



I. Monetary Policy

Governor's Monetary Policy Statement on October 9, 2024

Shri Shaktikanta Das, Governor on October 9, 2024 delivered the Monetary Policy Statement. In his opening remarks, Governor mentioned that the flexible inflation targeting (FIT) framework has completed 8 years since its introduction in 2016. As a major structural reform of the 21st century in India, it stands out for its committee approach to decision making; transparency of policy making process and communication; accountability hinging upon quantitatively defined inflation target and operational independence. Over the years, the framework has matured across various interest rate cycles and monetary policy stances.

Decisions and Deliberations of the Monetary Policy Committee (MPC)

The MPC decided to maintain the policy repo rate at 6.50 per cent, changing its stance to 'neutral' to align inflation with the target while supporting growth. 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.

Commenting on growth and inflation, Governor said the global economy has remained resilient since the last meeting of the MPC, although downside risks from increasingly intense geopolitical conflicts, geoeconomic fragmentation, financial market volatility and elevated public debt continue to play out. Manufacturing is showing signs of slowdown, while services activity is holding up and world trade is exhibiting improvement. Inflation is softening, supported by lower energy prices. Growing divergence in inflation-growth dynamics across countries has resulted in varying monetary policy responses.

What do these Inflation and Growth Conditions mean for Monetary Policy

Governor mentioned that the developments since the August meeting of the MPC indicated further progress towards realising a durable disinflation towards the target. Despite the near-term upsides to inflation from food prices, the evolving domestic price situation signals moderation in headline inflation thereafter. The agricultural crop outlook is turning out to be favourable, with improving prospects of kharif and rabi output. These factors could lead to an easing of food inflation pressures, but this optimism is subject to weather related shocks, if any.

Liquidity and Financial Market Conditions

Speaking about the condition of liquidity and financial market, Governor mentioned that system liquidity remained in surplus during August-September and early October, with a pickup in government spending and decline in currency in circulation. Liquidity conditions, however, had turned into deficit for a brief period during the latter half of September with the build-up of government cash balances on account of tax related outflows. In sync with the shifting liquidity conditions, the Reserve Bank proactively conducted two-way operations to ensure alignment of inter-bank overnight rate with the policy repo rate.

Financial Stability

Governor stated that the health parameters of banks and NBFCs continue to be strong. There has been some recent commentary on likelihood of stress buildup in a few unsecured loan segments like loans for consumption purposes, micro finance loans and credit card outstandings. The Reserve Bank is closely monitoring the incoming information and will take measures, as may be considered necessary. Banks and NBFCs, on their part, need to carefully assess their individual exposures in these areas, both in terms of size and quality.

External Sector

Governor mentioned that India's current account deficit (CAD) widened to 1.1 per cent of GDP in Q1:2024-25 on account of a higher trade deficit. Buoyancy in services exports and strong remittance receipts are expected to keep CAD within the sustainable level. On the external financing side, foreign portfolio investment (FPI) flows have seen a turnaround from net outflows of US\$ 4.2 billion in April-May 2024 to net inflows of US\$ 19.2 billion during June-October (till October 7, 2024). Foreign direct investment (FDI) flows remain strong in 2024-25 as both gross and net FDI inflows. To read the full statement, please click [here](#).

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Note from the Editor

In an era where the global economy is as interconnected as ever, keeping abreast with the latest developments has never been more crucial. Welcome to the October 2024 edition of the Monetary and Credit Information Review (MCIR) covering the Monetary Policy Statement and important policy initiatives. We remain committed to our goal of consistently sharing factually accurate information, fostering deeper understanding and staying in touch. 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

Resolution of MPC

On the basis of an assessment of the current and evolving macroeconomic situation, the MPC at its meeting on October 9, 2024 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 change the monetary policy stance to 'neutral' and to remain unambiguously focused on a durable alignment of inflation 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](#).

Developmental and Regulatory Policies

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

i) Regulations

1. Responsible Lending Conduct – Levy of Foreclosure Charges/ Pre-payment Penalties on Loans

In terms of extant guidelines, banks and NBFCs are not permitted to levy foreclosure charges/ pre-payment penalties on any floating rate term loan sanctioned to individual borrowers with or without co-obligant(s), for purposes other than business. With a view to safeguard customers' interest through better transparency and customer centricity by lenders, it has been decided to broaden the scope of such regulations to cover loans to Micro and Small Enterprises (MSEs) extended by the Regulated Entities of the Reserve Bank. A draft circular in this regard shall be issued for public consultation.

