

MONETARY & CREDIT INFORMATION REVIEW



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I. Monetary Policy

Governor's Monetary Policy Statement on June 8, 2023

As I make this monetary policy statement, we can derive satisfaction from the fact that the Indian economy and the financial sector stand out as strong and resilient in a world of unprecedented headwinds and swift cross currents. Unlike the previous three tumultuous years, the uncertainty on the horizon appears comparatively less and the path ahead somewhat clearer; but we have to be acutely aware that the geopolitical conflict continues unabated and policy normalisation globally is far from complete. Headline inflation across countries is on a downward trajectory but is still high and above the targets. Labour markets are tight, and demand is rotating back from goods to services. Hence, central banks across the world remain on high alert and watchful of the evolving conditions, even though many of them have tempered their rate hikes or taken a pause. Financial stability concerns persist in advanced economies, although they appear to have been contained due to resolute actions. Retrenchment in trade, technology and capital flows caused by geopolitical fault lines and economic fragmentation further complicate the situation.

2. In these challenging times, the Reserve Bank of India has continued to focus on preserving price and financial stability, while ensuring adequate flow of financial resources to all productive sectors of the economy. As a result, domestic macroeconomic fundamentals are strengthening – economic activity is exhibiting resilience; inflation has moderated; the current account deficit has narrowed; and foreign exchange reserves are comfortable. Fiscal consolidation is also ongoing. The Indian banking system remains stable and resilient, credit growth is robust and domestic financial markets have evolved in an orderly manner.

Decisions and Deliberations of the Monetary Policy Committee (MPC)

3. The Monetary Policy Committee (MPC) met from June 6 to 8, 2023. Based on an assessment of the macroeconomic situation and the outlook, the MPC decided unanimously to keep the policy repo rate unchanged at 6.50 per cent. Consequently, the standing deposit facility (SDF) rate remains 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 by a majority of 5 out of 6 members to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns with the target, while supporting growth.

4. Let me now explain the MPC's rationale for these decisions on the policy rate and the stance. The MPC recognised that the pace of global economic activity is expected to decelerate in 2023, dragged down by elevated inflation, tight financial conditions and geopolitical tensions. The pace of monetary tightening has slowed in recent months, but uncertainty remains on its future trajectory as inflation continues to rule above targets across the world.

5. In India, consumer price inflation eased during March-April 2023 and moved into the tolerance band, declining from 6.7 per cent in 2022-23. Headline inflation, however, is still above the target as per the latest data and is expected to remain so according to our projections for 2023-24. Therefore, close and continued vigil on the evolving inflation outlook is absolutely necessary, especially as the monsoon outlook and the impact of El Nino remain uncertain. Real GDP growth in 2022-23, on the other hand, turned out to be stronger than anticipated and is holding up well.

6. The policy repo rate has been increased by 250 basis points since May 2022 and is still working its way through the system. Its fuller effects will be seen in the coming months. Against this backdrop, the MPC decided to keep the policy repo rate unchanged at 6.50 per cent. The MPC will continue to remain vigilant on the evolving inflation and growth outlook. It will take further monetary actions promptly and appropriately as required to keep inflation expectations firmly anchored and bring down inflation to the target.

7. With the policy repo rate at 6.50 per cent and full year projected inflation for 2023-24 at just a little above 5 per cent, the real policy rate continues to be positive. The average system liquidity, however, is still in surplus mode and could increase as ₹2,000 banknotes get deposited in the banks. Headline inflation, as noted before, is easing but rules above the target, warranting close monitoring of the evolving price dynamics. Taking all of these factors into account, the MPC decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns with the target, while supporting growth. To read the full speech, 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 the Reserve Bank helps keep abreast with new developments and important policy initiatives taken by the Reserve Bank during the month of June 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

Shri Swaminathan J appointed as RBI Deputy Governor

Shri Swaminathan J took charge as the Deputy Governor of Reserve Bank of India on June 26, 2023. The Government of India, on June 21, 2023 has appointed him to the post of 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 was the Managing Director (Corporate Banking and Subsidiaries) of the State Bank of India (SBI) before being appointed as Deputy Governor.

