

MONETARY & CREDIT INFORMATION REVIEW

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MCIR



I. Regulation

Governor's meet with MD & CEOs of PSBs and Pvt.SBs

Shri Shaktikanta Das, Governor, Reserve Bank of India on July 11, 2023 held meetings with the MD & CEOs of Public Sector Banks and select Private Sector Banks at Mumbai. The meetings were also attended by Deputy Governors, Shri M. Rajeshwar Rao and Shri Swaminathan J, along with a few senior officials of the RBI.

The Governor in his introductory remarks, while noting the good performance of the Indian banking system despite various adverse global developments, stressed that it is in times like these, banks need to be extra careful and vigilant. The Governor also emphasised the need for MD & CEOs to pay special attention to strengthening the governance in the banks and focus on the tripod of banking stability consisting of compliance, risk management and audit functions.

The issues relating to strengthening of credit underwriting standards, monitoring of large exposures, implementation of External Benchmark Linked Rate (EBLR) Guidelines, bolstering IT security and IT governance, improving recovery from written-off accounts, and timely and accurate sharing of information with Credit Information Companies were discussed. To read more, please click [here](#).

MoUs between Reserve Bank of India and Central Bank of UAE

The Reserve Bank and the Central Bank of UAE (CBUAE) signed two MoUs on July 15, 2023 in Abu Dhabi for,

- establishing a framework to promote the use of local currencies, viz., the Indian rupee (INR) and the UAE Dirham (AED) for cross-border transactions, and
- cooperation for interlinking their payment and messaging systems.

The MoUs were signed by the Governor of the Reserve Bank of India, Shri Shaktikanta Das and the Governor of the Central Bank of UAE, H. E. Khaled Mohamed Balama. The MoUs were exchanged between the two Governors, in the august presence of the Honourable Prime Minister of India, Shri Narendra Modi and His Highness President of the UAE, Sheikh Mohamed Bin Zayed Al Nahyan.

The MoU on establishing a framework for the use of local currencies for transactions between India and UAE aims to put in place a Local Currency Settlement System (LCSS) to promote the use of INR and AED bilaterally. The MoU covers all current account transactions and permitted capital account transactions. Creation of the LCSS would enable exporters and importers to invoice and pay in their respective domestic currencies, which in turn would enable the development of an INR-AED foreign exchange market. This arrangement would also promote investments and remittances between the two countries. Use of local currencies would optimise transaction costs and settlement time for transactions, including for remittances from Indians residing in UAE.

Under the MoU on payments and messaging systems, the two central banks agreed to cooperate on,

- linking their Fast Payment Systems (FPSs) – Unified Payments Interface (UPI) of India with Instant Payment Platform (IPP) of UAE,
- linking the respective Card Switches (RuPay switch and UAESWITCH) and
- exploring the linking of payments messaging systems, i.e., Structured Financial Messaging System (SFMS) of India with the messaging system in the UAE.

The UPI-IPP linkage will enable the users in either country to make fast, convenient, safe, and cost-effective cross-border funds transfers. The linking of Card Switches will facilitate mutual acceptance of domestic cards and processing of card transactions. The linkage of messaging systems is aimed to facilitate bilateral financial messaging between the two countries.. To read more, please click [here](#).

Certificate of Registration

The Reserve Bank on July 13, 2023 in exercise of powers conferred under Section 45-IA (6) of the Reserve Bank of India Act, 1934, has cancelled the Certificate of Registration (CoR) of four Non-Banking Financial Company (NBFC).

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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 keeping abreast of new developments and important policy initiatives taken by the Reserve Bank during the month of July 2023 in the world of money and credit. MCIR can be accessed at [MCIR](#) 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

Further, on July 13, 2023 eleven NBFCs surrendered the Certificate of Registration (CoR) granted to them by the Reserve Bank of India. The Reserve Bank, in exercise of powers conferred on it under Section 45-IA (6) of the Reserve Bank of India Act, 1934, therefore, cancelled their CoR. To read more, please click [here](#).

II. Payment and Settlement Systems

Arrangements with Card Networks

The Reserve Bank on July 5, 2023 placed on its website a draft circular on Arrangements with Card Networks for issue of Debit, Credit and Prepaid Cards for feedback from stakeholders.

The draft circular mandates card issuers (banks/non-banks) to issue cards on more than one card-network along with providing customers the facility to choose any one among the multiple card networks. It also restrains card issuers from entering into agreements that limit their ability to tie-up with other card networks. To read more, please click [here](#).

