj Ramanbhai Patel and Dr. Ravindra H. Dholakia attended the meeting.

The Board in its meeting reviewed the current economic situation, global and domestic challenges including geopolitical developments, finance, trade, activities of select Central Office Departments and the draft Report on the Trend and Progress of Banking in India, 2021-22. To read more, please click [here](#).

II. Regulation

Change in Bank Rate

The Reserve Bank on December 7, 2022, as announced in the monetary policy statement 2022-23, revised the Bank Rate upwards by 35 basis points from 6.15 per cent to 6.50 per cent with immediate effect. To read more, please click [here](#).

Surrender of Certificate of Registration

The Reserve Bank on December 1, 2022 uploaded the application form and checklist of documents to be submitted by NBFCs/HFCs in order to streamline the process of voluntary cancellation of Certificate of Registration (CoR). To read more, please click [here](#).

Cancellation of Certificate of Registration

The Reserve Bank on December 13, 2022 in exercise of powers conferred on it under Section 45-IA (6) of the Reserve Bank of India Act, 1934, has cancelled the Certificate of Registration (CoR) of two companies. To read more, please click [here](#).

Further, three NBFCs, on December 13, 2022 surrendered the CoR granted to them by the Reserve Bank. The Reserve Bank in exercise of powers conferred on it under Section 45-IA (6) of the Reserve Bank of India Act, 1934, has cancelled their CoR. To read more, please click [here](#).

Revised Regulatory Framework for UCBs

I. Net Worth and Capital Adequacy

The Reserve Bank on December 1, 2022, on the recommendation of the Expert Committee on Urban Co-operative Banks issued guidelines with respect to net worth and capital adequacy of UCBs. To read more, please click [here](#).

II. Regulatory Purposes

The Reserve Bank on December 1, 2022, on the recommendation of the Expert Committee on Urban Co-operative Banks adopted a four-tiered regulatory framework, as against the existing two-tiered framework, for categorisation of UCBs. To read more, please click [here](#).

Classification of UCBs

The Reserve Bank on December 1, 2022, on the recommendation of the Expert Committee on Urban Co-operative Banks revised the criteria for UCBs to be classified as Financially Sound and Well Managed. To read more, please click [here](#).

III. Payment and Settlement System

Central Payments Fraud Information Registry

The Reserve Bank of India had operationalised the Central Payments Fraud Information Registry (CPFIR) in March 2020 with reporting of payment frauds by scheduled commercial banks and non-bank Prepaid Payment Instrument (PPI) issuers.

To streamline reporting, enhance efficiency and automate the payments fraud management process, the fraud reporting module is being migrated to DAKSH – Reserve Bank's Advanced Supervisory Monitoring System. The entities shall commence reporting of payment frauds in DAKSH from January 01, 2023. In addition to the existing bulk upload facility to report payment frauds, DAKSH provides additional functionalities, viz., maker-checker facility, online screen-based reporting and option for requesting additional information. To read more, please click [here](#).

IV. Financial Markets

Significant Benchmark

The Reserve Bank on December 1, 2022 notified Modified Mumbai Interbank Forward Outright Rate (MMIFOR) administered by Financial Benchmarks India Pvt. Ltd. (FBIL) as a 'significant benchmark'.

The updated list of 'significant benchmarks' administered by FBIL covers i) Overnight Mumbai Interbank Outright Rate (MIBOR), ii) Mumbai Interbank Forward Outright Rate (MIFOR), iii) USD/INR Reference Rate, iv) Treasury Bill Rates, v) Valuation of Government Securities, vi) Valuation of State Development Loans (SDL) and vii) Modified Mumbai Interbank Forward Outright Rate (MMIFOR). To read more, please click [here](#).

Liquidity Adjustment Facility

The Reserve Bank as announced in the monetary policy statement dated December 7, 2022, with the concurrence of the monetary policy committee (MPC), decided to increase the policy repo rate under the liquidity adjustment facility (LAF) by 35 basis points from 5.90 per cent to 6.25 per cent with immediate effect. Consequently, the standing deposit facility (SDF) rate and marginal standing facility (MSF) rate stand adjusted to 6.00 per cent and 6.50 per cent respectively, with immediate effect. To read more, please click [here](#).

