ANNUAL REPORT

2024-25

RESERVE BANK OF INDIA

Report of the Central Board of Directors on the working of the Reserve Bank of India for the year ended March 31, 2025 submitted to the Central Government in terms of Section 53(2) of the Reserve Bank of India Act, 1934

RESERVE BANK OF INDIA ANNUAL REPORT 2024-25

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

गवर्नर
GOVERNOR

LETTER OF TRANSMITTAL

Ref. No. SECD.BRDS. 221/02.16.001/2025-26

May 28, 2025
Jyeshtha 7, 1947 (Saka)

The Finance Secretary
Government of India
Ministry of Finance
New Delhi - 110 001

Dear Finance Secretary,

In pursuance of Section 53(2) of the Reserve Bank of India Act, 1934, I have the pleasure in transmitting the following documents:

(i) A copy of the Annual Accounts for the year ended March 31, 2025 certified by the Bank's Auditors and signed by the Chief General Manager-in-Charge, the Deputy Governors and I; and

(ii) Two copies of the Annual Report of the Central Board on the working of the Bank during the year ended March 31, 2025.

Sincerely,

संजय

Sanjay Malhotra

केन्द्रीय कार्यालय भवन, शहीद भगतसिंह मार्ग, मुम्बई - 400 001, भारत
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हिंदी आसान है, इसका प्रयोग बढ़ाइए

CENTRAL BOARD / LOCAL BOARDS

GOVERNOR

Sanjay Malhotra

DEPUTY GOVERNORS

M. Rajeshwar Rao

T. Rabi Sankar

Swaminathan J.

Poonam Gupta

DIRECTORS NOMINATED UNDER SECTION 8 (1) (b) OF THE RBI ACT, 1934

Revathy Iyer

Sachin Chaturvedi

DIRECTORS NOMINATED UNDER SECTION 8 (1) (c) OF THE RBI ACT, 1934

Satish Kashinath Marathe

Swaminathan Gurumurthy

Anand Gopal Mahindra

Venu Srinivasan

Pankaj Ramanbhai Patel

Ravindra H. Dholakia

DIRECTORS NOMINATED UNDER SECTION 8 (1) (d) OF THE RBI ACT, 1934

Ajay Seth

Nagaraju Maddirala

MEMBERS OF LOCAL BOARDS

WESTERN AREA

EASTERN AREA

Sachin Chaturvedi

NORTHERN AREA

Revathy Iyer

SOUTHERN AREA

(Position as on May 26, 2025)

PRINCIPAL OFFICERS

(As on May 26, 2025)

EXECUTIVE DIRECTORS	S. C. Murmu
	Vivek Deep
	Jayant Kumar Dash
	Rohit Jain
	Radha Shyam Ratho
	Ajay Kumar
	Rajiv Ranjan
	Neeraj Nigam
	P. Vasudevan
	R. Lakshmi Kanth Rao
	Arnab Kumar Chowdhury
	Charulatha S. Kar
	Aviral Jain
	Ajit Ratnakar Joshi
	Indranil Bhattacharyya
	Sudha Balakrishnan (Chief Financial Officer)
CENTRAL OFFICE	
Central Vigilance Cell	N. Sara Rajendra Kumar, Chief General Manager & CVO
Consumer Education and Protection Department	Neena Rohit Jain, Chief General Manager
Corporate Strategy and Budget Department	Rajesh Kumar Moria, Chief General Manager
Department of Regulation	Usha Janakiraman, Chief General Manager-in-Charge
Department of Supervision	T. K. Rajan, Chief General Manager-in-Charge
Department of Communication	Puneet Pancholy, Chief General Manager
Department of Currency Management	Sanjeev Prakash, Chief General Manager-in-Charge
Department of Economic and Policy Research	Rekha Misra, Adviser-in-Charge
Department of External Investments and Operations	Sundar Murthi, Chief General Manager-in-Charge
Department of Government and Bank Accounts	Sangeeta Lalwani, Chief General Manager-in-Charge
Department of Information Technology	Shailendra Trivedi, Chief General Manager-in-Charge
Department of Payment and Settlement Systems	Gunveer Singh, Chief General Manager-in-Charge
Department of Statistics and Information Management	Anujit Mitra, Adviser-in-Charge
Enforcement Department	Minal A. Jain, Chief General Manager-in-Charge
Financial Inclusion and Development Department	Nisha Nambiar, Chief General Manager-in-Charge
Financial Markets Operations Department	Seshsayee G., Chief General Manager
Financial Markets Regulation Department	Dimple Bhandia, Chief General Manager
FinTech Department	Suvendu Pati, Chief General Manager
Foreign Exchange Department	Aditya Gaiha, Chief General Manager-in-Charge
Financial Stability Department	Kaya Tripathi, Chief General Manager
Human Resource Management Department	Vandana Khare, Chief General Manager-in-Charge
Inspection Department	G. P. Borah, Principal Chief General Manager
Internal Debt Management Department	Rakesh Tripathy, Chief General Manager
International Department	Yogesh K. Dayal, Chief General Manager-in-Charge
Legal Department	Unnikrishnan A., Principal Legal Adviser
Monetary Policy Department	Anupam Prakash, Adviser-in-Charge
Premises Department	K. Nikhila, Chief General Manager-in-Charge
Rajbhasha Department	N. Sara Rajendra Kumar, Chief General Manager
Risk Monitoring Department	Manoranjan Dash, Chief General Manager-in-Charge
Secretary's Department	Yarasi Jayakumar, Chief General Manager & Secretary
COLLEGES	**PRINCIPALS**
College of Agricultural Banking, Pune	Jaikish
Reserve Bank Staff College, Chennai	Mala Sinha
OFFICES	**REGIONAL DIRECTORS**
Chennai	Uma Sankar
Kolkata	Sudhanshu Prasad
Mumbai	Suman Ray
New Delhi	Rohit Parshotam Das
BRANCHES	
Ahmedabad	Rajesh Kumar
Andhra Pradesh	A. O. Basheer
Bengaluru	Sonali Sengupta
Bhopal	Rekha Chandanaveli
Bhubaneswar	Sarada Prasan Mohanty
Chandigarh	Vivek Srivastava
Dehradun	Arvind Kumar
Gangtok	Thotngam Jamang
Guwahati	Sushmita Phukan
Hyderabad	Chinmoy Kumar
Jaipur	Navin Nambiar
Jammu	Chandrashekhar Azad
Kanpur	Ishan Shukla
Lucknow	Pankaj Kumar
Nagpur	Sachin Y. Shende
Panaji	Prabhakar Jha
Patna	Sujit Kumar Arvind
Raipur	Reeny Ajith
Ranchi	Prem Ranjan Prasad Singh
Shimla	Anupam Kishore
Thiruvananthapuram	Thomas Mathew
	OFFICERS-IN-CHARGE (O-i-C)
Agartala	Surendra Nidar, General Manager (O-i-C)
Aizawl	Tongkhopao Lhungdim, General Manager (O-i-C)
Belapur	Chandini Moolchandani, Chief General Manager
Imphal	Neredumalli Sridhar, General Manager (O-i-C)
Kochi	T. Venkateswara Rao, Chief General Manager
Kohima	Sibo Nekhini, General Manager (O-i-C)
Itanagar	Abhijit Majumdar, General Manager (O-i-C)
Shillong	Olden Nongpluh, General Manager (O-i-C)
Srinagar	Anoop Kumar Sharma, Assistant General Manager

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APPENDIX TABLES

SELECT ABBREVIATIONS

ACC	-	Asian Consultative Council
ACU	-	Asian Currency Union
AD	-	Authorised Dealer
AD Cat-I	-	Authorised Dealer Category-I
ADF	-	Asset Development Fund
AED	-	(United) Arab Emirates Dirham
AEs	-	Advanced Economies
AePS	-	Aadhaar Enabled Payment System
AFA	-	Additional Factor of Authentication
AFS	-	Available for Sale
AI	-	Artificial Intelligence
AIFIs	-	All India Financial Institutions
AML	-	Anti-Money Laundering
AML-CFT	-	Anti-Money Laundering-Combating the Financing of Terrorism
AMRMS	-	Audit Management and Risk Monitoring System
AMS	-	Audit Management System
ANBC	-	Adjusted Net Bank Credit
AO	-	Auditee Office
AP	-	Authorised Person
APBS	-	Aadhaar Payment Bridge System
API	-	Application Programming Interface
APR	-	Annual Percentage Rate
ARCs	-	Asset Reconstruction Companies
ARE	-	Available Realised Equity
ARIMA	-	Autoregressive Integrated Moving Average
ARMS	-	Audit and Risk Management Sub-Committee
ASISO	-	Automated Sweep-in and Sweep-out
ASTRA	-	Advanced Security Threat and Risk Assessment
ATBs	-	Auction Treasury Bills
ATM	-	Automated Teller Machine
AUM	-	Assets Under Management
B2B	-	Business-to-Business
B2C	-	Business-to-Customer
BAs	-	Business Areas
BBAs	-	Bilateral Borrowing Agreements
BBPOUs	-	Bharat Bill Payment Operating Units
BBPS	-	Bharat Bill Payment System
BCs	-	Business Correspondents
BCBS	-	Basel Committee on Banking Supervision
BC-ICT	-	Business Correspondents - Information and Communication Technology
BCM	-	Business Continuity Management
BCP	-	Basel Core Principles/Business Continuity Plan
BE	-	Budget Estimates
BFS	-	Board for Financial Supervision
BG	-	Bank Guarantee
BHIM	-	Bharat Interface for Money
BIS	-	Bank for International Settlements/Bureau of Indian Standards
BISIH	-	Bank for International Settlements Innovation Hub
BoE	-	Bank of England
BoG	-	Board of Governors
BoJ	-	Bank of Japan
BoP	-	Balance of Payments
bps	-	Basis Points

SELECT ABBREVIATIONS

BPSS	-	Board for Regulation and Supervision of Payment and Settlement Systems
BQR	-	Bharat Quick Response
BRBNMPL	-	Bharatiya Reserve Bank Note Mudran Private Limited
BRICS	-	Brazil, Russia, India, China and South Africa
BSBDA	-	Basic Savings Bank Deposit Account
B-SC	-	Building Sub-Committee
BSR	-	Basic Statistical Return
CA	-	Concurrent Audit
CAB	-	College of Agricultural Banking
CAD	-	Current Account Deficit/ Cybersecurity Awareness Drive
CAFRAL	-	Centre for Advanced Financial Research and Learning
CAG	-	Comptroller and Auditor General
CaMS	-	Case Management System
CAS	-	Central Accounts Section
CBDC	-	Central Bank Digital Currency
CBDC-R	-	Central Bank Digital Currency-Retail
CBDC-W	-	Central Bank Digital Currency-Wholesale
CBP	-	Capacity Building Programme
CBUAE	-	Central Bank of the United Arab Emirates
CCB	-	Committee of the Central Board
CCIL	-	Clearing Corporation of India Limited
CCIR	-	Comprehensive Credit Information Repository
CCP	-	Central Counterparty
CCS	-	Consumer Confidence Survey
CDs	-	Certificates of Deposit
CD	-	Credit to Deposit
CDMs	-	Cash Deposit Machines
CEO	-	Chief Executive Officer
CEOBSE	-	Credit Equivalent of Off-Balance Sheet Exposure
CEPD	-	Consumer Education and Protection Department
CERT-IN	-	Computer Emergency Response Team - India
CF	-	Contingency Fund
CFLs	-	Centres for Financial Literacy
CFO	-	Chief Financial Officer
CGA	-	Controller General of Accounts
CGFS	-	Committee on the Global Financial System
CGTMSE	-	Credit Guarantee Fund Trust for Micro and Small Enterprises
CiC	-	Currency in Circulation
CICs	-	Credit Information Companies
CII	-	Critical Information Infrastructure
CIMS	-	Centralised Information Management System
CIN	-	Corporate Identification Number
CIs	-	Credit Institutions
CMBs	-	Cash Management Bills
CME	-	Capital Market Exposures
CMIE	-	Centre for Monitoring Indian Economy
CMS	-	Complaint Management System
CODs	-	Central Office Departments
COR	-	Certificate of Registration
CoS	-	College of Supervisors
CPFIR	-	Central Payments Fraud Information Registry
CPHS	-	Consumer Pyramids Household Survey
CPI	-	Consumer Price Index
CPI-AL	-	CPI for Agricultural Labourers

SELECT ABBREVIATIONS

CPI-IW	-	CPI for Industrial Workers
CPI-RL	-	CPI for Rural Labourers
CPs	-	Commercial Papers
CPS	-	Centralised Payment System
CPTS	-	Credit Proposal Tracking System
CRA	-	Contingent Reserve Arrangement
CRAR	-	Capital to Risk-Weighted Assets Ratio
CRB	-	Contingent Risk Buffer
CRDC	-	Currency Research and Development Centre
CRILC	-	Central Repository of Information on Large Credits
CRR	-	Cash Reserve Ratio
CSAA	-	Control Self-Assessment Audit
CSAP	-	Cyber Security Augmentation Plan
CSBD	-	Corporate Strategy and Budget Department
CSF	-	Consolidated Sinking Fund
CSGL	-	Constituent Subsidiary General Ledger
CSP	-	Cloud Service Provider
CSS	-	Centrally Sponsored Schemes
CTS	-	Cheque Truncation System
CU	-	Capacity Utilisation
CUG	-	Closed User Group
CVC	-	Central Vigilance Commission
CVO	-	Chief Vigilance Officer
CVPS	-	Currency Verification and Processing Systems
CwP	-	Currency with the Public
DBIE	-	Database on Indian Economy
DBT	-	Direct Benefit Transfer
DCCBs	-	District Central Cooperative Banks
DCM	-	Department of Currency Management
DCW	-	Development Centre Workshop
DDs	-	Demand Drafts
DEAF	-	Depositor Education Awareness Fund
DEIO	-	Department of External Investments and Operations
DEPR	-	Department of Economic and Policy Research
DevSecOps	-	Development, Security and Operations
DGBA	-	Department of Government and Bank Accounts
DGF	-	Data Governance Framework
DGFT	-	Directorate General of Foreign Trade
DGI	-	Data Gaps Initiative
DICGC	-	Deposit Insurance and Credit Guarantee Corporation
DIF	-	Deposit Insurance Fund
DIPP	-	Department of Industrial Policy and Promotion
DIS	-	Deposit Insurance System
DISCOM	-	Distribution Companies
DIT	-	Department of Information Technology
DLAs	-	Digital Lending Apps
DLG	-	Default Loss Guarantee
DLT	-	Distributed Ledger Technology
DMS	-	Date-Wise Monthly Statement
DMT	-	Domestic Money Transfer
DoC	-	Department of Communication
DoR	-	Department of Regulation
DoS	-	Department of Supervision
DPI	-	Digital Payments Index/Digital Public Infrastructure
DPIIT	-	Department for Promotion of Industry and Internal Trade
DPSS	-	Department of Payment and Settlement Systems

SELECT ABBREVIATIONS

DQE	-	Data Query Engine
DQI	-	Data Quality Index
DR	-	Disaster Recovery
DSIM	-	Department of Statistics and Information Management
EA	-	Effectiveness Assessment
e-BAAT	-	Electronic Banking Awareness and Training
EBITDA	-	Earnings Before Interest, Taxes, Depreciation and Amortisation
EBLR	-	External Benchmark-based Lending Rate
EBR	-	Element Based Repository
ECB	-	European Central Bank/External Commercial Borrowings
ECCTI	-	Enterprise Computing and Cybersecurity Training Institute
ECF	-	Economic Capital Framework
ECL	-	Expected Credit Loss
ECLGS	-	Emergency Credit Line Guarantee Scheme
ECS	-	Electronic Clearing Service
EDC	-	Executive Directors' Committee
EDDPE	-	Expanding and Deepening of Digital Payment Ecosystem
EEFC	-	Exchange Earner's Foreign Currency
EFD	-	Enforcement Department
EGRC	-	Enterprise Governance Risk and Compliance
EKP	-	Enterprise Knowledge Portal
EMDEs	-	Emerging Market and Developing Economies
EMEs	-	Emerging Market Economies
EoI	-	Expression of Interest
EPFO	-	Employees' Provident Fund Organisation
ERM	-	Enterprise-wide Risk Management
ERP	-	Enterprise Resource Planning
e₹	-	Digital Rupee
e₹-R	-	Digital Rupee - Retail
e₹-W	-	Digital Rupee - Wholesale
ES	-	Expected Shortfall
ESG	-	Environmental, Social and Governance
ETCD	-	Exchange Traded Currency Derivatives
ETP	-	Electronic Trading Platform
EU	-	European Union
EWS	-	Early Warning Signals/ Economically Weaker Section
FACE	-	Fintech Association for Consumer Empowerment
FACT	-	Financial Awareness and Consumer Training
FAE	-	First Advance Estimates
FAR	-	Fully Accessible Route
FATF	-	Financial Action Task Force
FBIL	-	Financial Benchmarks India Private Limited
FBs	-	Foreign Banks
FC	-	Finance Commission/Financial Conglomerate
FCA	-	Foreign Currency Assets
FCB	-	Foreign Central Bank
FCI	-	Food Corporation of India
FCNR(B)	-	Foreign Currency Non-Resident Account (Bank)
FCRA	-	Foreign Currency (Regulation) Act
FCY	-	Foreign Currency
FDI	-	Foreign Direct Investment
FE	-	Final Estimates
FED	-	Foreign Exchange Department
FEMA	-	Foreign Exchange Management Act

SELECT ABBREVIATIONS

FEPA	-	Financial Education Programme for Adults
FER	-	Foreign Exchange Reserves
FETP	-	Financial Education Training Programme
FFMCs	-	Full-Fledged Money Changers
FIAP	-	Financial Inclusion Action Plan
FICNs	-	Fake Indian Currency Notes
FIDD	-	Financial Inclusion and Development Department
FIF	-	Financial Inclusion Fund
FI-Index	-	Financial Inclusion Index
FinTech	-	Financial Technology
FIP	-	Financial Inclusion Plan/ Financial Information Provider
FIs	-	Financial Intermediaries/ Financial Institutions
FIRRI	-	Framework for Identification and Reporting of Risk Incidents
FIT	-	Flexible Inflation Targeting
FIUs	-	Financial Information Users
FLC	-	Financial Literacy Centre
FLW	-	Financial Literacy Week
FMCBG	-	Finance Ministers and Central Bank Governors
FMCG	-	Fast Moving Consumer Goods
FMI	-	Financial Market Infrastructure
FMOD	-	Financial Markets Operations Department
FMRD	-	Financial Markets Regulation Department
Forex/FX	-	Foreign Exchange
FPI	-	Foreign Portfolio Investment
FPOs	-	Follow-on Public Offers
FPS	-	Fast Payment System
FRMS	-	Fraud Risk Management System
FRRR	-	Fixed Rate Reverse Repo
FRSB	-	Floating Rate Savings Bond
FSA	-	Financial Stability Assessment
FSAP	-	Financial Sector Assessment Programme
FSB	-	Financial Stability Board
FSD	-	Financial Stability Department
FSDC	-	Financial Stability and Development Council
FSDC-SC	-	Financial Stability and Development Council - Sub-Committee
FSI	-	Financial Sector Issues
FSR	-	Financial Stability Report
FSRs	-	Financial Sector Regulators
G20	-	Group of Twenty
GCCs	-	General Credit Cards
GCF	-	Gross Capital Formation
GDP	-	Gross Domestic Product
GeM	-	Government e-Marketplace
GFCE	-	Government Final Consumption Expenditure
GFCF	-	Gross Fixed Capital Formation
GFD	-	Gross Fiscal Deficit
GFIN	-	Global Financial Innovation Network
GFSN	-	Global Financial Safety Net
GIFT-City	-	Gujarat International Finance Tec-City
GII	-	Global Innovations Index
GMM	-	Generalised Method of Moments
GNDI	-	Gross National Disposable Income
GNPA	-	Gross Non-Performing Asset
GoI	-	Government of India
GREEN	-	Generation of Renewable Energy, Energy Conservation and Neer Conservation
GRF	-	Guarantee Redemption Fund

SELECT ABBREVIATIONS

GRIHA	-	Green Rating for Integrated Habitat Assessment
GRQ	-	General Review of Quotas
GSDP	-	Gross State Domestic Product
G-secs	-	Government Securities
GST	-	Goods and Services Taxes
GSTN	-	Goods and Services Taxes Network
GVA	-	Gross Value Added
GVC	-	Global Value Chain
GW	-	Gigawatt
HFCs	-	Housing Finance Companies
HFIs	-	High Frequency Indicators
HFT	-	Held for Trading
HI	-	Hearing Impaired
HRMD	-	Human Resource Management Department
HRM-SC	-	Human Resource Management Sub-Committee
HS	-	Harmonised System
HTM	-	Held to Maturity
IA	-	Internal Audit
IBA	-	Indian Banks' Association
ICRIER	-	Indian Council for Research on International Economic Relations
ICT	-	Information and Communication Technology
I-CRR	-	Incremental Cash Reserve Ratio
ID	-	International Department
IDF	-	Infrastructure Debt Fund
IDG	-	Inter Departmental Group
IDMD	-	Internal Debt Management Department
IDRBT	-	Institute for Development and Research in Banking Technology
IFA	-	International Financial Architecture
IFA WG	-	International Financial Architecture Working Group
IFMIS	-	Integrated Financial Management and Information System
IFSC	-	Indian Financial System Code/ International Financial Services Centre
IFSCA	-	International Financial Services Centres Authority
IFTAS	-	Indian Financial Technology and Allied Services
IGAS	-	Indian Government Accounting Standards
IGBs	-	Indian Government Bonds
IGBC	-	Indian Green Building Council
IGIDR	-	Indira Gandhi Institute of Development Research
IGR	-	Internal Grievance Redress
IIBM	-	Indian Institute of Bank Management
IIBX	-	India International Bullion Exchange
IIP	-	Index of Industrial Production
IMD	-	India Meteorological Department
IMEs	-	Informal Micro Enterprises
IMF	-	International Monetary Fund
IMFC	-	International Monetary and Financial Committee
IMPS	-	Immediate Payment Service
IMT	-	Instant Money Transfer
INB	-	Internet Banking
Ind AS	-	Indian Accounting Standards
InFiNet	-	Indian Financial Network
INR	-	Indian Rupee
IO	-	Internal Ombudsman
IOs	-	International Organisations
IOSCO	-	International Organisation of Securities Commissions

SELECT ABBREVIATIONS

IPCs	-	Irrevocable Payment Commitments
IPO	-	Initial Public Offering
IPP	-	Instant Payment Platform
IRA	-	Investment Revaluation Accounts
IRACP	-	Income Recognition, Asset Classification and Provisioning
IRD	-	Interest Rate Derivatives
IRF	-	Inter-Regulatory Forum
IRS	-	Interest Rate Swap
IS	-	Information Systems
ISPI	-	Index of Supply Chain Pressures for India
IT	-	Information Technology
ITeS	-	IT-enabled Services
IT-SC	-	Information Technology Sub-Committee
ITBs	-	Intermediate Treasury Bills
ITC	-	Indian Trade Classification
IWG	-	Internal Working Group
IWST	-	Institute of Wood Science and Technology
KCC	-	Kisan Credit Card
KFS	-	Key Facts Statement
KLEMS	-	Capital(K), Labour(L), Energy(E), Material(M) and Services(S)
KRIs	-	Key Risk Indicators
kWp	-	Kilowatt Peak
KYC	-	Know Your Customer
LABs	-	Local Area Banks
LAF	-	Liquidity Adjustment Facility
LB	-	Load Balance
LBS	-	Lead Bank Scheme
LC	-	Letter of Credit
LCR	-	Liquidity Coverage Ratio
LCS	-	Local Currency Settlement
LCSS	-	Local Currency Settlement System
LEI	-	Legal Entity Identifier
LFPR	-	Labour Force Participation Rate
LIBOR	-	London Inter-Bank Offered Rate
LLMs	-	Large Language Models
LPA	-	Long Period Average
LPG		Liquefied Petroleum Gas
LRS	-	Liberalised Remittance Scheme
LSF	-	Late Submission Fee
LSPs	-	Lending Service Providers
LTS	-	Long-Term Support
LTV	-	Loan-to-Value
M_3	-	Money Supply
MANI	-	Mobile Aided Note Identifier
MAS	-	Monetary Authority of Singapore
MCA	-	Ministry of Corporate Affairs
MCLR	-	Marginal Cost of Funds-based Lending Rate
MCV	-	Mobile Coin Van
MD	-	Master Direction/Managing Director
MDM	-	Mobile Device Management
ME	-	Mutual Evaluation
MGNREGA	-	Mahatma Gandhi National Rural Employment Guarantee Act
MIBOR	-	Mumbai Interbank Offered Rate
MIS	-	Management Information System
ML	-	Machine Learning
MM	-	Money Multiplier
MNBCs	-	Miscellaneous Non-Banking Companies
MoE	-	Memorandum of Error

SELECT ABBREVIATIONS

MoF	-	Ministry of Finance
MOOCs	-	Massive Open Online Courses
MoSPI	-	Ministry of Statistics and Programme Implementation
MoU	-	Memorandum of Understanding
MPC	-	Monetary Policy Committee
MSF	-	Marginal Standing Facility
MSMEs	-	Micro, Small and Medium Enterprises
MSP	-	Minimum Support Price
MTF	-	Medium Term Framework
MTSS	-	Money Transfer Service Scheme
MVP	-	Minimum Viable Product
NAB	-	New Agreements to Borrow
NABARD	-	National Bank for Agriculture and Rural Development
NACH	-	National Automated Clearing House
NBBL	-	NPCI Bharat BillPay Limited
NBFC	-	Non-Banking Financial Company
NBFIs	-	Non-Banking Financial Institutions
NCCDs	-	Non-Centrally Cleared Derivatives
NCDs	-	Non-Convertible Debentures
NCFE	-	National Centre for Financial Education
NCMC	-	National Common Mobility Card
ND	-	Nominee Director
NDA	-	Net Domestic Assets/Non-Disclosure Agreements
NDDC	-	Non-Deliverable Derivative Contract
NDI	-	Non-Debt Instrument
NDLD	-	New Delhi Leaders' Declaration
NDS-OM		Negotiated Dealing System-Order Matching
NDTL	-	Net Demand and Time Liabilities
NER	-	North Eastern Region
NEER	-	Nominal Effective Exchange Rate
NEFT	-	National Electronic Funds Transfer
NEM	-	North-East Monsoon
NETC	-	National Electronic Toll Collection
NFA	-	Net Foreign Assets
NFC	-	Non-Food Credit/Near Field Communication
NGCH	-	National Grid Clearing House
NGFS	-	Network for Greening the Financial System
NGSOC	-	Next Generation Security Operation Centre
NGTA	-	Next Generation Treasury Application
NHB	-	National Housing Bank
NIAP	-	Nationwide Intensive Awareness Programme
NIBM	-	National Institute of Bank Management
NIPL	-	NPCI International Private Limited
NIST	-	National Institute of Standards and Technology
NLP	-	Natural Language Processing
NNML	-	Net Non-Monetary Liabilities
NOFHCs	-	Non-Operative Financial Holding Companies
NPA	-	Non-Performing Assets
NPCI	-	National Payments Corporation of India
NPI	-	National Payments Interface
NPISH	-	Non-Profit Institutions Serving Households
NRC	-	Nomination and Remuneration Committee

SELECT ABBREVIATIONS

NRE	-	Non-Resident (External)
NRIs	-	Non-Resident Indians
NRO	-	Non-Resident Ordinary
NSFE	-	National Strategy for Financial Education
NSFI	-	National Strategy for Financial Inclusion
NSMs	-	Note Sorting Machines
NSO	-	National Statistical Office
NSSF	-	National Small Savings Fund
NUCFDC	-	National Urban Cooperative Finance and Development Corporation Limited
NZDPU	-	Net-Zero Data Public Utility
OBC	-	Other Backward Classes
OBICUS	-	Order Books, Inventories and Capacity Utilisation Survey
OD	-	Overdraft
OECD	-	Organisation for Economic Co-operation and Development
OH	-	Orthopaedically Handicapped
OI	-	Overseas Investment
OID	-	Overseas Investment Division
OIS	-	Overnight Index Swap
OLTAS	-	Online Tax Accounting System
OMO	-	Open Market Operation
OMSS	-	Open Market Sales Scheme
OoH	-	Out-of-Home
OPEC	-	Organisation of Petroleum Exporting Countries
ORBIOs	-	Offices of the Reserve Bank of India Ombudsmen
OTC	-	Over-the-Counter
OTP	-	One-time Password
P2M	-	Person-to-Merchant
P2P	-	Peer to Peer
PAs	-	Payment Aggregators
PACs	-	Public Awareness Campaigns
PADO	-	Public Administration, Defence and Other Services
PAN	-	Permanent Account Number
PBs	-	Payments Banks
PCA	-	Prompt Corrective Action
PDs	-	Primary Dealers
PDS	-	Public Distribution System
PE	-	Performance Evaluation
PFCE	-	Private Final Consumption Expenditure
PFMIs	-	Principles for Financial Market Infrastructure
PFMS	-	Public Financial Management System
PIB	-	Press Information Bureau
PIDF	-	Payments Infrastructure Development Fund
PIDPI	-	Public Interest Disclosure and Protection of Informers
PLFS	-	Periodic Labour Force Survey
PLI	-	Production-Linked Incentive
PMGKAY	-	Pradhan Mantri Garib Kalyan Anna Yojana
PMI	-	Purchasing Managers' Index
PML	-	Prevention of Money Laundering
PMUY	-	Pradhan Mantri Ujjwala Yojana
PoC	-	Proof of Concept
POL	-	Petroleum, Oil and Lubricants
POs	-	Payment Orders
PoS	-	Point of Sale
PPAC	-	Petroleum Planning and Analysis Cell
PPIs	-	Prepaid Payment Instruments
PPP	-	Public Private Partnership
PRAVAAH	-	Platform for Regulatory Application, Validation and AutHorisation

SELECT ABBREVIATIONS

PROI	-	Person Resident Outside India
PSBs	-	Public Sector Banks
PSL	-	Priority Sector Lending
PSLCs	-	Priority Sector Lending Certificates
PSOs	-	Payment System Operators
PSPs	-	Payment System Participants
PSS	-	Payment and Settlement Systems
PSUs	-	Public Sector Undertakings
PTPFC	-	Public Tech Platform for Frictionless Credit
PVBs	-	Private Banks
PwBD	-	Persons with Benchmark Disabilities
QIP	-	Qualified Institutional Placement
QR	-	Quick Response
R&D	-	Research and Development
RASCI	-	Responsible, Accountable, Supporting, Consulted and Informed
RAW	-	Risk Awareness Week
RBI	-	Reserve Bank of India
RBIA	-	Risk-Based Internal Audit
RBI EPF	-	Reserve Bank of India Employees' Provident Fund
RBIH	-	Reserve Bank Innovation Hub
RB-CRIS	-	Reserve Bank-Climate Risk Information System
RB-IOS	-	Reserve Bank-Integrated Ombudsman Scheme
RBS	-	Risk-Based Supervision
RBSC	-	Reserve Bank Staff College
RCA	-	Root Cause Analysis
RCCS	-	Rural Consumer Confidence Survey
RDA	-	Rupee Drawing Arrangement
RDBs	-	Rupee Denominated Bonds
RE	-	Revised Estimates
ReBIT	-	Reserve Bank Information Technology Private Limited
REs	-	Regulated Entities
RFA	-	Red Flagging of Accounts
RFID	-	Radio Frequency Identification
RFP	-	Request for Proposal
RM	-	Reserve Money
RMAB	-	Royal Monetary Authority of Bhutan
RMC	-	Risk Monitoring Committee
RMD	-	Risk Monitoring Department
ROs	-	Regional Offices
RPO	-	Recovery Point Objective
RPS	-	Retail Payment Systems
RR	-	Risk Register
RRBs	-	Regional Rural Banks
RRE	-	Requirement for Realised Equity
RS	-	Regulatory Sandbox
RTGS	-	Real Time Gross Settlement
RTI	-	Right to Information
RTLs	-	Risk Tolerance Limits
RTO	-	Recovery Time Objective
SAF	-	Supervisory Action Framework
SAKAR	-	Supervisory Assessment of KYC/AML Risks
SAs	-	Statutory Auditors
SAS	-	Statistical Analytics System
SAAR	-	Seasonally Adjusted Annualised (Growth) Rate
SAARC	-	South Asian Association of Regional Cooperation
SAMWAD	-	Secure Audio-video Meetings with Advanced Devices
SARFAESI	-	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest

SELECT ABBREVIATIONS

SATARC	-	Security Automation, Threat Analysis and Response Centre
SBE	-	Scale-Based Enforcement
SBS	-	Shredding and Briquetting Systems
SCBs	-	Scheduled Commercial Banks
SDF	-	Special Drawing Facility/ Standing Deposit Facility
SDMX	-	Statistical Data and Metadata Exchange
sDQI	-	Supervisory Data Quality Index
SDRs	-	Special Drawing Rights
SD-WAN	-	Software Defined-Wide Area Network
SEs	-	Supervised Entities
SEACEN	-	South East Asian Central Banks
SFBs	-	Small Finance Banks
SFDB	-	SAARCFINANCE Database
SFMS	-	Structured Financial Messaging System
SFMS MI	-	SFMS Member Interface
SFTP	-	Secure File Transfer Protocol
SFWG	-	Sustainable Finance Working Group
SGBs	-	Sovereign Gold Bonds
SGL	-	Subsidiary General Ledger
SGrBs	-	Sovereign Green Bonds
SGSs	-	State Government Securities
SHGs	-	Self-Help Groups
SIP	-	Systematic Investment Plan
SLBC	-	State Level Bankers' Committee
SLCC	-	State Level Coordination Committee
SLR	-	Statutory Liquidity Ratio/Sri Lankan Rupee
SLS	-	State Linked Schemes
SMCC	-	Social Media Command Centre
SMEs	-	Small and Medium Enterprises
SMS	-	Short Messaging Service
SNA	-	Single Nodal Agency
SNA-SPARSH	-	Single Nodal Agency - Samayochit Pranali Akikrut Sheeghra Hastantaran
SNRR	-	Special Non-Resident Rupee
SOC	-	Security Operations Centre
SOP	-	Standard Operating Procedure
SPDs	-	Standalone Primary Dealers
SPECTRA	-	Software Platform for External Commercial Borrowings and Trade Credits Reporting and Approval
SPMCIL	-	Security Printing and Minting Corporation of India Limited
SRO	-	Self-Regulatory Organisation
SRVA	-	Special Rupee Vostro Account
S-SC	-	Strategy Sub-Committee
SSO	-	Single Sign-On
S-SOC	-	Sectoral Security Operations Centre
SSCI	-	Services Sector Composite Index
ST	-	Scheduled Tribe
STC	-	Short-term Trade Credit
StCBs	-	State Cooperative Banks
SWIFT	-	Society for Worldwide Interbank Financial Telecommunication
SWM	-	South-West Monsoon
TAT	-	Turn-Around Time
T-Bills	-	Treasury Bills
TEs	-	Training Establishments
TF	-	Terrorist Financing
TFP	-	Total Factor Productivity

SELECT ABBREVIATIONS

TGFIFL	-	Technical Group on Financial Inclusion and Financial Literacy
TIN	-	Tax Information Network
TOT	-	Toll-Operate-Transfer
TPS	-	Transactions Per Second
TR	-	Trade Repository
TReDS	-	Trade Receivables Discounting System
TSCAs	-	Time-Sensitive Critical Activities
UAP	-	Udyam Assist Platform
UAT	-	User Acceptance Test
UCBs	-	Urban Cooperative Banks
UDAY	-	Ujjwal DISCOM Assurance Yojana
UDCH	-	User Defined Customer Hierarchy
UI/UX	-	User Interface/User Experience
UK	-	United Kingdom
ULI	-	Unified Lending Scheme
UO	-	Umbrella Organisation
UPI	-	Unified Payments Interface
URC	-	Udyam Registration Certificate
USA	-	United States of America
USD	-	US Dollar
USSD	-	Unstructured Supplementary Service Data
UTs	-	Union Territories
UTI	-	Unique Transaction Identifier
UTLBCs	-	Union Territory Level Bankers' Committees
VAaaS	-	Vulnerability Assessment as a Service
VAPT	-	Vulnerability Assessment and Penetration Testing
VAPX	-	Vector Autoregression with Exogenous Variables
VC	-	Video Conferencing
VFT	-	Value Free Transfer
VI	-	Visually Impaired
VOICE	-	Voicing Opinion to Inspire, Contribute and Excel
VRR	-	Variable Rate Repo/Voluntary Retention Route
VRRR	-	Variable Rate Reverse Repo
WACR	-	Weighted Average Call Rate
WADTDR	-	Weighted Average Domestic Term Deposit Rate
WAFaaS	-	Web Application Firewall as a Service
WALR	-	Weighted Average Lending Rate
WAM	-	Weighted Average Maturity
WAS	-	Weighted Average Spread
WAY	-	Weighted Average Yield
WB	-	World Bank
WEO	-	World Economic Outlook
WG	-	Working Group
WLA	-	White Label ATM
WLAOs	-	White Label ATM Operators
WMA	-	Ways and Means Advances
WPI	-	Wholesale Price Index
WPR	-	Worker Population Ratio
WTO	-	World Trade Organisation
XBRL	-	eXtensible Business Reporting Language
XML	-	eXtensible Markup Language
ZIs	-	Zonal Inspectorates
ZTCs	-	Zonal Training Centres

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*For the Year April 1, 2024 to March 31, 2025**

PART ONE: THE ECONOMY - REVIEW AND PROSPECTS

I ASSESSMENT AND PROSPECTS

I.1 The global economic expansion steadily continued in 2024, although growth was uneven amidst geopolitical tensions, geoeconomic fragmentation, heightened trade tensions and elevated public debt. Global inflation moderated in 2024 on the back of softening commodity prices, easing supply conditions and the lagged impact of monetary tightening in 2022. The disinflationary process, however, remains varied across countries with persisting stickiness in services inflation in major advanced economies (AEs). Financial conditions broadly eased as major central banks pivoted to accommodative monetary policy stance by mid-2024. Yet, bouts of volatility in global financial markets were visible during the year due to the interplay of policy shifts, geopolitical developments and stretched valuations of technological stocks, among others. Merchandise trade rebounded gradually in spite of persisting geopolitical tensions and policy uncertainty. Capital flows to emerging market economies (EMEs) remained volatile owing to elevated geoeconomic and policy uncertainties.

I.2 The global economy in 2025 is likely to grow not only below its historical average (2000-19) of 3.7 per cent, but also below the growth of 3.3 per cent in 2024, on account of heightened global trade protectionism, rising policy uncertainty and ongoing geopolitical tensions. Disinflationary path is expected to continue but at a slower pace with AEs likely to reach their targets earlier than EMEs. Accordingly, many central banks pivoted to an easing cycle, while remaining cautious of escalating trade tensions, lingering geopolitical uncertainties, global financial market volatility and climate change risks. Policymakers face the daunting task of suitably calibrating monetary and fiscal policies to support growth, while safeguarding financial and macroeconomic stability.

I.3 Amidst challenging global economic environment, the Indian economy exhibited resilience during 2024-25, supported by robust macroeconomic fundamentals and proactive policy measures. Inflation eased and moved below the target by the end of the year. The financial sector remained resilient and robust on the back of healthier bank and non-bank balance sheets, improved asset quality and capital buffers that enabled double-digit credit growth. On fiscal front, the central government continued with its efforts towards fiscal consolidation, supported by buoyant tax revenues, while maintaining the thrust on expenditure quality. A modest current account deficit (CAD) and adequate forex reserves provided resilience to the external sector even as capital flows exhibited volatility.

* : Wherever information is available, this chapter has been updated beyond March 2025.

I.4 The Indian economy is poised to sustain its position as the fastest growing major economy during 2025-26, supported by pick-up in private consumption, healthy balance sheets of banks and corporates, easing financial conditions and the government's continued thrust on capital expenditure. The easing of supply chain pressures, softening of global commodity prices and higher agricultural production on the back of a likely above-normal south-west monsoon augur well for the inflation outlook in 2025-26. Financial markets may exhibit sporadic episodes of volatility triggered by turbulent global financial markets in the wake of heightened uncertainty regarding the evolution of trade tariff policies, among others. Export sector is also expected to encounter some headwinds from rising geopolitical tensions, inward-looking policies and risk of potential tariff-war among major economies. However, India's participation in 14 free trade agreements (FTAs) and six preferential trade agreements (PTAs), along with the new trade deals under negotiation with the US, Oman, Peru and the European Union (EU) may support growth in trade. Resilient services exports and inward remittances are likely to cushion CAD, which would remain eminently manageable in 2025-26.

2. Assessment of 2024-25

Global Economy

I.5 According to the International Monetary Fund (IMF)[1], global growth at 3.3 per cent in 2024 (3.5 per cent a year ago) was below the historical average (2000-19) of 3.7 per cent, owing to structural challenges like weak investment, slow productivity growth and high debt levels. Moreover, the pace of economic activity was impacted by moderation in economic growth in some Asian and European economies, protracted geopolitical tensions and sluggish recovery in China's consumption demand and property market. Global inflation eased to 5.7 per cent in 2024 from 6.6 per cent in 2023, reflecting the impact of gradual monetary tightening and the easing of supply chain constraints, but still remained above pre-pandemic levels, largely driven by persistent price pressures in the services sector.

I.6 Global merchandise[2] trade volume expanded by 2.9 per cent in 2024 after contracting by 1.0 per cent in 2023 with easing of supply chain pressures. Global trade flows, however, continue to be confronted by geoeconomic fragmentation and restrictive trade policies. Services trade exhibited resilience on the back of continued recovery in spending on travel from the pandemic lows and sustained demand for digitally delivered services.

I.7 Global financial conditions remained largely accommodative in major AEs, reflecting the shift towards less restrictive policy to boost economic activity as inflation started gradually converging to the target levels. After softening in the first half of 2024, sovereign bond yields rose again in AEs during the second half of the year amid renewed inflation concerns and divergent monetary policy trajectories of major central banks. Sovereign bond yields in emerging market and developing economies (EMDEs) generally moderated amidst the global rate cut

1 World Economic Outlook, April 2025, IMF.

2 Global Trade Outlook and Statistics Update, April 2025, World Trade Organisation (WTO).

cycle. The US dollar remained strong throughout the year with consequent downward pressures on a number of AE and EME currencies. Global equity markets inched up higher notwithstanding intermittent volatility driven by concerns over stretched valuations, divergent monetary policies, slower pace of disinflation, geopolitical risks and uncertainty on the evolution of tariff policies.

I.8 Brazil assumed the G20 Presidency from India for 2023-24, forming a historic troika of three nations from the Global South. Under the overarching theme of 'Building a Just World and a Sustainable Planet', Brazil's Presidency prioritised three key areas: (a) combating hunger, poverty, and inequality; (b) advancing the three dimensions of sustainable development – economic, social, and environmental; and (c) reforming global governance structures. The Brazilian Presidency advanced initiatives such as strengthening international financial institutions, advancing financial inclusion, enhancing cross-border payments, promoting cybersecurity, addressing vulnerabilities in non-banking financial institutions (NBFIs), climate-related financial risks, and ensuring stability of the global financial system.