Resolution of the Monetary Policy Committee

On the basis of assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting on June 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 with 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

This Statement sets out various developmental and regulatory policy measures relating to (i) Financial Markets; (ii) Regulation; and (iii) Payment Systems.

i) Financial Markets

1. Borrowing in Call and Notice Money Markets by Scheduled Commercial Banks

The extant guidelines on the Call, Notice and Term Money Markets prescribe prudential limits for outstanding borrowing in Call and Notice Money Markets for Scheduled Commercial Banks. With a view to providing greater flexibility for managing the money market borrowings, it has been decided that Scheduled Commercial Banks (excluding Small Finance Banks) can set their own limits for borrowing in Call and Notice Money Markets within the prudential limits for inter-bank liabilities prescribed by the Reserve Bank of India. Necessary directions are being issued today.

ii) Regulation

2. Widening of the Scope of Prudential Framework for Stressed Assets

The Prudential Framework for Resolution of Stressed Assets dated June 7, 2019 provides a broad principle-based framework. With a view to provide further impetus to the same, as well as to harmonise the instructions across all regulated entities, it is proposed to i) issue a comprehensive regulatory framework governing compromise settlements and technical write-offs covering all regulated entities; and ii) rationalise the extant prudential norms for implementation of resolution plans in respect of exposures affected by natural calamities, drawing upon the lessons from the resolution frameworks introduced during the COVID-19 pandemic. Detailed guidelines on the above will be issued separately.

3. Default Loss Guarantee Arrangement in Digital Lending

While issuing the press release dated August 10, 2022 on implementation of the recommendations of the Working group on Digital Lending, it was stated that the recommendation pertaining to First Loss Default Guarantee (FLDG) is under examination with the Reserve Bank. Based on extensive consultations with various stakeholders, and in tune with our objective of maintaining a balance between innovation and prudent risk management, it has been decided to put in place a regulatory framework for permitting Default Loss Guarantee arrangements in Digital Lending. Detailed guidelines on the matter will be issued separately.

4. Priority Sector Lending (PSL) Targets for Primary (Urban) Cooperative Banks (UCBs)

The PSL targets for UCBs were revised in 2020. In order to ensure a non-disruptive transition, a glide path was provided till March 31, 2024 to achieve the revised targets. With a view to ease the implementation challenges faced by the UCBs, it has been decided to extend the phase-in time for achievement of the said targets by two years, i.e., upto March 31, 2026. Further, suitable incentives shall be provided to UCBs that have met the prescribed targets as on March 31, 2023. Detailed circular on the matter will be issued separately.

5. Rationalisation of Licensing framework for Authorised Persons (APs) under Foreign Exchange Management Act (FEMA), 1999

The Licensing framework for Authorised Persons (APs) issued under FEMA, 1999 was last reviewed in March 2006. Keeping in view the progressive liberalisation under FEMA, increasing integration of the Indian economy with the global economy, digitisation of payment systems, evolving institutional structure, etc., over the last two decades, it has been decided to rationalise and simplify the licensing framework for APs to effectively meet the emerging requirements of the rapidly growing Indian economy. The objective is to achieve operational efficiency in the delivery of foreign exchange facilities to common persons, tourists and businesses, while maintaining appropriate safeguards. A draft of the revised authorisation framework would be issued for public feedback.

iii) Payments Systems

6. Expanding the Scope and Reach of e-RUPI vouchers

The e-RUPI, a digital voucher launched in August 2021, rides on the Unified Payments Interface (UPI) system of National Payments Corporation of India (NPCI). At present, purpose-specific vouchers are issued by banks on behalf of Central and State governments and to a limited extent on behalf of corporates. Keeping in view the benefits for users and beneficiaries alike, it is proposed to expand the scope and reach of e-RUPI vouchers by (a) permitting non-bank Prepaid Payment Instrument (PPI) issuers to issue e-RUPI vouchers and (b) enabling issuance of e-RUPI vouchers on behalf of individuals. Other aspects like reloading of vouchers, authentication process, issuance limits, etc., will also be modified to facilitate use of e-RUPI vouchers. Separate instructions will be issued shortly.