Standing Liquidity Facility

Standing Liquidity Facility provided to Primary Dealers (PDs) (collateralised liquidity support) from the Reserve Bank would be available at the revised repo rate of 6.25 per cent with immediate effect. To read more, please click [here](#).

Foreign Exchange Management Directions, 2022

The Reserve Bank on December 12, 2022 issued directions to authorised persons under Section 11 of the Foreign Exchange Management Act, 1999 (Act 42 of 1999) in connection with hedging of commodity price risk and freight risk in overseas markets. These directions lay down the modalities for the AD cat-I banks for facilitating hedging of commodity price risk and freight risk in overseas markets by their customers/constituents. To read more, please click [here](#).

V. Banker to Government

Sovereign Gold Bond Scheme 2022-23

The Reserve Bank on December 16, 2022 informed about Government of India notification dated December 15, 2022, announcing series III and IV of Sovereign Gold Bond Scheme 2022-23 giving detailed terms and conditions of the issuance of the bonds as prescribed in the above notification. To read more, please click [here](#).

Sovereign Gold Bond Scheme-Premature Redemption

The Reserve Bank on December 23, 2022 informed that the first due date of premature redemption of the SGB 2017-18 Series XIII, Issue date December 26, 2017 shall be December 26, 2022. To read more, please click [here](#).

VI. RBI Publications

Fifth Volume of Reserve Bank History

The Reserve Bank on December 19, 2022 released fifth volume of the Reserve Bank of India's history. This volume encompasses the 11-year period from 1997 to 2008. The Reserve Bank had initiated the process of preparation of this volume in 2015 under the guidance of an advisory committee chaired by Dr. Narendra Jadhav, former Member of Parliament and former Principal Adviser & Chief Economist of the Reserve Bank.

The volume is published by the Cambridge University Press and contains the institutional history of the Reserve Bank documented on the basis of official records, publications and oral discussions with persons who were closely associated with the working of the Reserve Bank during the period. This volume covers the developments in policies and operations in major functional areas during the period which was marked by two major crises in the global economy, i.e., the Asian financial crisis and the global financial crisis. It covers the tenures of three Governors – the latter part of Dr. C. Rangarajan's tenure, the complete tenure of Dr. Bimal Jalan and a major part of Dr. Y. V. Reddy's tenure.

Report on Trend and Progress of Banking

The Reserve Bank on December 27, 2022 released the Report on Trend and Progress of Banking in India 2021-22, a statutory publication in compliance with Section 36 (2) of the Banking Regulation Act, 1949. This Report presents the performance of the banking sector, including co-operative banks and non-banking financial institutions, during 2021-22 and 2022-23 so far.

The following are the highlights of the report:

- i) The consolidated balance sheet of scheduled commercial banks (SCBs) registered double digit growth in 2021-22, after a gap of seven years, led by credit growth, which accelerated to a ten-year high in H1: 2022-23.
- ii) The capital to risk weighted assets ratio (CRAR) of SCBs strengthened from 16.3 per cent at end-March 2021 to 16.8 per cent at end-March 2022, with all banks meeting the regulatory minimum capital requirement of 11.5 per cent as also the common equity tier-1 (CET-1) ratio requirement of 8 per cent.
- iii) The gross non-performing assets (GNPA) ratio of SCBs has been declining sequentially from its peak in 2017-18 to reach 5.8 per cent at end-March 2022, led by lower slippages as well as reduction in outstanding GNPA's.
- iv) An acceleration in income and contraction in expenditure boosted the profitability of SCBs in 2021-22, measured in terms of return on equity and return on assets.
- v) The financial performance of urban co-operative banks (UCBs) showed improvement in 2021-22, characterised by augmented capital buffers, a decline in GNPA ratio and improved profitability indicators.
- vi) The NBFC sector maintained comfortable liquidity buffers, adequate provisioning, and a strong capital position during 2021-22, while asset quality improved. To read more, please click [here](#).