Domestic Economy

I.9 Against the backdrop of a steady global growth amidst multiple headwinds, the Indian economy remained resilient during 2024-25, supported by robust macroeconomic fundamentals, proactive policy measures and sustained government capital expenditure. Although real gross domestic product (GDP)[3] growth moderated to 6.5 per cent in 2024-25, India remained the fastest growing major economy. Economic activity was supported by an improvement in consumption demand and net exports on the expenditure side, and buoyant services sector and recovery in agricultural production on the supply side.

I.10 Growth in gross value added (GVA) in the agriculture and allied sector in 2024-25 stood at 4.6 per cent as compared with 2.7 per cent a year ago, driven by record foodgrains production aided by adequate reservoir levels and favourable weather conditions. Horticulture sector also performed better than last year, driven by higher production of onion and potato. The government has initiated Digital Agriculture Mission to bring innovative farmer-centric digital services, which will enable transparent, efficient, easier and faster service delivery to the farmers. This will also enhance productivity and sustainability of India's agriculture sector. Moreover, the government is promoting quality seed production and distribution through various schemes to enhance climate-resilience and improve crop yield in the agriculture sector.

I.11 Growth in industrial sector moderated to 4.3 per cent in 2024-25, primarily due to deceleration in manufacturing GVA. Manufacturing sector witnessed robust growth in Q1:2024-25, but moderated in the next three quarters, reflecting both base effect and muted demand conditions. The mining sector remained subdued during the year with extended monsoon affecting mining activity during Q2:2024-25. Electricity generation registered a modest growth with an above-average monsoon and a relatively mild winter

[3] All references to GDP data in this Report are based on the Second Advance Estimates (SAE) of National Income 2024-25 released by the National Statistical Office on February 28, 2025, unless indicated otherwise.

bringing down electricity demand. Public sector continued to spearhead investment growth in 2024-25. The production linked incentive (PLI) scheme helped to steer growth across several key manufacturing industries. As of November 2024, investment under PLI scheme reached 57 per cent of the aggregate committed target under the schemes.

I.12 The services sector, with a share of 64.1 per cent in GVA, remained the mainstay of aggregate supply with a growth of 7.5 per cent in 2024-25. Despite moderation, construction activity remained resilient with its share reaching the highest level since 2012-13. Public administration, defence and other services (PADO) remained buoyant, recording their highest growth in the last eight years, supported by robust expenditure by the central and state governments as well as sustained momentum in other services. Meanwhile, growth in trade activity and telecom subscriber base softened during the year.

I.13 As per the annual Periodic Labour Force Survey (PLFS) data, the labour market remained resilient during January-December 2024. The post-pandemic increase in the agriculture sector's share in total employment reversed in 2024, while the share of other services, construction and trade sectors rose in 2024 as compared to 2023. The quarterly urban PLFS data pertaining to October-December 2024 also indicate robust employment in urban areas.

I.14 Despite uncertainty around globally coordinated action against climate change, India remained focused on its mitigation and adaptation measures. This is also reflected in the Climate Change Performance Index (CCPI) 2025, which ranked India among the top 10 high performers for the sixth year in a row since 2020. Renewable energy capacity additions were highest during 2024-25 led by solar energy, with more than 10 lakh households installing rooftop solar panels under *Pradhan Mantri Surya Ghar Muft Bijli Yojana*. During the year, Green Steel Mission and Critical Minerals Mission were launched along with advancements in National Green Hydrogen Mission. Efforts were strengthened to clean transportation system through PM Electric Drive Revolution in Innovative Vehicle Enhancement (E-DRIVE) scheme, focusing on green mobility and development of electric vehicle (EV) manufacturing ecosystem to achieve the target of 30 per cent EV adoption by 2030. Moreover, measures aimed at greening of the economy such as issuance of sovereign green bonds, green deposits scheme and increased support to the renewable energy sector in terms of the revised priority sector lending (PSL) guidelines bear testimony to a strong commitment towards facilitating resources for sustainable development.

I.15 Inflation converged closer towards the target during 2024-25 aided by easing input cost pressures, proactive supply management measures by the government and continuing transmission of past monetary policy actions. Headline inflation moderated to an average of 4.6 per cent during 2024-25 from 5.4 per cent in the previous year, largely driven by a moderation in core (CPI excluding food and fuel) inflation to 3.5 per cent and deflation in fuel at 2.5 per cent. The moderation in core inflation was broad-based across goods and services. The uptick in core inflation in the second half of the year was driven primarily by increase in international gold prices. An upward revision in mobile charges by private telecom service providers also pushed up services inflation. Deflation in fuel was driven by reduction in liquefied petroleum gas (LPG) and kerosene prices on the back of softer global energy prices. In contrast, food inflation remained elevated at 6.7 per cent in 2024-25, with intermittent spikes due to overlapping supply shocks emanating from weather anomalies imparting volatility to headline inflation. Food inflation recorded an intra-year peak of 9.7 per cent in October 2024, before declining dramatically to 2.9 per cent by March 2025. While vegetables inflation experienced heightened volatility during the year, inflation persisted in cereals, fruits, edible oils, and meat and fish, reflecting tight supply conditions. Domestic import duty hikes coupled with export restrictions imposed by Indonesia on edible oils imparted rigidity to food inflation.

I.16 Considering the growth-inflation dynamics, the Monetary Policy Committee (MPC) changed the policy stance from withdrawal of accommodation to neutral in October 2024 providing the flexibility to monitor the outlook and progress on disinflation and growth and act in accordance with the evolving situation. Subsequently, with the growth-inflation dynamics opening up policy space to support growth, the MPC reduced the policy repo rate by 25 bps to 6.25 per cent in February 2025 after maintaining *status quo* since February 2023 at 6.50 per cent. Liquidity conditions improved during 2024-25 *vis-à-vis* last year. Within the year, however, system liquidity moved from surplus during July-November 2024 to deficit during December 2024-March 2025 on account of high increase in currency in circulation and the Reserve Bank's forex operations. For the year as a whole, liquidity conditions remained in surplus as reflected in average daily net absorption under the liquidity adjustment facility (LAF) increasing to ₹1,605 crore during 2024-25 from ₹485 crore in the previous year. The Reserve Bank conducted a suite of market operations, including open market operation (OMO) purchases, USD/INR buy/sell swaps, and longer tenor variable rate repo (VRR) operations, besides reducing the cash reserve ratio (CRR) by 50 bps (in two tranches of 25 bps each), to provide durable liquidity to the system. The weighted average call rate (WACR), on an average, traded 6 bps above the policy repo rate during 2024-25.

I.17 Domestic financial markets remained resilient during 2024-25 amidst an uncertain global environment. Government security (G-sec) and corporate bond yields declined over the year, leading to an increase in corporate bond issuances. Domestic equities surged in the first half, scaling fresh peaks before declining in the second half amidst concerns over slowdown in GDP growth and corporate earnings growth, tariff policy uncertainty and foreign portfolio investment (FPI) outflows. Primary market activity remained upbeat in 2024-25 although it moderated in Q4.

I.18 The Indian Rupee (INR) underwent depreciation *albeit* less than some of its EME peers as the US dollar and the US asset yields remained strong. Nevertheless, India's robust macroeconomic fundamentals characterised by stable and moderate current account and fiscal deficits allowed for an orderly evolution of the INR. Moreover, the Reserve Bank also undertook various measures to promote the increasing use of INR and local currencies of partner trading countries for international cross-border transactions and focused on rationalising regulatory, supervisory and authorisation frameworks for ease of undertaking forex transactions.

I.19 The transmission of policy repo rate changes to banks' deposit and lending rates remained robust during 2024-25. The proportion of external benchmark linked loans in total outstanding floating rate loans increased further during the year, with concomitant fall in marginal cost of funds-based lending rate (MCLR) linked loans.

I.20 The central government delivered on its fiscal consolidation commitment, with gross fiscal deficit (GFD) declining to 4.7 per cent of GDP in 2024-25 [revised estimates (RE)] from 5.5 per cent of GDP in 2023-24[4]. On the expenditure side, the effective capital expenditure[5] registered a growth of 5.2 per cent over and above 19.8 per cent recorded in 2023-24, while growth in revenue expenditure was 5.8 per cent in 2024-25 (RE). On the receipt side, gross-tax and non-tax receipts recorded resilient growth of 11.2 per cent and 32.2 per cent, respectively, in 2024-25 (RE). Provisional accounts data during April 2024-February 2025 reveal that states' revenue receipts recorded moderate growth on account of deceleration in tax revenue growth and decline in grants from the central government. While revenue expenditure of states picked up during April 2024-February 2025, capital expenditure remained modest. Nevertheless, the consolidated GFD of states is likely to remain within the budget estimate of 3.2 per cent of GDP.

I.21 The Reserve Bank revised the ways and means advances (WMA) limits of the state governments/union territories (UTs), based on the recommendations of the Working Group constituted under the aegis of the 33rd Conference of the State Finance Secretaries (SFS). The aggregate WMA limit of the state governments/UTs was revised to ₹60,118 crore from the extant limit of ₹47,010 crore, effective from July 1, 2024. Based on the recommendations of the Working Group constituted by the Reserve Bank on consolidated sinking fund (CSF) and guarantee redemption fund (GRF), the special drawing facility (SDF) limits were revised to provide greater flexibility to state governments/UTs in managing temporary mismatches in their cash flows.

I.22 India's merchandise exports grew marginally by 0.1 per cent in 2024-25 as against a contraction of 3.1 per cent a year ago. On the other hand, merchandise imports grew by 6.2 per cent during this period as against a contraction of 5.3 per cent a year ago. Consequently, India's merchandise trade deficit widened to US$ 282.8 billion during 2024-25 from US$ 241.1 billion a year ago. Nonetheless, strong services exports and a steady flow in inward remittances cushioned India's CAD to remain within sustainable level at 1.3 per cent of GDP during April-December 2024 (1.1 per cent a year ago).

I.23 Capital flows exhibited volatility during the year. Net foreign direct investment (FDI)

[4] The figures may be at variance with those reported in Union Budget 2025-26, as they are computed using the latest available estimates of the GDP.

[5] Capital expenditure *plus* grants in aid for creation of capital assets.

inflows stood at US$ 0.4 billion during 2024-25, lower than US$ 10.1 billion a year ago, and FPI recorded net inflows of US$ 1.7 billion during 2024-25 (US$ 41.6 billion a year ago). In terms of external financing needs, net capital flows were more than sufficient to finance CAD in H1:2024-25, and accordingly, there was an accretion to foreign exchange reserves (on a BoP basis) of US$ 23.8 billion. However, the situation reversed in H2. Foreign portfolio investors turned net sellers in the domestic market with net outflows at US$ 18.5 billion during October 2024 to March 2025. Notably, net FPI flows in the debt segment exhibited resilience with US$ 17.4 billion of inflows during 2024-25. Although other forms of capital flows, such as external commercial borrowings (ECB) and non-resident deposits remained robust, net capital flows fell short of CAD during Q3:2024-25, leading to a depletion in reserves (on a BoP basis) to the tune of US$ 37.7 billion. Overall, there was a depletion in reserves to the tune of US$ 13.8 billion during April-December 2024. Nonetheless, strong buffers in the form of ample forex reserves at US$ 668.3 billion (as at end-March 2025), covering 11 months of merchandise imports, helped mitigate external financing needs and adverse global spillovers.

I.24 During the year, credit-to-deposit ratio of scheduled commercial banks (SCBs) marginally increased, as bank credit growth outpaced deposit growth. The gap between credit and deposit growth, however, narrowed, with banks continuing to increase their term deposit rates to mobilise deposits to bridge the funding gap. SCBs witnessed further improvement in asset quality, as evident from reduction in both gross NPA (GNPA) ratio and net NPA (NNPA) ratio, along with a steady decline in the slippage ratio. The provision coverage ratio (PCR) as well as profitability indicators, *viz.*, return on asset (RoA) and return on equity (RoE) remained robust, while the net interest margin (NIM) softened. Capital and liquidity buffers remained well above the regulatory requirements. Macro stress tests suggest that banks' aggregate capital would remain above the regulatory minimum under all adverse scenarios.

I.25 Aggregate credit extended by non-banking financial companies (NBFCs) expanded in double digits as at end-December 2024 although growth in unsecured lending moderated. Profitability indicators and NPA ratios continued to improve further during this period, while capital adequacy ratio remained robust. Risk weights on bank credit to NBFCs were reduced effective April 1, 2025 to facilitate credit offtake and support economic growth.

I.26 The credit growth of urban cooperative banks (UCBs) improved as at end-December 2024. The financial performance of UCBs also improved on the back of strengthened capital buffers and lower GNPA ratio as compared to the corresponding period of the previous year.

I.27 Several regulatory and supervisory guidelines were issued during the year in line with global best practices towards strengthening governance, risk management practices and operational resilience. These, *inter alia*, relate to: (a) principles for management of model risks in credit; (b) eligibility criteria for voluntary transition of small finance banks (SFBs) to universal banks; (c) harmonisation of regulations applicable to housing finance companies (HFCs) and NBFCs;

and (d) enhancing operational risk management and operational resilience.

I.28 On the supervision front, the Reserve Bank actively engaged with supervised entities (SEs) to convey expectations related to governance and assurance functions and compliance with the extant guidelines. The supervisory initiatives, *inter alia*, include: (a) setting up advanced supervisory analytics group for increasing the use of techniques like artificial intelligence (AI)/ machine learning (ML) in the supervisory process; (b) proactively strengthening international supervisory cooperation by establishing and deepening formal relationships with authorities in key global jurisdictions with an aim to enhance the stability of the financial system; (c) development of supervisory data quality index (sDQI) to identify and address deficiencies in risk data aggregation capabilities and risk reporting practices across SEs; (d) issuing guidelines on prompt corrective action (PCA) framework for UCBs; and (e) strengthened cyber risk oversight through onsite/offsite assessments across SEs.

I.29 Starting with the initial use cases of person-to-person (P2P) and person-to-merchant (P2M), the Reserve Bank expanded the central bank digital currency (CBDC)-Retail (e₹-R) pilot to include offline and programmability features during 2024-25. As at end-March 2025, the pilot in the e₹-R segment was expanded to 17 banks and 60 lakh users since its inception in December 2022. To further enhance adoption and improve distribution, certain non-banks have been allowed to offer CBDC wallets. Moreover, the scope of e₹-Wholesale was further expanded and diversified with the addition of four standalone primary dealers (SPDs).

I.30 India is strategically focusing on building a strong AI ecosystem to pave the way for self-reliance and innovation in this emerging sector. The government has launched several initiatives such as IndiaAI Mission and the establishment of three centres of excellence (CoE) for AI in healthcare, agriculture, and sustainable cities. To further support AI innovation in the electronics sector and encourage domestic manufacturing, India is rapidly building a strong semiconductor infrastructure through initiatives like India Semiconductor Mission.

I.31 As part of the Reserve Bank's focus on monitoring the use and adoption of technology in the financial ecosystem, a unique initiative of 'FinTech Repository' was launched on May 28, 2024. The repository aims to capture essential information about FinTech entities and their technology stack. Simultaneously, a related repository for regulated entities (REs) called 'EmTech Repository' was also launched to capture information on their adoption of emerging technologies such as AI, ML, cloud computing, distributed ledger technology (DLT), *etc.* These are secure web-based applications and are managed by the Reserve Bank Innovation Hub (RBIH). The repositories would enable availability of aggregate sectoral level data, trends and analytics that would be useful for both policymakers and participating industry members.

I.32 During 2024-25, total digital payments recorded growth of 34.8 per cent and 17.9 per cent in volume and value terms, respectively. Moreover, the success of Unified Payments Interface (UPI) placed India in a leadership position with a share of 48.5 per cent in global real-time payments by volume[6]. The Reserve Bank continued to chart the course laid down in the Payments Vision 2025 document. Under the 'Inclusion Pillar', 'Delegated Payments' was introduced to deepen the reach and usage of digital payments. This feature enables individuals (primary user) to allow another individual (secondary user) to make UPI transactions up to a limit from the primary user's bank account. Further, to promote accessibility of payment system and foster inclusive growth, all payment system participants were advised to review their payment systems/devices and make necessary modifications to enhance their accessibility to persons with disabilities.

I.33 Regulatory efforts also took centre stage on strengthening fraud reporting mechanisms and encouraging information security preparedness, with an emphasis on cyber resilience. The central payments fraud information registry (CPFIR) reporting was extended to various categories of banks during the year. Moreover, robust governance mechanisms for identification, analysis, monitoring and management of cyber security risks and vulnerabilities were also prescribed for non-bank payment system operators.

I.34 To combat the increasing instances of fraud in digital payments, the Reserve Bank proposed to introduce an exclusive internet domain for the banks in India in the form of 'bank.in' on February 7, 2025. This initiative would help in enhancing trust in digital banking and payment services and aid in streamlining secure financial services. The exclusive internet domains would also help identify cybersecurity threats and malicious activities like phishing and would also considerably reduce instances of financial loss to the general public. Going forward, it is also proposed to have an exclusive domain for other non-bank entities in the Indian financial sector in the form of 'fin.in'.

I.35 In the cross-border payment space, the Reserve Bank joined Project Nexus, a multilateral international initiative to enable instant cross-border retail payments, which aims to connect the fast payment systems (FPS) of four ASEAN countries (*viz.*, Malaysia, Philippines, Singapore and Thailand) and India.

I.36 The Reserve Bank's Financial Inclusion Index (FI-Index)[7], that measures the extent of financial inclusion in the country, improved from 60.1 in March 2023 to 64.2 in March 2024, with growth witnessed across all three sub-indices of access, usage and quality. Improvement in FI Index was mainly contributed by usage sub-index, reflecting deepening of financial inclusion. The Financial Literacy Week (FLW) 2025 was observed during February 24-28, 2025 on the theme of 'Financial Literacy - Women's Prosperity', with a focus on creating financial awareness among women.

I.37 During the year, the Reserve Bank embarked on a systematic approach to improve awareness on issues related to consumer protection. The processes adopted under Reserve Bank - Integrated Ombudsman Scheme was further fine-tuned to enhance its efficiency.

[6] ACI Worldwide, 2024.

[7] Reserve Bank's press release dated July 9, 2024 on 'Financial Inclusion Index for March 2024'.

I.38 The Reserve Bank commemorated the 90th year of its establishment during 2024-25 with year-long events and activities reflecting on the Reserve Bank's legacy of nine decades (RBI@90), while looking ahead towards strategies for the coming decade (RBI@100). The commemoration was launched with an opening ceremony, graced by the Hon'ble Prime Minister of India as the Chief Guest on April 1, 2024 in Mumbai and concluded with a grand event, graced by the Hon'ble President of India as the Chief Guest on April 1, 2025 in Mumbai.

3. Prospects for 2025-26

Global Economy

I.39 The global economic outlook for 2025 and 2026 remains clouded by multiple challenges: the pace of disinflation losing momentum; elevated public debt across several economies; protracted geopolitical tensions; heightened trade tensions; financial market volatility; and climate shocks. The global economy is projected[8] to grow by 2.8 per cent in 2025 and 3.0 per cent in 2026 (3.3 per cent in 2024). The growth in EMDEs is projected at 3.7 per cent in 2025 and is expected to improve marginally to 3.9 per cent in 2026. The growth rate in AEs is projected to decelerate to 1.4 per cent in 2025 from 1.8 per cent in 2024, before marginally improving to 1.5 per cent in 2026.

I.40 Global inflation is expected to moderate from 5.7 per cent in 2024 to 4.3 per cent in 2025 and further to 3.6 per cent in 2026. However, the near-term trajectory of price stability may still face challenges with services inflation remaining stubborn in several parts of the world, enhanced tariffs increasing inflation in the US and possible risks of desynchronisation of monetary policy responses.

I.41 Global merchandise trade volume is projected to contract by 0.2 per cent in 2025[9] under the adjusted scenario based on the tariff situation as of April 14, 2025. However, the signing of a trade deal between the US and the UK on May 8, 2025 and the agreement made by the US and China on May 12, 2025 to avoid retaliation and to engage in future discussions augur well for global trade, going ahead.

I.42 High levels of public debt in major AEs and EMEs are raising concerns around the sustainability of public finances in these economies and run the risk of adding to already heightened financial market volatility. Elevated sovereign debt levels in systemic economies are already leading to spikes in risk premia and yields. Stretched asset valuations, with capital flows chasing yields, could lead to tightening financial conditions, thereby raising financial stability concerns as evidenced by episodic sell-off pressures in global equity markets during 2024. Disorderly adjustments in financial markets of systemic AEs have the potential to spillover to EMDEs amidst persistent geopolitical tensions, geoeconomic fragmentation, emergence of trade tensions and disruptive technological shocks. Climate change, cybersecurity, crypto currency, FinTech, CBDC and tech disruptions through AI/ML also require coordinated policy response at the global level.

8 World Economic Outlook, April 2025, IMF.
9 Global Trade Outlook and Statistics Update, April 2025, WTO.

Domestic Economy

I.43 The outlook for the Indian economy remains promising in 2025-26, supported by revival in consumption demand, government's continued thrust on capex while adhering to the path of fiscal consolidation, healthy balance sheets of banks and corporates, easing financial conditions, continuing resilience of the services sector and strengthening of consumer and business optimism, besides sound macroeconomic fundamentals. However, uncertainty about global trade post-protectionist measures, protracted geopolitical tensions and global financial market volatility pose downside risks to the growth outlook and upside risks to the inflation outlook.

I.44 The prospects for agriculture sector appear favourable in 2025-26 on the back of expected above normal south-west monsoon and several productivity-enhancing government policies. In the Union Budget 2025-26, various new initiatives have been announced for boosting agriculture sector such as Prime Minister *Dhan-Dhaanya Krishi Yojana*[10]; Mission for *Aatmanirbharta* (self-reliance) in pulses; comprehensive programme to promote production, efficient supplies and processing of vegetables and fruits; launch of National Mission on High Yielding Seeds[11]; Mission for Cotton Productivity; and enhancement of credit limit under the modified interest subvention scheme from ₹3 lakh to ₹5 lakh for loans taken through the *kisan* credit card (KCC). Moreover, with rising global demand for organic produce, efforts are being made towards promoting sustainable farming, including a plan to cover one crore farmers under the National Mission on Natural Farming, to enhance the climate resilience of the agriculture sector as well as soil health and biodiversity.

I.45 Manufacturing sector is expected to gain further traction in 2025-26 supported by improvement in domestic demand, higher capacity utilisation, healthy balance sheets of corporates and banks, and consumer and business optimism. The government's focus on widening the manufacturing base and the policy support through the ongoing PLI scheme and National Manufacturing Mission[12] announced in the Union Budget 2025-26 is expected to further strengthen 'Make in India' initiative. The construction sector is also expected to continue its robust performance in 2025-26 aided by increased allocation for *Pradhan Mantri Awas Yojana* (PMAY). Moreover, the announcement of the second Asset Monetisation Plan (2025-30), aimed at unlocking ₹10 lakh crore through asset monetisation, is expected to provide a significant boost to the infrastructure sector. These factors are expected to create new employment opportunities, improve labour income and strengthen domestic demand. The optimism about manufacturing and services sectors is also reflected in the forward-looking

[10] The programme will cover 100 districts with low productivity, moderate crop intensity and below-average credit parameters to: (a) enhance agricultural productivity; (b) adopt crop diversification and sustainable agriculture practices; (c) augment post-harvest storage at the *panchayat* and block level; (d) improve irrigation facilities; and (e) facilitate availability of long-term and short-term credit.

[11] Aimed at: (a) strengthening the research ecosystem; (b) targeted development and propagation of seeds with high yield, pest resistance and climate resilience; and (c) commercial availability of more than 100 seed varieties released since July 2024.

[12] Emphasis on five focal areas, *viz*., (a) ease and cost of doing business; (b) future ready workforce; (c) vibrant and dynamic micro, small and medium enterprise (MSME) sector; (d) availability of technology; and (e) quality products.

surveys conducted by the Reserve Bank. Taking into account these factors, real GDP growth for 2025-26 is projected at 6.5 per cent, with risks evenly balanced.

I.46 To support the country's energy transition, the Union Budget 2025-26 has set the target of 100 gigawatt (GW) of nuclear power capacity by 2047. The emphasis on small modular reactors (SMRs), with their smaller size and lower capital investment requirements, is expected to aid in achieving this target. The Union Budget also advanced power sector reforms by permitting states an additional borrowing limit of 0.5 per cent of gross state domestic product (GSDP) for improving distribution and transmission infrastructure. Additionally, funding for the *Pradhan Mantri Surya Ghar Muft Bijli Yojana* has been significantly increased in the Union Budget, aimed at accelerating the adoption of renewable energy.

I.47 The budgetary provision for the Ministry of Science and Technology has more than doubled in 2025-26 from the previous year. This bodes well for enhancing India's relatively low share of research & development (R&D) expenditure in GDP (0.6 per cent) to catch up with the levels of its peers such as China (2.4 per cent), Korea (4.8 per cent) and Malaysia (1 per cent)[13]. The stepped-up budget for science and technology is likely to enhance India's innovation landscape and R&D programmes, which are positively associated with productivity growth in the long-run. To further strengthen[14] its AI capabilities, the government has planned to facilitate the development of multiple sovereign foundational AI models, including large language models (LLMs) and problem-specific AI solutions.

I.48 Supply management measures by the government contained food inflation, and with the lagged impact of monetary policy tightening working through the system, headline inflation eased by 73 bps to 4.6 per cent in 2024-25. Going forward, easing supply chain pressures, softening global commodity prices, expected higher agricultural production supported by above-normal south-west monsoon and elevated reservoir levels augur well for the inflation outlook in 2025-26. The increasing incidence of climate shocks as seen in recent years, however, warrants careful monitoring of food price outlook. Prolonged geopolitical uncertainties, excessive global financial market volatilities, trade fragmentation and restrictive trade policies pose upward risks to the inflation trajectory. Taking into account these factors, CPI inflation for 2025-26 is projected at 4.0 per cent, with risks evenly balanced.

I.49 With inflation falling below the target in February and March 2025, supported by a sharp fall in food inflation, there is now greater confidence about a durable alignment of headline inflation with the target of 4.0 per cent over a 12-month horizon. The benign inflation outlook and moderate growth warrant monetary policy to be growth supportive, while remaining watchful about the rapidly evolving global macroeconomic conditions. Accordingly, the MPC in its April 2025 meeting unanimously voted to reduce the policy repo rate by 25 bps to 6.0 per cent. Moreover,

[13] World Development Indicators, World Bank.

[14] The Union Budget 2025-26 announced the fourth CoE for AI in education with an outlay of ₹500 crore.

the MPC also decided to change the stance from neutral to accommodative. The Reserve Bank will continue to undertake liquidity management operations in sync with the monetary policy stance to keep system liquidity adequate to meet the productive requirements of the economy. It will deploy an appropriate mix of instruments to modulate frictional as well as durable liquidity, ensuring orderly movement of money market interest rates.

I.50 In 2025-26, markets will closely track the implications of tariff policies of the US and reciprocal measures by others, as an uncertain policy environment may instil volatility in global financial markets. Following a correction in the second half of 2024, Indian equity markets are expected to remain resilient amidst stable macroeconomic conditions and moderation in equity market valuations, although geopolitical uncertainty poses downside risk. Resource mobilisation through primary market is expected to regain momentum as secondary market sentiments stabilise. In the short-run, however, markets may experience volatility reflecting global policy uncertainty. Amidst accentuation of the trend in protectionism worldwide, measures to promote the use of INR (*i.e.,* internationalisation of INR) through increased accessibility and acceptability thereof for cross-border transactions, and use of local currencies for cross-border transactions with trade-partner countries are expected to continue during the year as reflected in memoranda of understanding towards local currency settlement signed with Maldives and Mauritius in November 2024 and March 2025, respectively.

I.51 The impetus to growth-inducing capital spending would be sustained by the central government, with effective capital expenditure budgeted to rise to 4.3 per cent of GDP in 2025-26 from 4.0 per cent in 2024-25 (RE). Moreover, to encourage capital spending by states, the central government's financial assistance scheme for states' capital expenditure has been extended to 2025-26 with an outlay of ₹1.5 lakh crore. The central government adhered to its medium-term objective of bringing the GFD below 4.5 per cent of GDP by 2025-26 by targeting the GFD at 4.4 per cent of GDP in 2025-26 (BE), down from 4.7 per cent in 2024-25 (RE). From 2026-27 onwards, the central government aims to maintain the fiscal deficit on a trajectory that ensures a declining public debt-to-GDP ratio, reaching around 50 per cent by end-March 2031. The fiscal outlook for states remains positive for 2025-26 with their consolidated GFD budgeted at 3.3 per cent of GDP[15]. The gross transfer to states from the centre during 2025-26 is budgeted to increase by 12.5 per cent, driven mainly by tax devolution, centrally sponsored schemes (CSS) and special assistance to states for capital expenditure, providing adequate fiscal headroom to pursue higher capital expenditure.

I.52 India's merchandise exports are expected to be uncertain from a projected slowdown in global trade due to downside risks emanating from ongoing geopolitical conflicts, geoeconomic fragmentation and policy uncertainty. However,

[15] Data pertain to 28 states and 3 union territories which have presented their budget for 2025-26.

the ongoing trade agreement negotiations with several trade partners may facilitate India's greater participation in global trade. The expansion of key export sectors including electronics, pharmaceuticals, engineering goods and agriculture, coupled with innovations in e-commerce and digital trade, would benefit India's export growth[16].

I.53 Robust outlook for India's services trade balance and inward remittance receipts is expected to support CAD to remain well within the sustainable limit during 2025-26. Moreover, the inclusion of Indian sovereign bonds in global bond indices and raising the FDI cap in insurance sector to 100 per cent from 74 per cent earlier, as announced in the Union Budget 2025-26, should continue to bolster foreign investment flows. Additionally, export friendly environment and nurturing of India's comparative advantage, harnessing the potential of regional trade agreements, greater Indian participation in global value chains (GVCs), diversifying India's merchandise trade and services baskets to new frontiers and leveraging international trade in INR would boost India's exports and further strengthen the resilience of India's external sector, going forward.

I.54 Indian banking sector has been resilient, although heightened global uncertainties underscore the importance of proactive risk management. Considering the dynamic nature of the interest rate risk, banks need to address both trading and banking book risks, especially in light of moderation in NIM.

I.55 Despite some moderation, NBFCs remain significantly dependent on banks for funding, underscoring the need for greater diversification of their funding sources. Scale-based regulatory framework is expected to further improve governance and risk management.

I.56 In order to make the financial system more resilient, sound, safe and inclusive, the Reserve Bank would be undertaking several initiatives in areas such as regulation, supervision, FinTech, payment systems, customer protection and financial inclusion. Moreover, the Reserve Bank would leverage on technology towards providing secure, accessible, affordable and an efficient financial sector.

I.57 In the regulatory space, the Reserve Bank would consolidate and streamline regulations to improve business efficiency and simplify compliance. The PRAVAAH[17] portal, which was launched in May 2024, has now been made mandatory *w.e.f.* May 1, 2025 for REs to submit their applications to the Reserve Bank. It will continue to improve the efficiency and effectiveness of the portal.

I.58 The Reserve Bank would continue with the supervisory initiatives aimed at early identification of risks and vulnerabilities, increasing the focus on root cause of vulnerabilities, and harmonising the supervisory rigour across various segments of the financial system. Further, the Reserve Bank would focus on enhancing cyber resilience and capabilities of supervised entities (SEs) by implementing recommendations of the inter-regulatory Working Group on uniformity in baseline cybersecurity guidelines of financial entities.

[16] PIB (2025), 'India's Exports Reach Historic Heights', Ministry of Commerce and Industry, Government of India, February 1.

[17] Platform for Regulatory Application, Validation and Authorisation (PRAVAAH), launched on May 28, 2024, is a unified and secure portal for submission of applications for regulatory approvals, authorisations and licenses from the Reserve Bank.

I.59 The Reserve Bank would further expand the scope and coverage of ongoing pilots in e₹-Retail and e₹-Wholesale by introducing new use cases and features, besides bringing improvements to technological aspects of the account aggregator framework to enhance transparency, customer convenience and efficiency. Moreover, the Reserve Bank is exploring commencement of CBDC pilots on cross-border payments both on bilateral and multilateral basis to overcome key challenges related to turnaround time, efficiency and transparency.

I.60 As Payments Vision 2025 culminates in 2025-26, the Reserve Bank will embark upon drafting a new Payments Vision document, which would aim to build on the growth of payment systems in the last decade and provide further impetus to entities in the payments ecosystem to develop and deploy solutions in this space. A survey on usage of digital payments will be conducted to facilitate evidence-based decision making, which will lay the groundwork for a more inclusive payments ecosystem. Internationalisation of domestic payment systems will also remain a key priority and the Reserve Bank will continue to explore collaboration with other countries on bilateral as well as multilateral level.

I.61 As digital payments continue to rise, the Reserve Bank's commitment to enhancing security, customer protection and fraud prevention will remain key priorities in 2025-26. The Digital Payments Intelligence Platform is being planned, which will leverage advanced technologies to curb payment related frauds.

I.62 The Reserve Bank would continue to focus on ensuring availability of accessible and affordable banking services to all sections of society and strengthening the credit delivery system to cater to the needs of productive sectors of the economy, particularly agriculture, and micro and small enterprises. Towards this end, a technology-based initiative in the form of Unified Lending Interface (ULI) has been operationalised through Reserve Bank Innovation Hub (RBIH) which is aimed at improving access and enhancing efficiency in terms of turnaround time, cost and convenience among the borrowers in the agriculture, dairy and MSME segments. The Reserve Bank issued the revised Master Directions on PSL, which has come into effect from April 1, 2025. Moreover, a review of Financial Inclusion Index (FI-Index) would be undertaken in 2025-26.

I.63 A review of citizens' charter would be undertaken by the Reserve Bank towards further improving the timeliness of regulatory approvals and citizen centric services. Moreover, to enhance quality and speed of grievance resolution under the Reserve Bank - Integrated Ombudsman Scheme, 2021, the Reserve Bank shall be undertaking a review of the Scheme and embarking upon technology driven initiatives, especially the upgradation of the complaint management system. The Reserve Bank will also focus on strengthening the internal grievance redressal processes of the regulated entities for enhanced customer satisfaction.

4. Conclusion

I.64 To sum up, the Indian economy exhibited resilience during 2024-25, supported by strong macroeconomic fundamentals and proactive policy measures, amidst protracted geopolitical tensions and geoeconomic fragmentation. Inflation moderated during the year, moving closer to the target, largely due to easing input cost pressures, proactive supply-side measures and the continued impact of past monetary policy actions. The strength of the financial sector, reflected in improved asset quality and well-capitalised banks, further supported economic activity. Amidst multiple global headwinds, the Indian financial markets demonstrated resilience and orderly movements. The central government sustained its fiscal consolidation efforts, supported by buoyant tax revenues and prudent expenditure management. On the external front, merchandise trade deficit was offset by robust services exports and steady remittance inflows, keeping the CAD at a sustainable level.

I.65 Going forward, global financial market volatility, geopolitical tensions, trade fragmentation, supply chain disruptions and climate-induced uncertainties pose downside risks to the growth outlook and upside risks to the inflation outlook. However, the Indian economy is poised to remain the fastest-growing major economy in 2025-26 by leveraging its sound macroeconomic fundamentals, robust financial sector and commitment towards sustainable growth.

II ECONOMIC REVIEW

The Indian economy exhibited resilience during 2024-25, supported by robust macroeconomic fundamentals and proactive policy measures, amidst persisting geopolitical tensions and geoeconomic fragmentation. Headline inflation moderated, although the pace of disinflation was impeded by elevated and volatile food inflation. Deposit and credit exhibited double digit growth. Fiscal consolidation continued both at the centre and state level. The continued strength of the external sector, as reflected in adequate forex reserves and modest current account deficit, supported macroeconomic and financial stability.

II.1.1 The global economic expansion was steady in 2024 *albeit* uneven, amidst geopolitical tensions, geoeconomic fragmentation and heightened trade tensions. Financial conditions turned less restrictive as major central banks embarked on monetary policy easing. Global GDP grew by 3.3 per cent in 2024 (3.5 per cent a year ago)[1]. Global inflation eased to 5.7 per cent in 2024 from 6.6 per cent a year ago as the effect of monetary tightening took hold along with the easing of supply chain pressures; however, it was still above the pre-pandemic average, with elevated services inflation persisting in some major advanced economies. Pandemic-induced fiscal policy measures and gradual fiscal consolidation continued to exert upward pressure on the global public debt-GDP ratio, which is expected to approach 100 per cent by 2030[2]. Global goods and services trade volume growth recovered to 3.8 per cent in 2024 from 1.0 per cent in 2023[3], supported by strong services trade growth and normalising of supply chains. Global financial markets exhibited bouts of volatility over inflated valuations, uncertain trajectory of monetary policy, disinflation losing pace, rising trade tensions and geopolitical risks. Sovereign bond yields softened in the first half of 2024 to rise again during the second half of the year. The US dollar remained firm through the year, putting downward pressure on other advanced economy (AE) and emerging market economy (EME) currencies.

II.1.2 Against this challenging global economic landscape, the Indian economy remained resilient, supported by robust macroeconomic fundamentals and proactive policy measures. Although real gross domestic product (GDP) growth moderated to 6.5 per cent[4] in 2024-25, India remained the fastest growing large economy. Economic activity was bolstered by an improvement in consumption demand and net exports on the expenditure side and buoyant services sector and recovery in agricultural production on the supply side.

1 World Economic Outlook (WEO), April 2025, International Monetary Fund (IMF).
2 Fiscal Monitor, April 2025, IMF.
3 WEO, April 2025, IMF.
4 Refer to footnote 3 of Chapter I of this Report.

II.1.3 Headline inflation moderated further during 2024-25. While food inflation remained volatile and elevated, core disinflation in both goods and services and deflation in fuel contributed to softening of headline inflation, paving the way for progressive alignment of headline inflation with the target.

II.1.4 Both central and state governments pursued fiscal consolidation during 2024-25. The tax receipts of both central and state governments remained robust. On the capital expenditure front, the central government and states recorded modest growth on a year-on-year basis.

II.1.5 Domestic financial markets broadly evolved in an orderly manner during 2024-25. Money market rates largely remained range-bound, and generally aligned with the policy repo rate even as system liquidity oscillated between surplus and deficit conditions. Issuances of certificates of deposit (CDs) increased as credit growth remained robust, although there was narrowing of the gap between credit and deposit growth. Sovereign bond yields softened steadily in H1:2024-25 on fiscal consolidation, inclusion of Indian government bonds (IGBs) in major global bond indices and decline in crude oil prices. However, they exhibited two-way movements in the latter half of the year and fell sharply after the Reserve Bank initiated the policy easing cycle in the February policy meeting. Equity market registered strong gains in the first half of the year before correcting in H2:2024-25. A modest current account deficit and adequate forex reserves imparted resilience to the external sector even as capital flows exhibited volatility.

II.1.6 Against this backdrop, the rest of the chapter is structured into six sections. An analysis of the real economy is presented in section 2 followed by that of inflation and its drivers in section 3. The developments in monetary aggregates and financial markets are presented in sections 4 and 5, respectively. The evolution of government finances (centre and states) is discussed in section 6, and external sector dynamics are covered in section 7.

II.2 THE REAL ECONOMY

II.2.1 The Indian economy exhibited resilience in 2024-25, supported by robust macroeconomic fundamentals and proactive policy measures. Economic activity recovered in H2:2024-25 from the trough in Q2:2024-25, supported by buoyant rural demand, recovery in government expenditure, improved agriculture sector and resilient services sector activity. The financial system remains sound and well-capitalised, underpinned by the healthy balance sheets of financial institutions and corporates.

II.2.2 An assessment of aggregate demand and its major components is etched out in sub-section 2. The developments in aggregate supply conditions in terms of the performance of agriculture, industry and services are presented in sub-section 3. Employment and labour market dynamics are discussed in sub-section 4, with concluding observations in sub-section 5.

2. Aggregate Demand

II.2.3 Aggregate demand – measured by GDP at constant prices – is estimated to have grown by 6.5 per cent in 2024-25, as compared with 9.2 per cent a year ago (Table II.2.1 and Appendix Table 1). While growth in consumption expenditure and export demand accelerated during the year, that in fixed investment recorded a moderation (Appendix Table 2). In terms of

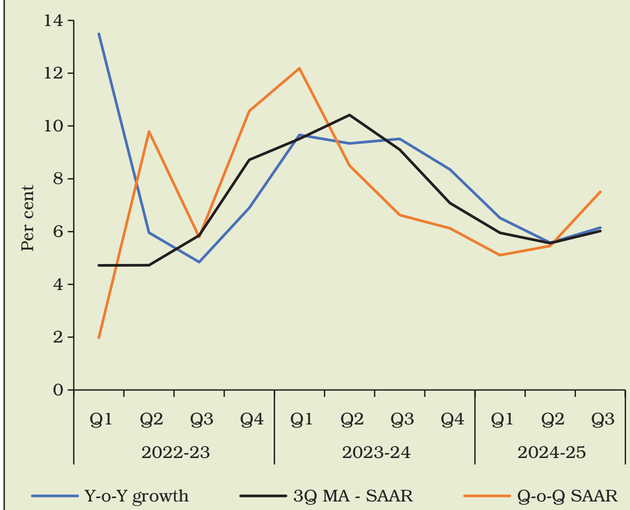
Table II.2.1: Real GDP Growth

(Per cent)

Component	2020-21	2021-22	2022-23	2023-24	2024-25
1	2	3	4	5	6
I. Total Consumption Expenditure	**-4.6**	**9.8**	**7.0**	**5.9**	**7.1**
Private	-5.3	11.7	7.5	5.6	7.6
Government	-0.8	0.0	4.3	8.1	3.8
II. Gross Capital Formation	**-10.6**	**25.4**	**3.5**	**7.3**	**5.8**
Gross Fixed Capital Formation	-7.1	17.5	8.4	8.8	6.1
Change in Stocks	-76.4	525.4	24.3	53.4	4.3
Valuables	29.9	32.5	-16.9	14.4	1.0
III. Net Exports					
Exports	-7.0	29.6	10.3	2.2	7.1
Imports	-12.6	22.1	8.9	13.8	-1.1
IV. GDP	**-5.8**	**9.7**	**7.6**	**9.2**	**6.5**

Source: NSO.

Chart II.2.1: Real GDP Growth - Quarterly



Y-o-Y: Year-on-Year. Q-o-Q: Quarter-on-Quarter. MA: Moving Average.
SAAR: Seasonally Adjusted Annualised Rate.
Source: NSO and RBI staff estimates.

quarterly trajectory, real GDP rose (y-o-y) by 6.5 per cent in Q1:2024-25; growth softened to 5.6 per cent in Q2, *inter alia*, on excess rainfall which dampened mining output and electricity demand and restrained government expenditure[5]. The economy, however, picked up momentum in Q3 to grow by 6.2 per cent (Chart II.2.1).