2. Discussion Paper on Capital Raising Avenues for Primary (Urban) Co-operative Banks

The initial set of guidelines on issue and regulation of share capital and securities for Primary (Urban) Co-operative Banks (UCBs) to ensure alignment with the Banking Regulation (Amendment) Act, 2020 were issued in 2022. However, these guidelines did not cover the newly enabled capital related provisions such as issuance of special shares, issuance of shares at a premium, etc., which are new to the co-operative banking sector. The Report of the Expert Committee on Primary (Urban) Co-operative Banks chaired by Shri N.S. Vishwanathan, former Deputy Governor, RBI, had provided broad guiding principles through its recommendations on these provisions. A Working Group was constituted in RBI to further operationalise the broad-based recommendations of the Expert Committee on the newly enabled capital related provisions. Based on the recommendations of the Working Group, a Discussion Paper on Capital Raising Avenues for Primary (Urban) Co-operative Banks will be issued for eliciting feedback and suggestions from stakeholders.

3. Creation of Reserve Bank Climate Risk Information System (RB-CRIS)

Climate change is emerging as one of the significant risks to the financial system. It is crucial for regulated entities to undertake climate risk assessments for ensuring stability of their balance sheets and that of the financial system. Such an assessment requires, among other things, high quality data relating to local climate scenarios, climate forecasts and emissions. The available climate

related data is characterised by various gaps such as fragmented and varied sources, differing formats, frequencies and units. To bridge these gaps, the Reserve Bank proposes to create a data repository namely, the Reserve Bank – Climate Risk Information System (RB-CRIS) comprising of two parts. The first part will be a web-based directory, listing various data sources, (meteorological, geospatial, etc.) which will be publicly accessible in the RBI website. The second part will be a data portal comprising of datasets (processed data in standardised formats). The access to this data portal will be made available only to the regulated entities in a phased manner.

ii) Payment Systems

4. UPI - Enhancement of limits:

In order to encourage wider adoption of UPI, it has been decided to enhance the limits for the following products of UPI:

i) UPI123Pay: UPI123 was launched in March 2022, with a view to enable feature-phone users to use UPI. This facility is now available in 12 languages. Currently, the per-transaction limit in UPI123Pay is capped at ₹5000. In order to widen the use-cases, in consultation with the stakeholders, it has been decided to enhance the per-transaction limit to ₹10,000. Necessary instructions will be issued to NPCI shortly.

ii) UPI Lite: A limit of ₹500 per transaction and an overall limit of ₹2000 per UPI Lite wallet, is presently applicable, with the facility of auto-replenishment. To widen the scope of usage of this product, it has now been decided to increase the UPI Lite wallet limit to ₹5,000 and per-transaction limit to ₹1,000. The Framework for facilitating small value payments in offline digital mode, issued by the Reserve Bank, under which UPI Lite has been enabled, will be suitably amended.

5. Introduction of beneficiary account name look-up facility

Payment Systems like UPI and IMPS provide a facility to the remitter to verify the name of the receiver (beneficiary) before initiating a payment transaction. There have been requests to introduce such a facility for Real Time Gross Settlement System (RTGS) and National Electronic Funds Transfer (NEFT) systems. Accordingly, to enable remitters in RTGS and NEFT to verify the name of the beneficiary account holder before initiating funds transfer, it is now proposed to introduce a 'beneficiary account name look-up facility'. Remitters can input the account number and the branch IFSC code of the beneficiary, following which the name of the beneficiary will be displayed. This facility will increase customer confidence as it would reduce the possibility of wrong credits and frauds. Detailed guidelines will be issued separately.

Minutes of MPC

The 51st meeting of the Monetary Policy Committee constituted under section 45ZB of the Reserve Bank of India Act, 1934, was held during October 7 to 9, 2024.

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 October 23, 2024, 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

611th Meeting of Central Board of the Reserve Bank of India

The 611th meeting of the Central Board of Directors of Reserve Bank of India was held on October 16, 2024 in Bhubaneswar under the Chairmanship of Shri Shaktikanta Das, Governor. The Board passed a condolence resolution in memory of Shri Ratan N. Tata, a former Director of the Central Board. The Central Board Members also took the Integrity pledge in observance of the ensuing Vigilance Awareness week 2024.

The Board reviewed the current economic and financial situation, including challenges posed by evolving geopolitical conflicts. The Board also discussed the functioning of various Sub-Committees of the Central Board, the Ombudsman Scheme and activities of select Central Office Departments.

Deputy Governors Dr. Michael Debabrata Patra, Shri M. Rajeshwar Rao, Shri T. Rabi Sankar, Shri Swaminathan J. and other Directors of the Central Board – Shri Satish K. Marathe, Smt. Revathy Iyer, Prof. Sachin Chaturvedi and Dr. Ravindra H. Dholakia – attended the meeting. Shri Ajay Seth, Secretary, Department of Economic Affairs and Shri Nagaraju Maddirala, Secretary, Department of Financial Services, also attended the meeting.

scenarios around various risks to the outlook. Drawing on the above and after extensive discussions on the stance of monetary policy, the MPC adopted a resolution. To read more, please click [here](#).

