

MONETARY & CREDIT INFORMATION REVIEW



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I. Monetary Policy

Governor's Monetary Policy Statement on June 6, 2025

Contents

| Sections | Page |
|---|------|
| I. Monetary Policy | 1-2 |
| II. Regulation | 3 |
| III. Foreign Exchange | 3 |
| IV. Financial Market | 3 |
| V. Debt Manager to Government | 4 |
| VI. Banker to Government | 4 |
| VII. Publication | 4 |
| VII. Data Release and Surveys | 4 |

Note from the Editor

The June edition of the MCIR brings together key policy and regulatory updates released during the month.

It features the Monetary Policy Statement, the MPC Resolution and the Minutes of the meeting—capturing the outlook, rationale and deliberations shaping the policy stance. Alongside, the issue compiles important circulars, updated directions and regulatory amendments issued by various departments of the Reserve Bank.

This curated compilation is intended to serve as a quick and reliable reference for all stakeholders keeping track of developments in the financial and regulatory space. MCIR can be accessed at <https://mcir.rbi.org.in> as well as by scanning the QR code. We welcome your feedback at mcir@rbi.org.in

Puneet Pancholy
Editor

Shri Sanjay Malhotra, Governor on June 6, 2025 delivered the Monetary Policy Statement. In his opening remarks, Governor highlighted that the 55th meeting of the Monetary Policy Committee (MPC) was convened against the backdrop of a promising early monsoon, crucial for India's economy, even as the global environment remains fragile and uncertain. While global risks have slightly eased since April due to temporary trade relief and negotiation optimism, global growth and trade forecasts have been revised down amid persistent inflationary pressures. Increasing financial fragmentation, complex systemic risks and elevated debt levels are amplifying global financial instability, especially for emerging markets with limited policy space. In contrast, the Indian economy stands resilient, supported by strong balance sheets across key sectors, macroeconomic stability on price, financial and political fronts and driven by the 3Ds of demography, digitalisation and domestic demand.

Decisions and Deliberations of the Monetary Policy Committee (MPC)

The Monetary Policy Committee (MPC) met on June 4-6, 2025 and after assessing macroeconomic and financial developments, decided to reduce the policy repo rate by 50 basis points to 5.50%, with immediate effect. Accordingly, the SDF rate is adjusted to 5.25% and the MSF and Bank Rate to 5.75%.

This decision was driven by a significant and broad-based decline in inflation, which has fallen below the 4% target and is now projected at 3.7% for the year. With food and core inflation remaining soft and commodity prices easing, the inflation outlook supports further easing. However, growth remains below expectations amid a challenging global environment, necessitating policy support to boost private consumption and investment. Given this evolving growth-inflation dynamic, the MPC opted for a frontloaded rate cut and having already reduced rates by 100 bps since February 2025, has now shifted its stance from accommodative to neutral. Going forward, the MPC will closely monitor incoming data and global developments to strike the right balance between growth and inflation.

Liquidity and Financial Market Conditions

Speaking about the condition of liquidity and financial market, Governor mentioned that a total of ₹9.5 lakh crore of durable liquidity has been infused into the banking system, leading to a shift from deficit conditions since mid-December to a surplus by end-March. This is reflected in the subdued response to daily Variable Rate Repo (VRR) auctions and high average daily SDF balances of ₹2.0 lakh crore during April-May. Consequently, the weighted average call rate (WACR) has remained at the lower end of the LAF corridor, indicating improved liquidity and supporting the transmission of repo rate cuts to short-term rates. However, credit market transmission remains limited, as it typically lags. To further augment durable liquidity, the Reserve Bank has decided to reduce the Cash Reserve Ratio (CRR) by 100 basis points to 3.0% of NDTL, in four equal tranches of 25 bps starting from the fortnights of September 6, October 4, November 1 and November 29, 2025. This will inject approximately ₹2.5 lakh crore into the banking system by December and lower funding costs, enhancing monetary policy transmission.

Financial Stability

Governor stated the system-level financial parameters of Scheduled Commercial Banks (SCBs) remain robust, with continued improvement in asset quality, liquidity buffers and profitability. As of December 2024, the Credit-Deposit ratio stood at 81.84%, maintaining stability year-on-year. Non-Banking Financial Companies (NBFCs) also reflect strong fundamentals, supported by healthy capital positions and improved Gross Non-Performing Asset (GNPA) ratios. Stress observed earlier in retail loan segments—such as unsecured personal loans and credit card receivables—has eased, though pressure persists in the microfinance sector. Banks and NBFCs engaged in these segments are recalibrating their business models, enhancing credit underwriting standards and intensifying collection efforts to mitigate future risk build-up.