Consumption

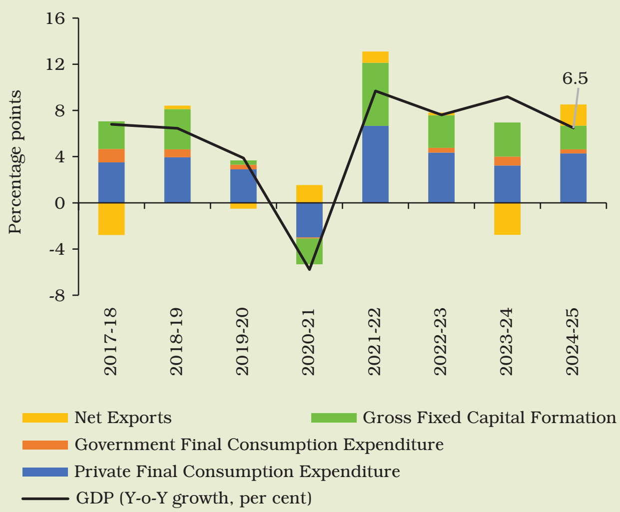
II.2.4 Growth in private final consumption expenditure (PFCE) – the main component of aggregate demand – improved to 7.6 per cent in 2024-25, buoyed by rural consumption demand even though urban demand exhibited some moderation. The share of PFCE in real GDP increased to 56.7 per cent in 2024-25. Good agricultural performance boosted rural demand as seen from its proximate indicators, *viz.,* sales of two-wheelers, motorcycles and tractors, and volume growth of fast-moving consumer goods (FMCG) companies in rural areas. Urban demand, after remaining the driver of post-pandemic consumption, lost pace as reflected in indicators such as consumer non-durables, retail passenger vehicle sales and FMCG volumes in urban areas. Government final consumption expenditure (GFCE) grew at a modest 3.8 per cent in 2024-25, following a robust expansion of 8.1 per cent during 2023-24. With exports growth outpacing that of imports, net exports contributed positively to GDP growth (Chart II.2.2).

Investment and Saving

II.2.5 The rate of gross domestic investment in the Indian economy, measured by the ratio of gross capital formation (GCF) to GDP at current prices, declined to 31.4 per cent in 2023-24 from

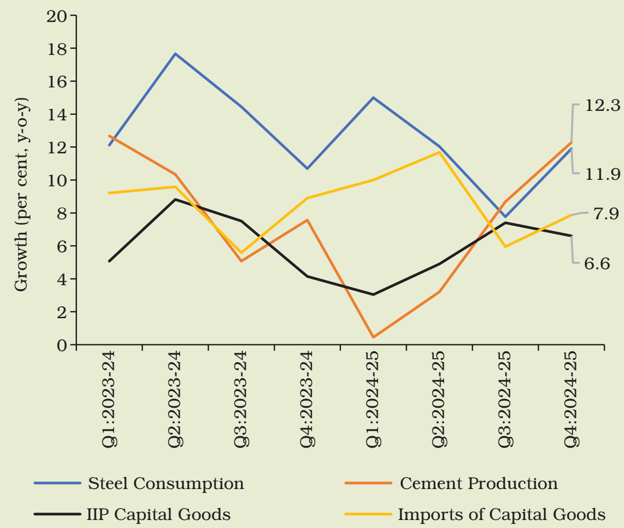
[5] In H1:2024-25, the central government's revenue expenditure grew by 4.2 per cent, with capital expenditure contracting by 15.4 per cent. For state governments (22 states), while revenue expenditure increased by 10.2 per cent, capital expenditure contracted by 6.9 per cent.

Chart II.2.2: Weighted Contribution to GDP Growth



Note: Component-wise contributions do not add up to the growth rate as change in stocks, valuables and statistical discrepancies are not included.
Source: NSO.

Chart II.2.3: Indicators of Investment Demand



Source: Joint Plant Committee, Office of Economic Adviser, NSO and Directorate General of Commercial Intelligence and Statistics (DGCI&S).

32.6 per cent in the preceding year, wholly due to a reduction in net capital inflow from the rest of the world (ROW), which fell to 0.7 per cent of GDP in 2023-24 from 2.0 per cent in the previous year. Available information for 2024-25 indicates an easing in growth of constituents of GCF. Growth in gross fixed capital formation (GFCF) – a primary component of GCF – moderated to 6.1 per cent in 2024-25 from 8.8 per cent in the previous year. It may be noted that government capital outlay (Centre and states[6] combined) declined by 2.7 per cent (y-o-y) during 2024-25 (up to February 2025) as compared with a growth of 31.2 per cent in the corresponding period of 2023-24. The softening in GFCF was mirrored in its key coincident indicators, including steel consumption, cement production, and production and imports of capital goods (Chart II.2.3). Seasonally adjusted capacity utilisation (CU) of the manufacturing sector at 75.3 per cent in Q3:2024-25 was higher than the preceding quarter and its level in the corresponding quarter a year ago[7]. As per the results of the Reserve Bank's 109th industrial outlook survey (IOS), manufacturing firms reported an improvement in demand conditions in Q4:2024-25.

II.2.6 Gross domestic saving as per cent to gross national disposable income (GNDI) remained steady at 30.3 per cent in 2023-24 primarily due to a decline in general government's dissaving. Further, as against the increase in household liabilities to 6.1 per cent of GNDI, the gross financial saving of households increased to 11.2 per cent of GNDI in 2023-24 from 10.7 per cent in the previous year. Resultantly, household financial saving (net) improved to 5.1 per cent of GNDI in 2023-24 from 4.9 per cent in the previous year (Table II.2.2 and Appendix Table 3).

6 Data pertain to 20 states.
7 Based on order books, inventories and capacity utilisation survey (OBICUS) of the Reserve Bank.

Table II.2.2: Financial Saving of Household Sector

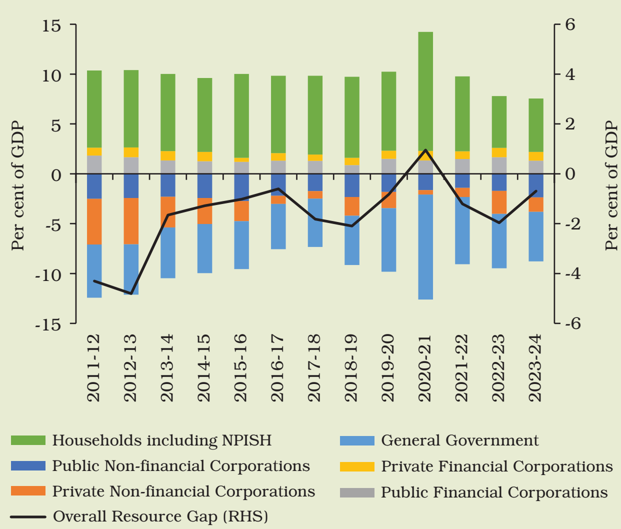
(Per cent of GNDI)

Item	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
1	2	3	4	5	6	7	8	9	10	11
A. Gross Financial Saving	**9.9**	**10.7**	**10.4**	**11.9**	**11.8**	**11.4**	**15.2**	**10.9**	**10.7**	**11.2**
of which:										
1. Currency	1.0	1.4	-2.1	2.8	1.4	1.4	1.9	1.1	0.9	0.4
2. Deposits	4.8	4.6	6.3	3.0	4.2	4.3	6.2	3.5	4.1	4.5
3. Shares and Debentures	0.2	0.2	1.1	1.0	0.9	0.5	0.5	0.9	0.8	0.9
4. Claims on Government	0.0	0.5	0.7	0.9	1.1	1.3	1.3	1.1	0.8	1.1
5. Insurance Funds	2.4	1.9	2.3	2.0	2.0	1.7	2.8	2.0	2.0	1.9
6. Provident and Pension Funds	1.5	2.1	2.1	2.1	2.1	2.2	2.5	2.3	2.3	2.4
B. Financial Liabilities	**3.0**	**2.7**	**3.0**	**4.3**	**4.0**	**3.8**	**3.7**	**3.8**	**5.8**	**6.1**
C. Net Financial Saving (A-B)	**6.9**	**7.9**	**7.3**	**7.5**	**7.8**	**7.6**	**11.6**	**7.2**	**4.9**	**5.1**

GNDI: Gross National Disposable Income.
Note: Figures may not add up to total due to rounding off of numbers.
Source: NSO and RBI staff estimates.

II.2.7 The saving-investment gap narrowed during 2023-24, reflecting a reduced drawdown by the general government, weaker investment demand from households and non-financial corporations, and moderation in savings by financial corporations (Chart II.2.4).

Chart II.2.4: Sectoral Resource Gap



NPISH: Non-profit Institutions Serving Households.
Source: NSO and RBI staff estimates.

3. Aggregate Supply

II.2.8 Aggregate supply – measured by real gross value added (GVA) at basic prices – expanded by 6.4 per cent in 2024-25 as compared with 8.6 per cent a year ago. While industrial activity slowed partly due to an unfavourable base and services sector growth moderated, an improvement in agriculture helped sustain the momentum (Table II.2.3 and Chart II.2.5).

Agriculture and Allied Activities

II.2.9 Agriculture and allied sectors recovered during 2024-25, supported by an above normal south-west monsoon (SWM). The overall SWM rainfall in 2024 (June-September) was 108 per cent[8] of the long-period average (LPA) at the all-India level as against a deficit of six per cent in 2023 (Chart II.2.6a). Its onset over Kerala on May 30 was ahead of the usual date of June 1, and it progressed well to cover the entire country

[8] As per the India Meteorological Department (IMD), normal rainfall range is 96-104 per cent of LPA.

Table II.2.3: Real GVA Growth

(Per cent)

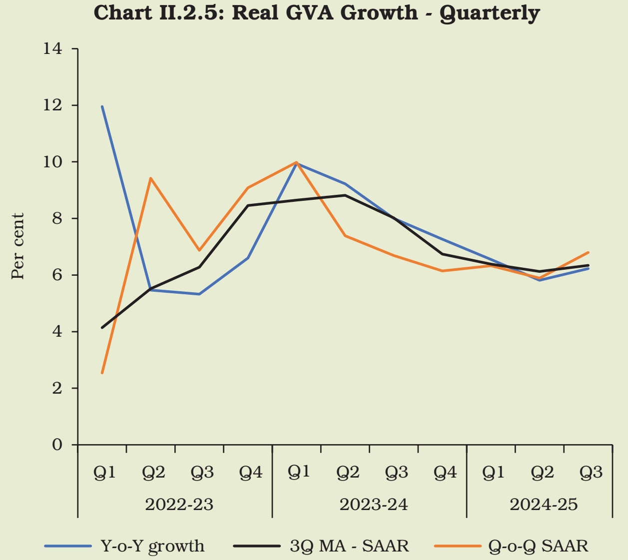
Sector	2020-21	2021-22	2022-23	2023-24	2024-25
1	2	3	4	5	6
I. Agriculture, Forestry and Fishing	**4.0**	**4.6**	**6.3**	**2.7**	**4.6**
II. Industry	**1.1**	**9.6**	**0.0**	**11.0**	**4.3**
II.1 Mining and Quarrying	-8.2	6.3	3.4	3.2	2.8
II.2 Manufacturing	3.1	10.0	-1.7	12.3	4.3
II.3 Electricity, Gas, Water Supply and Other Utility Services	-4.2	10.3	10.8	8.6	6.0
III. Services	**-7.9**	**10.6**	**10.2**	**9.2**	**7.5**
III.1 Construction	-4.6	19.9	9.1	10.4	8.6
III.2 Trade, Hotels, Transport, Communication and Services Related to Broadcasting	-19.9	15.2	12.3	7.5	6.4
III.3 Financial, Real Estate and Professional Services	1.9	5.7	10.8	10.3	7.2
III.4 Public Administration, Defence and Other Services	-7.6	7.5	6.7	8.8	8.8
IV. GVA at Basic Prices	**-4.1**	**9.4**	**7.2**	**8.6**	**6.4**

Source: NSO and RBI staff estimates.

on July 2, six days ahead of the normal date. The SWM rainfall over the monsoon core zone, which consists of most of the rainfed agriculture regions in the country, stood at 122 per cent of LPA.

II.2.10 Above-normal SWM helped replenish reservoir levels to 88 per cent of the capacity by the end of the SWM season from a five-year low of 20 per cent in June 2024 (Chart II.2.6b).

Chart II.2.5: Real GVA Growth - Quarterly

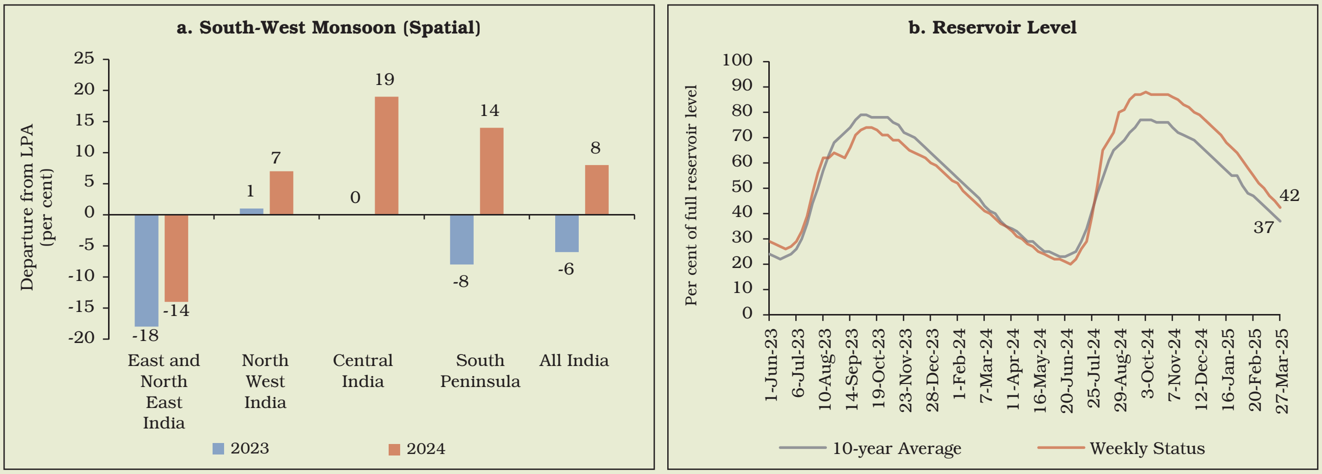


SAAR - Seasonally Adjusted Annualised Rate. MA: Moving Average.
Source: NSO and RBI staff estimates.

II.2.11 Satisfactory progress of SWM and comfortable reservoir levels aided the expansion of the area under foodgrains and oilseeds (*kharif* and *rabi*) by 2.7 per cent during the year. Accordingly, the second advance estimates (SAE) of agricultural crops placed foodgrains production during 2024-25 (*kharif* and *rabi*) at 3,309.2 lakh tonne, 4.8 per cent higher than the final estimates of 2023-24 (Table II.2.4). The year was marked with the record production of rice, wheat, maize, groundnut and soybean. According to the first advance estimates (FAE), the output of horticultural crops during 2024-25 was placed at 3,620.9 lakh tonne, 2.1 per cent higher than the final estimates (FE) of 2023-24, driven by higher production of onion and potato.

II.2.12 The government announced an increase in minimum support prices (MSP) for major

Chart II.2.6: Rainfall and Reservoir Levels



Source: India Meteorological Department (IMD) and Central Water Commission (CWC), GoI.

kharif and *rabi* crops for 2024-25 in a range of 1.4 to 12.7 per cent, ensuring a return of at least 50 per cent over the cost of production[9]. Wheat and paddy MSPs provide 105 per cent and 50 per cent returns over the cost of production, respectively. The Union Budget 2025-26 has focused on areas such as enhancing productivity and sustainability in agriculture and improving agricultural infrastructure.

II.2.13 The overall public stock of foodgrains held by the Food Corporation of India (FCI) stood at 749 lakh tonne (as at end-March 2025), with

Table II.2.4: Agricultural Crop Production 2024-25*

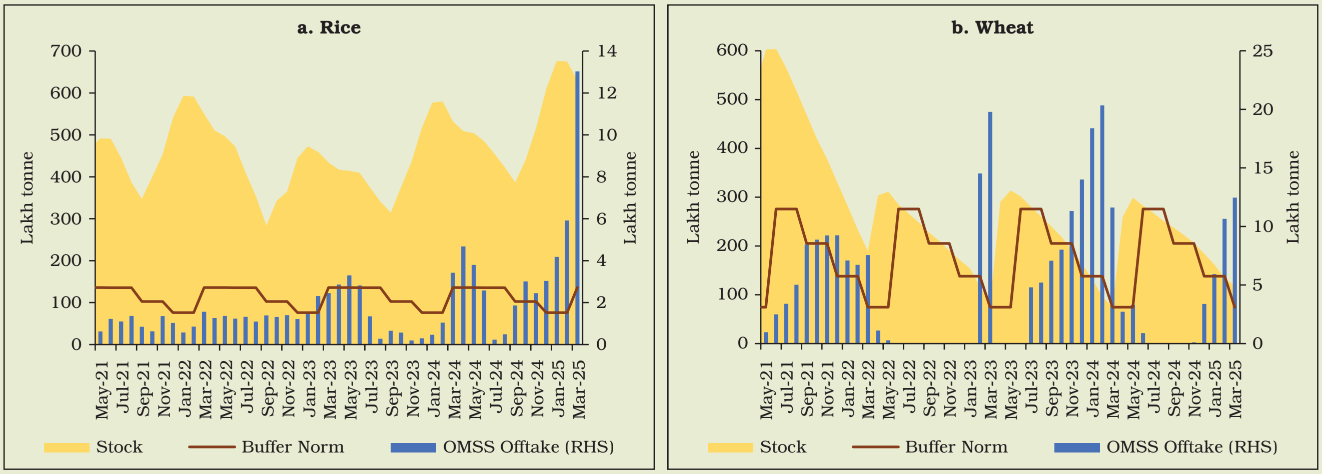
(Lakh tonne)

Crop	2023-24 Final Estimates (FE)	2024-25 Second Advance Estimates (SAE)	2024-25 (SAE) Variation over 2023-24 Final Estimates (per cent)
1	2	3	4
1. Foodgrains	3,157.7	3,309.2	4.8
Rice	1,278.6	1,364.4	6.7
Wheat	1,132.9	1,154.3	1.9
Nutri/Coarse Cereals	524.5	560.3	6.8
Pulses	221.7	230.2	3.8
Tur	34.2	35.1	2.8
Gram	110.4	115.4	4.5
Urad	20.9	18.0	-14.0
Moong	12.6	16.1	28.0
2. Oilseeds	384.4	416.7	8.4
3. Cotton#	325.2	294.3	-9.5
4. Jute and Mesta##	96.9	86.2	-11.0
5. Sugarcane	4,531.6	4,350.8	-4.0

*: *Kharif* and *Rabi* crops (excluding summer crops). #: Lakh bales of 170 kg each. ##: Lakh bales of 180 kg each.
Source: Ministry of Agriculture and Farmers Welfare, GoI.

[9] Actual paid out cost *plus* imputed value of family labour (A2+FL).

Chart II.2.7: Monthly Position of Stock, Offtake and Buffer Norm



Source: Food Corporation of India, Ministry of Consumer Affairs, Food and Public Distribution, GoI.

rice stock of 631 lakh tonne (4.6 times the buffer requirement) and wheat stock at 118 lakh tonne (1.6 times the buffer requirement) [Chart II.2.7]. The government relaxed the export restrictions on rice on improved supply conditions while it undertook offloading of wheat under open market sales scheme (OMSS) to moderate wheat prices for consumers.

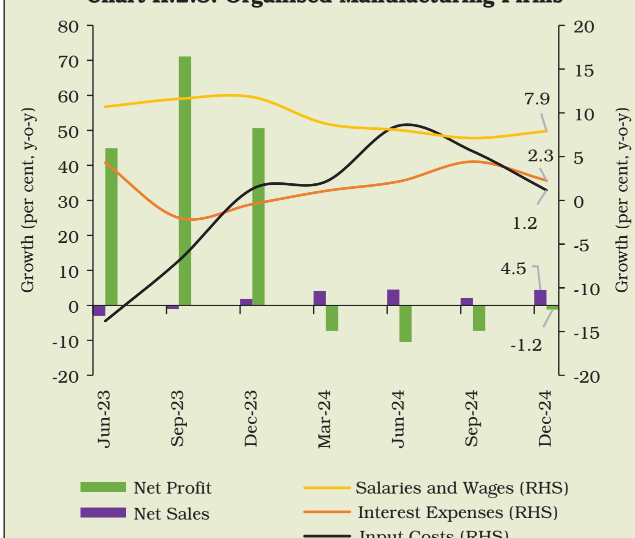
Industrial Sector

II.2.14 Industrial sector GVA growth eased to 4.3 per cent in 2024-25 from 11.0 per cent in the preceding year (Table II.2.3). Manufacturing sector, which accounts for 80 per cent of the industrial sector also moderated to 4.3 per cent in 2024-25 over a high base of 12.3 per cent in 2023-24. This was mirrored in a slowdown of profitability in the corporate manufacturing sector (Chart II.2.8).

II.2.15 Industrial output, as measured by the index of industrial production (IIP), moderated during 2024-25 (Chart II.2.9a). Within the manufacturing sector, 17 of 23 industry groups recorded expansion (y-o-y). As per the use-based classification, all categories of industries except consumer non-durables recorded growth (Chart II.2.9b).

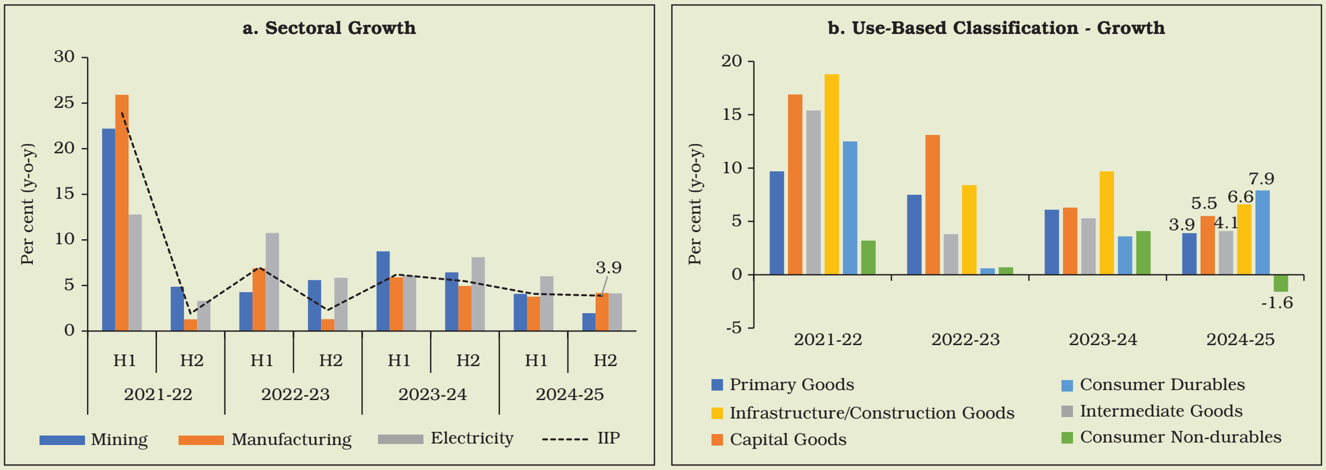
II.2.16 The production linked incentive (PLI) scheme is helping to steer growth across several key manufacturing industries and placing the country as a part of the global value chain through production and exports. By end-

Chart II.2.8: Organised Manufacturing Firms



Note: Total sample size is 1,758.
Source: CMIE Industry Outlook.

Chart II.2.9: Index of Industrial Production



Source: MoSPI, GoI.

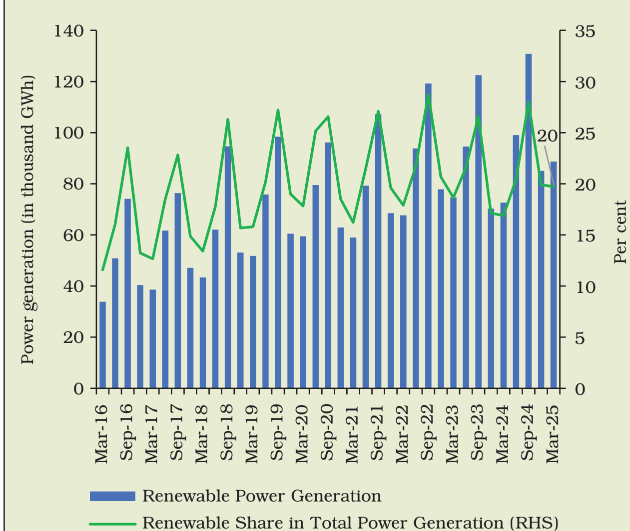
November 2024, actual investments of around ₹1.61 lakh crore have been realised, resulting in production and sales of around ₹14 lakh crore, over 11.5 lakh jobs (direct and indirect) and more than ₹5.3 lakh crore of exports in key sectors such as electronics, pharmaceuticals, and food processing[10]. The government has launched the second edition of the PLI scheme for specialty steel in January 2025[11].

II.2.17 Renewable energy (including large hydro), which accounts for around 20.0 per cent of the total power generation, recorded a healthy growth of 12.2 per cent (y-o-y) during 2024-25 as compared to a contraction of 1.6 per cent in the previous year (Chart II.2.10). As at end-March 2025, India's renewable energy capacity stood at 220.1 gigawatts (GW) [46.3 per cent of the total installed capacity].

Services Sector

II.2.18 Growth in the services sector softened in H1:2024-25 due to a broad-based moderation across its constituents. Proximate indicators of the services sector, such as GST E-way bills,

Chart II.2.10: Renewable Power Generation



GWh: Gigawatt hour.
Source: Central Electricity Authority.

[10] 'PLI scheme incentivises domestic manufacturing, increases production, creates new jobs and boosts exports', Press Information Bureau (PIB), March 22, 2025.

[11] 'PLI Scheme 1.1 Launched by Union Steel and Heavy Industries Minister', PIB, January 6, 2025.

commercial vehicle sales, aviation cargo and passenger traffic have remained firm in H2 (Table II.2.5).

II.2.19 India's construction sector exhibited a mixed picture as steel consumption slowed while cement production recovered during H2. Housing

Table II.2.5: High Frequency Indicators - Growth Rate

(Per cent, y-o-y)

	2023-24				2024-25			
Indicators	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	2	3	4	5	6	7	8	9
Industry								
Index of Industrial Production	4.8	7.8	6.1	5.1	5.5	2.7	4.4	3.6
Eight Core Industries	6.0	10.5	8.4	5.8	6.3	2.4	5.4	4.4
Electricity Demand (Energy Met)	0.7	11.7	25.4	7.9	11.6	1.1	6.4	-27.5
Production of Passenger Vehicles	6.7	7.3	5.0	9.4	6.2	-0.5	7.4	6.4
Production of Two Wheelers	1.3	-1.5	19.0	26.4	19.6	12.5	8.4	5.8
Production of Three Wheelers	24.3	19.8	14.0	9.0	9.2	6.3	9.4	9.5
Urban Demand								
Domestic Air Passenger Traffic	19.1	23.0	9.1	5.2	5.6	7.2	11.4	12.0
Passenger Vehicle Sales	9.6	5.8	8.6	10.8	3.5	-1.3	5.1	3.6
Agriculture / Rural Demand								
Domestic Sales of Tractors	-1.9	-5.8	-4.9	-22.9	0.5	0.7	13.5	23.4
Two-Wheeler Sales	11.2	-1.6	22.6	24.9	20.4	12.6	3.0	1.4
Three-Wheeler Sales	89.6	62.6	36.0	7.8	13.7	6.7	0.2	8.0
MGNREGA: Work Demand (Persons)	-0.9	14.7	-0.2	-8.9	-14.1	-18.0	0.5	5.4
Transport								
Commercial Vehicle Sales	-3.5	6.8	3.7	-3.6	3.5	-10.9	1.3	1.6
Vahan Total Registration	6.0	13.8	10.7	11.0	10.1	3.0	11.7	0.5
Two-Wheeler Retail Sales	3.2	12.2	10.8	11.4	12.7	4.7	12.4	-1.3
Three-Wheeler Retail Sales	76.3	68.0	40.2	26.8	11.4	4.9	4.0	-0.3
Passenger Vehicles Retail Sales	5.0	12.5	9.0	8.9	3.6	-5.1	5.9	4.5
Tractor Retail Sales	19.2	9.4	-5.9	9.2	-12.4	-5.1	20.1	-4.5
Commercial Vehicle Retail Sales	7.0	6.7	6.4	1.6	1.0	-3.8	-1.4	0.8
Toll Collection - Volume	15.3	13.3	12.8	10.9	5.6	7.6	9.8	15.1
Toll Collection - Value	22.4	20.5	19.0	17.3	9.5	10.3	12.7	17.2
Petrol Consumption	6.8	5.7	4.7	8.4	7.1	7.3	9.7	5.8
ATF Consumption	13.4	13.1	11.0	10.0	11.4	9.4	8.8	6.5
Diesel Consumption	8.0	4.3	1.0	4.1	1.6	0.1	4.8	1.2
International Air Passenger Traffic	35.0	21.6	18.5	17.0	15.9	10.3	10.0	8.6
Domestic Air Cargo	-4.7	-1.0	8.5	10.0	7.1	7.6	4.6	3.1
International Air Cargo	0.1	3.7	10.7	25.0	18.4	21.9	15.0	1.3
Freight Traffic: Freight Originating[#]	1.1	4.8	6.4	8.4	5.0	-0.4	1.4	-
Port Cargo	1.9	2.9	10.2	3.6	3.9	6.1	-1.7	8.3
Domestic Trade								
GST E-Way Bill	15.8	15.0	17.1	16.3	16.0	16.8	16.9	19.4
GST E-Way Bill Intra-State	19.3	18.4	22.1	18.2	17.5	17.0	13.8	19.5
GST E-Way Bill Inter-State	10.0	9.3	8.6	13.1	13.2	16.5	23.0	19.1
GST Revenue	11.6	10.6	12.9	11.5	10.1	8.9	8.3	10.4

Table II.2.5: High Frequency Indicators - Growth Rate *(Concld.)*

(Per cent, y-o-y)

	2023-24				2024-25			
Indicators	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	2	3	4	5	6	7	8	9
External Trade								
Merchandise Exports	-14.1	-3.2	1.0	4.9	5.9	-3.4	3.0	-4.4
Merchandise Imports	-12.8	-9.9	0.0	2.7	7.6	9.7	6.5	1.2
Services Exports	5.9	4.2	5.2	4.1	9.8	12.2	17.9	-25.7
Services Imports	0.9	-4.7	-4.3	-0.2	7.2	12.7	22.2	-33.1
Import of Capital Goods	9.2	9.6	5.6	8.9	10.0	11.7	6.0	7.9
Construction								
Steel Consumption	12.1	17.7	14.7	10.6	15.0	12.0	7.8	11.9
Cement Production	12.7	10.3	5.0	7.5	0.5	3.2	8.7	12.4
Tourism and Hospitality								
Hotel Occupancy Rate	-2.6	-2.1	0.2	2.4	-2.4	2.1	1.8	1.2
Foreign Tourist Arrivals*	36.2	21.3	17.2	8.1	2.4	-1.7	-3.0	-4.5
PMI								
Manufacturing PMI	57.9	57.9	55.5	57.5	58.2	57.4	56.8	57.4
Manufacturing Future Outlook	63.0	65.1	63.5	65.4	65.2	62.6	63.4	64.8
Services PMI	60.6	61.1	58.7	61.2	60.5	59.6	58.7	58.0
Services Future Outlook	60.2	63.5	62.9	62.3	63.2	62.2	63.8	62.2
Composite PMI	60.9	61.3	58.1	61.2	61.0	59.9	59.0	58.7
Composite Future Outlook	61.0	64.0	62.5	63.2	63.8	62.3	63.6	63.1

← Contraction   Expansion →

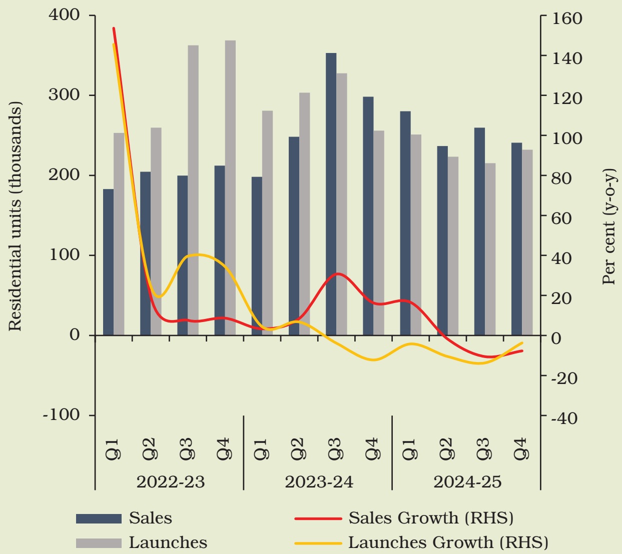
*: Data for Q4:2024-25 are up to February 2025. ATF: Aviation Turbine Fuel. PMI: Purchasing Managers' Index.
#: Data for Q3:2024-25 pertain to October-November. -: Not available.
Note: All PMI values are reported in index form (>50: Expansion; <50: Contraction; and =50: No change).
Source: Society of Indian Automobile Manufacturers (SIAM); Federation of Automobile Dealers Associations (FADA); Ministry of Statistics and Program Implementation (MoSPI), GoI; Office of Economic Adviser, GoI; S&P Global; Ministry of Petroleum and Natural Gas, GoI; Tractor and Mechanisation Association; *Vahan* Registration Portal; Airports Authority of India; Ministry of Railways, GoI; Indian Ports Association; Goods and Services Tax Network (GSTN); Joint Plant Committee; HVS Anarock; Ministry of Tourism, GoI; Ministry of Commerce and Industry, GoI; Ministry of Rural Development, GoI; and RBI.

sales, after registering an uptick in 2023-24, slowed in 2024-25 with growth turning negative in the last three quarters. Launches continued to decline for the sixth quarter on a y-o-y basis (Chart II.2.11).

II.2.20 The services sector composite index (SSCI)[12], which monitors activity in construction, trade, transport, and financial services, and serves as a coincident indicator of GVA growth in the services sector [excluding public

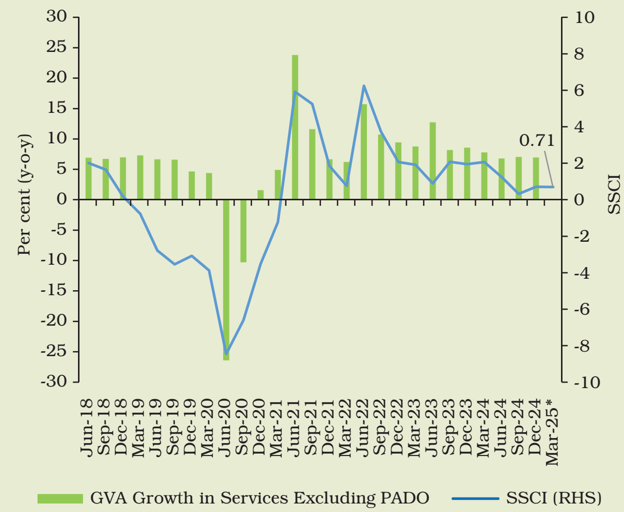
[12] SSCI is constructed by extracting and combining high-frequency data from key indicators across three major sub-sectors of the services sector, *viz.,* construction; trade, hotels, transport, communication and services related to broadcasting; and financial, real estate and professional services. These indicators are combined using a dynamic factor model to generate the final index.

Chart II.2.11: Residential Housing Sector



Source: PropTiger.

Chart II.2.12: Growth in Services Sector (Excluding PADO) and SSCI



*: SSCI for March 2025 quarter is based on partial data available.
Source: NSO and RBI staff estimates.

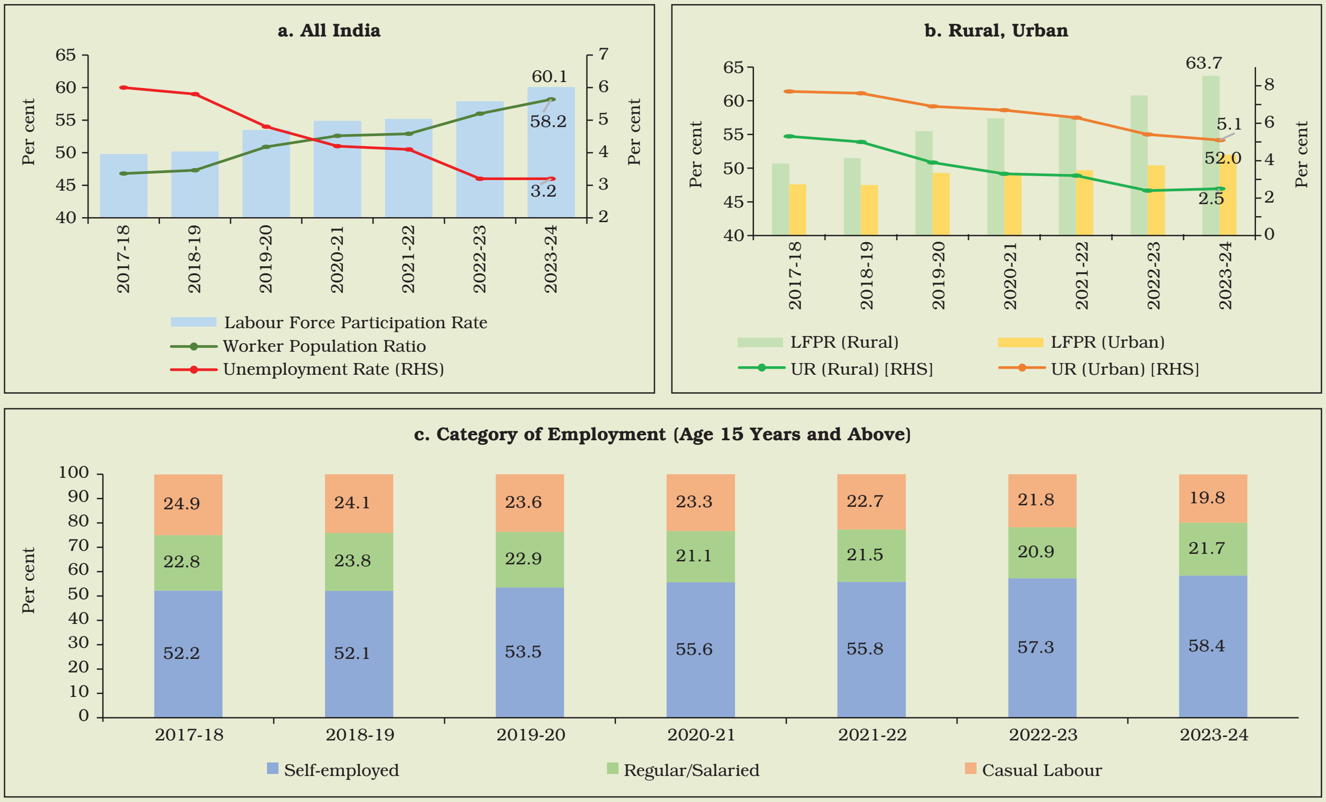
administration, defence, and other services (PADO)], rebounded in Q3:2024-25 after observing a sequential decline in the previous two quarters. The recovery in Q3 was on account of a turnaround in trade and construction sector indicators. SSCI remained robust in Q4:2024-25 (Chart II.2.12).

4. Employment

II.2.21 According to the latest periodic labour force survey (PLFS) report, the labour force participation rate (LFPR) and worker population ratio (WPR) increased during 2023-24 (July-June), marking their highest levels since its inception. The unemployment rate (UR) remained unchanged in 2023-24 from the previous year (Chart II.2.13a). The overall LFPR increased in both rural and urban areas in 2023-24, driven by a rise in the female LFPR (Chart II.2.13b). Similar patterns were witnessed in the case of WPR. The unemployment rate declined in urban regions, while it increased marginally in rural regions. The proportion of self-employed in the workforce has been increasing consistently since 2018-19 while the share of casual labourers is on the decline. The share of regular wage/salaried employees improved to 21.7 per cent in 2023-24 from 20.9 per cent in 2022-23, although it was lower than 23.8 per cent recorded in 2018-19 (Chart II.2.13c).

II.2.22 As per the quarterly PLFS covering urban areas, the LFPR and the worker population ratio for persons aged 15 years and above remained steady during Q3:2024-25, with unemployment rate hovering at the lowest of the series (Chart II.2.14). The employment in the organised sector, as measured by payroll data, also remained robust in 2024-25 (Chart II.2.15). The average net subscribers added to employees' provident fund organisation (EPFO) per month stood at 10.8 lakh during 2024-25, reflecting continued strength in formal sector employment opportunities.

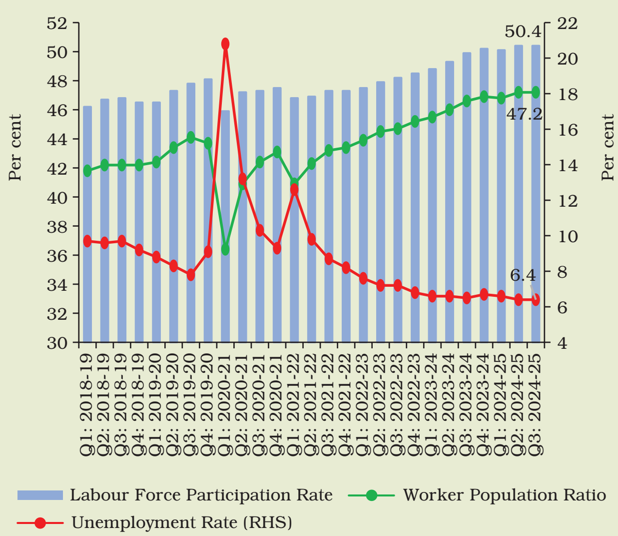
Chart II.2.13: Labour Market Indicators – Annual PLFS



Source: MoSPI, GoI.