7. Streamlining Bharat Bill Payment System processes and membership criteria

Bharat Bill Payment System (BBPS) is an 'anytime anywhere' bill payments platform which is operational since August 2017. Currently, BBPS has onboarded over 20,500 billers and processes over 9.8 crore transactions every month. The scope of BBPS was further expanded in December 2022 to include all categories of payments and collections, both recurring and non-recurring in nature, as well as facilitating in-bound cross-border bill payments. To enhance efficiency of the system and also to encourage greater participation, the process flow of transactions and membership criteria for onboarding operating units in BBPS will be streamlined. Revised guidelines will be issued shortly.

8. Internationalising Issuance and Acceptance of RuPay Cards

RuPay Debit and Credit cards issued by banks in India have gained international acceptance through bilateral arrangements with international partners and co-badging arrangements with international card schemes. In order to expand payment options for Indians travelling abroad, it has been decided to allow issuance of RuPay Prepaid Forex cards by banks in India for use at ATMs, PoS machines and online merchants overseas. Further, RuPay Debit, Credit, and Prepaid Cards will be enabled for issuance in foreign jurisdictions, which can be used internationally, including in India. These measures will expand the reach and acceptance of RuPay cards globally. Necessary instructions will be issued separately.

Minutes of MPC

The 43rd meeting of the Monetary Policy Committee (MPC), constituted under section 45ZB of the Reserve Bank of India Act, 1934, was held from June 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 June 22, 2023, i.e., the 14th day after meeting of the Monetary Policy Committee. To read more, please click [here](#).

II. Regulation

Compromise Settlements and Technical Write-offs

The Reserve Bank on June 8, 2023 issued a comprehensive regulatory framework governing compromise settlements and technical write-offs covering all the Regulated Entities (REs). The provisions of the framework shall be without prejudice to the provisions of the prudential framework or any other guidelines applicable to the REs on resolution of stressed assets. To read more, please click [here](#).

Default Loss Guarantee

The Reserve Bank on June 8, 2023 permitted arrangements between Regulated Entities (REs) and Lending Service Providers (LSPs) or between two REs involving default loss guarantee (DLG), commonly known as First Loss Default Guarantee (FLDG). DLG arrangements conforming to the guidelines shall not be treated as 'synthetic securitisation' and/or shall also not attract the provisions of 'loan participation'. To read more, please click [here](#).

Portfolios of Deputy Governors

Name	Departments
Dr. M. D. Patra	<ul style="list-style-type: none"> i) Co-ordination ii) Corporate Strategy and Budget Department iii) Department of Economic and Policy Research iv) Department of Statistics and Information Management v) Deposit Insurance and Credit Guarantee Corporation vi) Financial Markets Operations Department vii) Financial Markets Regulation Department viii) Financial Stability Department ix) International Department x) Monetary Policy Department xi) Secretary's Department
Shri M. Rajeshwar Rao	<ul style="list-style-type: none"> i) Department of Regulation ii) Department of Communication iii) Enforcement Department iv) Legal Department v) Risk Monitoring Department
Shri T. Rabi Sankar	<ul style="list-style-type: none"> i) Central Security Cell ii) Department of Currency Management iii) Department of External Investments & Operations iv) Department of Government and Bank Accounts v) Department of Information Technology vi) Department of Payment and Settlement Systems vii) Fintech Department viii) Foreign Exchange Department ix) Human Resource Management Department x) Internal Debt Management Department xi) Right to Information (RIA) Division
Shri Swaminathan J	<ul style="list-style-type: none"> 1. Consumer Education and Protection Department 2. Department of Supervision 3. Financial Inclusion and Development Department 4. Inspection Department 5. Premises Department 6. Rajbhasha Department

Branch Authorisation Policy

The Reserve Bank on June 8, 2023 granted general permission for branch expansion in the approved area of operation to financially strong Urban Co-operative Banks (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. To read more, please click [here](#).