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External Sector

Governor highlighted that with a moderation in the trade deficit in Q4:2024-25, supported by strong services exports and remittance inflows, the current account deficit (CAD) for 2024-25 is expected to remain low. Despite rising geopolitical tensions and trade frictions, merchandise trade remained resilient in April 2025, though a faster rise in imports led to a wider trade deficit. However, continued surplus in net services and remittances is likely to offset this, keeping the CAD for 2025-26 within sustainable limits. On the financing side, foreign portfolio investment (FPI) declined to US\$1.7 billion in 2024-25 as investors booked profits in equities, while net FDI also moderated due to increased repatriation and outward FDI, though gross FDI rose by 14%, underscoring India's appeal as an investment destination. External commercial borrowings (ECBs) and non-resident deposits recorded higher net inflows. As of May 30, 2025, foreign exchange reserves stood at US\$691.5 billion, sufficient to cover over 11 months of imports and 96% of outstanding external debt. Overall, India's external sector remains resilient, with improved vulnerability indicators and adequate financing confidence. To read the full statement, please click [here](#).

Resolution of MPC

On the basis of an assessment of the current and evolving macroeconomic situation, the MPC at its meeting on June 6, 2025 reduced the policy repo rate under the liquidity adjustment facility (LAF) by 50 basis points to 5.50 per cent with immediate effect; consequently, the standing deposit facility (SDF) rate shall stand adjusted to 5.25 per cent and the marginal standing facility (MSF) rate and the Bank Rate to 5.75 per cent;

The MPC also decided to change the stance from accommodative to neutral. However, it noted that the MPC will be carefully assessing the incoming data and the evolving outlook to chart out the future course of monetary policy in order to strike the right growth-inflation balance. 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](#).

Minutes of MPC

The 55th meeting of the Monetary Policy Committee constituted under section 45ZB of the Reserve Bank of India Act, 1934, was held during June 4 to 6, 2025.

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 20, 2025, 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](#).

Meeting of the Monetary Policy Committee (MPC) - Rescheduled

The Reserve Bank on June 6, 2025, announced that the upcoming meeting of the Monetary Policy Committee (MPC) for the financial year 2025-26, earlier scheduled for August 5-7, 2025, as per Press Release 2024-2025/2464 dated March 26, 2025, has been rescheduled to August 4-6, 2025, due to administrative exigencies. This revision is made in accordance with Section 45ZI(4) of the Reserve Bank of India Act, 1934. To read more, please click [here](#).

II. Regulation

Maintenance of Cash Reserve Ratio (CRR)

The Reserve Bank on June 6, 2025 issued a notification announcing a phased reduction in the Cash Reserve Ratio (CRR) of all banks by 100 basis points, as per the Governor's Statement dated June 6, 2025. The CRR will be lowered in four equal tranches of 25 basis points each, to be implemented over successive reporting fortnights beginning September 6, October 4, November 1 and November 29, 2025, bringing it down from the current level to 3.0% of Net Demand and Time Liabilities (NDTL). To read more, please click [here](#).

Large Exposures Framework

The Reserve Bank on June 9, 2025 amended the Large Exposures Framework (LEF) to expand the list of exempted exposures. In addition to deposits maintained with NABARD for shortfall in priority sector lending targets, scheduled commercial banks' contributions to funds with NHB, SIDBI, or any other entity specified by the RBI for similar shortfalls will also be excluded from exposure limits under LEF, with immediate effect. To read more, please click [here](#).

Inoperative Accounts/ Unclaimed Deposits in Banks - Revised Instructions (Amendment) 2025

The Reserve Bank on June 12, 2025, issued revised instructions titled Inoperative Accounts/Unclaimed Deposits in Banks – Revised Instructions (Amendment), 2025, amending the extant guidelines issued vide circular DOR.SOG (LEG).REC/64/09.08.024/2023-24 dated January 1, 2024. These amendments, effective immediately, mandate banks to provide KYC updation facilities for activation of inoperative accounts and unclaimed deposits at all branches, including non-home branches. Banks are also required to endeavour to offer KYC updation through the Video-Customer Identification Process (V-CIP), adhering to the Master Direction – Know Your Customer (KYC) Direction, 2016. Additionally, the services of an authorised Business Correspondent of the bank may be utilized for activation of inoperative accounts as prescribed in paragraph 38(a)(iia) of the above Master Direction." To read more, please click [here](#).