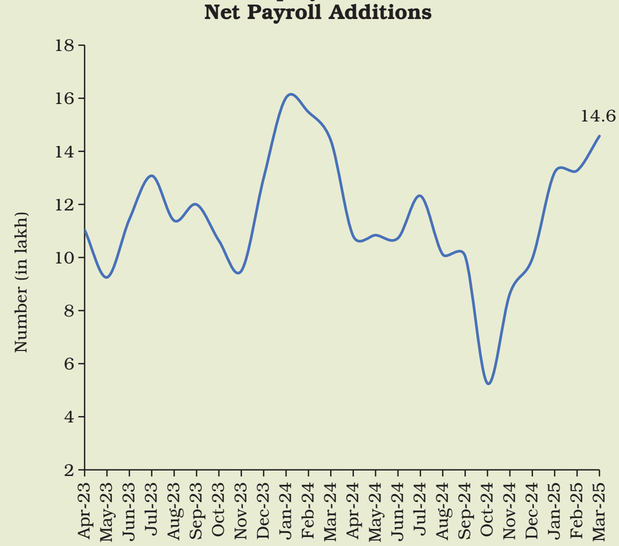
II.2.23 The employment index in the purchasing managers' index (PMI) remained above the 'no change' level of 50 for the manufacturing and services sector throughout 2024-25 (Chart II.2.16a). The *Naukri* index, which provides information on job listings, showed an

Chart II.2.14: Quarterly Labour Market Indicators – Urban Areas



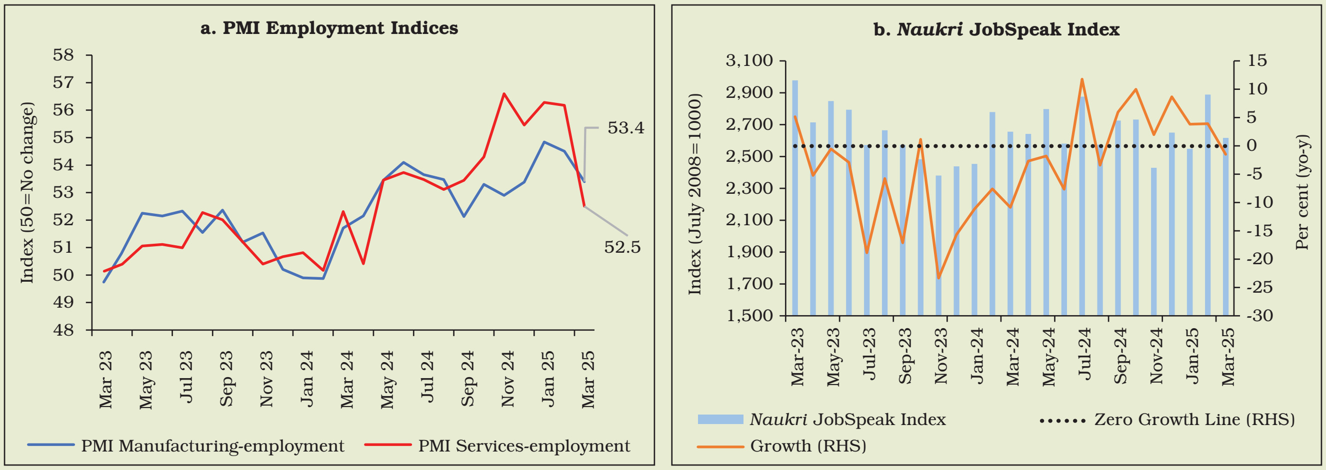
Source: MoSPI, GoI.

Chart II.2.15: Employees' Provident Fund - Net Payroll Additions



Source: Ministry of Labour and Employment, GoI.

Chart II.2.16: PMI Employment Indices and *Naukri* Index



Source: IHS Markit, Infoedge.

uptick in white-collar hiring in 2024-25 (Chart II.2.16b).

II.2.24 Research and development (R&D) expenditure fosters innovation and technological progress and is associated with improved firm and overall productivity. In India, the ratio of R&D expenditure in GDP rose marginally from 0.61 per cent to 0.64 per cent[13] between 1995-96 and 2020-21. India's share in global R&D expenditure rose from 2.1 per cent in 2000 to 2.6 per cent in 2023 (World Intellectual Property Organisation, 2024) [Box II.2.1].

Box II.2.1
R&D Expenditure as a Driver of India's Productivity Growth

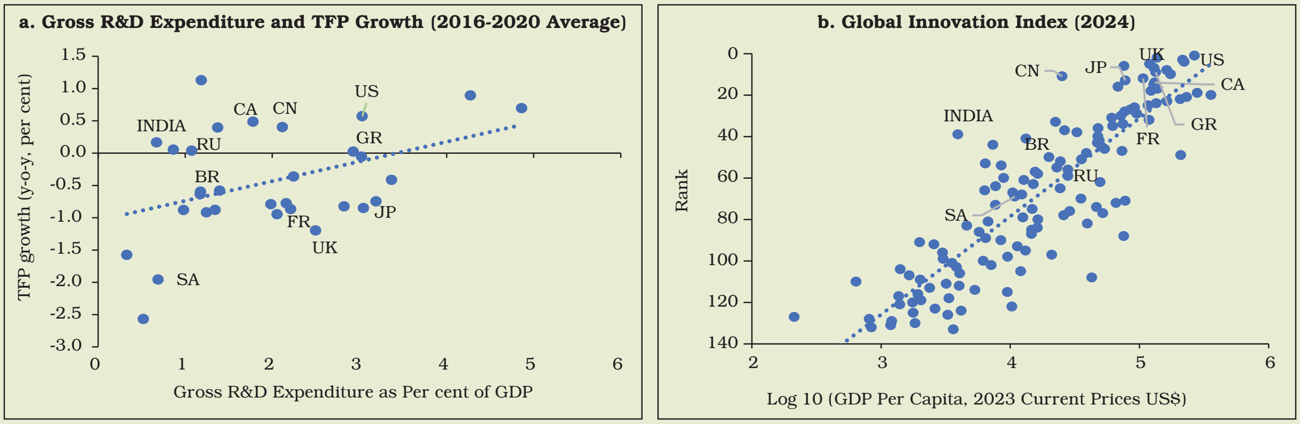
Impact of R&D investment on total factor productivity (TFP) is well established through specific sectors and firm size, with large firms and high-tech industries gaining more (Griliches,1998). Recent country-specific studies (Mamatzakis *et al.,* 2023; Ali and Akhtar, 2024) as well as panel studies on emerging market economies (EMEs) [Herzer, 2022] also corroborate the positive impact of R&D investment on TFP. The available literature suggests that the effect is more pronounced for advanced economies owing to their higher absorptive capacity and supportive institutional frameworks (OECD, 2015); foreign R&D spillovers *via* imports or foreign direct investment (FDI) which often outweigh the impact of domestic R&D (Krammer, 2015). The effect of domestic R&D on TFP growth followed an inverted-U pattern, suggesting that middle-income countries benefit the most from domestic R&D as compared to low-and high-income countries (Goñi and Maloney, 2014). In case of India, productivity gains of high-tech firms in the manufacturing sector are found to be associated with higher R&D intensity in the previous period along with FDI flows in the sector and higher usage of imported inputs and capital goods (Bhattacharya *et al.*, 2021).

Cross-country data suggest that R&D expenditure is generally positively associated with TFP growth (Chart 1a).

(Contd.)

[13] S&T Indicators Tables - Research and Development Statistics, 2022-23, Ministry of Science & Technology, Government of India.

Chart 1: R&D Expenditure, Innovation, GDP Per Capita and Total Factor Productivity



BR: Brazil. CA: Canada. CN: China. FR: France. GR: Germany. JP: Japan. RU: Russia. SA: South Africa. UK: United Kingdom. US: United States.

Source: World Development Indicators, World Bank; World Intellectual Property Organization; and The Conference Board.

Table 1: Impact of R&D Expenditure Growth on TFP Growth in India

Dependent Variable: India's Aggregate TFP Growth				
1	2	3	4	5
	Model 1	Model 2	Model 3	Model 4
Gross R&D Expenditure	0.24**	0.24***	0.26***	0.21***
	(0.12)	(0.088)	(0.055)	(0.077)
FDI Inflows			0.0029*	0.0035**
			(0.0017)	(0.0018)
Export + Import				0.062***
				(0.024)
Deterministic Trend	-0.00016	0.021	0.15***	0.19***
	(0.046)	(0.052)	(0.034)	(0.027)
Global Metal Price Index $_{t-2}$		-0.016	-0.045**	-0.030
		(0.019)	(0.019)	(0.022)
Annual Rainfall's Deviation from LPA $_{t-2}$		0.030	0.062***	0.12***
		(0.028)	(0.024)	(0.034)
Constant	-0.43	-0.53	-3.28***	-4.14***
	(1.12)	(0.72)	(1.06)	(1.00)
Number of Observations	34	34	29	29
Wald Chi-Square	10.1	40.8	45.9	71.5
Wald Chi-Square: p-value	0.017	0.00	0.00	0.00
Hansen's J Chi-Square	1.37	12.3	11.9	10.3
Hansen's J Chi-Square p-value	0.50	0.09	0.16	0.17
GMM C (Orthogonality) Chi-Square	0.86	0.059	0.29	2.68
GMM C (Orthogonality) Chi-Square: p-value	0.35	0.80	0.87	0.44

***, ** and * indicate significance levels at 1 per cent, 5 per cent and 10 per cent, respectively.

Note:
1. Figures in parentheses are robust standard errors.
2. Hansen's J-test suggests that the overidentifying restrictions are valid at 5 per cent.
3. The GMM C tests fail to reject the null hypothesis that the explanatory variables are exogenous at 5 per cent.
4. The Annual estimates for R&D expenditure are available from 1995-96 onwards only. Additional estimates for 1985-86 and 1990-91 were available at the source. The R&D expenditure for the intermediate years between 1985-86 and 1990-91, and 1990-91 and 1995-96 are interpolated.
5. TFP growth, gross R&D expenditure, FDI inflows, export and import, and global metal price index have been used in terms of y-o-y growth.

(Contd.)

Countries with higher income levels, as measured by GDP per capita, tend to have better innovation rankings. India secured 39th position among 133 economies in the Global Innovation Index 2024 (Chart 1b).

In this study, the impact of growth in India's aggregate R&D expenditure on aggregate TFP growth is explored in a generalised method of moments (GMM) framework for the period 1986-87 to 2019-20 (Table 1). The GMM methodology was preferred to control for inherent endogeneity, as R&D investments may also be affected by the level of output, profits, and productivity. Accordingly, appropriate instruments are used for R&D investments like growth, economic disturbances, commodity prices, *etc.*

The models suggest that a one percentage point increase in R&D expenditure leads to a 0.21 to 0.26 percentage point rise in TFP growth. Some of the control variables such as FDI and trade flows were found to positively and significantly impact TFP. In contrast, some supply side factors such as increase in global metal price and adverse monsoons have a negative impact on TFP growth.

The above evidence substantiates the criticality of R&D investment for sustaining innovation and long-term productivity growth. Apart from the direct impact, incentivising R&D could have a significant spillover effect on the wider economy.

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5. Conclusion

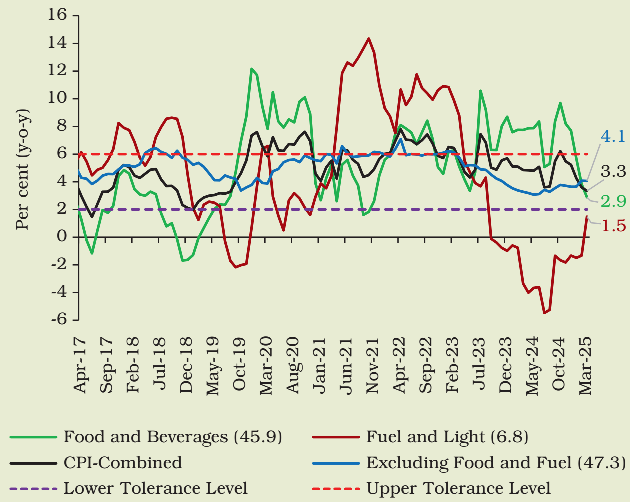
II.2.25 India's economic activity gained momentum in H2:2024-25 driven by an uptick in domestic demand, increase in exports of goods and services, buoyant agriculture sector and sustained resilience in services. Rising input cost pressures in the manufacturing sector coupled with global headwinds such as protectionist trade policies, persistent geopolitical tensions and subdued global demand, however, continue to pose risks to growth.

II.3 PRICE SITUATION

II.3.1 In India, headline inflation[14] moderated to an average of 4.6 per cent during 2024-25 from 5.4 per cent during 2023-24, with intra-year trajectory driven by food price fluctuations due to recurrent supply-side shocks from weather disturbances. Consumer Price Index (CPI) inflation eased during April-August 2024 followed by hardening in September-October due to a sharp increase in food prices, driven mainly by vegetables and edible oils. Subsequently, food inflation eased during November 2024-March 2025 with the winter crop arrivals. Fuel prices remained in deflation led by a fall in liquefied petroleum gas (LPG) prices. Core inflation (*i.e.*, CPI excluding food and fuel) eased during 2024-25, reflecting, *inter alia*, the cumulative and lagged impact of monetary policy actions and easing of input cost pressures (Chart II.3.1). Proactive supply management measures by the government also aided in containing inflationary pressures in 2024-25.

II.3.2 Volatility of headline inflation, as measured by standard deviation, remained unchanged in 2024-25 (Table II.3.1). The intra-year distribution of inflation showed a negative kurtosis reflecting fewer extreme values in 2024-25.

Chart II.3.1: Inflation across Major Components



Note: 1. Figures in parentheses indicate weight in CPI-Combined.
2. April and May 2020 data were imputed by the NSO.

Source: NSO and RBI staff estimates.

II.3.3 Against this backdrop, sub-section 2 assesses developments in global commodity prices and inflation. Sub-section 3 discusses movements in headline inflation in India including

Table II.3.1: CPI Headline Inflation – Key Summary Statistics

(Per cent)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
1	2	3	4	5	6	7	8	9	10	11
Mean	4.9	4.5	3.6	3.4	4.8	6.2	5.5	6.7	5.4	4.6
Standard Deviation	0.7	1.0	1.2	1.1	1.8	1.1	0.9	0.7	0.9	0.9
Skewness	-0.9	0.2	-0.2	0.1	0.5	-0.7	-0.1	-0.1	1.5	0.0
Kurtosis	-0.1	-1.6	-1.0	-1.5	-1.4	-0.7	-1.0	-0.6	1.6	-1.2
Median	5.0	4.3	3.4	3.5	4.3	6.5	5.6	6.7	5.1	4.8
Maximum	5.7	6.1	5.2	4.9	7.6	7.6	7.0	7.8	7.4	6.2
Minimum	3.7	3.2	1.5	2.0	3.0	4.1	4.2	5.7	4.3	3.3

Note: Skewness and Kurtosis are unit-free. Annual inflation is the average of the monthly inflation rates during the year and therefore, may vary from the annual inflation calculated from the average index for the year.

Source: NSO and RBI staff estimates.

[14] Headline inflation is measured by year-on-year changes in the all-India CPI-Combined (Rural + Urban) [base year: 2012=100] released by the National Statistical Office (NSO), Ministry of Statistics and Programme Implementation (MoSPI), Government of India (GoI).

major turning points, followed by a detailed analysis of its primary constituents in sub-section 4. Other indicators of prices and costs are analysed in sub-section 5, followed by the concluding observations.

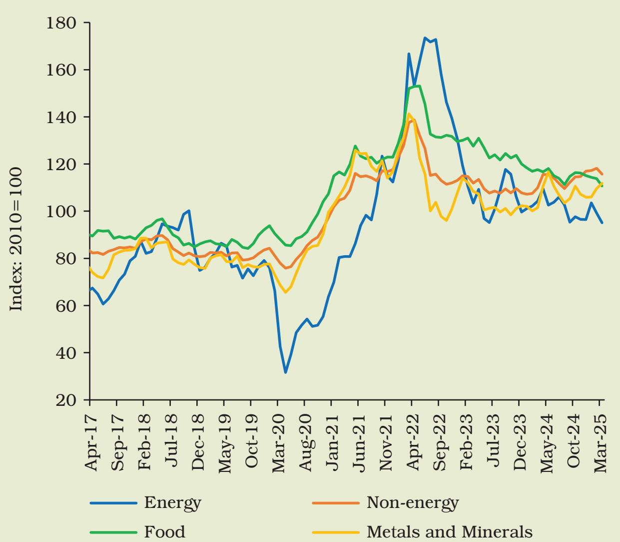
2. Global Inflation Developments

II.3.4 Global commodity prices moderated in 2024 on the back of subdued demand and improved supply conditions (Chart II.3.2). While food prices corrected in 2024 on robust agricultural production and higher supplies, beverages witnessed sharp price pressures – driven primarily by cocoa and coffee prices on weather-induced supply disturbances. In the second half of 2024, palm oil prices also increased sharply, *inter alia*, on Indonesia's announcement of the B40 bio-diesel programme in August 2024 mandating higher palm oil blending with diesel (up from 35 per cent to 40 per cent), effective from January 1, 2025. Energy prices fell further in 2024 as increased oil supply by non-OPEC offset supply cuts by OPEC+ amid subdued consumption demand. Metals and minerals prices, however, increased in 2024 with increase in copper and aluminium demand from renewable energy sources, electricity grids and electric vehicles. Prices of precious metals such as gold and silver increased on rising global demand for safe haven assets.

3. Inflation in India

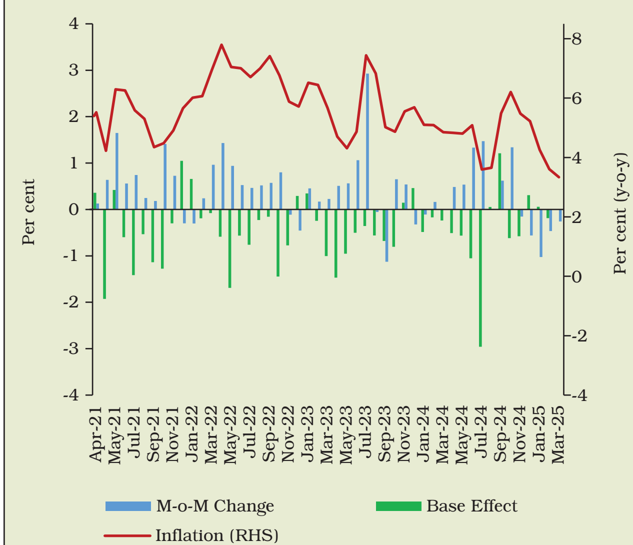
II.3.5 CPI headline inflation in India eased from 4.8 per cent in April-May 2024 to 3.6 per cent in July 2024 before rising again to 6.2 per cent in October 2024 (Chart II.3.3). The movements in headline inflation were driven primarily by the food group due to overlapping supply shocks from intermittent weather disturbances, even as core inflation remained largely contained while fuel continued to be in deflation. Headline inflation eased to 3.3 per cent in March 2025 on sharp moderation in food inflation. Overall, headline inflation averaged 4.6 per cent during 2024-25, 73 basis points (bps) lower than the previous year (Appendix Table 4).

Chart II.3.2: International Commodity Prices



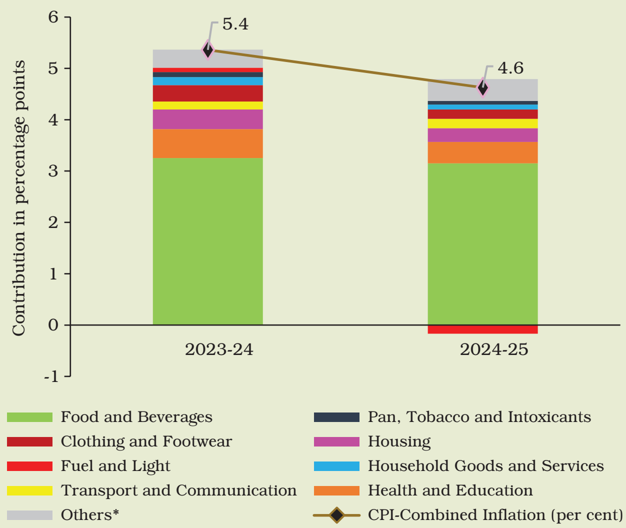
Source: World Bank Pink Sheet Database.

Chart II.3.3: Movements in Headline Inflation



Source: NSO and RBI staff estimates.

Chart II.3.4: Drivers of Inflation (Y-o-Y)



*: Includes recreation and amusement, and personal care and effects.
Source: NSO and RBI staff estimates.

II.3.6 Inflation in food and beverages averaged 6.7 per cent and contributed 68 per cent to headline inflation during 2024-25 as compared with 61 per cent a year ago (Chart II.3.4). Weather disturbances such as heatwave conditions and uneven rainfall distribution affected agricultural crops, disrupting the domestic availability and supply chains. While tight supply conditions in wheat and pulses impacted domestic availability, uptick in global edible oil prices led to a substantial pick-up in imported inflation. Consequently, food inflation remained firm, with vegetables, cereals, pulses and edible oil prices being the key drivers.

II.3.7 Apart from recurrent supply shocks, the changing consumption pattern of households also weigh on the dynamics of food inflation (Box II.3.1).

Box II.3.1

Food Inflation Persistence and Shifting Household Consumption Pattern

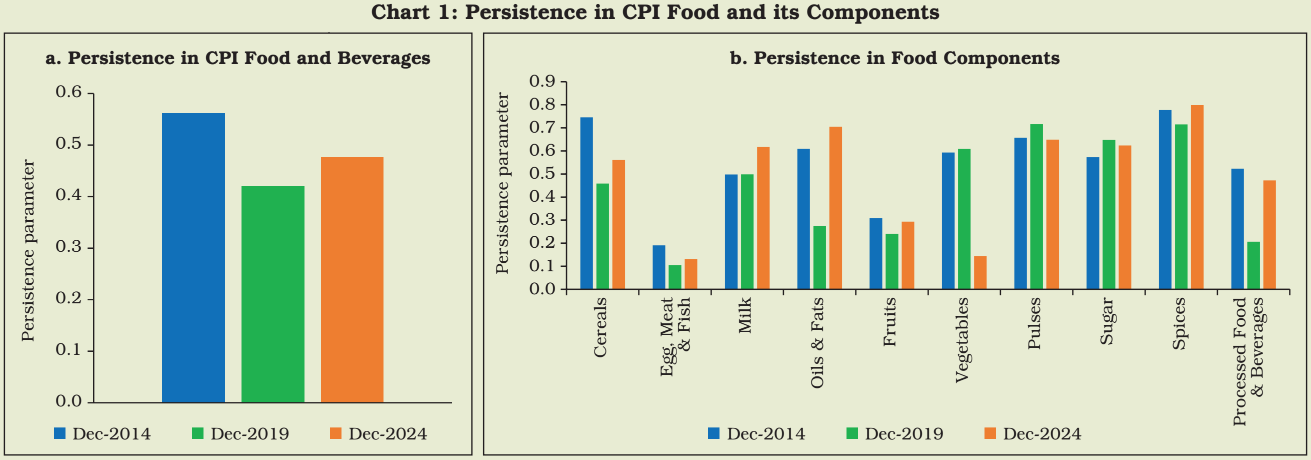
Amidst continuing pressures from food inflation on account of overlapping supply shocks, persistence in food inflation and its components is estimated for a 48-month rolling window using an AR(1) process.

$$\pi_{i,t} = \rho_i * \pi_{i,t-1} + \varepsilon_{i,t} \qquad \text{..... (1)}$$

where $\pi_{i,t}$ refers to the demeaned monthly momentum (based on seasonally adjusted CPI) of the i^{th} item at time t, ρ_i is the persistence parameter, and $\varepsilon_{i,t}$ is the error term.

The results show that the persistence in food prices, which had moderated post the introduction of flexible inflation targeting (FIT), picked up in the post-COVID period, yet remaining lower than the pre-FIT period (Chart 1a).

Chart 1: Persistence in CPI Food and its Components



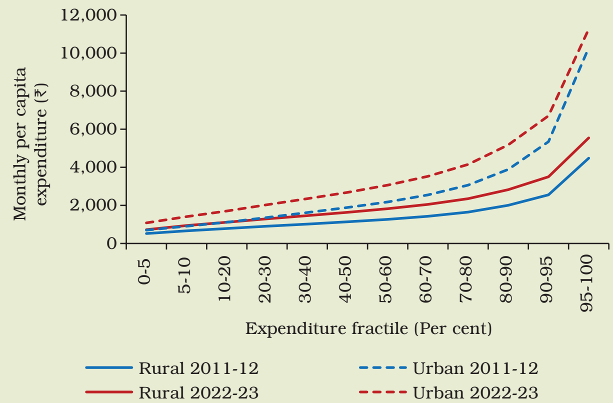
Note: CPI Food persistence parameter is derived as a weighted average of its components on a 48-months rolling window.
Source: MoSPI and RBI staff estimates.

(Contd.)

A disaggregated analysis indicates that this increase is primarily driven by cereals, egg, meat and fish, fruits, milk, oils and fats, spices, and processed food and beverages (Chart 1b). On the other hand, inflation persistence is estimated to have ebbed in vegetables, sugar and pulses.

Apart from intermittent supply shocks, demand side factors can also impart stickiness to food prices. The evolving demand conditions have been analysed using the 2011-12 and 2022-23 rounds of the household consumption expenditure survey (HCES). The estimated per capita real expenditure across 12 fractiles (as defined by the HCES) shows an upward shift in both rural and urban sectors (Chart 2).

Chart 2: Shift in Real Expenditures of Households



Source: HCES (2011-12 and 2022-23), MoSPI and RBI staff estimates.

A mapping of changes in expenditure shares with persistence reveals that food sub-groups that saw an increase in expenditure on animal proteins (*i.e.,* egg, meat, fish, and milk), fruits, oils and fats, and processed food and beverages, have also become more persistent in recent years (Table 1). Moreover, the shift in expenditure towards fruits, egg, meat and fish, milk, and oils and fats are the largest across lower fractile households, while increased expenditure on processed food and beverages is greater among higher fractile groups. Cereals, however, show a diverging trend – a rise in persistence despite a fall in expenditure shares indicating the dominance of supply side factors. Overall, the overlapping supply shocks coupled with the evolving demand dynamics for food products, driven by change in dietary habits, underscore the need for careful monitoring of food inflation.

Table 1: Change in Expenditure Shares and Persistence

Food Sub-group	Weight in CPI-Food and Beverages (per cent)	Change in Expenditure Shares in Food Group by Expenditure Fractiles (per cent)				Change in Persistence Parameter
		0-40	40-50	50-100	All Classes	
1	2	3	4	5	6	7
Cereals	9.7	-13.24	-9.67	-6.00	-8.35	0.16
Pulses	2.4	-1.20	-1.27	-1.14	-1.19	-0.11
Vegetables	6.0	-1.30	-1.20	-0.85	-1.01	-0.42
Fruits	2.9	3.18	3.04	1.60	2.25	0.07
Egg, Meat and Fish	4.0	2.78	1.71	0.39	1.13	0.03
Milk	6.6	4.98	3.42	1.10	2.45	0.11
Spices	2.5	-0.35	-0.42	-0.20	-0.29	0.08
Oils and Fats	3.6	1.17	0.30	-0.02	0.32	0.50
Sugar	1.4	-1.19	-1.33	-1.24	-1.24	-0.02
Processed Food and Beverages	5.6	5.17	5.42	6.35	5.93	0.28

Note: 1. Change in expenditure share is derived as variation in 2022-23 over 2011-12.
2. Change in persistence is derived as variation in persistence parameter between 2021-24 and 2016-19.
3. Expenditure fractiles: 0-40 per cent, 40-50 per cent, 50-100 per cent, and all classes are aggregated from the HCES, and the values depict changes in expenditure shares of food items for the respective expenditure groups.

Source: MoSPI and RBI staff estimates.

References:

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II.3.8 Inflation in fuel and light averaged (-) 2.5 per cent during 2024-25, significantly lower than 1.2 per cent a year ago. The deflation was driven by reduction in domestic prices of LPG and kerosene during 2023 and 2024 in the wake of a correction in global energy prices. Electricity prices, however, increased by 6.4 per cent during 2024-25 due to tariff hikes in some states.

II.3.9 Inflation excluding food and fuel, or core inflation, eased to 3.5 per cent during 2024-25 from 4.3 per cent a year ago, driven mainly by clothing and footwear, housing, household goods and services, health, and education. Inflation in transport and communication and personal care and effects, however, were higher due to hikes in mobile tariffs by major telecom service providers and international price pressures in gold and silver, respectively.

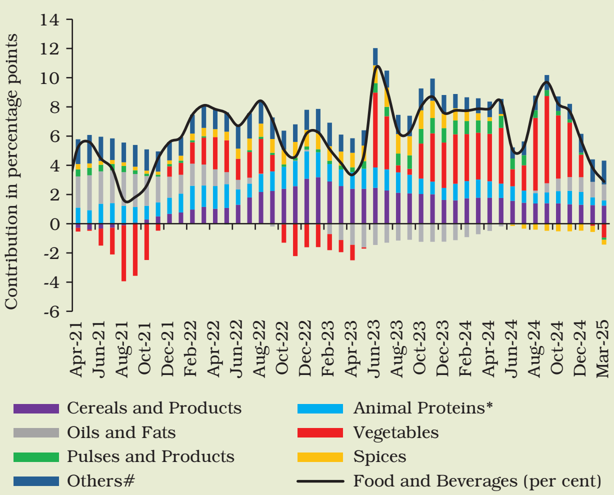
4. Constituents of CPI Inflation

Food

II.3.10 Food and beverages inflation averaged 7.4 per cent in April 2024-January 2025 as compared to 6.9 per cent in the corresponding period of 2023-24. However, sharp correction in vegetable prices in February-March 2025 led to a moderation in food inflation to 6.7 per cent in 2024-25 as compared to 7.0 per cent in 2023-24. Within the food group, inflation increased in four sub-groups while it moderated for the remaining eight sub-groups as compared with last year (Charts II.3.5 and II.3.6).

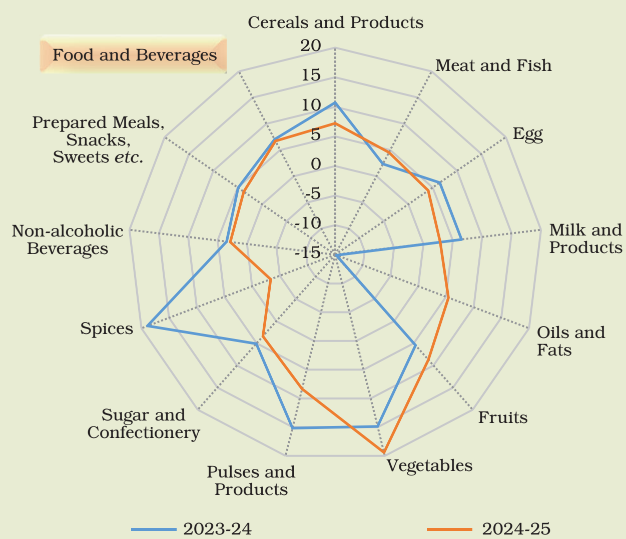
II.3.11 Vegetables (weight: 13.2 per cent in the food and beverages group) inflation remained volatile and elevated at 19.4 per cent in 2024-25, keeping overall food inflation firm. Vegetable prices rose during April-July 2024 on the back of supply disturbances from heatwave conditions in northern India and excess rains in southern and central parts of the country. Prices, after softening in August, driven by sharp correction in tomato prices, hardened again in September-October on account of weather disturbances and festive demand. Prices corrected sharply during November 2024-March 2025 by around (-) 38 per cent with increase in market arrivals, reflecting

Chart II.3.5: Drivers of Food Inflation (Y-o-Y)



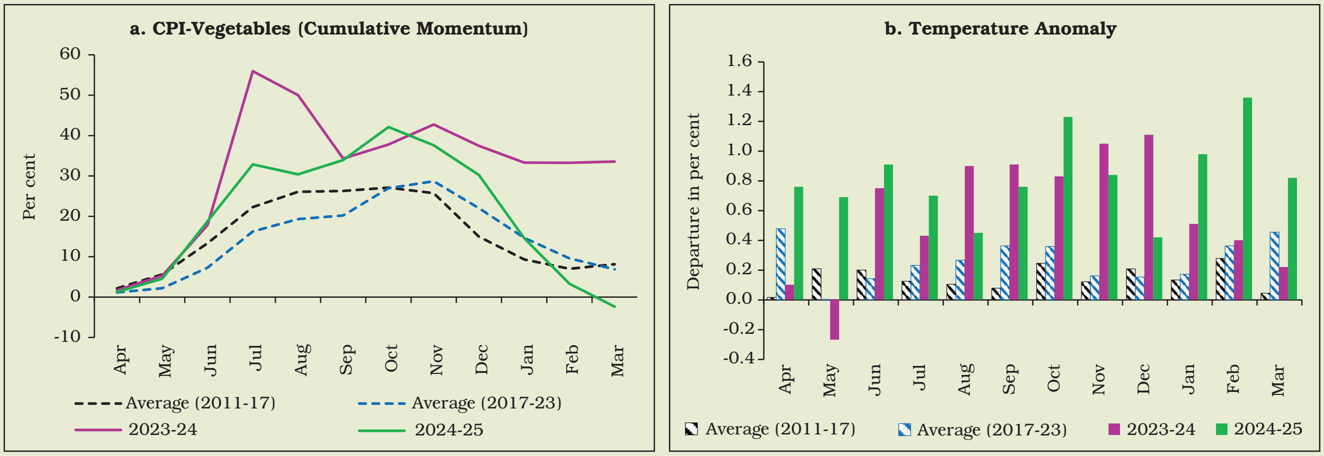
*: Includes egg, milk and products, and meat and fish.
#: Includes fruits, sugar and confectionery, non-alcoholic beverages, and prepared meals.
Source: NSO and RBI staff estimates.

Chart II.3.6: Inflation in Major Food Sub-groups



Source: NSO and RBI staff estimates.

Chart II.3.7: Seasonality in CPI - Vegetables Prices and Temperature Anomaly



Note: For chart b, temperature anomaly is defined as deviation from 30-year average (1991 to 2020).
Source: NSO, Indian Meteorological Department, and RBI staff estimates.

higher production in 2024-25 [3.6 per cent as per first advance estimates (1st AE) over 2023-24] (Charts II.3.7a and II.3.7b).

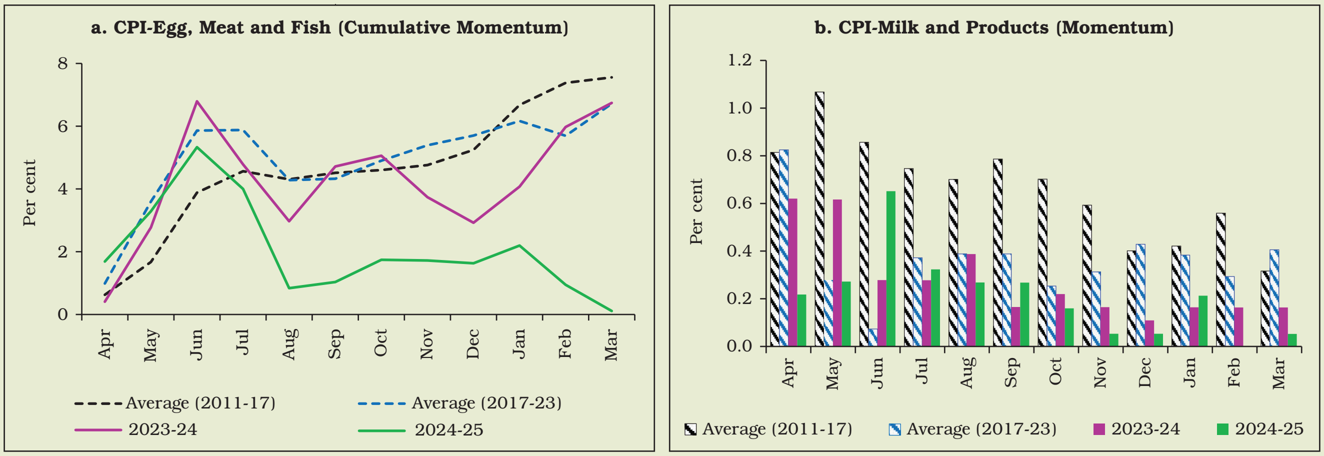
II.3.12 Among key vegetables, potato inflation remained elevated and averaged 54.1 per cent during 2024-25 on account of a production shortfall in 2023-24 [(-) 5.0 per cent over 2022-23] due to high minimum temperatures during winter and prolonged fog conditions in major producing states. However, with increase in production in 2024-25 (4.4 per cent as per 1st AE over 2023-24) and higher market arrivals, potato inflation moderated during January-March 2025. Onion price inflation averaged 52.3 per cent during April-October 2024 due to a steep fall in production in 2023-24 [(-) 19.5 per cent over 2022-23]. In order to contain price pressures, the government procured 4.7 lakh metric tonnes (MT) of *rabi* onion for open market sales at a subsidised rate of ₹35 per kg across major consumption centres in September 2024 and started a special train in October, '*Kanda* Express', for faster distribution from surplus states to deficit states. Further, the government allowed export of onions subject to a 40 per cent export duty and a minimum export price (MEP) of US$ 550 per metric tonne (MT) in May 2024 which was withdrawn subsequently; and the export duty was lowered to 20 per cent in September 2024. However, higher production in 2024-25 (18.9 per cent as per 1st AE over 2023-24) and robust market arrivals led to correction in onion prices during December 2024-March 2025. Tomato prices exhibited significant volatility in 2024-25, recording an average inflation (y-o-y) of 36.6 per cent between April-June 2024, before recording deflation of 43 per cent in July due to favourable base effects, which deepened to 47.9 per cent in August 2024 due to sharp price corrections on fresh crop arrivals. However, inflation in tomato prices increased to 161 per cent in October on lower *mandi* arrivals due to crop damage from high temperatures and rainfall in southern states. This was followed by a sharp price correction as supply improved during January-March 2025 leading to a deflation of (-) 35.0 per cent in March 2025. Vegetables excluding TOP (tomato, onion, and potato), particularly garlic, also witnessed high price pressures due to excess rain-induced damages which, however, corrected sharply during November 2024-March 2025 with improvement in domestic supply. Overall, vegetables witnessed the highest winter price correction in the current series of CPI (November-February), which extended to March 2025 on higher *mandi* arrivals and conducive weather conditions.

II.3.13 Inflation in cereals and products (weight of 21 per cent in the CPI-food and beverages) remained firm at 7.2 per cent during 2024-25, *albeit* lower than 10.7 per cent in the previous year. Within cereals, inflation in rice prices, after remaining in double-digits for 22 months, moderated to 9.6 per cent in August 2024 and further to 4.9 per cent in March 2025. The correction was largely on account of higher production in 2024-25 (6.7 per cent as per 2nd AE over 2023-24) as well as supply management measures by the government such as retail sale of '*Bharat* Rice' and provisioning for rice-deficient states to directly purchase from the Food Corporation of India (FCI) at a fixed price of ₹2,250 per quintal under the open market sale scheme (OMSS) from August 2024. With easing supply conditions, the government removed the MEP of US$ 950 per MT on *basmati* rice, lifted the ban on exports of non-*basmati* white rice in September 2024, removed its MEP clause in October 2024, and revoked the ban on broken rice in March 2025, to encourage higher exports. Inflation in wheat prices, on the other hand, increased from 6.0 per cent in April 2024 to 9.0 per cent in March 2025, even as production was higher (2.5 per cent in 2023-24 over 2022-23). The government undertook price stabilisation measures, including imposition of stock limits for traders and wholesalers (till March 2025), sale of 2.5 million tonnes of wheat through e-auctions under OMSS till March 2025 [at a reserve price of ₹2,325 per quintal for fair and average quality (FAQ) grain and ₹2,300 per quintal for under reduced specifications (URS) grain], and continued restrictions on wheat exports. Wheat buffer stocks remained at 1.6 times the norm as of April 1, 2025. Higher *rabi* production of wheat in 2024-25 (1.9 per cent as per 2nd AE over 2023-24) augurs well for the wheat prices going forward.

II.3.14 Animal protein items such as eggs, meat and fish (weight of 8.8 per cent in CPI-food and beverages) witnessed seasonal uptick in prices during April-June 2024 due to heatwaves which impacted the production of poultry in major producing states of southern India (Chart II.3.8a). Prices moderated subsequently due to the seasonal fall in demand during July-August 2024 on account of *Shravana* period. However, price pressures re-emerged in September-October 2024, particularly in case of eggs reflecting pick-up in seasonal demand. Driven by reduced demand due to bird flu in some states, prices for eggs, meat and fish, softened during February-March 2025. Inflation in prices of milk and products was range bound at 2.9 per cent during 2024-25, benefitting from stable prices of feed and adequate milk supply (Chart II.3.8b).

II.3.15 Prices of oils and fats (weight of 7.8 per cent in CPI-food and beverages) continued in deflation during April-August 2024 averaging (-) 4.2 per cent; inflation turned positive in September and reached 17.1 per cent in March 2025. The turnaround in prices after a gap of 19 months was

Chart II.3.8: CPI-Animal Protein - Seasonality in Prices

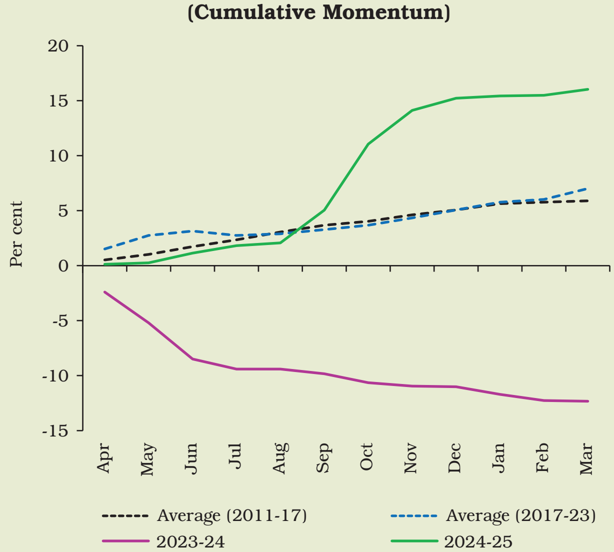


Note: For April 2020, index for meat and fish was imputed by the NSO.
Source: NSO and RBI staff estimates.

due to increase in international edible oil prices and import duty hike of 20 percentage points on crude and refined edible oils, effective from September 2024 (Chart II.3.9). *Ghee* and butter price inflation, however, continued to moderate in tandem with declining milk prices.

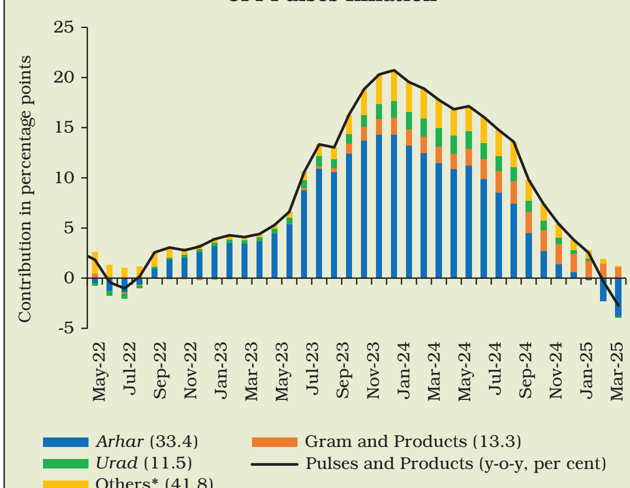
II.3.16 Inflation in prices of pulses (weight of 5.2 per cent in CPI-food and beverages) moderated from May 2024 and recorded (-) 2.7 per cent in March 2025 (Chart II.3.10). Higher production of key pulses such as *tur* (2.8 per cent), *moong* (28 per cent) and gram (4.5 per cent) as per 2nd AE of 2024-25 over 2023-24, and supply management measures, including continued free imports of yellow peas till May 31, 2025, *tur* and *urad* till March 31, 2026, weekly stock disclosure requirements for major pulses, and sale of *chana, moong* and *masur dal* under the

Chart II.3.9: CPI-Oils and Fats (Cumulative Momentum)



Source: NSO and RBI staff estimates.