II. Regulation

Forms of Business and Prudential Regulation for Investments

The Reserve Bank on October 4, 2024 released a draft circular on 'Forms of Business and Prudential Regulation for Investments'. Comments on the draft circular are invited from banks and other stakeholders by November 20, 2024. To read more, please click [here](#).

Interest Equalization Scheme (IES)

The Reserve Bank on October 9, 2024 announced that Government of India, vide Trade Notice No.18/2024-2025 dated September 30, 2024, has allowed for an extension of the Interest Equalization Scheme for Pre and Post Shipment Rupee Export Credit ('Scheme') for three months up to December 31, 2024, with the following modifications to the Scheme: a) Fiscal benefits of each MSME, on aggregate, will be restricted to ₹50 lakhs for the Financial Year 2024-25 till December 31, 2024. b) Accordingly, MSME manufacturer exporters who have already availed equalisation benefits of ₹50 lakhs or more in the Financial Year 2024-25 till September 30, 2024, will not be eligible for any further benefit in the extended period. To read more, please click [here](#).

Internal Risk Assessment Guidance

The Reserve Bank on October 10, 2024 announced guidance note on 'Internal Risk Assessment Guidance for Money Laundering/ Terrorist Financing Risks'. The Guidance Note is intended for the Regulated Entities (REs) of the Reserve Bank, particularly for the dealing staff and the Anti-Money Laundering (AML)/ Countering Financing of Terrorism (CFT)/ Counter Proliferation Financing (CPF) practitioners of the REs. It intends to support AML/CFT/CPF compliance efforts of the REs as well as to enhance the ability of the financial sector to detect and deter ML/TF/FP by providing certain key principles, methodology, etc. To read more, please click [here](#).

Action against NBFCs

The Reserve Bank of India has on October 17, 2024 in exercise of its powers under Section 45L(1)(b) of the Reserve Bank of India Act, 1934, issued Directions to the following NBFCs to cease and desist from sanction and disbursement of loans, effective from close of business of October 21, 2024. i) Asirvad Micro Finance Limited, ii) Arohan Financial Services Limited, iii) DMI Finance Private Limited and iv)

Navi Finserv Limited. These Directions have been conveyed to the concerned NBFCs through the Reserve Bank's detailed supervisory orders. This action is based on material supervisory concerns observed in the Pricing Policy of these companies in terms of their Weighted Average Lending Rate (WALR) and the Interest Spread charged over their cost of funds, which are found to be excessive and not in adherence with the regulations as laid down by RBI. To read more, please click [here](#).

III. Payment and Settlement Systems

Digital payment systems for Persons with Disabilities

The Reserve Bank on October 11, 2024 advised Payment System Participants (PSPs), that is, banks and authorised non-bank payment system providers to review their payment systems / devices in terms of accessibility to Persons with Disabilities. Based on the review, they may carry out the necessary modifications, such that all their payment systems and devices, such as Point-of-Sale machines, can be accessed and used by Persons with Disabilities with ease. In this connection, the Accessibility Standards issued by the Ministry of Finance referred to above may also be adhered to, as applicable, by all PSPs. To read more, please click [here](#).

IV. Financial Market

Reserve Bank of India (Access Criteria for NDS-OM) Directions, 2024

The Reserve Bank on October 18, 2024 revised access criteria for NDS-OM platform. Direct access to NDS-OM has been extended to a broader set of regulated entities and the process for seeking direct access to NDS-OM under these Directions or through the procedure stipulated under the Master Directions on Access Criteria for Payment Systems as amended from time to time, has been streamlined. These Directions have been issued by the Reserve Bank in exercise of the powers conferred under section 45W of the Reserve Bank of India Act, 1934 and of all the powers enabling it in this behalf. To read more, please click [here](#).

V. Issuer of Currency

Withdrawal of ₹2000 denomination Banknotes

The Reserve Bank on November 4, 2024 released the status of withdrawal of ₹2000 denomination banknotes. As per the data, the total value of ₹2000 banknotes in circulation declined to ₹6970 crore at the

Re-appointment of Deputy Governor

The Central Government re-appointed Shri M. Rajeshwar Rao Deputy Governor, Reserve Bank of India for a further period of one year with effect from October 9, 2024, or until further orders, whichever is earlier.

close of business on October 31, 2024. Thus, 98.04 percent of the ₹2000 banknotes in circulation as on May 19, 2023 has since been returned. To read more, please click [here](#).