Updation/ Periodic Updation of KYC

The Reserve Bank on June 12, 2025, issued revised instructions under the *Reserve Bank of India (Know Your Customer (KYC)) (Amendment) Directions, 2025* to address the large pendency in periodic KYC updation, especially in accounts related to Direct Benefit Transfer (DBT), Electronic Benefit Transfer (EBT), scholarships and PMJDY. To ease the process for customers, banks are now permitted to use Business Correspondents (BCs) for facilitating KYC updation. In addition, banks have been advised to organize intensive KYC updation campaigns, particularly in rural and semi-urban branches with high pendency and to adopt an empathetic approach towards account activation, as per guidance issued on December 2, 2024. To read more, please click [here](#).

Reserve Bank of India (Project Finance) Directions, 2025

The Reserve Bank on June 19, 2025 issued draft guidelines on '[Prudential Framework for Income Recognition, Asset Classification and Provisioning pertaining to Advances - Projects Under Implementation](#)' on May 03, 2024, for stakeholder comments. The draft guidelines proposed an enabling framework for the regulated entities (REs) for financing project loans, while addressing the underlying risks. The Directions entail inter alia the following: i) Adoption of a principle-based regime for resolution of stress in project finance exposures, harmonised across REs. ii) Rationalization of permissible 'date of commencement of commercial operations' (DCCO) extensions with an overall ceiling of three and two years for infrastructure and non-infrastructure sectors, respectively. iii) Flexibility to REs in extending the DCCO within the above ceilings, based on their commercial assessments. iv) Rationalisation of standard asset provisioning requirement to 1% for projects under construction, which shall gradually increase for each quarter of DCCO deferment. The requirements for under construction CRE exposures will be however, slightly higher at 1.25%. To read more, please click [here](#).

Review of Priority Sector Lending norms - Small Finance Banks

The Reserve Bank on June 20, 2025, revised the Priority Sector Lending (PSL) norms for Small Finance Banks (SFBs), reducing the overall PSL target from 75 per cent to 60 per cent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off-Balance Sheet Exposures (CEOBE), whichever is higher, effective from the financial year 2025–26. SFBs will continue to allocate 40 per cent of ANBC or CEOBE to various sub-sectors under the existing PSL guidelines, while the remaining 20 per cent can be directed to any one or more PSL sub-sectors where the bank has a competitive advantage. To read more, please click [here](#).

Due Diligence of Aadhaar Enabled Payment System (AePS) Touchpoint Operators

The Reserve Bank of India (RBI) has issued Reserve Bank of India [\[Aadhaar Enabled Payment System \(AePS\) – Due Diligence of AePS Touchpoint Operators\]](#) Directions, 2025. These directions shall come into effect from January 01, 2026. To read more, please click [here](#).

SDF and MSF – Change in Timings

The Reserve Bank on June 30, 2025, extended the timings for availability of Standing Deposit Facility (SDF) and Marginal Standing Facility (MSF) to between 7:00 PM and 11:59 PM with effect from July 01, 2025. This was done in light of the extension of market timings for call money to 7:00 PM. All other terms and conditions of the current SDF and MSF schemes remain unchanged. To read more, please click [here](#).

III. Foreign Exchange

Import of Shipping Vessel - Relaxation

The Reserve Bank on June 13, 2025 issued a circular allowing importers to make advance remittances of up to USD 50 million for the import of shipping vessels without the requirement of a bank guarantee or an unconditional, irrevocable standby Letter of Credit. This relaxation is aimed at enhancing the ease of doing business while considering sector-specific constraints and is subject to compliance with the conditions specified in paragraph C.1.3.3 of the *Master Direction – Import of Goods and Services* dated January 1, 2016. To read more, please click [here](#).

IV. Financial Market

Reserve Bank of India (Electronic Trading Platforms) Directions, 2025

The Reserve Bank on June 16, 2025, issued the *Reserve Bank of India (Electronic Trading Platforms) Directions, 2025*, following a review of the regulatory framework outlined in the 2018 Directions and in line with the announcement made in the Statement on Developmental and Regulatory Policies dated February 8, 2024. The draft directions were published on April 29, 2024, for public feedback and based on the inputs received, the finalised directions have now been issued. To read more, please click [here](#).

Recommendations of the Working Group on Comprehensive Review of Trading and Settlement Timings of Various Markets

The Reserve Bank had set up the [Working Group](#) (Chairperson: Shri Radha Shyam Ratho) to [undertake a comprehensive review of trading and settlement timings of financial markets regulated by the Reserve Bank](#). The Working Group provided recommendations aimed at facilitating further market development, price discovery, and optimization of liquidity requirements. The market timings for call money shall be extended to 7:00 PM with effect from July 01, 2025. Accordingly, the revised market hours shall be from 9:00 AM to 7:00 PM. The trading hours of market repo and Tri-Party Repo (TREP) shall be extended to 4:00 PM with effect from August 01, 2025. Accordingly, the revised trading hours shall be from 9:00 AM to 4:00 PM. The trading hours for Government securities market, foreign exchange market and interest rate derivatives market remain unchanged. To read more, please click [here](#).