Digital Payments Index

The Reserve Bank on July 27, 2023 published the Digital Payment Index (DPI) for March 2023. The index stood at 395.57 as against 377.46 for September 2022, which was announced on January 31, 2023.

The RBI-DPI index has increased across all parameters driven by significant growth in payment infrastructure and payment performance across the country over the period. The index series since its inception is as under:

Period	RBI - DPI Index
March 2018 (Base)	100
March 2019	153.47
September 2019	173.49
March 2020	207.84
September 2020	217.74
March 2021	270.59
September 2021	304.06
March 2022	349.30
September 2022	377.46
March 2023	395.57

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

III. Currency Management

Status of ₹ 2000 Banknotes

The Reserve Bank on August 1, 2023 released the status of withdrawal of ₹2000 denomination banknotes. According to the data received from the banks, the total value of ₹2000 banknotes received back from circulation after the announcement of withdrawal of ₹2000 banknotes on May 19, 2023 is ₹3.14 lakh crore up to July 31, 2023. Consequently, ₹2000 banknotes in circulation as at the close of business on July 31, 2023 stood at ₹0.42 lakh crore. Thus, 88 per cent of the ₹2000

banknotes in circulation as on May 19, 2023, have since been returned. Data collected from major banks indicates that out of the total banknotes in ₹2000 denomination received back from circulation, about 87 per cent is in the form of deposits and the remaining around 13 per cent has been exchanged into other denomination banknotes. To read more, please click [here](#).

Star Series Banknotes

The Reserve Bank on July 27, 2023 through a press release clarified that the Star (*) symbol is inserted in the number panel of a banknote that is used as replacement for defectively printed banknotes in a packet of 100 pieces of serially numbered banknotes. A banknote with a Star (*) symbol is identical to any other legal banknote, except that in the number panel a Star (*) symbol is added between the prefix and the serial number. The Star (*) symbol is an identifier that it is a replaced/reprinted banknote. Information about the 'Star Series' banknotes is available on the RBI website as part of [FAQs](#) on Indian Currency (Question 9 of Section B). To read more, please click [here](#).

IV. Financial Markets

Definition of Data Items

The Reserve Bank on July 17, 2023 updated the glossary on 'Banking Statistics – Harmonised Definitions of Data Elements' for regulatory reporting by including definitions of 101 additional data items. This glossary will be kept updated as and when new data items are prescribed for regulatory reporting or clarification/modification is required for any existing data item/s. To read more, please click [here](#).

V. Debt Management

Conference of State Finance Secretaries

The Reserve Bank on July 6, 2023 conducted the 33rd Conference of the State Finance Secretaries in Mumbai. The theme of the conference was 'Debt Sustainability: States' Perspective' and was attended by the Finance Secretaries of 23 States and one Union Territory and officials from the Ministry of Finance, Government of India, Controller General of Accounts and the Comptroller and Auditor General of India. The conference was inaugurated by Shri Shaktikanta Das, Governor, Reserve Bank of India. Addressing the Conference, the Governor highlighted the importance of debt sustainability for ensuring long-term fiscal health of the states. He emphasised on the need for the states to focus on fiscal consolidation, improving quality of expenditure and other issues related to the fiscal health of states such as contingent liabilities/guarantees, etc.

The meeting reviewed, inter alia, market borrowings by the states, administration of the Consolidated Sinking Fund and Guarantee Redemption Fund, issues relating to State government guarantees, short-term financial accommodation to the states from the Reserve Bank, etc. To read more, please click [here](#).

VI. Working Papers and Reports

RBI Working Paper No. 07/2023

The Reserve Bank on July 4, 2023 placed on its website a working paper titled, 'Regime-Dependent Determinants of the Uncollateralised Overnight Rate: The Interplay of Operating Procedure and Market Microstructure' under the Reserve Bank of India Working Paper Series. The paper is co-authored by Edwin Prabu A. and Indranil Bhattacharyya. The key findings of the paper are:

- i) Liquidity conditions, policy expectations of market participants, short-term interest rate expectations within the reserve maintenance period, structural liquidity, and corridor width were significant in explaining the WACR breaching the upper bound of the LAF corridor.
- ii) Interest rate expectations within the reserve maintenance period, policy expectations, and liquidity distribution were found to be significant in explaining the WACR breaching the lower bound of the LAF corridor.
- iii) The results, reported in terms of average marginal effects, were found to be robust even after accounting for the presence of rare events. To read more, please click [here](#).