Chart II.3.10: Component-wise Contribution in CPI-Pulses Inflation



*: Includes *moong*, *masur*, peas, *khesari*, *besan* and other pulses products.
Note: Figures in parentheses indicate weight in CPI-pulses and products.
Source: NSO and RBI staff estimates.

brand '*Bharat Dal*', contributed to the moderation in pulses price inflation.

II.3.17 Inflation in fruits (weight of 6.3 per cent in CPI-food and beverages) averaged 6.3 per cent during April-June 2024 on account of lower *mandi* arrivals of major fruits including banana, mango and coconut. Prices corrected in July on favourable base effects. However, inflation increased to 10.2 per cent during August 2024-March 2025 despite adequate production (0.2 per cent higher as per 1st AE 2024-25 over 2023-24), primarily driven by a sharp increase in coconut prices.

II.3.18 Among other food items, inflation in prices of spices corrected to an average of (-) 3.3 per cent during 2024-25 as against 18.9 per cent a year ago, driven primarily by fall in prices of *jeera* (cumin) and dry chillies, on account of higher production of spices in 2023-24 (5.5 per cent over 2022-23). Inflation in sugar and confectionery prices was subdued in 2024-25 despite a shortfall in production [(-) 4.0 per cent as per 2nd AE 2024-25 over 2023-24]. Restrictions previously imposed on sugar diversion for ethanol production were, however, eased in August 2024. Inflation in prepared meals also remained subdued and averaged 3.8 per cent during 2024-25.

Fuel

II.3.19 Fuel and light (weight of 6.8 per cent in CPI) prices remained in deflation during 2024-25, averaging (-) 2.5 per cent (Chart II.3.11). After remaining in deflation during April 2024-February 2025, fuel inflation increased to 1.5 per cent in March 2025. The domestic LPG price cut of ₹100 per cylinder in March 2024 accentuated the pace of deflation in fuel observed in 2024-25 (Chart II.3.12). Consequently, the contribution of the fuel group to headline inflation decreased to (-) 3.6 per cent in 2024-25 from 1.6 per cent a year ago.

Core Inflation (Inflation Excluding Food and Fuel)

II.3.20 Inflation excluding the food and fuel groups, *i.e.*, core inflation, moderated to an average of 3.5 per cent during 2024-25 from 4.3 per cent a year ago (Appendix Table 4). After touching 3.1 per cent during May-June 2024 –

Chart II.3.11: Drivers of Fuel Inflation

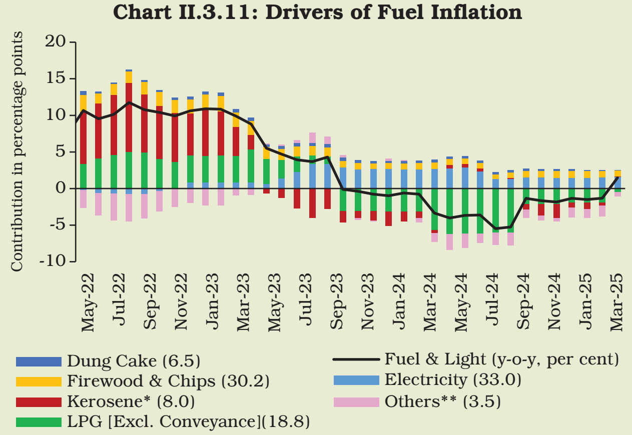
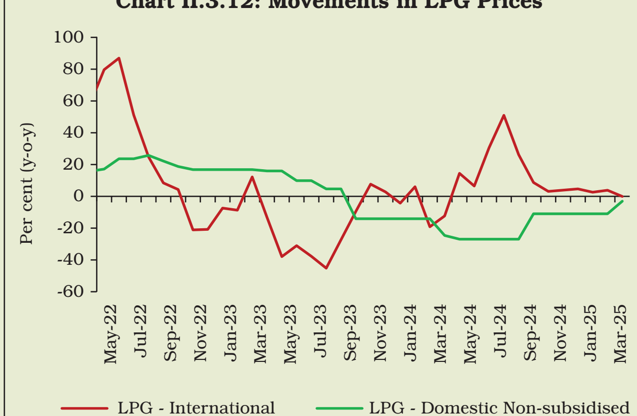
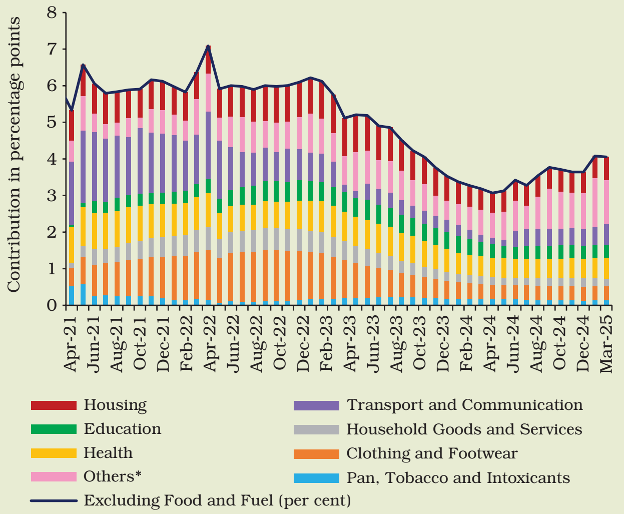


Chart II.3.12: Movements in LPG Prices



*: Includes kerosene public distribution system (PDS) and kerosene from other sources.
**: Includes diesel, coke, coal, charcoal, and other fuel.
Note: 1. Figures in parentheses indicate weight in CPI-Fuel and light.
2. Domestic non-subsidised LPG prices are the average of prices in four metros (Delhi, Mumbai, Kolkata and Chennai).
Source: NSO, Petroleum Planning and Analysis Cell (PPAC), Bloomberg and RBI staff estimates.

Chart II.3.13: Drivers of CPI Excluding Food and Fuel Inflation



*: Includes recreation and amusement, and personal care and effects.
Source: NSO and RBI staff estimates.

the lowest in the current series – it picked up in the subsequent months to reach 4.1 per cent in March led by hike in mobile tariffs and hardening of gold and silver prices (Chart II.3.13).

II.3.21 Among the major constituents, inflation in clothing and footwear fell to 2.7 per cent during 2024-25 from 4.7 per cent a year ago, reflecting lower domestic and international cotton prices and subdued export demand of textiles and wearing apparel. Household goods and services, health, and education also witnessed moderate price pressures during 2024-25. Inflation in transport and communication rose marginally to 2.4 per cent in 2024-25 from 1.9 per cent a year ago, driven by the increase in mobile tariffs in July-August 2024. After a cut in domestic retail prices of petrol and diesel in March-April 2024, they remained unchanged during the year (Chart II.3.14). The pick-up in inflation in transport and communications from 1 per cent during May-June 2024 to 2.8 per cent during July 2024-March 2025 contributed to the rise in core inflation. Around 78 per cent of the core CPI items registered less than 4 per cent inflation during 2024-25 as compared to 51 per cent in the previous year (Chart II.3.15).

II.3.22 Housing inflation fell from 3.9 per cent during 2023-24 to 2.8 per cent during 2024-25 due to subdued house rent inflation. Inflation in personal care and effects rose to 9.8 per cent during 2024-25 from 7.8 per cent a year ago, primarily driven by higher international prices of gold on global safe haven demand amidst geopolitical uncertainty and the evolving global monetary policy trajectory.

Chart II.3.14: Domestic Oil Price Trends

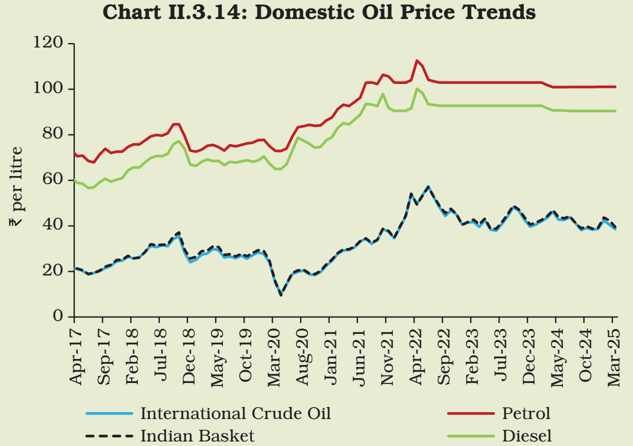
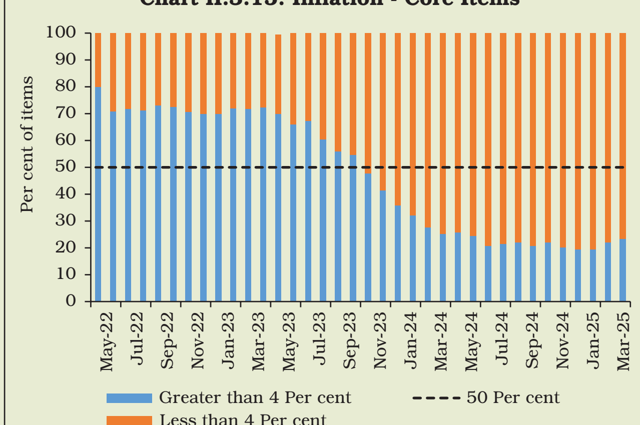


Chart II.3.15: Inflation - Core Items



Note: International crude oil price represents the average price of West Texas Intermediate (WTI), Brent and Dubai Fateh.
Source: World Bank Pink Sheet Database, Indian Oil Corporation Limited, PPAC, NSO and RBI staff estimates.

5. Other Indicators of Inflation

II.3.23 From a sectoral perspective, inflation measured by the CPI for industrial workers (CPI-IW) moderated to 3.4 per cent during 2024-25 from 5.2 per cent a year ago, driven by lower fuel and core inflation. Inflation based on the CPI for agricultural labourers (CPI-AL) and rural labourers (CPI-RL) moderated to 5.7 per cent, each, during 2024-25 from 7.1 per cent and 6.9 per cent, respectively, a year ago, primarily driven by moderation in food inflation.

II.3.24 Inflation measured by the wholesale price index (WPI) increased to 2.3 per cent during 2024-25 from a deflation of (-) 0.7 per cent a year ago, primarily due to an uptick in food inflation and pass-through of global metals and minerals prices. WPI inflation in primary articles (weight of 22.6 per cent in the WPI basket) increased to 5.1 per cent during 2024-25 from 3.5 per cent a year ago, driven by food price pressures due to weather disturbances. In contrast, fuel and power recorded deflation, averaging (-) 1.3 per cent during 2024-25, mirroring the easing of global energy prices. Inflation in manufactured products (weight of 64.2 per cent) increased to 1.7 per cent during 2024-25 from a deflation of (-) 1.7 per cent a year ago, led by food products, and non-ferrous and precious metals. Reflecting the increase in WPI inflation, the gross domestic product (GDP) deflator inflation increased to 3.0 per cent during April-December 2024 from 2.3 per cent in the corresponding period of the previous year.

II.3.25 Minimum support prices (MSPs) in 2024-25 were increased in the range of 1.5-12.7 per cent for the *kharif* crops and 2.4-7.0 per cent for the *rabi* crops. Nigerseed witnessed the maximum MSP increase among the *kharif* crops while barley recorded the highest increase among the *rabi* crops.

II.3.26 Nominal rural wage growth decelerated marginally to 5.9 per cent during 2024-25 from 6.0 per cent during the previous year, primarily driven by non-agricultural wages, which moderated to 5.6 per cent during 2024-25 from 5.9 per cent a year ago. The moderation was driven by handicraft workers, bamboo/cane basket weavers, and sweeping/cleaning workers within the category of non-agricultural labourers. Agricultural wages, however, increased marginally to 6.3 per cent during 2024-25 from 6.0 per cent a year ago.

6. Conclusion

II.3.27 Headline inflation moderated in 2024-25 on account of robust agricultural crop production, softening global commodity prices - particularly food and energy, easing supply chain pressures, supply management measures undertaken by the government and lagged impact of monetary policy actions. Food inflation, which remained elevated on recurrent weather-induced supply disturbances, corrected in January-March 2025 on higher market arrivals. Fuel prices remained in deflation in 2024-25 on lower prices of LPG and kerosene. Core inflation softened to its lowest in the current series during the initial part of the year, with benign uptick in the subsequent months. Looking ahead, food inflation is likely to soften on the back of a better *rabi* crop leading to gradual moderation in headline inflation. The disinflationary process, however, is subject to uncertainties emanating from prolonged geopolitical conflicts, evolving trade dynamics and weather conditions, which warrant continuous vigil and careful monitoring of the evolving dynamics.

II.4 MONEY AND CREDIT

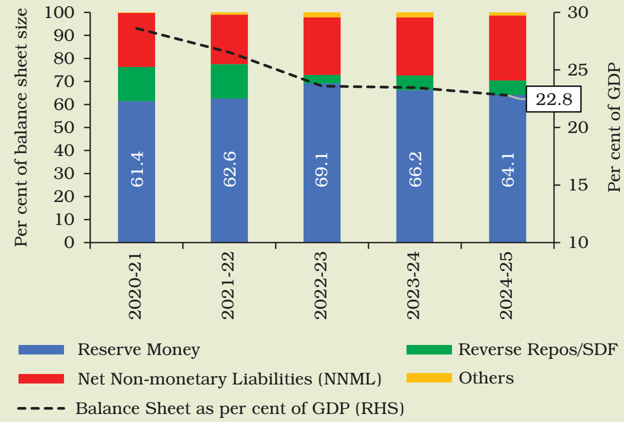
II.4.1 Monetary and credit conditions evolved in sync with the monetary policy stance during the year. Reserve money (RM) adjusted for the first-round impact of changes in the cash reserve ratio (CRR)[15] moderated during the year on account of deceleration in bankers' deposits with the Reserve Bank; while currency in circulation (CiC) expanded at a higher pace in comparison with the previous year as the impact of withdrawal of ₹2000 banknotes from circulation initiated in May 2023 dissipated. Bank credit growth remained in double digits, even as the wedge between deposit and credit growth moderated.

II.4.2 Against this backdrop, sub-section 2 delves into reserve money dynamics and the shifts in the Reserve Bank's balance sheet. Sub-sections 3 and 4 examine developments in money supply and bank credit, respectively, followed by concluding observations.

2. Reserve Money[16]

II.4.3 Reserve money (RM) represents the stock of monetary liabilities in the central bank's balance sheet (Chart II.4.1). Risk buffers and revaluation accounts [forming the bulk of net non-monetary liabilities (NNML)] along with surplus liquidity placed by banks with the Reserve Bank under the reverse repos/standing deposit facility (SDF) are the other major components of the balance sheet.

Chart II.4.1: Reserve Bank's Balance Sheet - Components (Liabilities) [end-March]



NNML: Comprise economic capital (such as capital, reserves, contingency fund, asset development fund, currency and gold revaluation account, investment revaluation account and foreign exchange forward contracts valuation account), RBI employee provident fund account and IMF quota subscriptions and other payments *minus* other assets.
Source: RBI.

II.4.4 The Reserve Bank's balance sheet size moderated to 22.8 per cent of GDP as at end-March 2025 from 23.5 per cent as at end-March 2024, mirroring the trend observed in other major economies (Chart II.4.2).

II.4.5 The RM[17] growth, adjusted for the first-round impact of change in CRR, stood at 5.8 per cent in 2024-25 as compared with 6.7 per cent a year ago (Chart II.4.3a and Appendix Table 4). RM growth witnessed a transient slump in August 2024 due to the base effect of temporary imposition of incremental CRR (I-CRR)[18] in August 2023 (Chart II.4.3b).

II.4.6 The growth in CiC - the major constituent of RM with a share of 76.9 per cent – recovered to 5.8 per cent during 2024-25 from 4.1 per cent

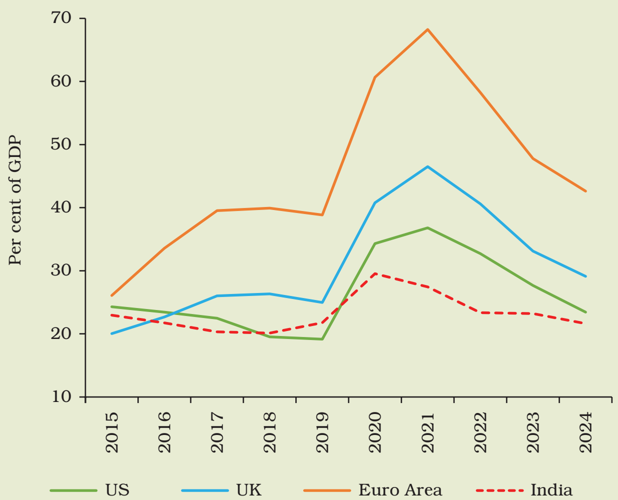
[15] CRR was reduced from 4.5 per cent to 4.0 per cent in two tranches of 25 basis points (bps) each effective fortnight beginning December 14, 2024 and December 28, 2024.

[16] In sub-section 2, growth and other ratios pertain to the last Friday of the respective financial year/quarter/month.

[17] Comprises currency in circulation, bankers' deposits with the Reserve Bank and other deposits with the Reserve Bank, on the liabilities side.

[18] Effective August 12, 2023, the Reserve Bank imposed a 10 per cent I-CRR on the increase in net demand and time liabilities (NDTL) of scheduled banks during May 19 - July 28, 2023 to absorb the surplus liquidity resulting from the withdrawal of ₹2000 banknotes. This measure was phased out between September 9, 2023 and October 7, 2023 to ensure orderly liquidity management.

Chart II.4.2: Central Bank Balance Sheet Size (end-December)

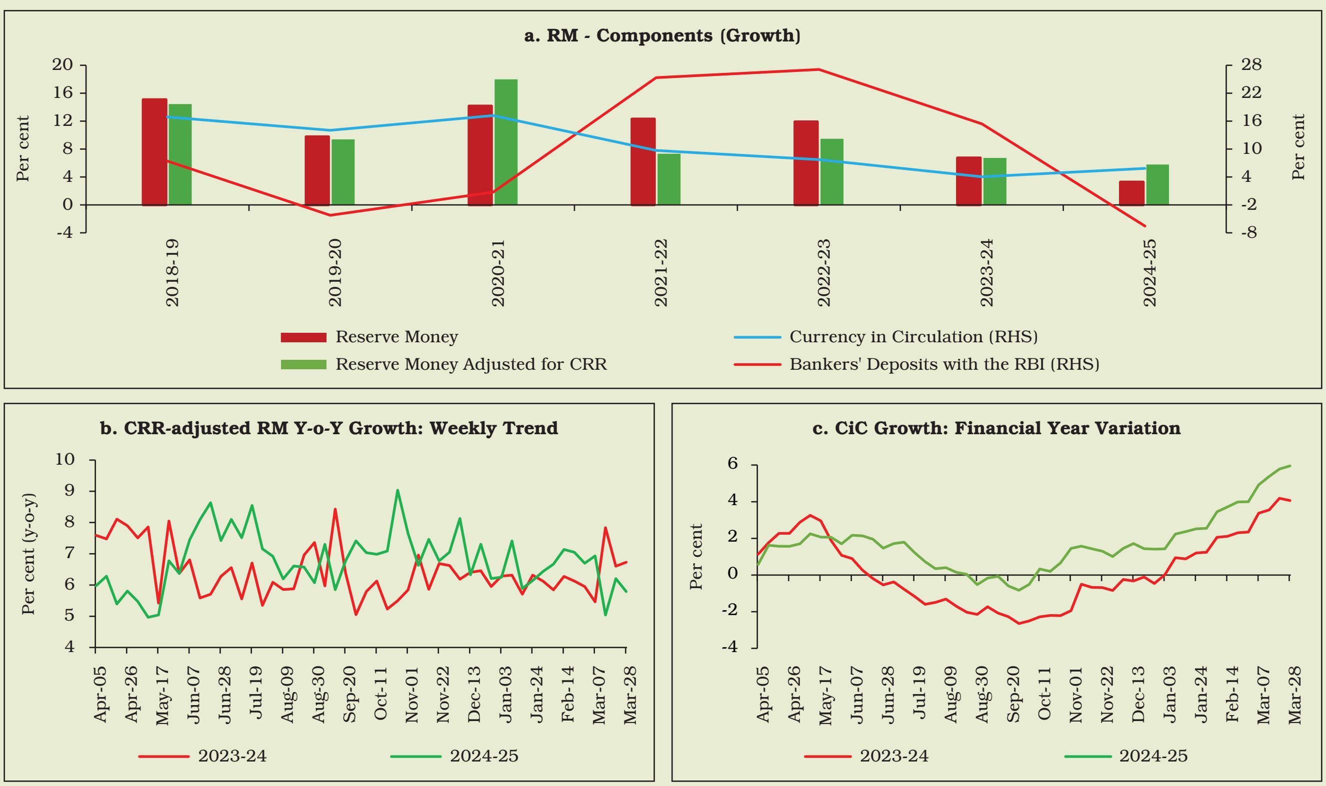


Source: RBI, FRED (St. Louis Fed), BoE, IMF, CEIC, GoI and RBI staff estimates.

a year ago, reflecting the impact of withdrawal of ₹2000 banknotes, as noted earlier[19] (Charts II.4.3a and II.4.3c). Growth in bankers' deposits with the Reserve Bank (20.8 per cent share in RM), *i.e.*, balances maintained by banks to meet their CRR requirements, declined by 6.5 per cent during the year, reflecting the reduction in CRR by 50 bps and moderation in bank deposits (Chart II.4.3a). Adjusted for the first-round impact of the CRR reduction, bankers' deposits rose by 4.4 per cent.

II.4.7 The currency-GDP ratio moderated further with the increasing usage of digital payments, including central bank digital currency (CBDC)[20]. Retail digital payments

Chart II.4.3: Reserve Money - Components (Liabilities)

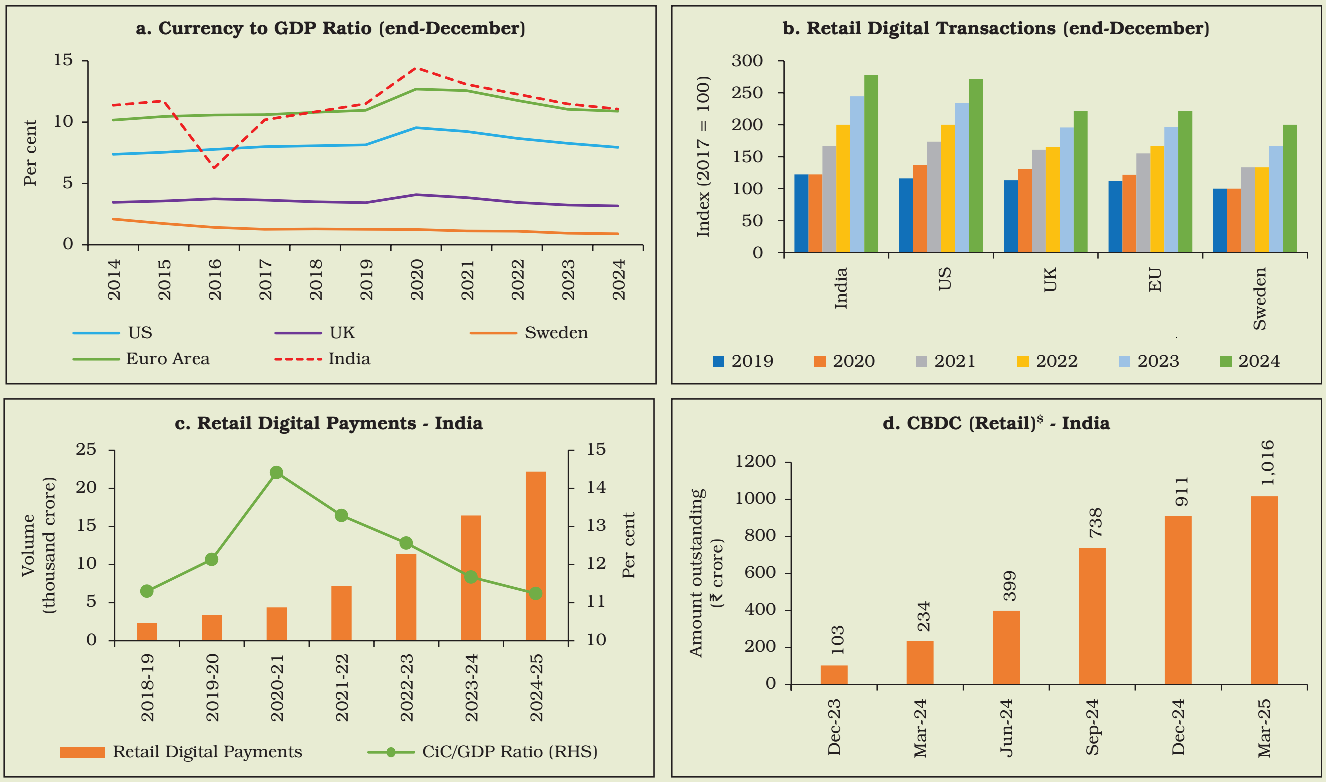


Source: RBI.

[19] See Chapter VIII for details.

[20] Details on various modes of digital payments (including CBDC) are covered in Chapters VI, VIII and IX of this Report.

Chart II.4.4: Currency in Circulation and Digital Payments



$: Introduced on December 1, 2022.
Source: RBI, GoI, CEIC, Statista, IMF and RBI staff estimates.

increased by 17.9 per cent in value terms and 35 per cent in volume terms during 2024-25 (Chart II.4.4).

II.4.8 On the sources side (assets), RM comprises net domestic assets (NDA)[21] and net foreign assets (NFA)[22] of the Reserve Bank. During 2024-25, NFA expanded by ₹2.8 lakh crore, although growth in FCA decelerated with net sales to authorised dealers at ₹2.9 lakh crore as against net purchases of ₹3.4 lakh crore during the previous year. The share of gold in NFA increased to 12.0 per cent as at end-March 2025 from 8.3 per cent as at end-March 2024, mainly due to revaluation gains from gold prices. The Reserve Bank's net credit to the government expanded during the year owing to the liquidity injection through purchase of G-secs *via* open market operations (OMOs) during January-March 2025 (Chart II.4.5).

3. Money Supply[23]

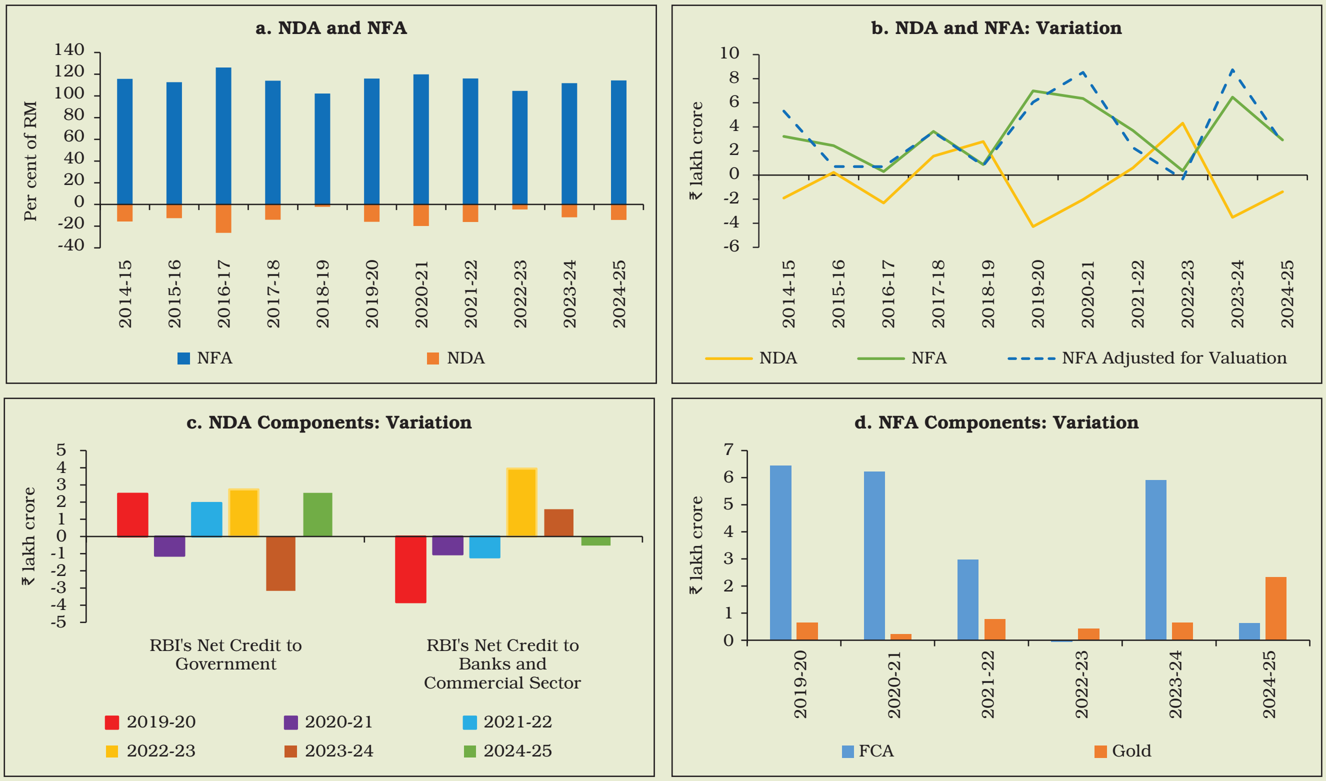
II.4.9 Money supply – in terms of broad money (M_3) – mainly consists of currency with the public (CwP) and aggregate deposits (AD) of banks on

[21] Comprises net Reserve Bank credit to banks, government and commercial sector (mainly primary dealers).

[22] Consists of gold and foreign currency assets (FCA). FCA includes special drawing rights (SDRs) transferred from the Government of India (GoI). The remaining SDR holdings with the GoI and reserve tranche position (RTP) in the IMF, which represents India's quota contribution to the IMF in foreign currency, are not a part of the Reserve Bank's balance sheet.

[23] In sub-sections 3 and 4, growth and other ratios pertain to the last reporting Friday of the respective financial year/quarter/month. Data exclude the impact of merger of a non-bank with a bank.

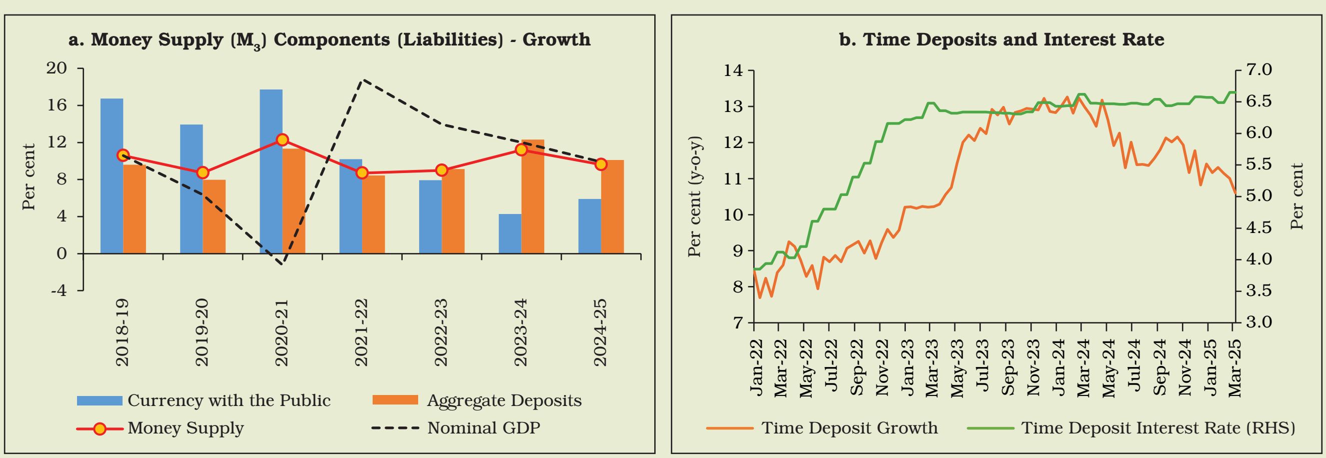
Chart II.4.5: Reserve Money - Sources (Assets)



Source: RBI.

the components side (liabilities). M_3 recorded a growth of 9.6 per cent as on March 21, 2025 as compared with 11.2 per cent a year ago, driven by bank deposits (Chart II.4.6). The expansion in bank deposits[24] outpaced that in CwP for the third consecutive year. The ratio of M_3 to GDP

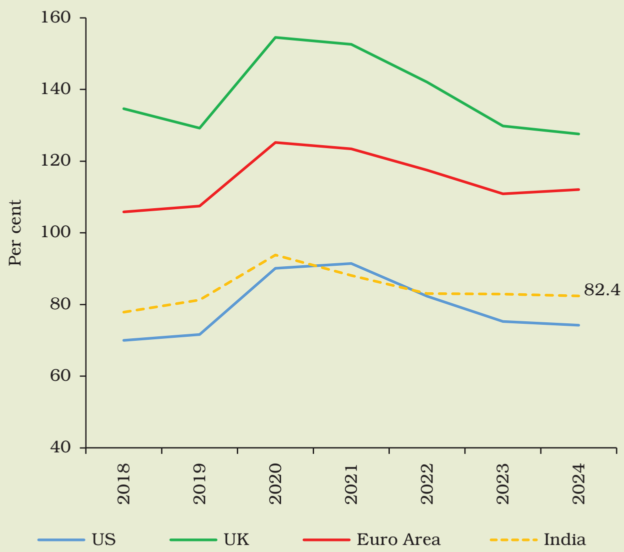
Chart II.4.6: Money Supply and SCBs' Time Deposits



Note: Time deposit interest rate refers to weighted average domestic term deposit rates for fresh rupee term deposits of SCBs.
Source: RBI.

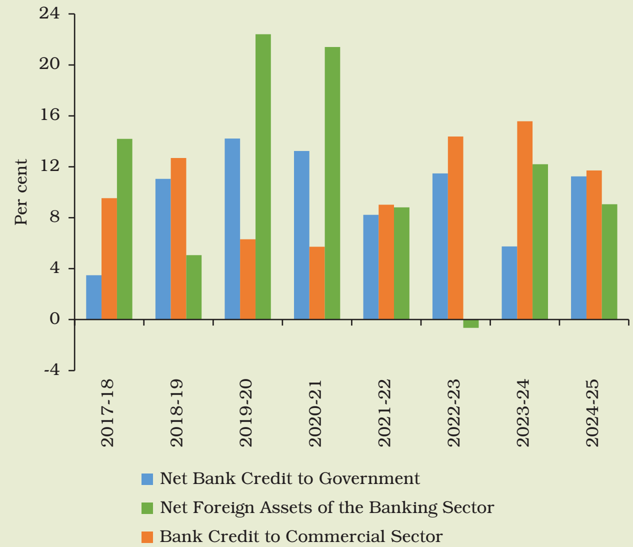
[24] Demand deposits remained volatile, largely mirroring the variation in currency with the public.

Chart II.4.7: M_3 to GDP Ratio (end-December)



Source: RBI, GoI, IMF, CEIC and RBI staff estimates.

Chart II.4.8: Money Supply Sources (Assets) - Growth



Source: RBI.

remained broadly at the level of the previous year (Chart II.4.7).

II.4.10 On the sources side (assets), the expansion in M_3 was mainly driven by bank credit to the commercial sector, which grew by 11.8 per cent in 2024-25 (15.6 per cent a year ago). Net bank credit to government increased by 11.2 per cent in 2024-25 (5.7 per cent a year ago). The excess holdings of statutory liquidity ratio (SLR) securities[25] of SCBs were 10.3 per cent of NDTL as on March 21, 2025. The net foreign assets of the banking sector increased, mirroring the expansion in NFA of the Reserve Bank's balance sheet during the year (Charts II.4.5 and II.4.8; Table II.4.1).

Key Monetary Ratios

II.4.11 The transaction velocity of money, *i.e.*, nominal GDP as a proportion of M_3, remained stable during 2024-25. The currency-deposit ratio at 15.4 per cent as on March 21, 2025 moderated further from 15.9 per cent as on March 22, 2024, reflecting, *inter alia,* an increasing shift in public preference towards digital modes of payments. The reserve-deposit ratio softened during the year due to reduction in CRR (Chart II.4.9a). The cumulative impact of moderation in both currency-deposit ratio and reserve-deposit ratio reflected on the money multiplier (MM), which increased to 5.7 as on March 21, 2025 from 5.4 as on March 22, 2024 (Chart II.4.9b).

[25] Excess holdings of SLR securities provide collateral buffers to banks for availing funds under the liquidity adjustment facility (LAF) and are also a component of the liquidity coverage ratio (LCR). The Reserve Bank increased the limit for holding securities under the held to maturity (HTM) category from 22 per cent to 23 per cent of NDTL, effective April 8, 2022. The HTM limits have been restored to 19.5 per cent in a phased manner as on March 31, 2025.

Table II.4.1: Monetary Aggregates

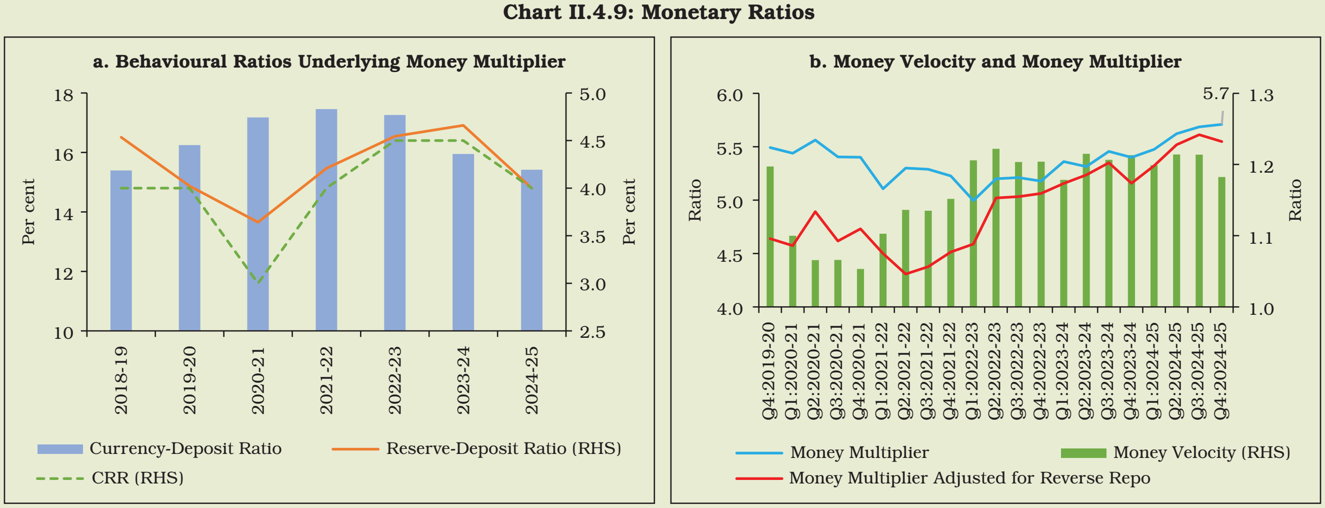
Item	Outstanding as on March 21, 2025 (₹ lakh crore)	Growth Rate^ (per cent, y-o-y)		
		2022-23	2023-24	2024-25
1	2	3	4	5
I. Reserve Money (RM)	48.4*	9.7 (7.4)	6.7 (6.7)	3.3 (5.8)
II. Money Supply (M_3)	272.1	9.0	11.2	9.6
III. Major Components of M_3				
III.1. Currency with the Public	36.2	7.9	4.3	5.9
III.2. Aggregate Deposits	234.8	9.1	12.3	10.1
IV. Major Sources of M_3				
IV.1. Net Bank Credit to Government	81.4	11.5	5.7	11.2
IV.2. Bank Credit to Commercial Sector	186.4	14.4	15.6	11.8
IV.3. Net Foreign Assets of the Banking Sector	59.8	-0.6	12.2	8.0
V. Money Multiplier (Ratio)	5.7			

*: Data for RM pertain to March 28, 2025.
^: Data for RM and M_3 relate to last Friday and last reporting Friday of the financial year, respectively.
Note: 1. Figures in parentheses indicate growth in RM adjusted for the first-round impact of CRR changes.
2. Data are provisional.
Source: RBI.

4. Credit

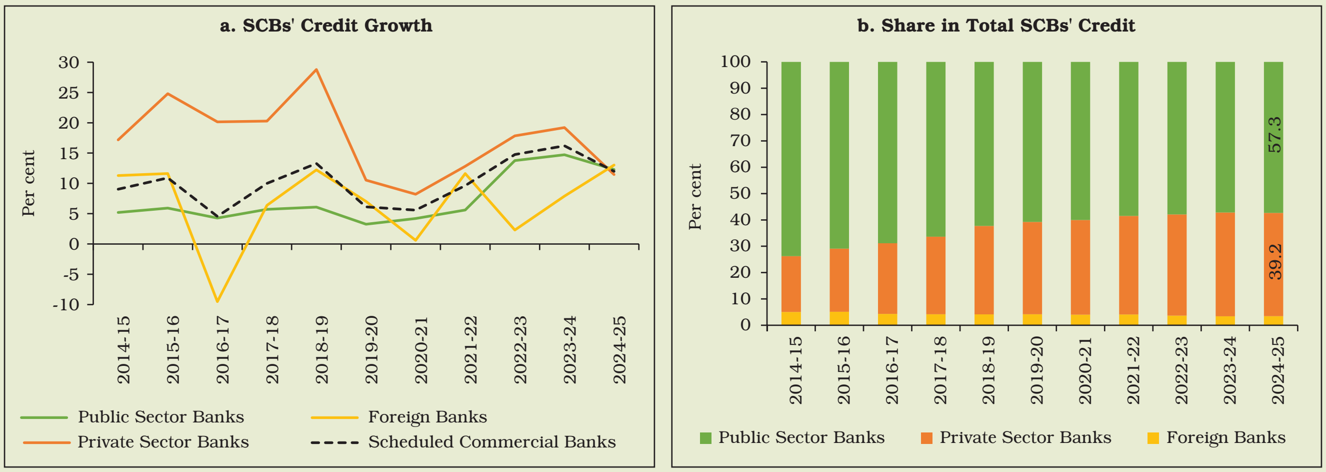
II.4.12 Double digit growth in bank credit was sustained during 2024-25, led by retail and services sectors (Box II.4.1). Bank group-wise, public sector banks (PSBs) registered higher credit growth than that of private sector banks (PVBs), with the former maintaining the largest share in total credit (Chart II.4.10).

Chart II.4.9: Monetary Ratios



Source: RBI staff estimates.

Chart II.4.10: Bank Group-wise Credit



Source: RBI.