V. Debt Manager to Government

Floating Rate Bond 2031

The rate of interest on Government of India Floating Rate Bond 2031 (FRB 2031) applicable for the half year June 07, 2025 to December 06, 2025, 2025 shall be 6.63 per cent per annum.

It may be recalled that FRB 2031 carries a coupon, which has a base rate equivalent to the average of the Weighted Average Yield of last three auctions (from the rate fixing day i.e. June 07, 2025) of 182 day T-Bills, plus a fixed spread of one per cent. To read more, please click [here](#).

Stripping/Reconstitution in State Government Securities

The Reserve Bank on June 12, 2025, announced the introduction of Separate Trading of Registered Interest and Principal of Securities (STRIPS) in State Government Securities (SGS), following consultations with State Governments/Union Territories and market participants. This facility, already available in eligible Central Government securities since April 1, 2010, will now apply to fixed coupon SGS with a residual maturity of up to 14 years and a minimum outstanding amount of ₹1,000 crore, provided they qualify as SLR investments and are transferable. Market participants with SGL accounts may place requests directly through the e-Kuber system, while Gilt Account Holders may route their requests via custodians. To read more, please click [here](#).

VI. Banker to Government

Conduct of Government Business by Agency Banks

The Reserve Bank on June 16, 2025, revised the agency commission rates applicable to agency banks, as outlined in the *Master Circular on Conduct of Government Business by Agency Banks – Payment of Agency Commission* dated April 1, 2025. Effective April 1, 2025, the revised rates are: ₹40 per transaction for physical receipts, ₹12 for e-mode receipts, ₹80 per pension payment transaction and 7 paise per ₹100 turnover for other payments. Additionally, agency commission will now be payable on all payment transactions handled by agency banks, except those that are pre-funded or where compensation is already paid by the respective Governments. All other provisions of the Master Circular remain unchanged. To read more, please click [here](#).

VII. Publication

RBI Bulletin

The Reserve Bank on June 25, 2025 released the June 2025 issue of its monthly Bulletin. The Bulletin includes bi-monthly monetary policy statement (June 06, 2025), two speeches, five articles and current statistics.

The five articles are: I. [State of the Economy](#); II. [Financial Conditions Index for India: A High-Frequency Approach](#); III. [Balance Sheet Channel of Monetary Policy Transmission: Insights from Indian Manufacturing Firms](#); IV. [Drivers of CD Issuances: An Empirical Assessment](#); and V. [Predicting CPI inflation in India: Combining Forecasts from a 'Suite' of Statistical and Machine Learning Models](#).

Two Speeches are: I. [Convocation Address by Shri Sanjay Malhotra, Governor, Reserve Bank of India at the 58th Convocation, Indian Institute of Technology, Kanpur, June 23, 2025](#) II. [Moving the Boundaries of Financial Inclusion- A Regulatory Perspective \(Address delivered by Shri M Rajeshwar Rao, Deputy Governor, Reserve Bank of India - June 05, 2025 - at HSBC's event for Financial Inclusion in Mumbai\)](#). To read more, please click [here](#).

Financial Stability Report

The Reserve Bank on June 30, 2025 released the June 2025 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 the resilience of the Indian financial system and risks to financial stability. To read more, please click [here](#).

VIII. Data Release and Surveys

Important data and surveys released by the Reserve Bank during the month of June 2025 are as follows:

| S/N | Title |
|-----|--|
| 1 | 15th round of the Survey on Foreign Collaboration in Indian Industry |
| 2 | Survey on Foreign Liabilities and Assets of Mutual Funds and Asset Management Companies: 2024-25 round |
| 3 | Survey on Computer Software and Information Technology Enabled Services (ITES) Exports: 2024-25 |
| 4 | Urban Consumer Confidence Survey |
| 5 | Rural Consumer Confidence Survey |
| 6 | Households' Inflation Expectations Survey |
| 7 | Survey of Professional Forecasters on Macroeconomic Indicators – Results of the 94th Round |
| 8 | Performance of Private Corporate Business Sector during Q4:2024-25 |
| 9 | Overseas Direct Investment for May 2025 |
| 10 | All-India House Price Index (HPI) for Q4:2024-25 |
| 11 | Supervisory Data Quality Index for Scheduled Commercial Banks (March 2025) |
| 12 | Lending and Deposit Rates of Scheduled Commercial Banks – June 2025 |
| 13 | Monthly Data on India's International Trade in Services for the Month of May 2025 |
| 14 | Performance of Private Corporate Business Sector during 2024-25 |
| 15 | Developments in India's Balance of Payments during the Fourth Quarter (January-March) of 2024-25 |