RBI Working Paper No. 08/2023

The Reserve Bank on July 5, 2023 placed on its website a working paper titled, 'Portfolio Flows and Exchange Rate Volatility: An Empirical Estimation for BRICS Countries' under the Reserve Bank of India Working Paper Series. The paper is co-authored by Dipak R. Chaudhari, Pushpa Trivedi and Prabhat Kumar.

The paper investigates the effects of net equity and bond portfolio inflows on exchange rate volatility of five BRICS currencies (Brazilian Real, Russian Ruble, Indian Rupee, Chinese RMB and South African Rand) during the period from January 2000 to July 2021. The findings suggest that portfolio flows in bond and equity markets impact exchange rate volatility of these currencies. The portfolio inflows, whether in the bond market or equity market, lead to appreciation of BRICS currencies, except for that of Brazil. To read more, please click [here](#).

DRG Study No. 49

The Reserve Bank on July 6, 2023 released DRG Study titled, 'Anatomy of Price Volatility Transmission in Indian Vegetables Market'. The study is co-authored by Puja Padhi, Himani Shekhar and Akanksha Handa.

The study investigated the horizontal and vertical volatility transmission for three key vegetables, viz., tomato, onion and potato (TOP). The study is based on daily wholesale and retail prices of these vegetables for the period from January 2011 to March 2021 taken from the Department of Consumer Affairs (DCA). The key findings from the study are as follows:

- i) Horizontal price volatility transmission across vegetables can be seen from tomato to onion and potato, in both retail and wholesale markets.
- ii) While the volatility transmission between the wholesale and retail prices is unidirectional from wholesale to retail

prices in the case of onion and tomato, it is bi-directional in the case of potato, reflecting the vertical transmission mechanism.

iii) The study does not find any evidence of a significant differential impact of positive or negative price volatility shocks (asymmetric effects) across these three vegetables in either wholesale or retail prices. To read more, please click [here](#).

Report on Internationalisation of INR

The Reserve Bank on July 5, 2023 placed on its website the report of the Inter-Departmental Group (IDG) on internationalisation of INR. The objective of the IDG was to review the extant position of INR as an international currency and to frame a road map for the internationalisation of INR. The terms of reference of the IDG were as follows -

- i) To review the extant framework for use of INR for current and capital account transactions and assess their current levels;
- ii) To review the extant position of use of INR for transactions between non-residents and the role of off-shore markets in this regard;
- iii) To propose measures, consistent with the desirable degree of capital account liberalisation, to generate incentives for use of INR for trade and financial transaction invoicing and denomination, official reserves and vehicle currency for foreign exchange intervention after analyzing data obtained from AD Banks on INR invoiced trading;
- iv) To propose measures to bring greater stability in the exchange rate of INR determined by market forces and deep and liquid market with availability of wide range of hedging products, efficient banking system and world class infrastructure with easy accessibility to both residents and non-residents;
- v) To recommend measures to address concerns, if any, arising of the internationalisation of INR; and
- vi) Any other issue(s), the IDG considers relevant to the context.

The IDG has since submitted its report containing the final set of recommendations. To read more, please click [here](#).

VII. Surveys

Quarterly Industrial Outlook Survey

The Reserve Bank on July 21, 2023 launched the 103rd round of the quarterly Industrial Outlook Survey (IOS) of the Indian manufacturing sector for the reference period July-September 2023. The survey assesses business sentiment for the current quarter (Q2:2023-24) and expectations for the ensuing quarter (Q3:2023-24), based on qualitative responses on a set of indicators pertaining to demand conditions, financial conditions, employment conditions and the price situation. The outlook on key parameters for the two subsequent quarters (Q4:2023-24 and Q1:2024-25) are also covered. M/s Genesis Management & Market Research Pvt. Ltd. has been authorised to conduct the survey for July-September 2023 on behalf of the Reserve Bank. To read more, please click [here](#).

Survey on International Trade in Banking Services

The Reserve Bank on July 21, 2023 launched the 2022-23 round survey on International Trade in Banking Services (ITBS). The survey has been conducted annually since 2006-07 which provides information on financial services rendered by branches/subsidiaries/joint ventures of Indian banks operating abroad and branches/subsidiaries of foreign banks operating in India, based on explicit/implicit fees/commission charged to customers.