Box II.4.1
Drivers of Firm Demand for Credit

Bank credit growth remains in double digits, *albeit* with some moderation. To explore the role of firm characteristics and macroeconomic conditions in determining firm-level borrowing (from banks as well as total borrowings), the following regression equation adapted from Ottonello and Winberry (2020) is estimated for Indian non-financial firms for the period 2013-14 to 2023-24:

$$\Delta\, log(Debt_{i,t}) = \alpha_i + \alpha_s + \gamma\, Spread_{s,t} + \beta_1\, (Leverage_{i,t-1} * Spread_{s,t})$$

$$+ \beta_2\, (NonBank * Spread_{s,t}) + \Gamma_1'\, X_{i,t-1} + \Gamma_2'\, A_{t-1} + \epsilon_{i,t}$$

where 'i', 's' and 't' denote firm, sector and time, respectively; α_i and α_s refer to firm and sector fixed effects, respectively; 'X' denotes firm-specific controls [*viz.*, leverage, size, age, liquidity, growth in sales and investment, and interest coverage ratio (ICR)]; and 'A' denotes aggregate control (*viz.*, non-agricultural real GVA growth). Spread, a proxy for the relative cost of funds, captures the difference between sector specific weighted average lending rates (WALR) and market-based funds [external commercial borrowing (ECB)] rate. The interaction terms with spread allow the impact of spread on debt growth to vary depending on the firm's existing leverage and access to alternative funding.

Regression results indicate that larger firms are less likely to borrow, which could be due to better availability of internal resources (Table 1). Older firms, while using less bank credit, have higher total debt, likely using non-bank funding for expansion or refinancing. Sales growth, pre-COVID, positively correlates with bank borrowing for expansion, though this relationship weakened post-COVID. Firms with better liquidity and ICR borrow more, reflecting stronger financials, while highly leveraged firms borrow less on aggregate, potentially deleveraging or facing funding constraints. Higher domestic growth increases overall funding demand for business activity.

Higher relative bank loan costs drive firms, especially in services, towards cheaper market-based funding. Firms with non-bank funding access are more sensitive to these cost differences, increasing total borrowing when bank loans become expensive.

Overall, firm-specific factors, macroeconomic conditions, and relative funding costs are key borrowing determinants, varying across sectors and time. Given strong bank balance sheets, a revival in private investment can potentially drive increased demand for bank credit.

(Contd.)

Table 1: Estimated Firm-Level Borrowing

Dependent Variable: $\Delta\, log(Debt_{i,t})$

Explanatory Variable		Coefficients			
		All Sectors		Services Sector	
		Borrowings from Banks	Total Borrowings	Borrowings from Banks	Total Borrowings
1		2	3	4	5
	$\text{Spread}_{s,t} * \text{NonBank}$	0.005 (0.011)	0.014* (0.008)	0.010 (0.025)	0.013 (0.015)
	$Leverage_{i,t-1} * Spread_{s,t}$	0.014** (0.006)	0.007* (0.004)	0.026** (0.011)	0.005 (0.008)
	$Spread_{s,t}$	-0.060** (0.028)	0.088*** (0.020)	-0.126** (0.051)	0.164*** (0.038)
Firm Controls	$Size_{i,t-1}$	-0.277*** (0.081)	-0.363*** (0.058)	-0.452*** (0.145)	-0.585*** (0.102)
	$Age_{i,t-1}$	-0.052*** (0.017)	0.048*** (0.013)	-0.082*** (0.029)	0.095*** (0.023)
	$Sales\ Growth_{i,t-1}$	0.010 (0.014)	-0.011 (0.008)	0.002 (0.023)	-0.007 (0.015)
	$Investment\ Growth_{i,t-1}$	0.007 (0.012)	-0.006 (0.008)	0.005 (0.017)	0.006 (0.014)
	$Liquidity_{i,t-1}$	0.266*** (0.079)	0.202*** (0.041)	0.273*** (0.100)	0.200*** (0.051)
	$Leverage_{i,t-1}$	-0.227** (0.044)	-0.197*** (0.030)	-0.314*** (0.086)	-0.218*** (0.059)
	$ICR_{i,t-1}$	0.035 (0.028)	0.070*** (0.022)	0.025 (0.027)	0.059** (0.025)
Aggregate Control	$Non\text{-}agri\ Growth_{t-1}$	-1.151*** (0.428)	1.386*** (0.297)	-2.161** (0.835)	2.412*** (0.599)
R-squared		0.156	0.219	0.188	0.246
Number of Observations		13,260	15,362	4,243	5,456

***, ** and * represent significance levels at 1 per cent, 5 per cent and 10 per cent, respectively.

Note:
1. Figures in parentheses indicate robust standard errors.
2. Unit-level data, accessed from CMIE Prowess, include those firms which have at least three years of data on outstanding debt; and also, do not belong to finance, insurance, real estate, utilities and public administration. All other data are sourced from DBIE, RBI.
3. Services sector includes wholesale and retail trade, transport, information and communication technology, professional and other services.
4. Firm and sector fixed effects have been included.
5. Dependent variable captures change in log of real debt outstanding as a total or from banks. Firm-specific controls include lagged values of size (log of real total assets), age in years since incorporation, growth in real sales, growth in real investment, leverage (ratio of total debt to total assets) and liquidity (quick ratio). Investment denotes changes to real total capital and includes both fixed and intangible assets. ICR denotes ratio of earnings to interest expense. Real variables are obtained using non-agricultural GDP deflator. Non-agricultural real GVA growth is in y-o-y growth terms.
6. Leverage has been demeaned for the firm, and all firm-specific variables have been standardised across the sample, enabling better comparison across firms and sectors over time.
7. Non-bank dummy takes value 1 if a firm has accessed credit from a non-bank source (*viz.*, domestic financial market and ECBs) during the sample period. Dummies are also included for asset quality review (2015-16), COVID-19 (2020-21) and merger of a non-bank with a bank (2023-24).

Source: RBI staff estimates.

Reference:

Ottonello, P. and Winberry, T. (2020), 'Financial Heterogeneity and the Investment Channel of Monetary Policy', *Econometrica,* 88: 2473-2502.

II.4.13 Sector-wise[26], credit to agriculture and allied activities continued to exhibit double digit expansion in 2024-25. Industrial credit remained robust, driven by a pick-up in credit to medium and large industry. Credit to micro and small industries continued *albeit* with some moderation in the recent period. Similarly, credit to services sector grew but at a decelerated pace. Credit to services sector moderated from elevated levels, following the increase in risk weights on SCBs' credit to NBFCs by 25 percentage points in November 2023. Personal loans grew by 14.0 per cent as at end-March 2025 as compared with 17.6 per cent during the previous year, supported by housing loans which account for nearly half of the segment. Other segments within personal loans such as vehicle loans and other personal loans grew by 8.6 and 8.4 per cent, respectively, at end-March 2025 (Chart II.4.11 and Table II.4.2).

Table II.4.2: Sectoral Credit Growth – SCBs

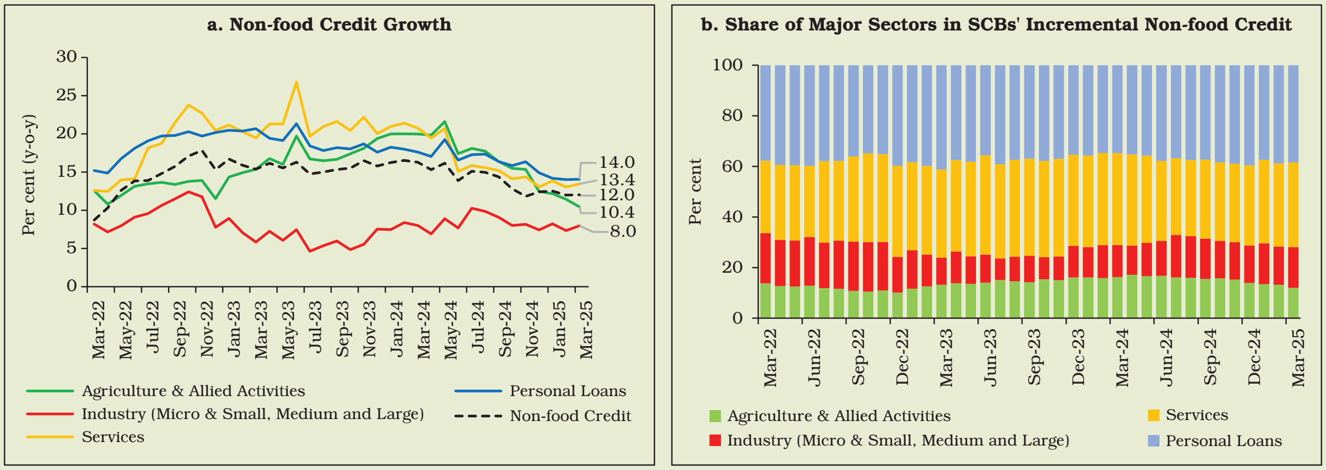
(Per cent, y-o-y)

Sector	2023-24#	2024-25											
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Non-food Credit	**16.3**	**15.3**	**16.2**	**13.9**	**15.1**	**15.0**	**14.4**	**12.8**	**11.8**	**12.4**	**12.5**	**12.0**	**12.0**
I. Agriculture & Allied Activities	**20.0**	**19.8**	**21.6**	**17.4**	**18.1**	**17.7**	**16.4**	**15.5**	**15.3**	**12.5**	**12.2**	**11.4**	**10.4**
II. Industry (Micro & Small, Medium and Large)	**8.0**	**6.9**	**8.9**	**7.7**	**10.2**	**9.8**	**9.1**	**8.0**	**8.1**	**7.4**	**8.2**	**7.3**	**8.0**
II.1. Micro & Small	14.4	15.2	15.3	10.7	13.3	13.6	13.5	10.1	10.2	9.9	9.6	9.8	9.1
II.2. Medium	13.2	13.1	15.3	12.5	17.0	19.3	20.5	19.7	20.1	20.0	18.5	18.1	18.6
II.3. Large	5.8	4.1	6.5	6.3	8.7	7.8	6.6	6.1	6.3	5.3	6.7	5.4	6.4
Major Sub-sectors of Industry													
II.a. Infrastructure	5.6	3.9	6.3	4.6	4.0	3.8	2.2	1.8	1.7	1.2	1.8	1.1	1.7
II.b. Basic Metals & Metal Products	11.7	11.4	13.4	11.3	13.4	16.1	15.5	15.5	16.0	13.4	14.4	13.3	13.0
II.c. Chemicals & Chemical Products	11.2	13.3	13.6	11.7	16.7	15.9	14.9	12.8	11.5	7.1	9.6	6.8	7.4
II.d. Textiles	11.1	8.1	9.3	6.1	8.6	6.4	5.4	5.6	5.5	5.6	5.8	7.1	8.3
II.e. All Engineering	10.5	9.4	10.5	8.7	10.8	16.6	15.7	14.5	18.3	19.5	18.1	19.0	22.1
II.f. Food Processing	14.9	17.9	14.5	10.8	17.1	14.4	11.6	9.9	12.1	10.7	11.0	9.3	5.1
III. Services	**20.8**	**19.5**	**20.7**	**15.1**	**15.9**	**15.6**	**15.2**	**14.1**	**14.4**	**13.0**	**13.8**	**13.0**	**13.4**
III.1. Trade	17.2	14.4	17.3	14.4	15.6	15.7	14.5	12.6	14.7	14.2	14.6	14.8	15.8
III.2. NBFCs	15.0	15.1	15.8	8.2	13.0	12.2	9.7	6.6	8.0	6.9	7.9	6.6	5.9
IV. Personal Loans	**17.6**	**17.0**	**19.3**	**16.6**	**17.3**	**17.4**	**16.4**	**15.8**	**16.3**	**14.9**	**14.2**	**14.0**	**14.0**
IV.1. Consumer Durables	13.0	11.0	15.0	7.6	11.3	10.1	8.6	6.6	4.8	-1.1	-2.6	2.2	-1.3
IV.2. Housing	17.1	17.6	19.9	18.2	19.1	19.7	18.3	17.8	18.0	16.7	15.5	15.6	15.3
IV.3. Credit Cards Outstanding	25.6	23.0	26.2	23.3	22.0	19.9	18.0	16.9	18.1	15.6	13.0	11.2	10.6
IV.4. Vehicle Loans	17.6	17.2	18.4	15.5	14.6	14.5	13.9	12.0	10.3	8.8	9.7	9.6	8.6
IV.5. Other Personal Loans	18.6	15.8	17.1	13.1	13.5	13.0	11.8	11.2	12.2	9.7	9.2	8.4	8.4

#: March 2024 over March 2023.
Note: Data are provisional and exclude the impact of merger of a non-bank with a bank.
Source: RBI.

[26] Non-food credit data are based on fortnightly Section 42 return and covers all SCBs. Sectoral non-food credit data are based on sector-wise and industry-wise bank credit (SIBC) return, which covers select banks accounting for about 95 per cent of total non-food credit extended by all SCBs. Data pertain to the last reporting Friday of the month.

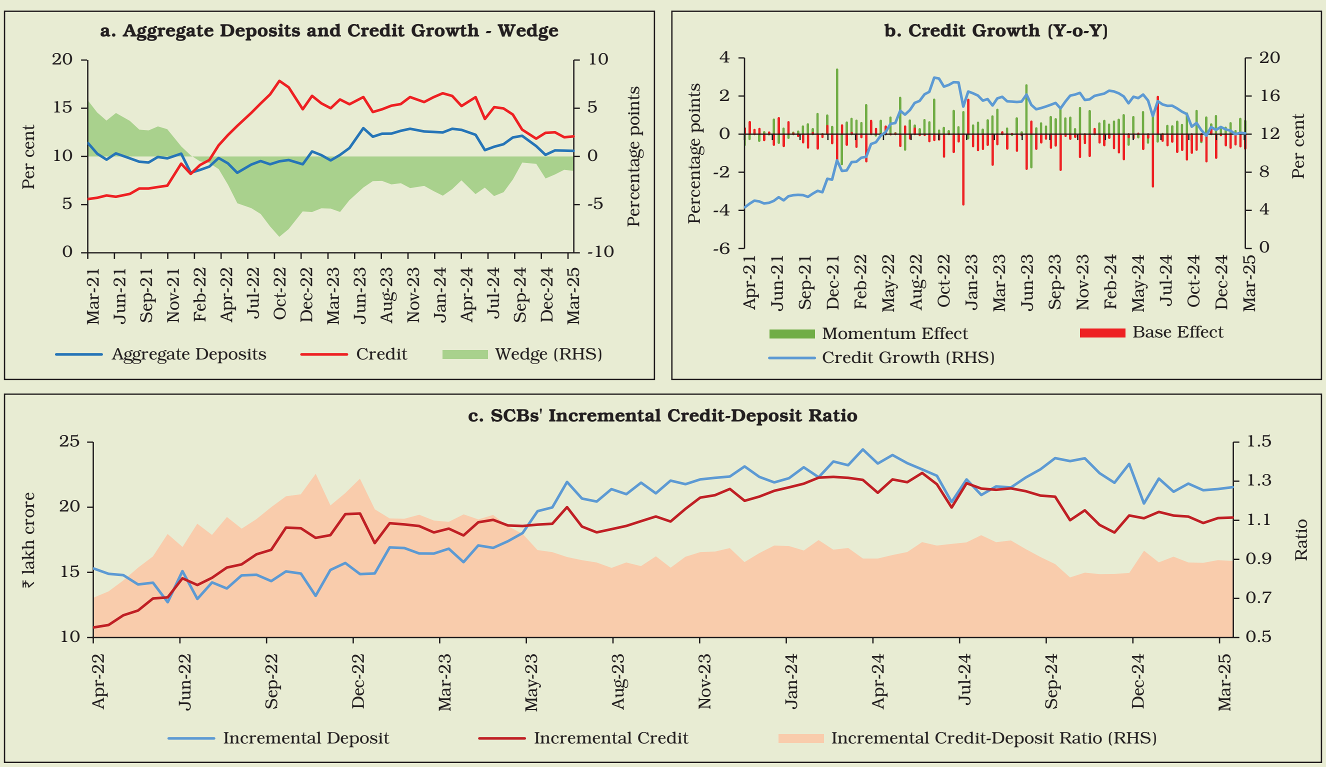
Chart II.4.11: Sector-wise SCBs' Non-food Credit



Source: RBI.

II.4.14 SCBs' deposit growth remained below that of bank credit during 2024-25; however, the wedge between deposit and credit growth narrowed which led to a decline in the incremental credit-deposit ratio (Chart II.4.12). To bridge the funding gap, banks took recourse to large issuances of certificates of deposit (CDs)[27].

Chart II.4.12: SCBs' Deposits and Credit



Source: RBI.

[27] See Section 5 of Chapter II for details.

5. Conclusion

II.4.15 Double digit growth in bank deposits and credit was sustained during 2024-25. Although deposit growth trailed credit growth, the gap narrowed during the year. Bank credit expansion was largely broad-based, led by retail, services and agriculture sectors. Currency demand growth remained moderate with increasing public preference for digital modes of payments.

II.5 FINANCIAL MARKETS

II.5.1 Global financial markets remained volatile during 2024-25, driven by the uncertain trajectory of monetary policy normalisation amidst sticky services inflation, persisting geopolitical tensions, and geoeconomic fragmentation. With inflation gradually moving towards its target from multi-decadal highs, several central banks embarked on policy pivots during the year. A few central banks continued with monetary tightening on the back of elevated inflation while others maintained a pause.

II.5.2 Domestic financial markets exhibited resilience notwithstanding global headwinds and occasional volatility spikes in some market segments during 2024-25. Money market rates remained relatively stable and evolved in sync with liquidity conditions. Issuances of certificates of deposit (CDs) increased as banks supplemented their deposit resources. Sovereign bond yields softened on the back of inclusion of Indian sovereign bonds in major global bond indices, ongoing fiscal consolidation, decline in crude oil prices, and beginning of the monetary easing cycle. Corporate bond yields also softened tracking government security (G-sec) yields along with a widening of spreads amidst moderation in corporate earnings and growth trajectory. Equity markets registered fresh highs in the first half of the year whereas the second half witnessed a correction due to domestic and global factors. During 2024-25, the Indian Rupee (INR) exhibited orderly movements with a depreciation bias amid resurgence in the US dollar index (DXY), heightened global uncertainties and portfolio investment outflows.

II.5.3 Against this backdrop, money market developments are detailed in sub-section 2. Market developments in government securities (G-secs) and corporate bonds are discussed in sub-sections 3 and 4, respectively. Equity and foreign exchange market developments are covered in sub-sections 5 and 6, respectively, with concluding observations in sub-section 7.

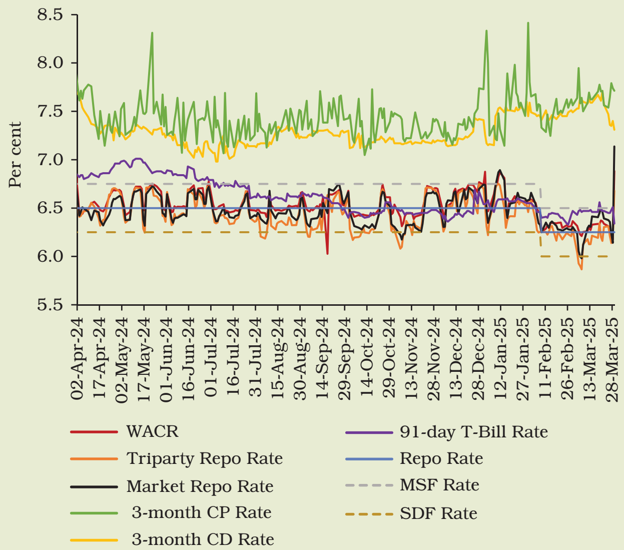
2. Money Market

II.5.4 During 2024-25, money market rates oscillated largely within the policy corridor in tune with the evolving liquidity conditions. Liquidity conditions moved from deficit during Q1:2024-25 to surplus in Q2 and in major part of Q3 (till first half of December 2024) but transited to deficit in Q4 (see Chapter III). The weighted average call rate (WACR) – the operating target of monetary policy – remained within the policy corridor notwithstanding intermittent breaches. It traded above the policy repo rate in Q1; generally hovered around the policy repo rate in Q2; firmed up towards the end of Q3; and remained above the policy repo rate in Q4 (Chart II.5.1). The average spread of the WACR over the policy repo rate moderated to 6 basis points (bps) in 2024-25 from 13 bps in 2023-24.

II.5.5 Volatility in the WACR, measured by the coefficient of variation[28], moderated to 2.2 per cent in 2024-25 from 2.5 per cent in 2023-24.

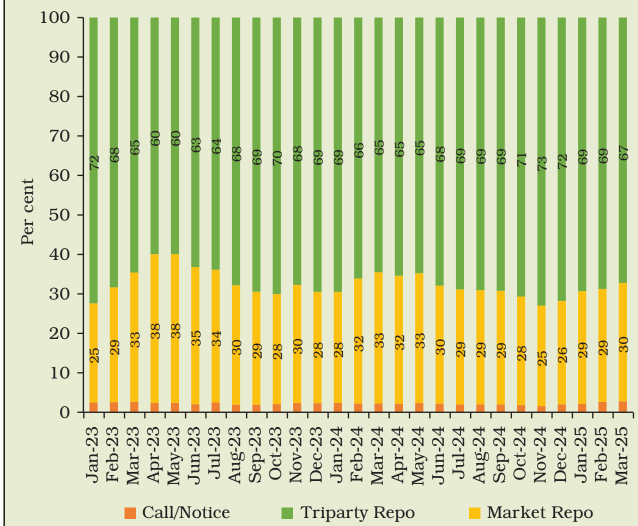
[28] Coefficient of variation is the ratio of standard deviation to mean.

Chart II.5.1: Money Market Rates and Policy Corridor



Source: RBI, FBIL, CCIL-Ftrac and RBI staff estimates.

Chart II.5.2: Share of Major Segments in Money Market Volume



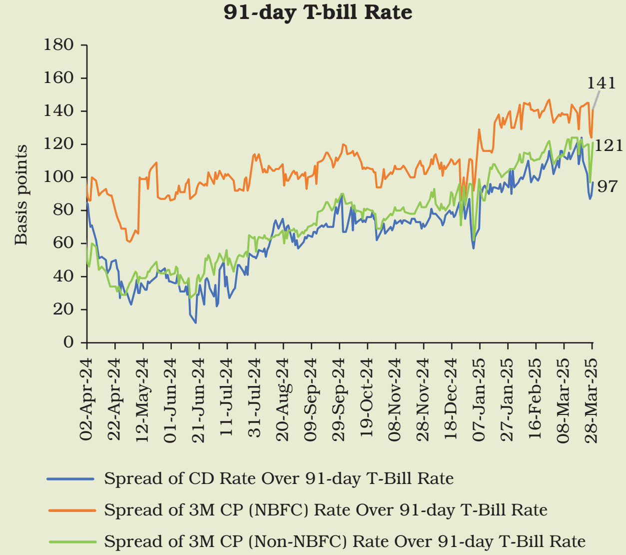
Source: CCIL and RBI staff estimates.

The average daily volume in the money market increased by 10 per cent to ₹5.5 lakh crore during 2024-25 from the previous year. The money market continued to be dominated by the collateralised segment, with the share of call/ notice money being mostly stable at 2 per cent. Within the collateralised segment, the share of triparty repo rose from 66 per cent in Q1:2024-25 to 72 per cent in Q3:2024-25, before declining to 68 per cent in Q4 with concomitant change in the share of market repo (Chart II.5.2).

II.5.6 In other segments of the money market, the average daily spread of CD and commercial paper (CP) rates over treasury bill (T-bill) rates of corresponding maturity increased during 2024-25 on the back of higher issuances of CDs and CPs and regulatory measures on consumer credit and bank credit to non-banking financial companies (NBFCs) announced by the Reserve Bank on November 16, 2023 (Chart II.5.3).

II.5.7 In the primary market, fresh issuance of CDs increased to ₹2.8 lakh crore in Q2:2024-25 from ₹2.5 lakh crore in Q1 and further to ₹2.9 lakh crore in Q3 amidst credit growth remaining higher than deposit growth and stood at ₹3.7 lakh crore in Q4. Total CD issuances amounted to ₹11.9 lakh crore during 2024-25 as compared to ₹8.7 lakh crore during the previous year. Banks used CDs to bridge the credit-deposit gap in 2024-25, with liquidity conditions influencing CD rate spreads over WACR (Box II.5.1).

Chart II.5.3: Spread of 3-month CP and CD Rate over 91-day T-bill Rate



Source: FBIL, Cogencis and RBI staff estimates.

Box II.5.1
What Drives the Money Market Term Spread?

Credit growth has outpaced deposit growth since February 2022 with bank credit registering double digit growth since April 2022. This, *inter alia*, has resulted in banks taking increasing recourse to issuances of CDs to meet the funding gap (Chart 1). CD issuances are often costlier relative to deposits and more sensitive to demand-supply dynamics based on the evolving liquidity and financial conditions (Chart 2).

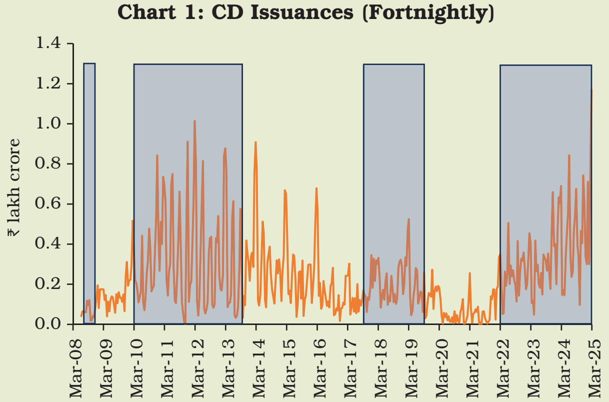
As suggested by the liquidity preference theory of the term structure, investors prefer short tenor instruments that are more liquid *vis-à-vis* longer tenor. Risk averse investors would, therefore, demand sufficient liquidity premium to hold longer tenor instruments. The spread of CD rates over WACR, therefore, constitute such a premium.[29] The WACR – being the operating target of monetary policy – is broadly reflective of liquidity conditions in the overnight money market. Given its information content and its role as a signaling mechanism, movements in WACR gets transmitted to the outer segment of the money market including CDs. The transmission of signals from WACR to CDs could be more than proportionate in certain periods of liquidity stress or if funding gaps are persistent because of an increasing wedge between credit and deposit growth.

The concentration of money market activity in the overnight segment along with the relative illiquidity between 3-days and three months maturity may also impact the spread between WACR and CD rates.

Drawing from the literature on the term premium (Patra *et al*., 2020), the spread of CD rate over WACR is examined. In this regard, modelling the spread of CD rate over WACR could be useful in comprehending how liquidity and credit market conditions affect the CD market, given the increasing issuance of CDs.

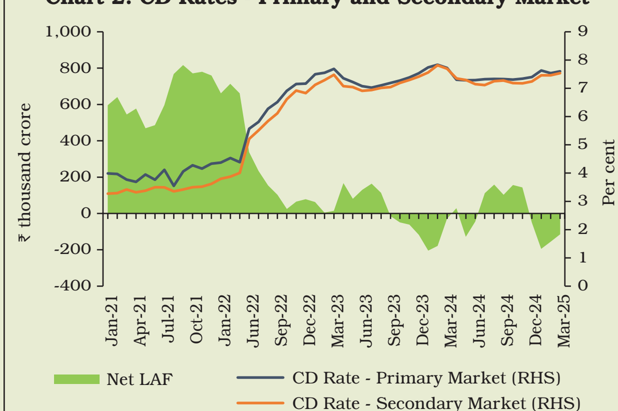
The potential determinants of the spread of CD rate over WACR[30] are explored using generalised autoregressive conditional heteroscedasticity (GARCH) approach. Based on the money market dynamics, the selected explanatory variables include daily net LAF outstanding (NLAF), VIX index, and a dummy variable (DUM-CDGap). The NLAF and VIX capture the liquidity conditions and uncertainty in financial markets, respectively, while DUM-CDGap represents the evolving demand-supply pressures in the credit market which, in turn, gets reflected in the CD market. The GARCH model is employed to analyse the spread based on daily data spanning January 1, 2020 - September 30, 2024. Thus, the sample covers both easing

Chart 1: CD Issuances (Fortnightly)



Note: The shaded area represents episodes of credit growing faster than deposit growth.
Source: RBI.

Chart 2: CD Rates - Primary and Secondary Market



Source: RBI and RBI staff estimates.

(Contd.)

[29] Non-bank participants such as mutual funds actively participate in the CD market as buyers.

[30] Priyadarshini *et al.,* (2024) investigate the risk premia - spread of 3-month CP rate over the 91-day T-bills - and find that system liquidity is a key factor. Moreover, credit growth is found to be a key determinant of CD rate (FBIL, 2020).

and tightening phases of monetary policy as well as periods when credit growth lagged deposit growth and *vice versa*.

Under the GARCH (1,1)-X framework, the mean equation is modelled as follows:

$$Spread_t = \beta_0 + \beta_1 Spread_{t-1} + \beta_2 X_t + \varepsilon_t \quad .... (1)$$

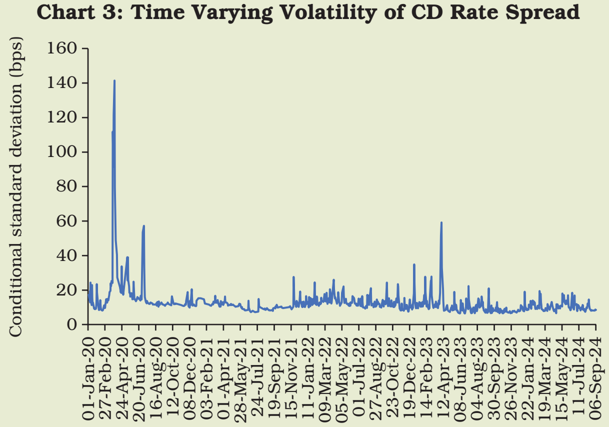
The spread of CD rate is influenced by past values, with X_t as a vector of explanatory variables and an error term reflecting shocks that impact the CD rates. The error term is a function of lagged information matrix Ω_{-1} and is assumed to be normally distributed with zero mean. The variance h_t is defined as:

$$h_t = \alpha_0 + \alpha_1 \varepsilon^2_{t-1} + \alpha_2 h_{t-1} + \alpha_3 VIX_t \quad .... (2)$$

where α_1, α_2 and α_3 are coefficients of ARCH, GARCH effects and volatility in financial markets.

The regression results indicate that an improvement in system liquidity has a moderating (statistically significant) impact on the spread of CDs, while increasing wedge between credit and deposit growth elongates the spread. The interactive term of NLAF and DUM-CDGap[31] suggest that although the sobering impact of system liquidity remains statistically significant, the effect wanes when credit growth is faster than that of deposits. Moreover, the estimates of conditional volatility reveal that volatility of the spread was generally low, barring a few episodes including COVID-19 (Table 1 and Chart 3). The residual diagnostics show no ARCH effects and no autocorrelation in residuals.

Chart 3: Time Varying Volatility of CD Rate Spread



Source: RBI staff estimates.

Table 1: GARCH (1,1) Estimation Results

	Model 1	Model 2	Model 3
Mean equation: $Spread_t = \beta_0 + \beta_1 Spread_{t-1} + \beta_2 X_t + \varepsilon_t$			
Constant	5.133*** (0.659)	2.743*** (1.043)	5.902*** (0.655)
$Spread_{t-1}$	0.922*** (0.009)	0.906*** (0.010)	0.910*** (0.009)
DUM-CDGap_t		3.617** (1.069)	
NLAF_t	-0.467*** (0.114)	-0.116 (0.164)	-0.653*** (0.120)
NLAF_t X DUM -CDGap_t			0.612*** (0.209)
Variance equation: $h_t = \alpha_0 + \alpha_1 \varepsilon^2_{t-1} + \alpha_2 h_{t-1} + \alpha_3 VIX_t$			
ARCH (1)	0.380*** (0.042)	0.390*** (0.044)	0.384*** (0.043)
GARCH (1)	0.294*** (0.052)	0.292*** (0.053)	0.300*** (0.054)
VIX_t	5.344*** (0.499)	5.169*** (0.486)	5.185*** (0.506)
Diagnostics:			
Log likelihood:	-3453.49	-3449.29	-3450.20
Total Observations:	907	907	907
ARCH (LM) Prob. (F):	0.920	0.875	0.893
Akaike Info Criterion:	7.768	7.760	7.762

***, **, and * indicate significance levels at 1 per cent, 5 per cent and 10 per cent, respectively.
Note: Figures in parentheses are standard errors.
Source: RBI staff estimates.

References:

1. FBIL (2020), 'Indian CD Market: 2013-2019', *FBIL Thematic Study*, July.
2. Patra, M. Behera, H. and John, J. (2020), 'Revisiting the Determinants of the Term Premium in India', *RBI Bulletin,* November.
3. Priyadarshini, P., Anshul, Sardar, S., Chaudhari, D.R., and Das, S. (2024), 'Drivers of Commercial Paper Rate Spread - An Empirical Assessment', *RBI Working Paper Series*, March.

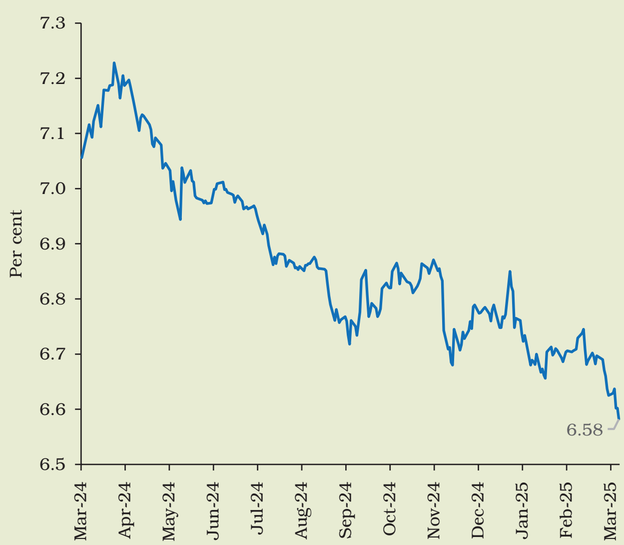
[31] DUM-CDGAP dummy variable takes value 0 for the period when deposit grew faster than credit and 1 otherwise.

II.5.8 New issuances of CPs in the primary market, which moderated to ₹3.7 lakh crore in Q2:2024-25 from ₹3.8 lakh crore in Q1, rebounded to ₹3.8 lakh crore in Q3 and stood at ₹4.4 lakh crore in Q4. During 2024-25, fresh issuances of CPs increased to ₹15.7 lakh crore due to sustained demand and the regulatory measures on NBFCs mentioned earlier, as compared to ₹13.8 lakh crore during the previous year.

3. Government Securities Market

II.5.9 During Q1:2024-25, G-sec yields exhibited two-way movements. Yields initially rose at the beginning of the quarter amid foreign portfolio investment (FPI) outflows and higher crude oil prices but softened thereafter in the wake of record surplus transfer by the Reserve Bank to the central government, FPI buying ahead of bond index inclusion[32] and decline in crude oil prices. The 10-year generic G-sec yield closed the quarter at 7.01 per cent, a decline of 5 bps from its level as at end-March 2024 (Chart II.5.4).

Chart II.5.4: 10-year Generic G-sec Yield



Source: Bloomberg.

II.5.10 During Q2:2024-25, G-sec yields for the shorter tenor declined more than the longer tenor amidst steepening of yield curves globally, fall in crude oil prices, continued FPI inflows and beginning of rate easing cycle by major central banks, including a 50-bps rate cut by the US Fed. The government's commitment towards fiscal prudence as reflected in the Union Budget 2024-25 along with lower CPI inflation prints for July and August – below 4.0 per cent for the first time since September 2019 – also led to softening of G-sec yields during the quarter. The 10-year generic G-sec yield closed the quarter at 6.75 per cent, a decline of 26 bps from its level at end-June 2024 – the biggest quarterly decline since the quarter ended March 2020.

II.5.11 During Q3:2024-25, G-sec yields were range-bound with upward pressures from higher US treasury yields and domestic CPI inflation being somewhat ameliorated by the monetary policy committee's (MPC's) decision to change the monetary policy stance to neutral and the announcement of the Indian government bonds' inclusion in FTSE Russell index[33]. The 10-year generic G-sec yield closed at 6.76 per cent at end-December 2024, almost unchanged from its level at end-September 2024.

II.5.12 During Q4:2024-25, G-sec yields largely trended downwards amid several liquidity infusion measures and commencement of monetary policy easing cycle by the Reserve Bank. The yields rose in the first fortnight of Q4 to touch a high

[32] Eligible Indian Government Bonds (IGBs) were included in J.P. Morgan Government Bond Index - Emerging Market (GBI-EM) starting June 28, 2024.

[33] On October 8, 2024, FTSE Russell announced that India will be added to FTSE Emerging Markets Government Bond Index (EMGBI) starting in September 2025.

Table II.5.1: FPI Investment in Debt Instruments (End-March)

(Amount in ₹ lakh crore)

Route/ Channel of Investment	2023			2024			2025		
	Limit	Outstanding	Utilisation (per cent of limit)	Limit	Outstanding	Utilisation (per cent of limit)	Limit	Outstanding	Utilisation (per cent of limit)
1	2	3	4	5	6	7	8	9	10
General Route^	11.7	1.8	15.4	11.7	1.9	16.0	13.0	1.9	14.5
VRR^	2.5	2.1	82.0	2.5	1.8	70.1	2.5	2.1	82.1
FAR#	28.0	0.8	2.8	39	1.7	4.5	43.4	3.1	7.1

^: Includes central government securities (G-secs), state government securities (SGSs) and corporate bonds.
#: Available only for the specified securities included under the route.
Source: CCIL and NSDL.

of 6.87 per cent amid rise in US treasury yields. Thereafter, yields broadly trended downward on account of liquidity management measures, *viz.,* daily variable rate repo (VRR) auctions on all working days, OMO purchases of government securities, longer tenor VRR auctions and USD/INR buy-sell swap auctions. OMO purchases aggregating ₹2.83 lakh crore and USD/INR buy-sell swaps amounting to ₹2.18 lakh crore were conducted during the quarter[34]. In the February bi-monthly meeting, the MPC unanimously decided to cut the policy repo rate by 25 bps. The 10-year generic G-sec yield closed at 6.58 per cent as at end-March 2025, 18 bps lower than its level as at end-December 2024. During 2024-25, the domestic yield curve bull steepened as the 10-year generic G-sec yield softened by 48 bps while the 5-year generic G-sec yield softened by 61 bps.

II.5.13 With the introduction of the fully accessible route (FAR)[35] effective April 1, 2020, FPIs have three channels of investment – the general route[36]; the voluntary retention route (VRR); and FAR (Table II.5.1). In aggregate, FPIs invested ₹1.5 lakh crore in debt instruments in 2024-25.

4. Corporate Bond Market

II.5.14 Corporate bond yields softened during 2024-25, mirroring G-sec yields. The monthly average yield on AAA-rated 3-year bonds of public sector undertakings (PSUs), financial institutions (FIs) and banks; non-banking financial companies (NBFCs); and corporates fell by 15 bps, 28 bps and 33 bps, respectively, in March 2025 *vis-à-vis* March 2024 (Table II.5.2).

II.5.15 The spread on AAA-rated 3-year bond yields over G-sec yields of corresponding maturity, however, increased during 2024-25, as the pace of softening in corporate bond yields trailed that in G-sec yields. The increase in spreads was evident across tenors and the rating spectrum. Average daily turnover[37] in the

[34] See Monetary Policy Report, April 2025 for details.

[35] Under FAR, certain categories of central government securities are open fully for non-resident investors without any restrictions, apart from being available to domestic investors as well.

[36] Erstwhile medium-term framework (MTF).

[37] Daily average turnover is calculated as total trades settled during the year divided by the number of trading days.

Table II.5.2: Corporate Bonds* - Yields and Spread

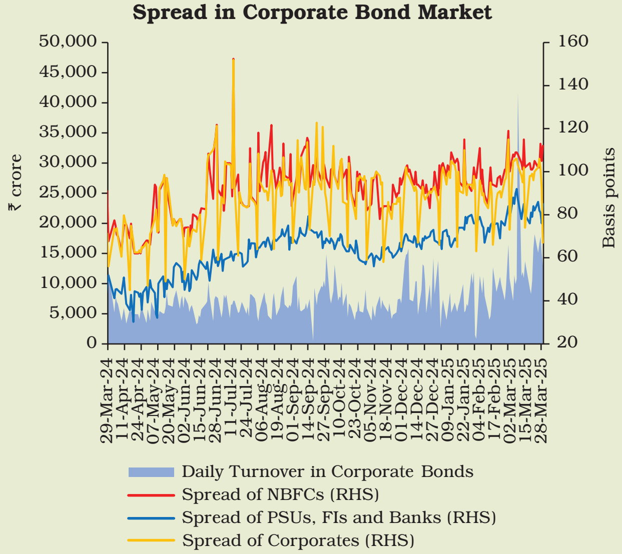
Entity	Yields (per cent)			Spread (bps) [over corresponding risk-free rate]		
	March 2024	March 2025	Change (bps)	March 2024	March 2025	Change (bps)
1	2	3	4 (=3-2)	5	6	7 (=6-5)
(i) PSUs, FIs and Banks	7.63	7.48	-15	44	83	39
(ii) NBFCs	7.98	7.70	-28	80	106	26
(iii) Corporates	7.95	7.62	-33	77	98	21

***:** AAA-rated 3-year bonds.
Note*:* Yields and spreads are computed as monthly averages.
Source: FIMMDA.

secondary market on corporate bonds increased to ₹7,645 crore during 2024-25 from ₹5,722 crore during the previous year (Chart II.5.5).

II.5.16 Primary issuances of listed corporate bonds on domestic stock exchanges rose during 2024-25 along with an increase in mobilisation through overseas issuances (Table II.5.3). Private placements remained the preferred channel, accounting for 99.2 per cent of total resources mobilised through the domestic bond market. Investments by FPIs in corporate bonds increased during the year. The utilisation of the approved limits, however, declined to 15.8 per cent as at end-March 2025 from 16.2 per cent as at end-March 2024, as the absolute limits for FPI investments in corporate bonds increased.

Chart II.5.5: Turnover and AAA-rated 3-Year Yield Spread in Corporate Bond Market



Source: SEBI and FIMMDA.