PSL Target

The Reserve Bank on June 8, 2023 extended the timeline for achieving overall Priority Sector Lending (PSL) target and sub-target for advances to weaker sections by Urban Co-operative Banks (UCBs) by an additional period of two years as under:

Financial Year ended	March 31, 2024	March 31, 2025	March 31, 2026
Overall PSL Target@	60 per cent of ANBC or CEOBSE, whichever is higher	65 per cent of ANBC or CEOBSE, whichever is higher	75 per cent of ANBC or CEOBSE, whichever is higher
Sub-target for advances to weaker sections#	11.50 per cent of ANBC or CEOBSE, whichever is higher	11.75 per cent of ANBC or CEOBSE, whichever is higher	12.00 per cent of ANBC or CEOBSE, whichever is higher

@ The targets for March 31, 2023 (at 60 per cent) shall continue till March 31, 2024.

The sub-target set for March 31, 2023 (at 11.50 per cent) shall continue till March 31, 2024

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

III. Payment and Settlement Systems

Trade Receivables Discounting System

The Reserve Bank on June 7, 2023 expanded the trade receivables discounting system (TReDS) by permitting insurance companies to function as participants, a move aimed at improving the cash flows of MSMEs. To read more, please click [here](#).

IV. Foreign Exchange Management

Remittances to IFSCs

The Reserve Bank on June 22, 2023 in view of the [gazette notification](#) dated May 23, 2023 published by the Central Government directed that Authorised Persons may facilitate remittances by resident individuals under purpose 'studies abroad' as mentioned in Schedule III of Foreign Exchange Management (Current Account Transactions) Rules, 2000 for payment of fees to foreign universities or foreign institutions in International Financial Services Centres (IFSCs) for pursuing courses mentioned in the gazette notification *ibid*. To read more, please click [here](#).

V. Financial Market

NDDC

The Reserve Bank on June 6, 2023 with a view to developing the onshore INR non-deliverable derivative contracts (NDDCs) market and providing residents the flexibility to efficiently design their hedging programmes permitted AD Cat-I banks operating International Financial Services Centre (IFSC) Banking Units (IBUs) to offer NDDCs to persons resident outside India. To read more, please click [here](#).

Call, Notice and Term Money Markets

The Reserve Bank on June 8, 2023 directed scheduled commercial banks (SCBs) (excluding small finance banks and payment banks) may set their own limits for borrowing in Call and Notice Money Markets. As in the case of Term Money Market borrowing, SCBs shall put in place internal board approved limits for borrowing through Call and Notice Money Markets within the prudential limits for inter-bank liabilities prescribed by Department of Regulation. To read the full report, please click [here](#).

VI. Financial Inclusion and Development

Financial Inclusion Dashboard

Shri Shaktikanta Das, Governor on June 5, 2023 launched a Financial Inclusion Dashboard, named, अंतर्दृष्टि (ANTARDRISHTI). The dashboard will provide the required insight to assess and monitor the progress of financial inclusion by capturing relevant parameters. This facility will also enable to gauge the extent of financial exclusion at granular levels across the country so that such areas can be addressed. The dashboard, presently intended for internal use in the RBI, will further facilitate greater financial inclusion through a multi-stakeholder approach. To read more, please click [here](#).

VII. Statistics and Information

CIMS

The Reserve Bank on June 30, 2023 organised its 17th Annual Statistics Day Conference as a part of the 'National Statistics Day' celebrations in the memory of Late Professor Prasanta Chandra Mahalanobis, who made invaluable contributions to the Indian statistical system and economic planning. On this occasion, Shri Shaktikanta Das, Governor launched the Reserve Bank's next generation data warehouse, viz., the Centralised Information Management System (CIMS). To read more, please click [here](#).

VIII. Publication

RBI Bulletin

The Reserve Bank on June 23, 2023 released the June 2023 issue of its monthly Bulletin. The Bulletin includes Monetary Policy Statement June 8, 2023, seven speeches, five articles and current statistics. To read more, please click [here](#).

Financial Stability Report

The Reserve Bank on June 28, 2023 released the 27th 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](#).

IX. Data Release

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

S/N	Title
1.	Forward Looking Surveys
2.	India's International Trade in Services
3.	Foreign Liabilities and Assets of Mutual Funds and Asset Management Companies:2022-23
4.	14th round of Survey on Foreign Collaborations in Indian Industry
5.	Computer Software and Information Technology Enabled Services Exports: 2022-23