The survey schedule for the 2022-23 round is required to be filled in by the banks for branches/subsidiaries/joint venture of Indian banks operating abroad and branches/subsidiaries of foreign banks operating in India. The soft form of this survey schedule is available on the RBI website. To read more, please click [here](#).

Services and Infrastructure Outlook Survey (SIOS)

The Reserve Bank on July 21, 2023 launched the 38th round of the quarterly Services and Infrastructure Outlook Survey (SIOS) for the reference period July-September 2023. The survey assesses the business situation for the current quarter (Q2:2023-24) from selected companies in the services and infrastructure sectors in India and their expectations for the ensuing quarter (Q3:2023-24) based on qualitative responses on a set of indicators pertaining to demand conditions, financial conditions, employment conditions and the price situation. The outlook on key parameters for the two subsequent quarters (Q4:2023-24 and Q1:2024-25) are also covered. M/s Genesis Management & Market Research Pvt. Ltd. has been authorised to conduct the survey for July-September 2023 quarter on behalf of the Reserve Bank. To read more, please click [here](#).

VIII. Publication

RBI Bulletin

The Reserve Bank on July 17, 2023 released the July 2023 monthly Bulletin. The Bulletin includes three speeches, six articles and current statistics.

The three speeches are:

- i) Shri Shaktikanta Das, Governor, Reserve Bank of India on June 30, 2023 delivered the [inaugural address](#) at the 17th Statistics Day Conference organised by Department of Statistics and Information Management, Reserve Bank of India at Mumbai.
- ii) Dr. Michael Debabrata Patra, Deputy Governor, Reserve Bank of India on June 30, 2023 delivered a speech on [Statistics Shape the Setting of Monetary Policy](#) at the 17th Statistics Day Conference organised by Department of Statistics and Information Management, Reserve Bank of India at Mumbai.
- iii) Shri T. Rabi Sankar, Deputy Governor, Reserve Bank of India on July 7, 2023 delivered keynote address on [RBI & Fintech: The Road Ahead](#) at the Moneycontrol India Startup Conclave in Bengaluru.

The six articles published are:

i) State of the Economy

Global growth momentum appears to be stalling, especially manufacturing and investment, amidst moderating headline inflation with a stubborn core. Market expectations of future interest rates have gone up in response to the hawkish policy stance; equity prices have flattened; and bond yields have hardened. In India, the rain deficit is rapidly closing amidst a highly cyclone-skewed distribution. Manufacturing and services activity remains in expansion albeit with some sequential moderation in June. The overall balance of payments improved in Q1:2023-24, indicating that financial flows comfortably exceeded the current account again on a quarterly basis.

ii) When Circumspection is the Better Part of Communication

This article examines the role of monetary policy communication in the form of forward guidance, particularly in a rate tightening cycle, through an auto regressive conditional heteroscedastic (ARCH) model using overnight indexed swap rates.

iii) A Prototype Dynamic Stochastic General Equilibrium Model for India

This article estimates a prototype Dynamic Stochastic General Equilibrium (DSGE) model for India to assess the structural changes in the economy and shifts in key parameters of monetary policy before the shock of the pandemic and the war in Ukraine, and after them.

iv) Quality of Public Expenditure and Economic Growth: An Empirical Assessment at Sub-National Level

A sustained improvement in the quality of public spending through a higher share of productive expenditure can play a conducive role in supporting growth. This article deploys a dynamic factor model to obtain a composite index of the quality of government expenditure for 14 major Indian States over the period 2005-06 to 2019-20 and examines its relationship with gross state domestic product (GSDP) growth in a pooled ordinary least squares (OLS) framework.

v) India @ 100

This article provides an indicative roadmap for India to become a developed (high-income) country by 2047-48.

vi). Perspectives on the History of the Reserve Bank of India

This article takes a bird's eye view of the history of the Reserve Bank through the five volumes of the RBI history, in the context of the recent release of the fifth volume covering the period 1997-2008.

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

IX. Data Release

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

S/N	Title
1	Scheduled Banks' Statement of Position in India
2	Money Supply for the fortnight ended July 14, 2023
3	Reserve Bank of India Survey
4	Commercial Bank Survey
5	Consumer Price Index (Base: 2012=100)
6	Union Government Accounts at a Glance