5. Equity Market

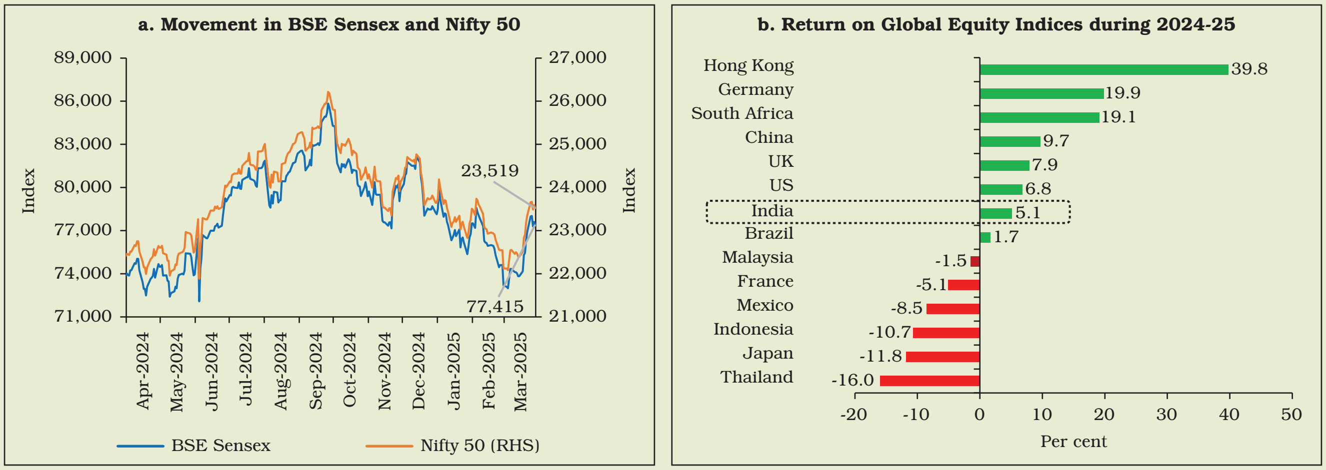
II.5.17 In 2024-25, the Indian equity market witnessed fresh highs in the first half whereas the second half exhibited sharp correction on account of a set of factors, *viz.,* shifting expectations on global monetary policy trajectory, tariff policies in the US and lingering geopolitical tensions in the Middle East and Europe. Overall, the BSE Sensex gained 5.1 per cent to close at 77,415

Table II.5.3: Corporate Bond Market

Item	Amount (₹ lakh crore)		Variation (Col. 3 over Col. 2) [per cent]
	2023-24	2024-25	
1	2	3	4
(i) Primary Corporate Bond Issuances	8.6	9.9	16.1
(ii) Outstanding Corporate Bonds (end-December)	45.5	51.6	13.3
(iii) Investments by FPIs in Corporate Bonds (end-March)	1.08	1.21	11.4

Source: SEBI and NSDL.

Chart II.5.6: Equity Market



Source: BSE, NSE and Bloomberg.

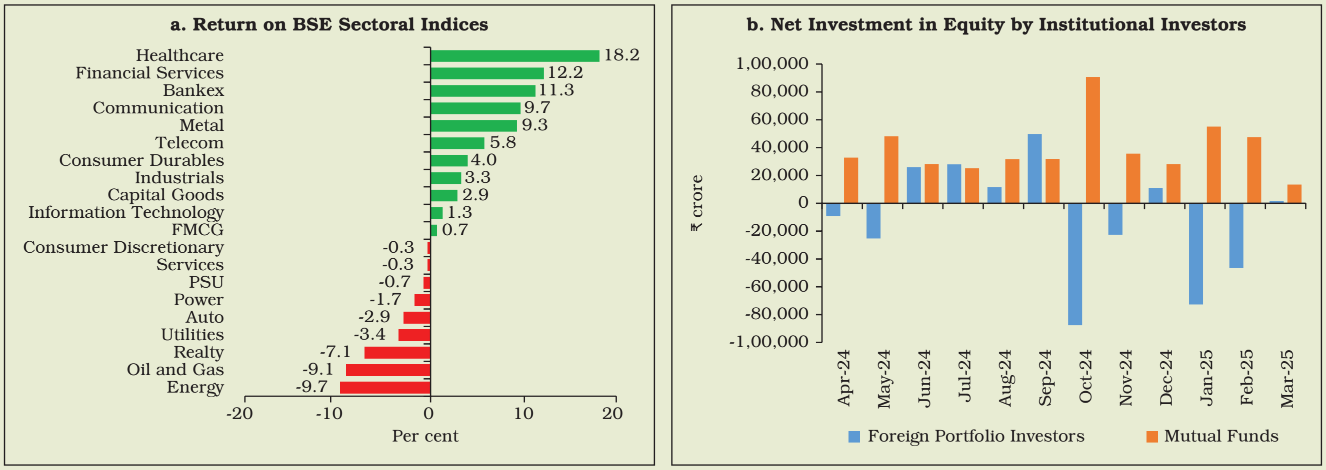
at end-March 2025 (Chart II.5.6). Resource mobilisation in the primary markets through public and rights issues, preferential allotments and qualified institutional placements (QIPs) maintained robust growth, particularly in H1: 2024-25.

II.5.18 Equity markets started on a positive note in Q1:2024-25 amidst encouraging domestic and global macroeconomic data releases, interspersed by brief correction due to flaring up of geopolitical tensions in the Middle East. During Q2, the market continued the upward trajectory with the BSE Sensex crossing the 80,000 mark in July with headwinds in early August following the release of weaker economic data from the US and large-scale unwinding of the Yen carry trade post-rate hike by the Bank of Japan. After remaining range bound in the first half of September, the BSE Sensex rallied sharply to breach the 85,000 mark - touching a new high of 85,836 on September 26, 2024, supported by expectations of an imminent US Fed policy pivot.

II.5.19 In Q3, Indian equity markets exhibited a declining trend on FPI selling amidst geopolitical tensions, concerns over domestic equity valuations and weaker-than-expected corporate earnings results and domestic GDP print in Q2:2024-25. Some of the declines were reversed in late November and early December on favourable global cues. Benchmark indices declined further in Q4 amidst sustained FPI selling on tariff announcements by the US against major economies, weak domestic growth outlook based on the GDP estimates for 2024-25, and mixed corporate earnings in Q3:2024-25. Markets, however, pared some of the losses in the second half of March amidst FPI buying and expectations of further monetary policy easing.

II.5.20 The broader market indices, *viz.,* the BSE MidCap and BSE SmallCap, increased by 5.6 per cent and 8 per cent, respectively, while sectoral indices exhibited a mixed trend in 2024-25 (Chart II.5.7a). FPIs made net sales of ₹1.4 lakh crore in the domestic equity market during 2024-25 as against net purchases of ₹2.1 lakh crore in the

Chart II.5.7: Broader Markets and Institutional Flows



Source: SEBI, NSDL and Bloomberg.

previous year (Chart II.5.7b). Mutual funds made net purchases of ₹4.7 lakh crore in 2024-25 as against ₹2.0 lakh crore in the previous year.

Primary Market Resource Mobilisation

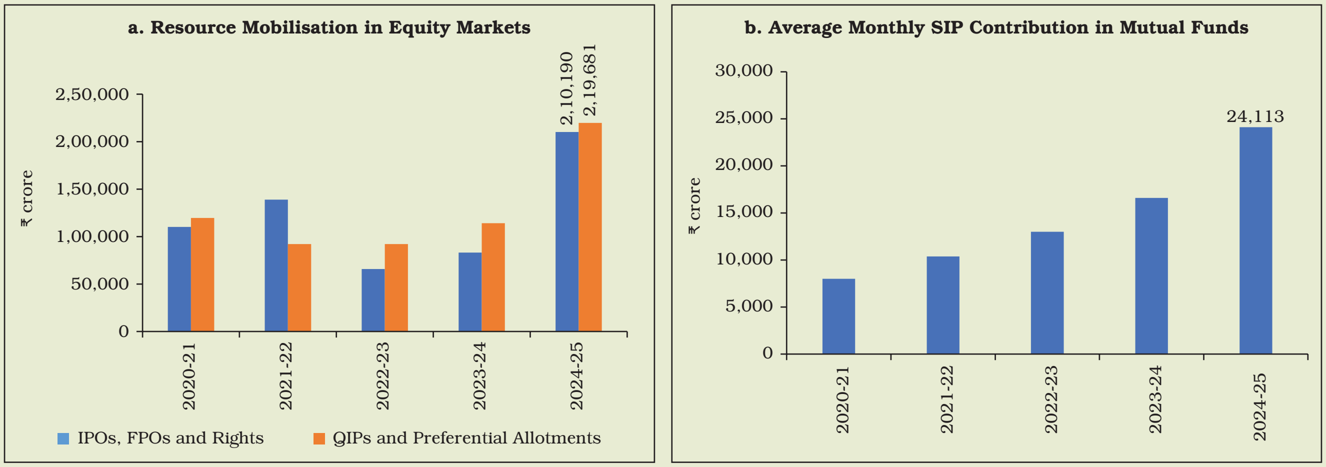
II.5.21 In the primary segment of the equity market, resource mobilisation through preferential allotments and qualified institutional placements (QIPs) rose to ₹2.2 lakh crore during 2024-25 from ₹1.1 lakh crore during the previous year. Resource mobilisation through initial public offerings (IPOs), follow-on public offers (FPOs) and rights issues also increased to ₹2.1 lakh crore from ₹0.8 lakh crore during the previous year (Chart II.5.8a and Appendix Table 5). Issuances by small and medium enterprises (SMEs) remained robust, raising ₹9,961 crore during 2024-25 as compared to mobilisation of ₹6,122 crore in the previous year.

II.5.22 Net resources mobilised by mutual funds increased to ₹8.2 lakh crore during 2024-25 from ₹3.6 lakh crore during the previous year. Net mobilisation by equity-oriented mutual fund schemes rose to ₹4.2 lakh crore from ₹1.8 lakh crore during the previous year. Debt-oriented schemes witnessed net inflows of ₹1.4 lakh crore during 2024-25 as compared with net outflows of ₹0.3 lakh crore during the previous year. Average monthly contribution to mutual funds through the systematic investment plan (SIP) route increased to ₹24,113 crore in 2024-25 from ₹16,602 crore during the previous year (Chart II.5.8b).

6. Foreign Exchange Market

II.5.23 The INR, after remaining steady during H1:2024-25, came under pressure in the second half amid adverse external shocks and spillovers and closed the year lower - depreciating by 2.4 per cent. During Q1, the INR traded in a range bound manner, supported by a fall in crude oil prices and net FPI inflows, amid rise in the DXY and hardening US treasury yields. Overall, the INR closed almost flat at ₹83.38 per US dollar by end-June 2024 (Chart II.5.9).

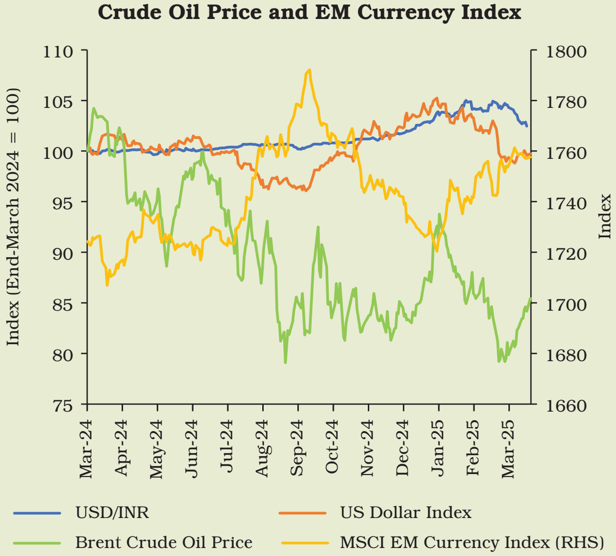
Chart II.5.8: Resource Mobilisation



Source: SEBI and AMFI.

II.5.24 The INR traded under depreciation pressure for most of Q2:2024-25 on reported unwinding of carry trades and recessionary fears in the US leading to safe haven demand. However, the fall in crude oil prices and continuing FPI inflows post inclusion of Indian sovereign bonds in J.P. Morgan bond indices kept the INR supported. Overall, the INR closed the Q2 at ₹83.79 per US dollar, lower by 0.5 per cent from its level at end-June 2024.

Chart II.5.9: Movement in Rupee, US Dollar, Crude Oil Price and EM Currency Index



Source: Bloomberg.

II.5.25 The depreciation bias continued during Q3:2024-25 amid the surge of the DXY, which rose by 7.7 per cent during the quarter – the highest quarterly rise since Q4:2014-15. Most of the Asian currencies traded under pressure with MSCI Emerging Market Currency Index declining by 3.6 per cent during the quarter – the largest quarterly fall since Q2:2022-23. Equity segment witnessed net FPI outflow of more than US$ 11 billion during October 2024. Overall, the INR closed the quarter at ₹85.62 per US dollar, lower by 2.1 per cent from its level at end-September 2024.

II.5.26 The INR continued to trade under pressure during most of Q4:2024-25 amid global uncertainties, tariff related announcements and FPI related outflows. During this period, outflows from the equity segment exceeded US$ 13 billion. However, INR appreciated in March amid softening in the DXY and debt related inflows. Overall, the INR closed at ₹85.46 per US dollar on March 28, 2025, 0.2 per cent higher from its level at end-December 2024.

II.5.27 During 2024-25, the forward premia trended largely flat during the first half of the year. It rose subsequently, led by shorter tenors, amid global policy uncertainty and widening interest rate differential before paring some of those movements in Q4.

II.5.28 The 40-currency nominal effective exchange rate (NEER) and real effective exchange rate (REER) appreciated (y-o-y) by 0.3 per cent and 1.5 per cent, respectively, during 2024-25.

7. Conclusion

II.5.29 During 2024-25, global financial markets remained volatile over protracted geopolitical tensions and persisting uncertainty over the quantum and pace of monetary policy normalisation by the US Fed and other major systemic central banks. Amidst the global headwinds, Indian financial markets demonstrated resilience and orderly movements. Money market rates generally remained aligned with the policy repo rate. G-sec yields softened during the year and exhibited lower volatility than global and emerging market peers. The INR witnessed depreciating bias in the latter half of the year amidst stronger US dollar and portfolio equity outflows. The Indian equity market scaled fresh highs in the first half although it witnessed significant correction in the second half of 2024-25 due to domestic and global factors. Despite moderation in Q4, resource mobilisation in the primary market remained robust in 2024-25.

II.6 GOVERNMENT FINANCES

II.6.1 During 2024-25, the central and state governments pursued fiscal consolidation supported by robust tax collections. For 2025-26, both the Centre and states have placed greater thrust on capital expenditure. Against this backdrop, sub-sections 2 and 3 elaborate on the fiscal position of the Union government in 2024-25 and 2025-26, respectively. Sub-sections 4 and 5 focus on state government finances during 2024-25 and 2025-26, respectively, followed by the finances of the general government for 2024-25 (BE) in sub-section 6. The final sub-section sets out the concluding remarks.

2. Central Government Finances in 2024-25

II.6.2 During 2024-25 (RE), the Union government contained the gross fiscal deficit (GFD) to 4.7 per cent of GDP – 0.2 per cent below budget estimates (BE) – primarily through containment of revenue and capital expenditure (Table II.6.1 and Chart II.6.1)[38].

II.6.3 Revenue expenditure rose by 5.8 per cent in 2024-25 (RE), broadly in line with BE. In 2024-25 (RE), interest payments and outgo on major subsidies as per cent of GDP declined by 0.1 per cent and 0.2 per cent, respectively, as compared to 2023-24. Food subsidy was also below its BE by ₹7,830 crore, partly due to cost savings on account of off-loading of wheat and rice in the open market. The expenditure on pensions and retirement benefits increased to 0.83 per cent of GDP in 2024-25 (RE) from 0.79 per cent in

[38] The GDP data used for central government finances for 2024-25 (RE) pertain to the Second Advance Estimates for 2024-25 released by National Statistical Office on February 28, 2025.

Table II.6.1: Central Government's Fiscal Performance

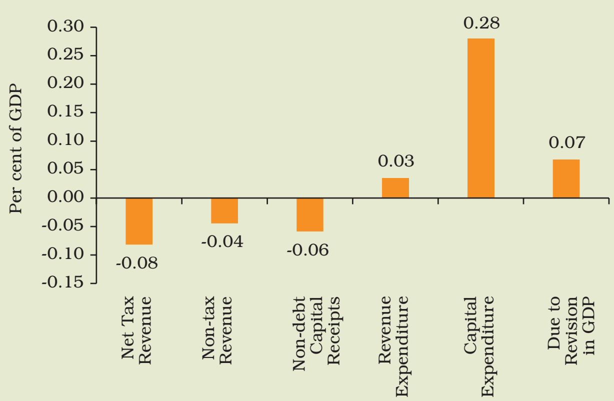
(Per cent of GDP)

Item	Average of 2015-16 to 2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 (RE)	2025-26 (BE)
1	2	3	4	5	6	7	8	9
I. Non-debt Receipts	9.1	8.7	8.5	9.4	9.1	9.3	9.5	9.8
II. Gross Tax Revenue (a+b)	11.0	10.0	10.2	11.5	11.4	11.5	11.6	12.0
a) Direct Tax	5.7	5.2	4.8	6.0	6.2	6.5	6.8	7.1
b) Indirect Tax	5.3	4.8	5.5	5.5	5.2	5.0	4.9	4.9
III. Net Tax Revenue	7.1	6.7	7.2	7.6	7.8	7.7	7.7	7.9
IV. Non-tax Revenue	1.5	1.6	1.0	1.5	1.1	1.3	1.6	1.6
V. Non-debt Capital Receipts	0.5	0.3	0.3	0.2	0.3	0.2	0.2	0.2
VI. Total Expenditure	12.6	13.4	17.7	16.1	15.6	14.8	14.2	14.2
VII. Revenue Expenditure	10.9	11.7	15.5	13.6	12.8	11.6	11.2	11.0
VIII. Capital Expenditure	1.7	1.7	2.1	2.5	2.8	3.2	3.1	3.1
IX. Revenue Deficit	2.4	3.3	7.3	4.4	4.0	2.5	1.8	1.5
X. Gross Fiscal Deficit	3.5	4.6	9.2	6.7	6.5	5.5	4.7	4.4

BE: Budget Estimates. RE: Revised Estimates.
Source: Union Budget documents.

the previous year, while grants-in-aid to states declined to 1.6 per cent of GDP from 1.8 per cent during the same period.

Chart II.6.1: Contribution to Fiscal Consolidation in 2024-25 RE *vis-à-vis* BE



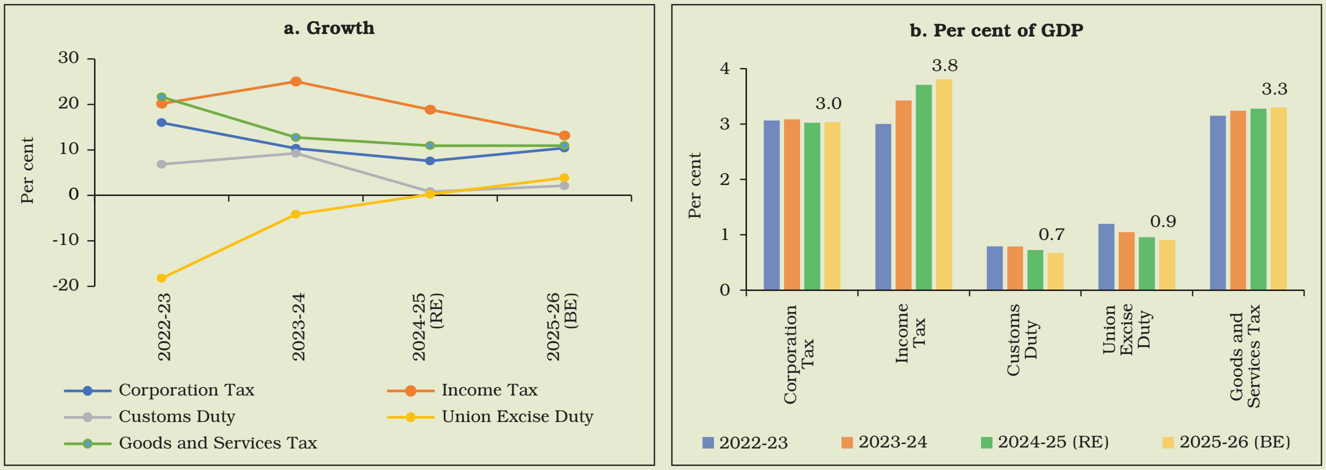
BE: Budget Estimates. RE: Revised Estimates.
Note: Negative contribution denotes decline in receipts or increase in expenditure or a downward revision in GDP from BE to RE as these contribute to slippage from the budgeted fiscal deficit target. Conversely, positive contribution denotes higher receipts or lower expenditure from BE to RE, as these contribute to attainment of budgeted fiscal deficit target.
Source: Union Budget documents and RBI staff estimates.

II.6.4 Capital expenditure undershot the BE by ₹92,682 crore and was placed at 3.1 per cent of GDP in 2024-25 (RE) as against 3.2 per cent of GDP in 2023-24 (Table II.6.1). The growth in both capital outlay[39] and loans and advances experienced moderation. Effective capital expenditure grew by 5.2 per cent and stood at 4.0 per cent of GDP.

II.6.5 In 2024-25 (RE), the gross tax revenue exceeded its BE by ₹13,285 crore, rising to 11.6 per cent of GDP from 11.5 per cent in 2023-24. Strong performance of income tax and goods and services tax (GST) bolstered tax receipts. While growth in custom duty slowed down, that of Union excise duty recovered (Chart II.6.2).

[39] Capital expenditure *less* loans and advances.

Chart II.6.2: Performance of Major Taxes



Source: Union Budget documents.

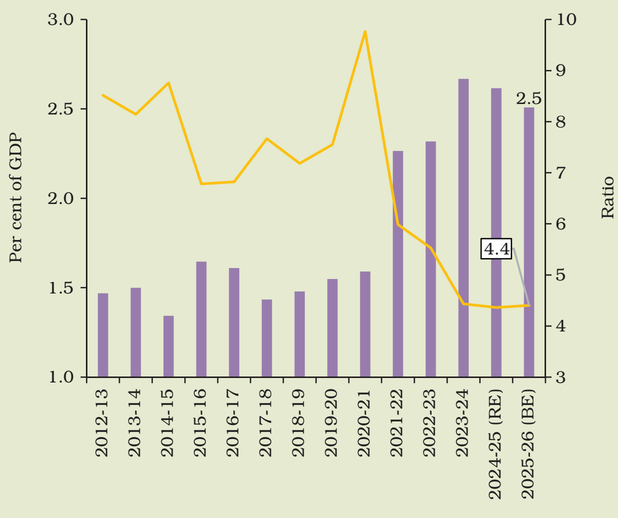
II.6.6 Net tax revenue to the Centre grew by 9.9 per cent, lower than the growth of gross tax revenue owing to higher growth in devolution of taxes to the states. Driven by the surplus transfer from the Reserve Bank, the non-tax revenue grew by 32.2 per cent in 2024-25 (RE) over 2023-24. Miscellaneous non-debt capital receipts (including disinvestment receipts) were, however, below their BE by ₹17,000 crore. Total non-debt receipts of the Centre recorded a healthy growth of 12.8 per cent, on top of 13.6 per cent growth attained in 2023-24.

3. Central Government Finances in 2025-26

II.6.7 The Union Budget 2025-26 continued with the government's commitment towards fiscal consolidation by targeting a GFD of 4.4 per cent of GDP (Table II.6.1 and Appendix Table 6). Fiscal consolidation is expected to be driven by moderation in the revenue expenditure to 11.0 per cent of GDP in 2025-26 (BE) from 11.2 per cent in the previous year. Enhanced tax and non-tax receipts are also expected to support this consolidation. On the expenditure side, interest payments are expected to rise by 12.2 per cent. While the subsidy outgo for fertiliser and petroleum has been budgeted to decline by ₹3,411 crore and ₹2,600 crore, respectively, food subsidy is expected to increase by ₹6,000 crore in 2025-26 (BE). Revenue expenditure on pension and other retirement benefits is budgeted to fall by 0.06 per cent of GDP in 2025-26 (BE) as compared to that in 2024-25 (RE). Moreover, grants-in-aid to the states – driven by a substantial growth of 23.5 per cent – is expected to increase to 1.8 per cent of GDP.

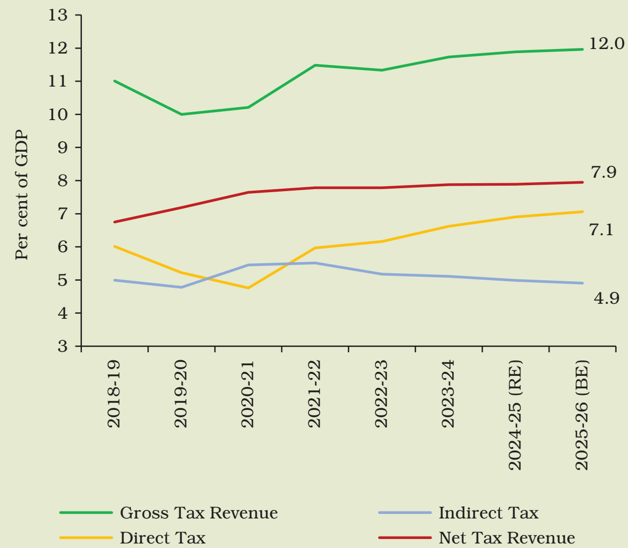
II.6.8 Capital expenditure is budgeted to grow by 10.1 per cent and is estimated at 3.1 per cent of GDP in 2025-26 (BE). The capital support to the states through the 50-year interest-free loan has been enhanced to ₹1.5 lakh crore in 2025-26 (BE) from ₹1.3 lakh crore in 2024-25 (RE). With the grants-in-aid for creation of capital assets rising to 1.2 per cent of GDP in 2025-26 (BE), the effective capital expenditure would be 4.3 per

Chart II.6.3: Trends in Capital Outlay and RECO



Source: Union Budget documents.

Chart II.6.4: Trends in Tax Revenues of Centre



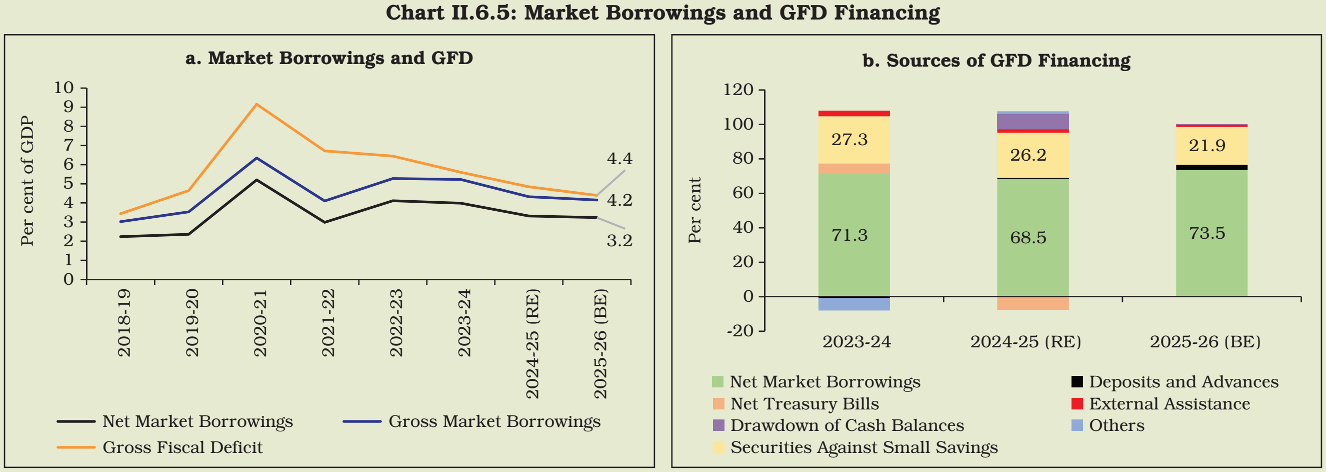
Source: Union Budget documents.

cent of GDP as compared with 4.0 per cent in the previous year. The ratio of revenue expenditure to capital outlay (RECO) continues to remain low at 4.4, reflective of the thrust on the quality of government expenditure (Chart II.6.3).

II.6.9 The buoyancy of gross tax revenue is budgeted at 1.1 in 2025-26 (BE), with direct taxes at 1.2 [1.5 in 2024-25 (RE)] and indirect taxes at 0.8 [0.7 in 2024-25 (RE)]. The gross tax revenue is budgeted to reach its peak of 12.0 per cent of GDP in 2025-26 (BE), highest post 2007-08 (Chart II.6.4).

II.6.10 Gross market borrowings, as per cent of GDP, are expected to slightly decline in 2025-26 (BE) [Chart II.6.5a]. Market borrowings, followed by small savings, remain the main sources of financing the GFD (Chart II.6.5b).

Chart II.6.5: Market Borrowings and GFD Financing



Note: 1. Net market borrowing for 2024-25(RE) includes buy back of securities.
2. From 2023-24 onwards, market borrowings have been adjusted for switching of securities.

Source: Union Budget documents.

4. State Finances in 2024-25

II.6.11 States had budgeted a GFD of 3.2 per cent of GDP in 2024-25 (Table II.6.2). As per provisional accounts data of 20 states available from the Comptroller and Auditor General (CAG) of India for April 2024-February 2025, states' GFD stood at 64.2 per cent of their budget estimates, higher than the level recorded a year ago (58 per cent). Revenue receipt growth moderated on account of deceleration in tax revenue growth and decline in grants from the centre. Within states' own tax revenues, states' GST (SGST) growth slowed down while sales tax/value-added tax (VAT) collections recovered from a contraction during the same period in the previous year.

II.6.12 On the expenditure front, revenue expenditure growth picked up during April 2024-February 2025, while capital expenditure during the same period remained lower than its level a year ago.

5. State Finances in 2025-26

II.6.13 Based on information available for all states/UTs, their consolidated GFD-GDP ratio for 2025-26 is budgeted at 3.3 per cent (Table II.6.3). The gross transfers to states have been budgeted to increase by 12.5 per cent in 2025-26 from 2024-25 (RE), largely on account of transfers under centrally sponsored schemes and special assistance to states for capital expenditure. The scheme of 50-year interest free loans for capital expenditure to states would be

Table II.6.2: Fiscal Position of States/UTs

(Amount in ₹ lakh crore)

	2020-21	2021-22	2022-23	2023-24 (RE)	2024-25 (BE)
1	2	3	4	5	6
I. Revenue Receipts	25.9	32.3	36.5	42.1	46.7
	(13.0)	(13.7)	(13.6)	(14.3)	(14.3)
II. Non-debt Capital Receipts	0.2	0.2	0.1	0.4	0.4
	(0.1)	(0.1)	(0.04)	(0.1)	(0.1)
III. Revenue Expenditure	29.6	33.3	37.2	43.5	47.5
	(14.9)	(14.1)	(13.8)	(14.7)	(14.6)
IV. Capital Expenditure	4.6	5.7	6.7	9.3	10.0
	(2.3)	(2.4)	(2.5)	(3.2)	(3.1)
a. Capital Outlay	4.1	5.3	6.0	8.7	9.2
	(2.1)	(2.3)	(2.2)	(2.9)	(2.8)
b. Loans and Advances by States	0.4	0.4	0.7	0.7	0.9
	(0.2)	(0.2)	(0.3)	(0.2)	(0.3)
V. Fiscal Deficit	8.0	6.5	7.2	10.4	10.4
	(4.1)	(2.8)	(2.7)	(3.5)	(3.2)
VI. Revenue Deficit	3.7	1.0	0.6	1.4	0.8
	(1.9)	(0.4)	(0.2)	(0.5)	(0.2)
VII. Primary Deficit	4.2	2.3	2.6	5.2	4.8
	(2.1)	(1.0)	(1.0)	(1.8)	(1.5)

Note: Figures in parentheses are per cent of GDP.
Source: Budget documents of state governments.

Table II.6.3: State Government Finances 2025-26*: Key Deficit Indicators

(Per cent of GDP)

Item	2023-24	2024-25 (RE)	2025-26 (BE)
1	2	3	4
Revenue Deficit	0.3	0.6	0.2
Gross Fiscal Deficit	3.0	3.6	3.3
Primary Deficit	1.3	1.8	1.5

*: Data pertain to all states/UTs that have presented their final budgets for 2025-26.
Source: Budget documents of state governments.

continued in 2025-26, with total outlay of ₹1.5 lakh crore – an increase of 20 per cent over 2024-25 (RE) levels.

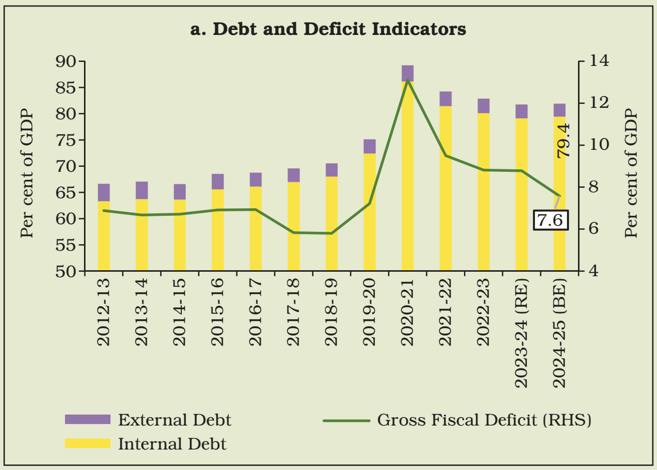
6. General Government Finances

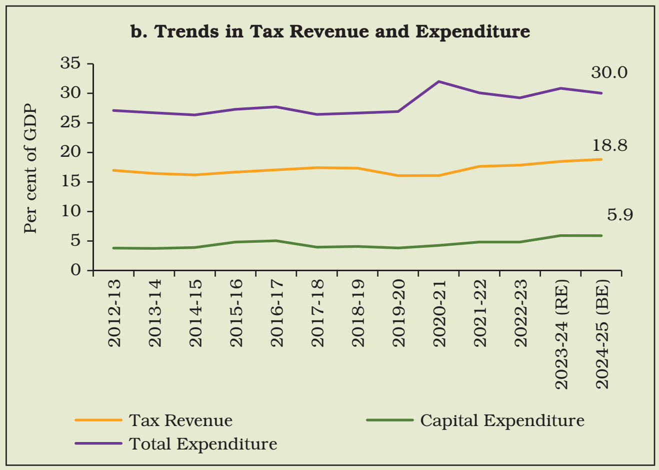
II.6.14 In 2024-25 (BE), the GFD of the general government moderated to 7.6 per cent of GDP[40] from 8.8 per cent in 2023-24 (RE). General government debt stood at 81.9 per cent of GDP in 2024-25 (BE) as compared to 81.8 per cent in 2023-24 (RE). External liabilities of the Centre remained low at 2.5 per cent of GDP (Chart II.6.6a and Appendix Table 7).

II.6.15 Fiscal consolidation of the general government was supported by rise in tax revenues to 18.8 per cent of GDP in 2024-25 (BE) from 18.1 per cent in the previous year and moderation in total expenditure to 30.0 per cent of GDP from 30.2 per cent in the previous year. Even with containment of total expenditure, the capital expenditure to GDP ratio stood at 5.9 per cent in 2024-25 (BE), as compared to 5.8 per cent in the previous year (Chart II.6.6b).

II.6.16 As per the International Monetary Fund (IMF) projections for the period 2025 to 2030, India's general government debt will be on a declining trend in contrast to its peers and the average position of emerging market and middle-income economies and advanced economies (Chart II.6.7a). The overall balance of the general government is also projected to improve significantly (Chart II.6.7b).

Chart II.6.6: Key Fiscal Indicators of General Government

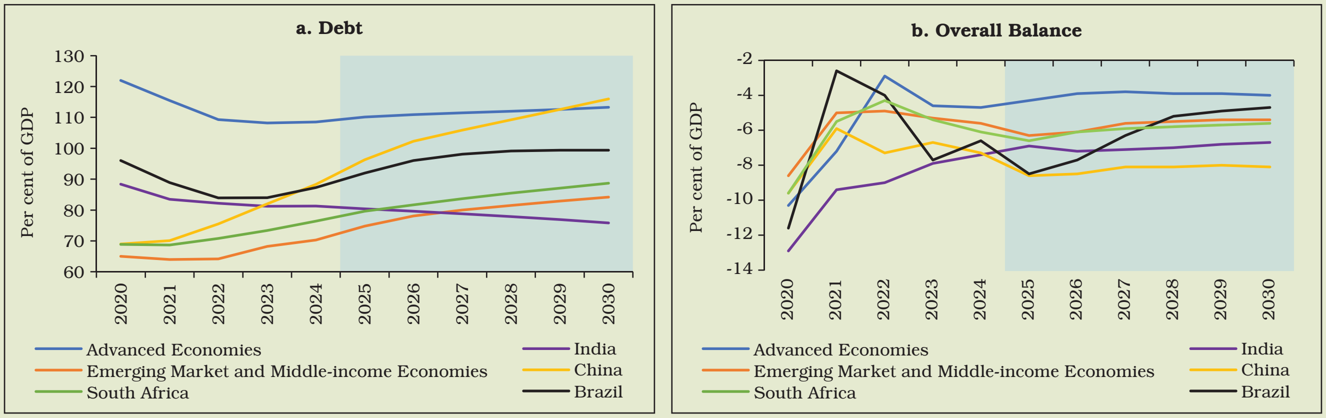




Source: RBI and Union Budget documents.

[40] The GDP data used for general government finances for 2024-25 (BE) has been taken from the Union Budget documents for 2024-25.

Chart II.6.7: Cross-country Fiscal Performance



Note: The data for India have been sourced from Fiscal Monitor Report, IMF, April 2025 to ensure comparability with rest of the countries. However, this data may be at variance with data reported in the Union Budget or the Reserve Bank publications due to differential treatment of certain items such as receipts from asset sale, non-tax revenue items and others by the Union government and the IMF.
Source: Fiscal Monitor Report, IMF. April 2025.

7. Conclusion

II.6.17 Fiscal consolidation, through rationalisation of revenue expenditure and enhanced revenue generation, remained a key focus of the Union Budget 2025-26. While focusing on rebuilding its fiscal buffers, the Union government has also maintained its expenditure quality by budgeting a robust growth in its capital expenditure in 2025-26.

II.7 EXTERNAL SECTOR

II.7.1 India's external sector exhibited resilience during 2024-25 amidst a challenging global landscape marked by prolonged geopolitical tensions, rising geoeconomic fragmentations and heightened uncertainty related to global trade. India's merchandise exports recovered; with merchandise imports outpacing exports, merchandise trade deficit widened. Nonetheless, India's buoyant services exports and strong private transfer receipts contained the current account deficit (CAD) well within sustainable levels. However, with net capital inflows falling short of CAD, there was a decline in foreign exchange reserves on a balance of payments (BoP) basis during April-December 2024.

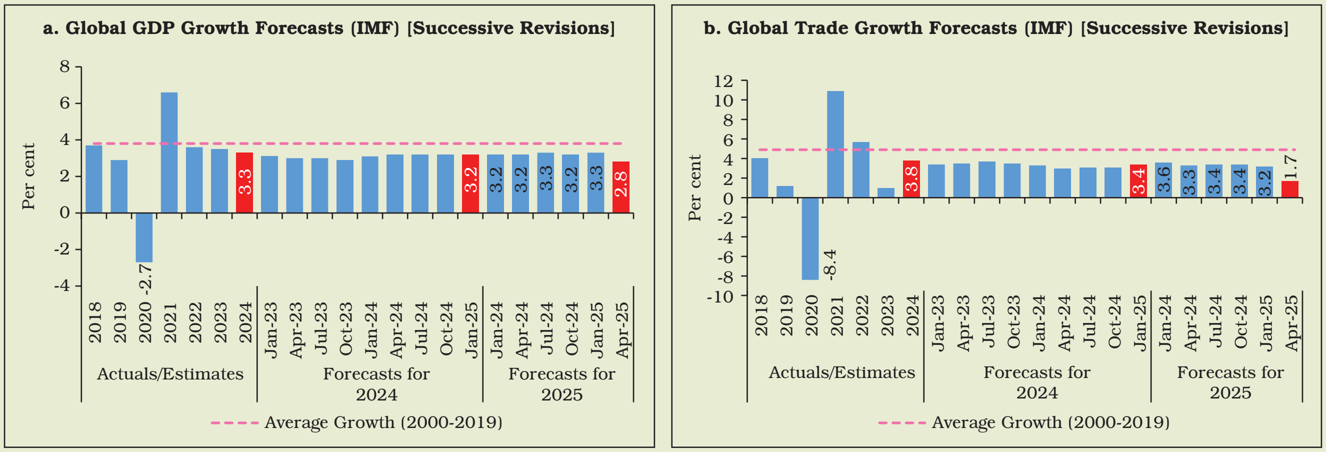
II.7.2 Against this backdrop, sub-section 2 presents a brief overview of global economic and financial conditions, followed by an analysis of India's merchandise exports and imports in sub-section 3. The behaviour of invisibles is presented in sub-section 4. Details on net capital flows are set out in sub-section 5 while external vulnerability indicators are analysed in sub-section 6 followed by the concluding observations.

2. Global Economic Conditions

II.7.3 Global economic growth moderated to 3.3 per cent in 2024 (3.5 per cent in 2023) and is expected to be even lower in 2025 (2.8 per cent)[41] [Chart II.7.1a]. Downside risks cloud the growth outlook owing to heightened trade tensions and elevated policy-induced uncertainty. Output growth in advanced economies (AEs) increased marginally to 1.8 per cent in 2024 as compared

[41] World Economic Outlook, April 2025, International Monetary Fund (IMF).

Chart II.7.1: Real GDP and World Trade* Volume Growth

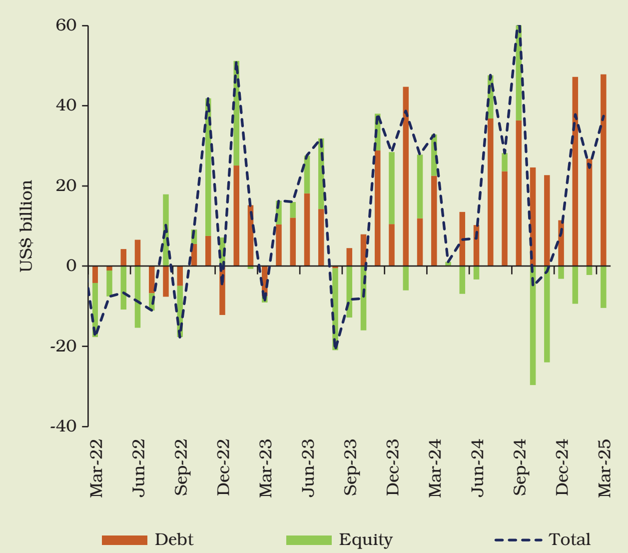


*: Goods and services.
Source: IMF.

with 1.7 per cent in 2023, while that in emerging market and developing economies (EMDEs) moderated to 4.3 per cent from 4.7 per cent. The gradual easing of global inflationary pressures prompted major central banks to cut their policy rates, although monetary policy stances still remain in restrictive territory in several jurisdictions. With easing inflationary pressures and stable global demand, world trade volume (goods and services) growth recovered from 1.0 per cent in 2023 to 3.8 per cent in 2024 (Chart II.7.1b).