Financial Stability Report, December 2022

The Reserve Bank on December 29, 2022 released the 26th 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 financial system. The following are the highlights of the report:

- i) The global economy is facing formidable headwinds with recessionary risks looming large. The interplay of multiple shocks has resulted in tightened financial conditions and heightened volatility in financial markets.
- ii) The Indian economy is confronting strong global headwinds. Yet, sound macroeconomic fundamentals and healthy financial and non-financial sector balance sheets are providing strength and resilience and engendering financial system stability.
- iii) Buoyant demand for bank credit and early signs of a revival in investment cycle are benefiting from improved asset quality, return to profitability and strong capital and liquidity buffers of scheduled commercial banks (SCBs).
- iv) The gross non-performing asset (GNPA) ratio of scheduled commercial banks (SCBs) fell to a seven-year low of 5.0 per cent and net non-performing assets (NNPA) have dropped to ten-year low of 1.3 per cent in September 2022.
- v) Macro stress tests for credit risk reveal that SCBs would be able to comply with the minimum capital requirements even under severe stress scenarios. The system-level capital to risk weighted assets ratio (CRAR) in September 2023, under baseline, medium and severe stress scenarios, is projected at 14.9 per cent, 14.0 per cent and 13.1 per cent, respectively.
- vi) Stress tests for open-ended debt mutual funds showed no breach in limits pertaining to interest rate, credit and liquidity risks. Consolidated solvency ratio of both life and non-life insurance companies also remained above the prescribed minimum level. To read more, please click [here](#).

Statistical Tables relating to Banks in India: 2021-22

The Reserve Bank on December 27, 2022 released its web publication entitled 'Statistical Tables relating to Banks in India: 2021-22' covering the activities of the Indian banking sector.

The publication presents entity-wise information on major items of liabilities and assets along with their maturity profile; income and expenses; select financial ratios, number of employees and details of priority sector advances for scheduled commercial banks (excluding regional rural banks). In addition, capital to risk weighted asset ratios (CRARs), non-performing assets (NPAs), exposure to sensitive sectors, contingent liabilities and unclaimed deposits are included. State wise distribution of consolidated balance sheet of rural co-operative banks are also presented.

The publication can be accessed on the RBI website through the link 'Time Series Publications' under the Database on Indian Economy (<https://dbie.rbi.org.in>) where the time series on all variables have been updated up to 2021-22. To read more, please click [here](#).

RBI Bulletin, December 2022

The Reserve Bank of India on December 20, 2022 released the December 2022 issue of its monthly Bulletin. The Bulletin includes four speeches, eight articles and current statistics.

The eight articles included in the bulletin are:

- i) State of the Economy;
- ii) Anatomy of Inflation's Ascent in India;
- iii) Assessing Inflation Expectations Adjusting for Households' Biases;
- iv) Government Finances 2022-23: A Half-Yearly Review;
- v) Measuring India's Digital Economy;
- vi) A Composite Coincident Index for Unorganised Sector Activity in India;
- vii) Agriculture in 2022-23: Kharif Performance and Rabi Outlook; and
- viii) Financial Inclusion through Microfinance– An Assessment of the North-eastern Region of India. To read more, please click [here](#).

VII. Utkarsh 2.0

Shri Shaktikanta Das, Governor on December 30, 2022 launched Reserve Bank of India's Medium-term Strategy Framework for the period 2023-2025 – 'Utkarsh 2.0'.

The Vision in Utkarsh 2.0 that will guide the Reserve Bank of India over the period 2023-25 are:

- i) Excellence in performance of its functions;
 - ii) Strengthened trust of citizens and Institutions in the RBI;
 - iii) Enhanced relevance and significance in national and global roles;
 - iv) Transparent, accountable and ethics-driven internal governance;
 - v) Best-in-class and environment-friendly digital and physical infrastructure; and
 - vi) Innovative, dynamic and skilled human resources.
- To read more, please click [here](#).

VIII. Data Release

Important data releases by the Reserve Bank during the month of December 2022 are as follows:

S N	Title
1.	India's International Trade in Services
2.	Survey of Professional Forecasters on Macroeconomic Indicators
3.	Consumer Confidence Survey
4.	Households' Inflation Expectations Survey
5.	Overseas Direct Investment for November 2022
6.	Variation in Foreign Exchange Reserves in India
7.	India's International Investment Position (IIP)
8	Calendar for Auction of Government of India Treasury Bills- Quarter ending March 2023
9	Calendar of Market borrowings by SGs/Uts- Quarter ending March 2023