VI. Publications

Occasional and Working Papers

The Reserve Bank on October 1, 2024 released the DRG Study titled, 'Monetary Policy Transmission and Labour Markets in India.' The study is co-authored by Chetan Ghate, Satadru Das, Debojyoti Mazumder, Sreerupa Sengupta and Satyarth Singh. The study investigates how informality in India's labour markets affects monetary policy transmission under inflation targeting. To read more, please click [here](#).

The Reserve Bank on October 3, 2024 released four working papers:

i) **Livestock and Poultry Inflation in India: A Study of Milk, Poultry Meat and Eggs** by Shyma Jose, Manish Kumar Prasad, Sabarni Chowdhury, Binod B. Bhoi, Vimal Kishore, Himani Shekhar and Ashok Gulati. The study assesses the value chain of milk, poultry meat and eggs and the roles of various stakeholders involved, for computing monthly balance sheet variables to analyse price dynamics and for identifying measures to mitigate volatility in livestock and poultry production and inflation. To read more, please click [here](#).

ii) **Price Dynamics and Value Chain of Fruits in India: A Study of Grapes, Bananas and Mangoes** by Raya Das, Ranjana Roy, Sanchit Gupta, Sanjib Bordoloi, Rishabh Kumar, Renjith Mohan and Ashok Gulati. The present study analyses the value-chain frameworks of the three fruits (grapes, banana and mango) and their impact on the price dynamics. To read more, please click [here](#).

iii) **Pulses Inflation in India: A Study of Gram, Tur and Moong** by Shyma Jose, Sanchit Gupta, Manish Kumar Prasad, Sandip Das, Asish Thomas George, Thangzason Sonna, D. Suganthi and Ashok Gulati. The present study creates a dynamic monthly balance sheet to evaluate the demand-supply gap of each of these pulses on a real-time basis and computes the STU ratio of the selected pulses using inputs provided by key stakeholders such as farmers, traders and processors in the pulses value chain and the official data. To read more, please click [here](#).

iv) **Vegetables Inflation in India: A Study of Tomato, Onion and Potato (TOP)** by Ranjana Roy, Sanchit Gupta, Harsh Wardhan, Suvendu Sarkar, Soumasree Tewari, Rohan Bansal, Shelja Bhatia and Ashok Gulati. The study attempts to identify the key determinants of TOP prices in an ARDL framework and undertake short-term price forecasting of monthly retail inflation using time series models. To read more, please click [here](#).

Report – MIBOR Benchmark

The Reserve Bank on October 1, 2024 released the report of the Committee on MIBOR benchmark. The Committee was set up to undertake an in-depth review of existing Rupee interest rate benchmarks in the country, study international experiences, examine the issues

related to MIBOR benchmark rate, including the need for transition to an alternate benchmark and suggest the most appropriate way forward. It was announced in the Statement of Development and Regulatory Policies dated August 5, 2022 that a Committee on Mumbai Interbank Outright Rate (MIBOR) benchmark will be set up to review the interest rate benchmarks in India, with a special focus on the MIBOR and study international experiences in development, usage and transition involving interest rate benchmarks. In accordance with the Terms of Reference (ToR), the Committee has provided recommendations to further develop the IRD market and improve the credibility of interest rate benchmark rates. To read more, please click [here](#).

RBI Bulletin

The Reserve Bank on October 21, 2024 released the October 2024 issue of its monthly Bulletin. The Bulletin includes Monetary Policy Statement of October 9, 2024, six speeches, seven articles and current statistics. The seven articles are:

- i) State of the Economy
 - ii) Monetary Policy Transmission in India: The Recent Experience
 - iii) Nowcasting Food Inflation in India: Leveraging Price and Non-Price Signals through Machine Learning
 - iv) How Indian Banks are Adopting Artificial Intelligence?
 - v) COVID-19 and Performance of MSME Clusters in India
 - vi) Cash Usage Indicator for India
 - vii) New Digital Economy and the Paradox of Productivity
- To read more, please click [here](#).

VII. Data Release

Important data released by the Reserve Bank during the month of October 2024 are as follows:

S/N	Title
1	Scheduled Banks' Statement of Position in India as on Friday, October 04, 2024
2	Overseas Direct Investment for September 2024
3	Bank Lending Survey for Q2:2024-25
4	Consumer Confidence Survey (CCS) – September 2024
5	Inflation Expectations Survey of Households (IESH) – September 2024
6	Industrial Outlook Survey of the Manufacturing Sector for Q2:2024-25
7	Survey of Professional Forecasters on Macroeconomic Indicators – Results of the 90th Round
8	Services and Infrastructure Outlook Survey for Q2:2024-25
9	OBICUS Survey on manufacturing sector – Q1:2024-25