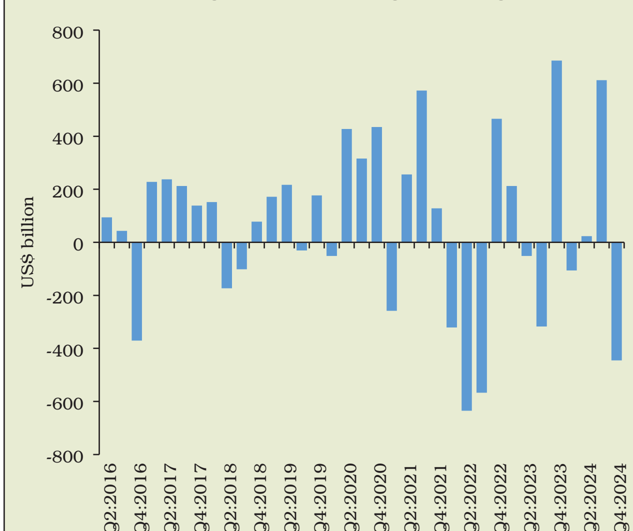
II.7.4 Emerging market economies (EMEs) recorded net portfolio inflows of US$ 255.7 billion during 2024-25 as compared with US$ 220.1 billion during 2023-24 (Chart II.7.2). Global foreign exchange reserves increased during 2024, reflecting valuation gains on account of a rise in gold prices (Chart II.7.3).

Chart II.7.2: Portfolio Investment Flows to EMEs



Source: Institute of International Finance.

Chart II.7.3: Change in Global Foreign Exchange Reserves*



*: Quarter-on-quarter change in official reserve assets.
Source: IMF.

3. Merchandise Trade

II.7.5 India's merchandise exports increased marginally by 0.1 per cent year-on-year (y-o-y) to US$ 437.4 billion in 2024-25, recovering from a contraction of 3.1 per cent witnessed in 2023-24. Merchandise imports expanded by 6.2 per cent (y-o-y) to US$ 720.2 billion during 2024-25 *vis-à-vis* a contraction of 5.3 per cent during the previous year (Table II.7.1).

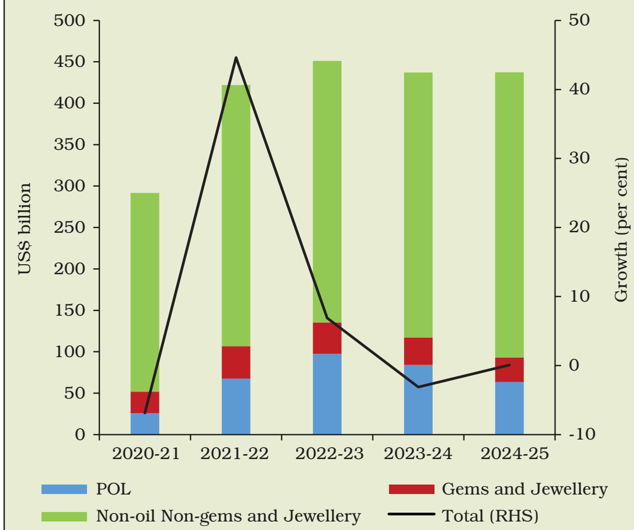
II.7.6 The expansion in merchandise exports in 2024-25 was led by growth in electronic goods; engineering goods; drugs and pharmaceuticals; rice; and readymade garments (RMG) of all textiles; while petroleum products; and gems and jewellery witnessed a contraction (Charts II.7.4 and II.7.5).

Table II.7.1: India's Merchandise Trade

	Value in US$ billion				Growth Rate (y-o-y, per cent)			
	2021-22	2022-23	2023-24	2024-25	2021-22	2022-23	2023-24	2024-25
1	2	3	4	5	6	7	8	9
Exports								
Q1	95.5	121.0	103.9	110.1	85.7	26.6	-14.1	5.9
Q2	102.7	110.7	107.2	103.5	38.5	7.8	-3.2	-3.4
Q3	106.8	104.6	105.6	108.7	41.0	-2.1	1.0	3.0
Q4	117.0	114.8	120.4	115.1	29.3	-1.9	4.9	-4.4
Annual	422.0	451.1	437.1	437.4	44.6	6.9	-3.1	0.1
Imports								
Q1	127.0	183.5	160.0	172.2	107.2	44.5	-12.8	7.6
Q2	147.5	189.0	170.3	186.7	62.7	28.1	-9.9	9.7
Q3	167.0	176.1	176.1	187.5	50.7	5.4	0.0	6.5
Q4	171.6	167.3	171.8	173.9	30.3	-2.5	2.7	1.2
Annual	613.1	716.0	678.2	720.2	55.4	16.8	-5.3	6.2
Trade Balance								
Q1	-31.4	-62.6	-56.2	-62.1				
Q2	-44.8	-78.3	-63.1	-83.2				
Q3	-60.2	-71.5	-70.5	-78.7				
Q4	-54.6	-52.6	-51.4	-58.8				
Annual	-191.0	-264.9	-241.1	-282.8				

Note: Quarterly figures may not add up to annual figures.
Source: DGCI&S.

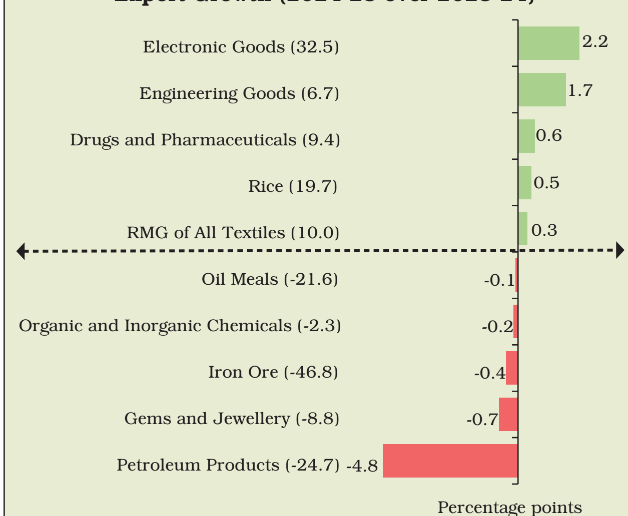
Chart II.7.4: India's Merchandise Exports



POL: Petroleum, oil and lubricants.
Source: DGCI&S.

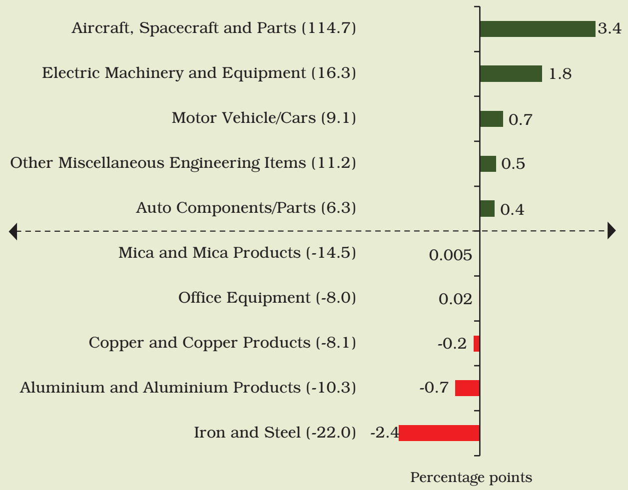
II.7.7 Exports of engineering goods (accounting for 26.7 per cent of the total merchandise exports)

Chart II.7.5: Relative Contribution of Major Sectors to Export Growth (2024-25 over 2023-24)



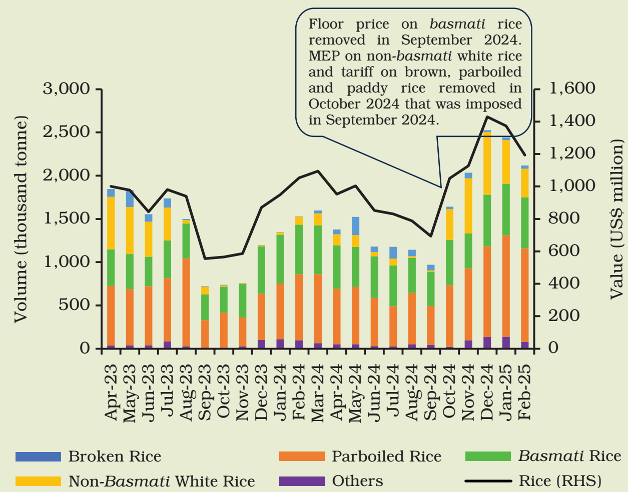
Note: Figures in parentheses are y-o-y per cent change.
Source: DGCI&S and RBI staff estimates.

Chart II.7.6: India's Engineering Goods Exports - Relative Contribution (2024-25 over 2023-24)



Note: Figures in parentheses are y-o-y per cent change.
Source: DGCI&S and RBI staff estimates.

Chart II.7.7: India's Rice Exports



MEP: Minimum Export Price.
Note: Data on agricultural exports at a disaggregated level are available up to February 2025.
Source: DGCI&S.

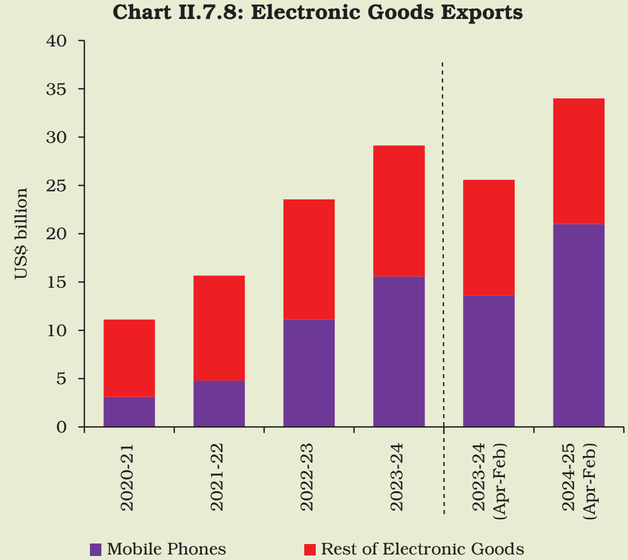
increased by 6.7 per cent in 2024-25. The growth in exports of engineering goods in 2024-25 was driven by aircraft, spacecraft and parts; electric machinery and equipment; motor vehicles/cars; other miscellaneous engineering items; and auto components/parts. On the other hand, export growth was dragged down by iron and steel; aluminium and its products; copper and its products; office equipment; and mica and its products (Chart II.7.6).

II.7.8 Agricultural exports rose by 6.4 per cent (y-o-y) in 2024-25 (up to February 2025). Rice exports remained robust after the phasing out of restrictions on rice exports in September and October 2024 (Chart II.7.7). On a cumulative basis, rice exports rose by 19.7 per cent (y-o-y) in 2024-25.

II.7.9 Exports of electronic goods expanded by 32.5 per cent (y-o-y) in 2024-25. Mobile phones, contributing 61.7 per cent of electronic goods exports during 2024-25 (up to February 2025), rose by 54.3 per cent (y-o-y) to US$ 21.0 billion (Chart II.7.8).

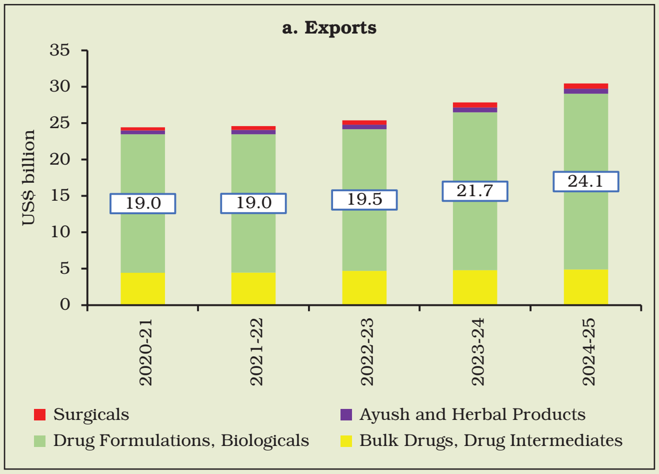
II.7.10 Exports of drugs and pharmaceuticals, accounting for 7.0 per cent of India's merchandise exports, expanded by 9.4 per cent (y-o-y) in 2024-25. The growth in exports of drugs and

Chart II.7.8: Electronic Goods Exports



Note: Data on mobile phone exports are available up to February 2025.
Source: DGCI&S.

Chart II.7.9: Drugs and Pharmaceuticals



Source: DGCI&S and RBI staff estimates.

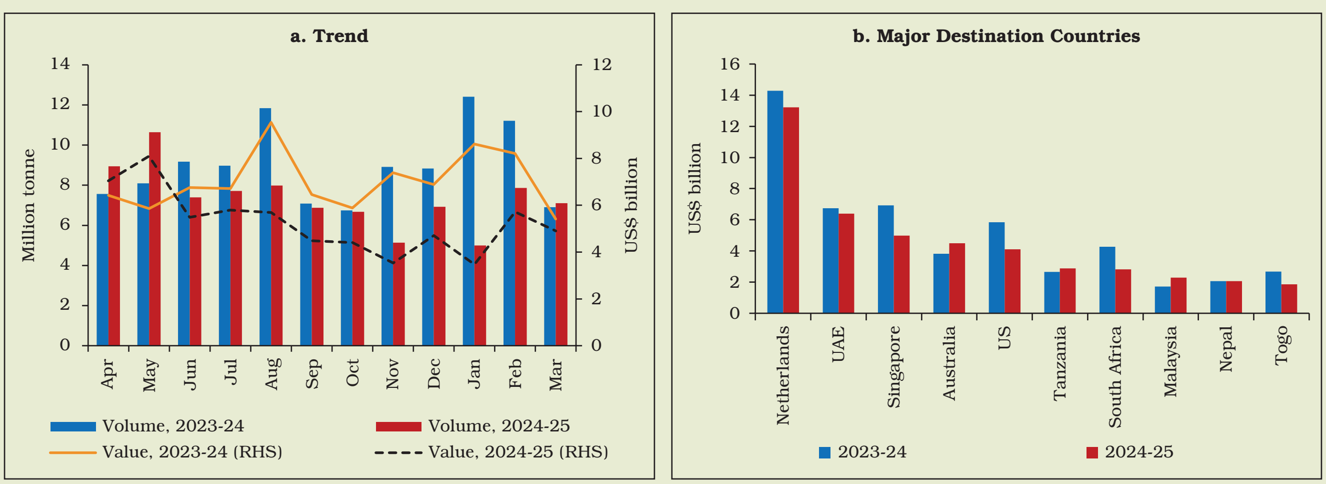
pharmaceuticals in 2024-25 was buoyed by robust growth in exports of drug formulations and biologicals (Chart II.7.9).

II.7.11 Exports of petroleum products contracted by 24.7 per cent (y-o-y) in 2024-25 on account of easing oil prices and fall in volume (Chart II.7.10a). Among the top ten destinations for petroleum product exports, seven witnessed a fall during 2024-25 (Chart II.7.10b).

II.7.12 The expansion in merchandise imports in 2024-25 was led by gold; electronic goods; and petroleum, crude oil and products. Coal, coke and briquettes; pearls, precious and semi-precious stones; and iron and steel contributed negatively to import growth (Charts II.7.11 and II.7.12).

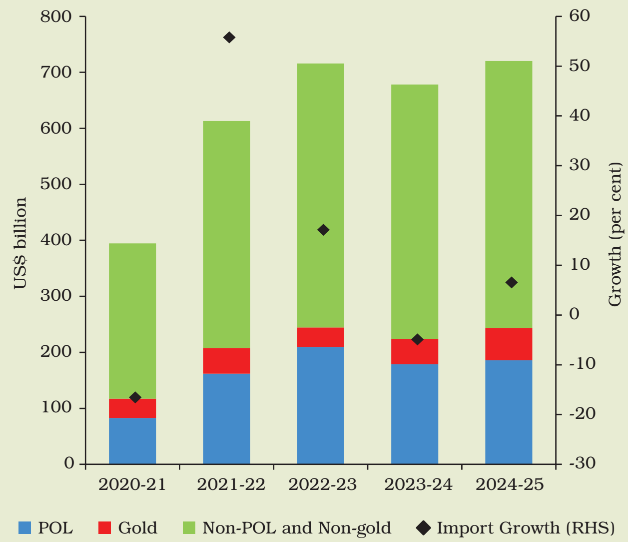
II.7.13 POL imports (25.8 per cent of total merchandise imports) grew by 3.9 per cent (y-o-y) to US$ 185.8 billion in 2024-25, underpinned by

Chart II.7.10: India's Exports of Petroleum Products



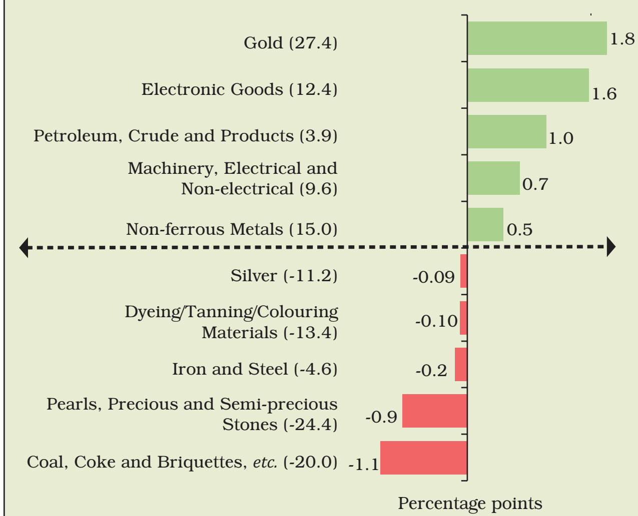
Source: DGCI&S and RBI staff estimates.

Chart II.7.11: India's Merchandise Imports



Source: DGCI&S.

Chart II.7.12: Relative Contribution of Major Sectors to Import Growth (2024-25 over 2023-24)



Note: Figures in parentheses are y-o-y per cent change.

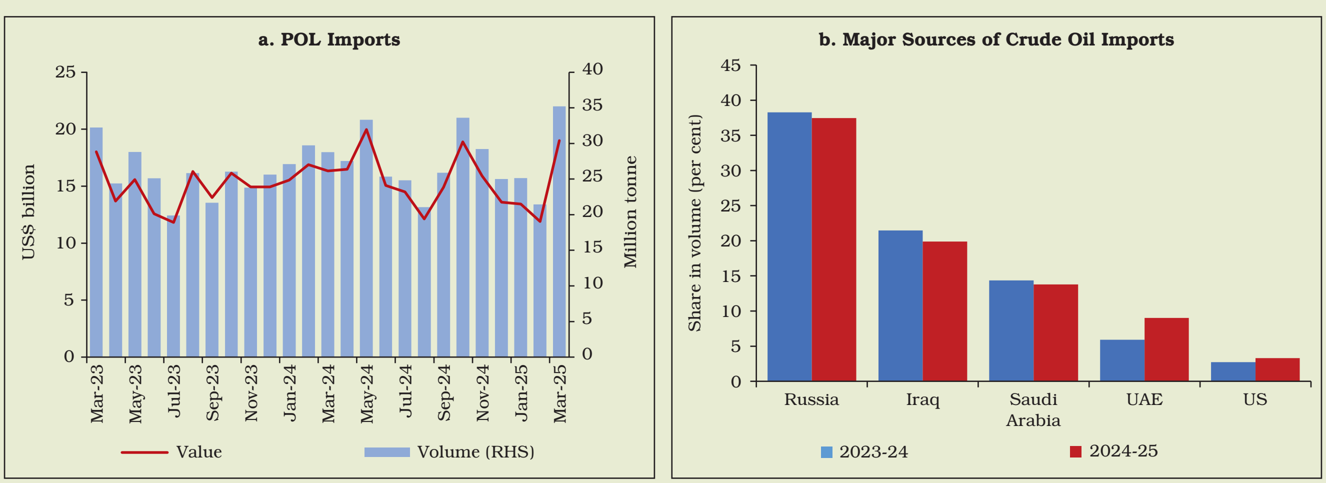
Source: DGCI&S and RBI staff estimates.

volume growth of 6.8 per cent (Chart II.7.13a). While Russia was the top source, UAE's share in India's crude oil imports increased during the year, and that of Iraq and Saudi Arabia moderated (Chart II.7.13b).

II.7.14 Value of gold imports rose by 27.4 per cent (y-o-y) in 2024-25 to US$ 58.0 billion, driven by higher international prices (30.0 per cent) even as total volume contracted (Chart II.7.14).

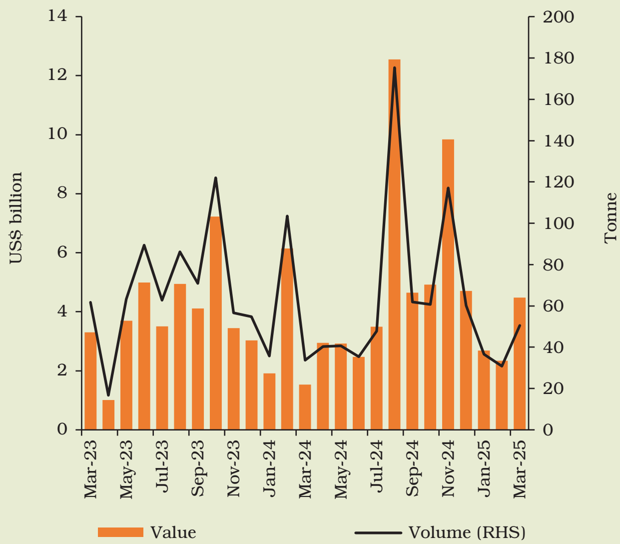
II.7.15 Imports of electronic goods expanded by 12.4 per cent (y-o-y) to US$ 98.7 billion in 2024-25 (Chart II.7.15). Even as exports of electronic goods were buoyant as noted earlier, trade balance for electronic goods widened marginally to US$ 60.1 billion in 2024-25. The

Chart II.7.13: POL



Source: DGCI&S.

Chart II.7.14: Gold Imports



Source: DGCI&S.

II.7.16 Coal imports fell by 20.0 per cent (y-o-y) in 2024-25, reflecting a decline in volume as well as lower import prices (Chart II.7.17). Higher domestic coal production and lower imports for blending purposes by thermal power plants[42] led to a decline in coal imports.

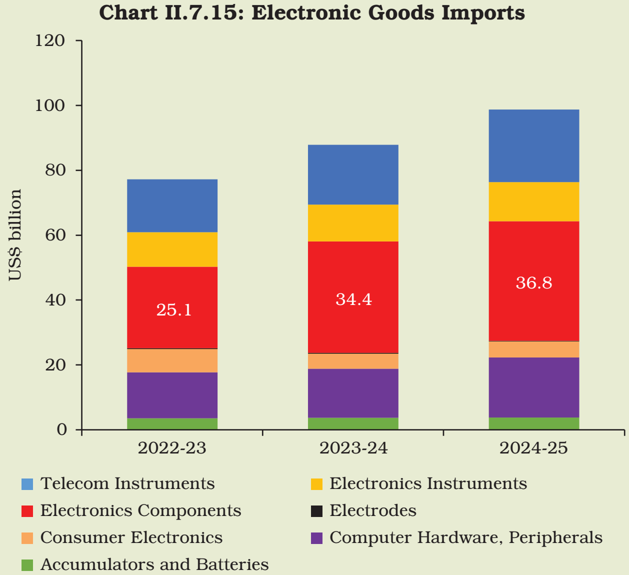
II.7.17 Merchandise trade deficit widened to US$ 282.8 billion in 2024-25 from US$ 241.1 billion a year ago. Oil deficit accounted for 43.3 per cent of the total trade deficit (Chart II.7.18a). Among the major trading partners, trade deficit with China, Russia and the UAE widened in 2024-25 while surpluses improved in respect of the US, the Netherlands, and the UK (Chart II.7.18b).

deficit in electronic goods was driven by deficits in electronics components; and computer hardware and peripherals; while telecom instruments recorded a trade surplus of US$ 3.7 billion (Chart II.7.16).

4. Invisibles

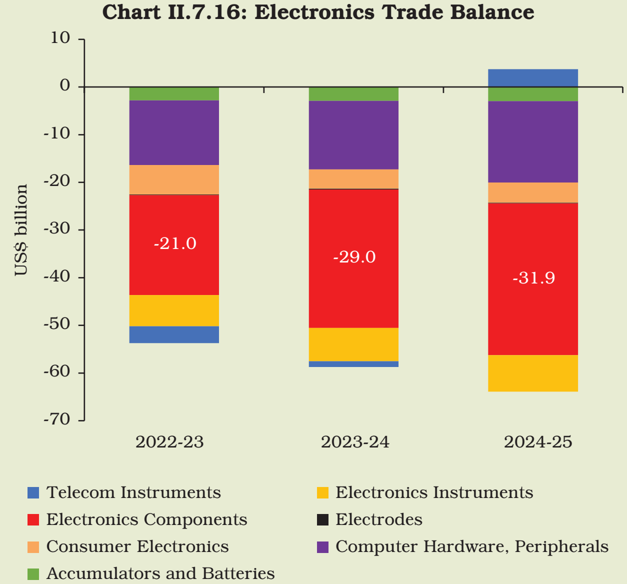
II.7.18 Receipts pertaining to India's invisibles – consisting of cross-border transactions in services, income, and transfers – remained buoyant during 2024-25. Net

Chart II.7.15: Electronic Goods Imports



Source: DGCI&S.

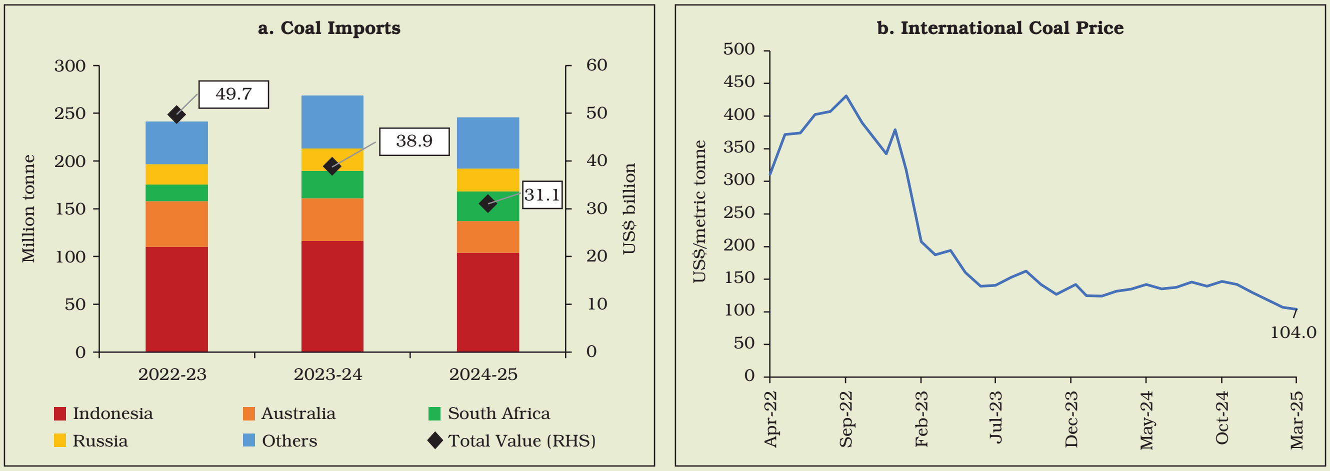
Chart II.7.16: Electronics Trade Balance



Source: DGCI&S.

[42] 'Coal Imports During April 2024 to February 2025 Drops by 9.2% Compared to Same Period of FY 2023-24', May 13, 2025, PIB.

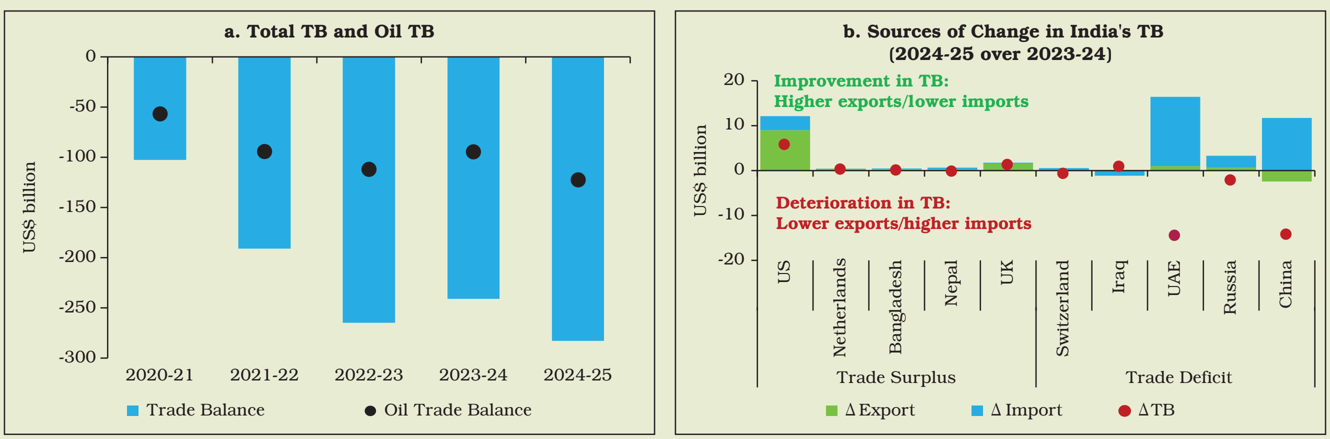
Chart II.7.17: Coal Imports and Price



Source: World Bank and DGCI&S.

services exports at US$ 135.5 billion grew at a robust pace of 12.9 per cent (y-o-y) during April-December 2024, aided by 14.5 per cent expansion in software and business services exports (accounting for around 74 per cent of India's services exports) [Chart II.7.19]. Amongst other services, transportation receipts increased by 19.5 per cent (y-o-y), largely driven by an increase in global freight rates due to disruptions in key trade routes – the average Baltic Dry Index[43] rose by 12.0 per cent during April-December 2024 over the corresponding period of the previous year. Exports of travel services rose by 5.5 per cent (y-o-y), reflecting increased spending by tourists. Private transfer receipts, mainly representing remittances by Indians

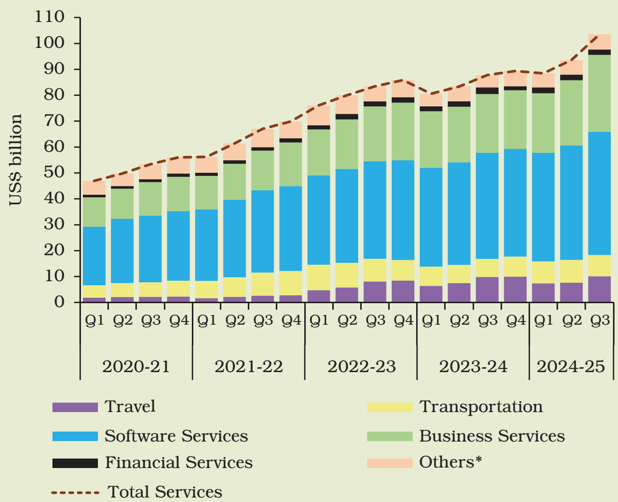
Chart II.7.18: India's Merchandise Trade Deficit



TB: Trade Balance.
Note: A positive Δ export/Δ import implies higher exports/imports and *vice versa*.
Source: DGCI&S and RBI staff estimates.

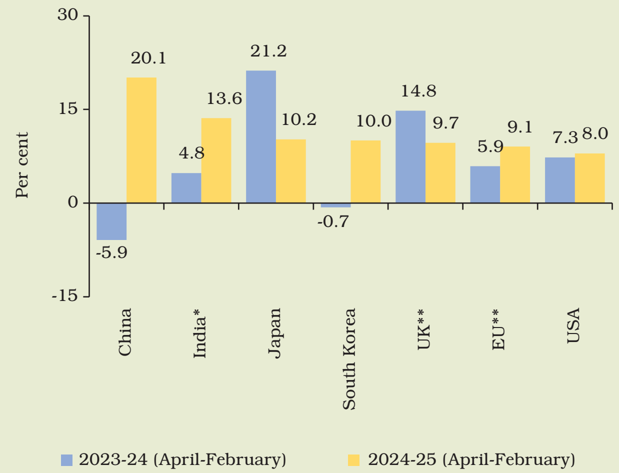
[43] A shipping and trade index, created by the Baltic Exchange (London), which measures the cost of transporting dry bulk raw materials such as coal, iron and steel.

Chart II.7.19: Composition of India's Services Exports



*: Includes insurance services, communication services and government not included elsewhere, among others.
Source: RBI.

Chart II.7.20: Services Exports Growth in Major Services Exporting Economies



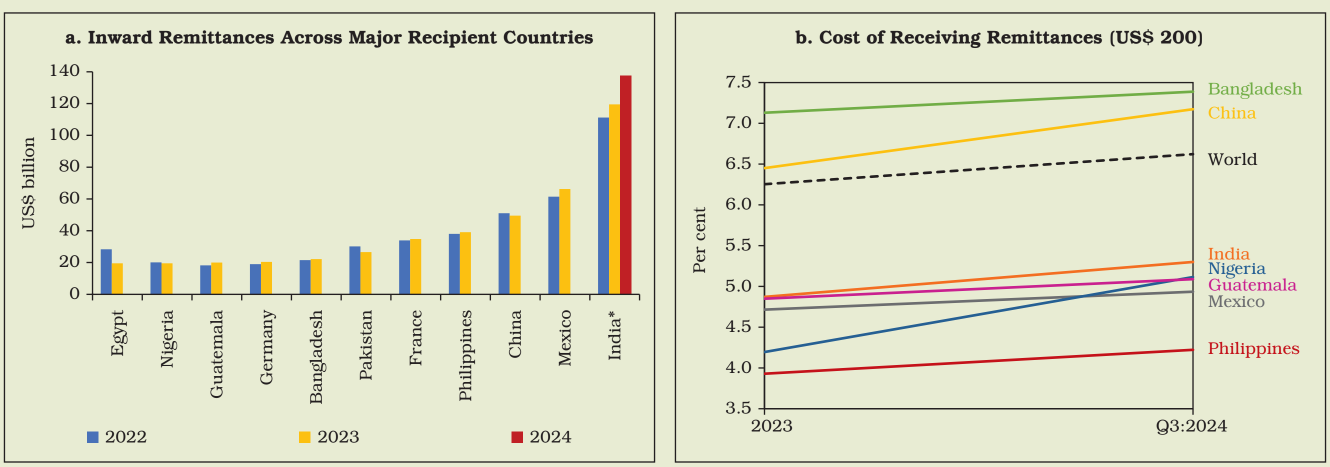
*: Data for India pertain to April-March.
**: Data for EU and UK pertain to April-January.
Source: WTO and RBI.

working overseas, posted a y-o-y growth of 16.2 per cent during April-December 2024.

II.7.19 In global commercial services trade, India retained its position among the major five exporting countries in terms of services export growth during 2024-25 (up to February 2025) [Chart II.7.20]. According to Gartner[44], global IT spending is expected to rise to US$ 5.4 trillion in 2025 from US$ 5.1 trillion in 2024 which augurs well for India's software services exports.

II.7.20 India remained the top remittance recipient in 2024 (Chart II.7.21a). India's total

Chart II.7.21: Inward Remittances



*: Based on India's BoP statistics.
Source: RBI and World Bank.

[44] Gartner Inc. is an American technological research and consulting firm, known for its research and reports on the IT industry and forecasts on worldwide IT spending.

remittance receipts stood at US$ 137.7 billion during 2024 (on a calendar year basis). The average cost of sending remittances of US$ 200 to India is estimated at 5.3 per cent in Q3:2024, below the global average of 6.6 per cent (Chart II.7.21b).

II.7.21 Net outgo in the primary income account owing to dividend and interest incomes/ payments[45] stood at US$ 37.3 billion during April-December 2024, higher than US$ 34.9 billion during April-December 2023. This reflects the rise in interest outgoes on liabilities such as external commercial borrowings (ECBs), external assistance and short-term credit, and payment of dividends and profits to non-resident shareholders during the same period.

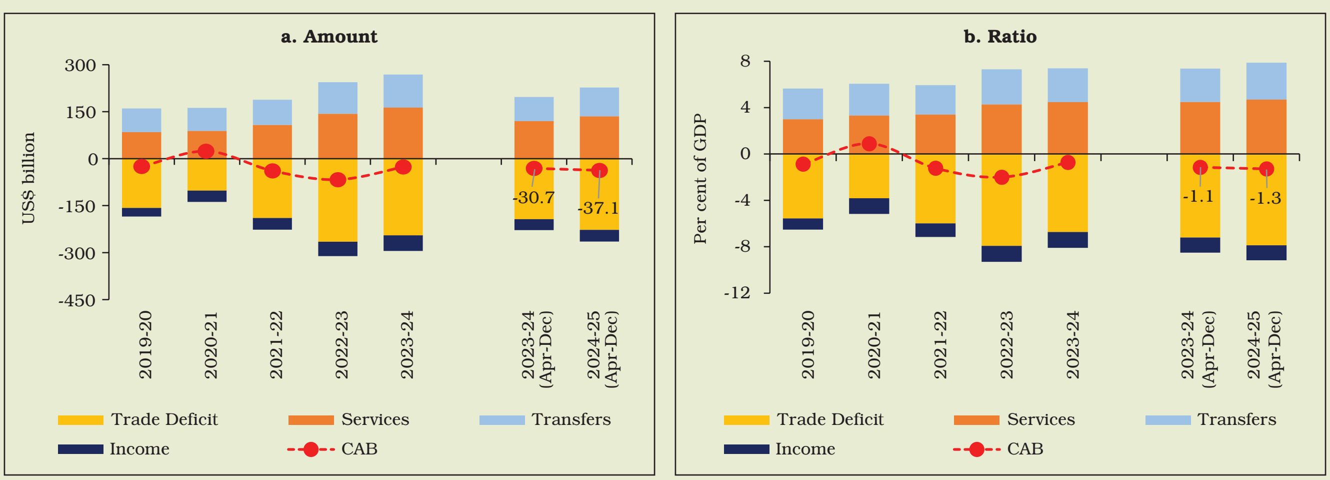
II.7.22 The buoyancy in net services receipts and workers' remittances largely offset the expansion in merchandise trade deficit; accordingly, India's CAD was contained at US$ 37.1 billion (1.3 per cent of GDP) in April-December 2024 as compared with US$ 30.7 billion (1.1 per cent of GDP) a year ago (Chart II.7.22).

5. External Financing

II.7.23 The global environment for international investment continued to be challenging amidst volatile external financial conditions, heightened global economic uncertainty and prolonged geopolitical tensions. In this backdrop, net capital inflows during April-December 2024 moderated from a year ago and fell short of the CAD, thus leading to a depletion in foreign exchange reserves of US$ 13.8 billion on a BoP basis (excluding valuation effects) during April-December 2024 (Chart II.7.23 and Appendix Table 8).

II.7.24 Among various capital flows, gross foreign direct investment (FDI) inflows remained resilient, rising by 13.7 per cent y-o-y to US$ 81.0 billion during 2024-25. Globally, India was placed fourth in terms of greenfield FDI

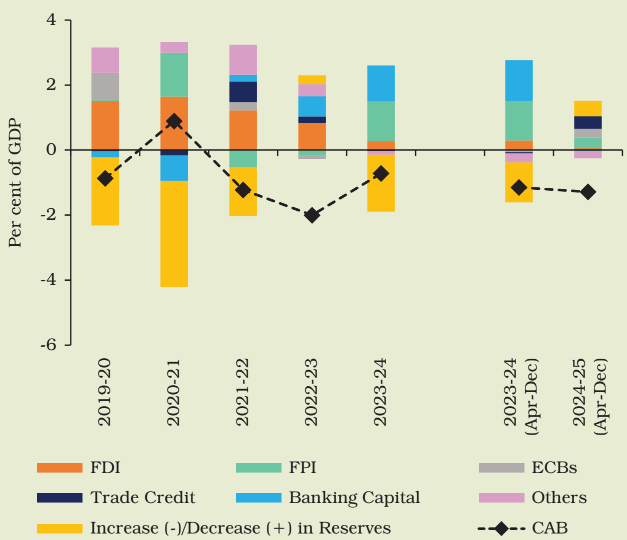
Chart II.7.22: Composition of India's Current Account Balance (CAB)



Source: RBI.

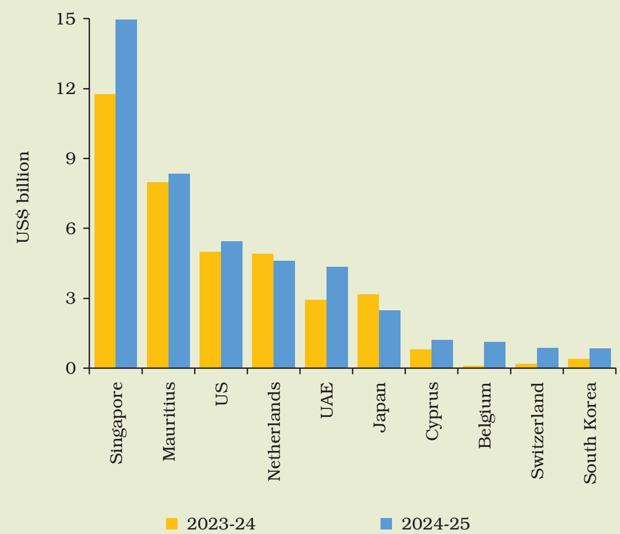
45 Income on cross-border investments and compensation of employees that domestic resident entities earn from/pay to the rest of the world.

Chart II.7.23: Financing of Current Account Deficit



Source: RBI.

Chart II.7.24: Source Country-wise Inflow of FDI (Equity)



Source: RBI.

capital investments announced during 2024-25 after the US, France and the UK, according to fDi Markets[46]. Net FDI flows at US$ 0.4 billion during 2024-25 were, however, below US$ 10.1 billion a year ago, dragged down by higher repatriation/disinvestment and net outward FDI (Table II.7.2).

II.7.25 Services sector[47] accounted for a major share of FDI equity flows into India during 2024-25, followed by manufacturing, electricity and other energy, retail and wholesale trade, and transport (Appendix Table 9). Major source countries, *viz.*, Singapore, Mauritius, the US, the Netherlands, and the UAE contributed three-fourth of the FDI flows (Chart II.7.24).

Table II.7.2: Foreign Direct Investment Flows

(US$ billion)

Item	2021-22	2022-23	2023-24	2024-25
1	2	3	4	6
1. Net FDI (1.1 - 1.2)	38.6	28.0	10.1	0.4
1.1 Net Inward FDI (1.1.1 - 1.1.2)	56.2	42.0	26.8	29.6
1.1.1 Gross Inflows	84.8	71.4	71.3	81.0
1.1.2 Repatriation/Disinvestment	28.6	29.3	44.5	51.5
1.2 Net Outward FDI	17.6	14.0	16.7	29.2

Source: RBI.

46 fDi Markets is the leading online database tracking greenfield FDI in real-time across all markets and sectors globally since 2003.
47 Services sector includes computer services, communication services, financial services and business services.

II.7.26 According to the United Nations Conference on Trade and Development (UNCTAD), India is emerging as a major source of global FDI, ranking among the top 20 source countries in 2023. Major destinations for India's outward FDI were Singapore, the US, the UAE, Mauritius, and the Netherlands. Financial, insurance and business services, manufacturing, and wholesale, retail trade, restaurants and hotels were main sectors for India's overseas direct investment during 2024-25. The economic size of the recipient country along with India's bilateral merchandise exports shape India's FDI outflows (Box II.7.1).

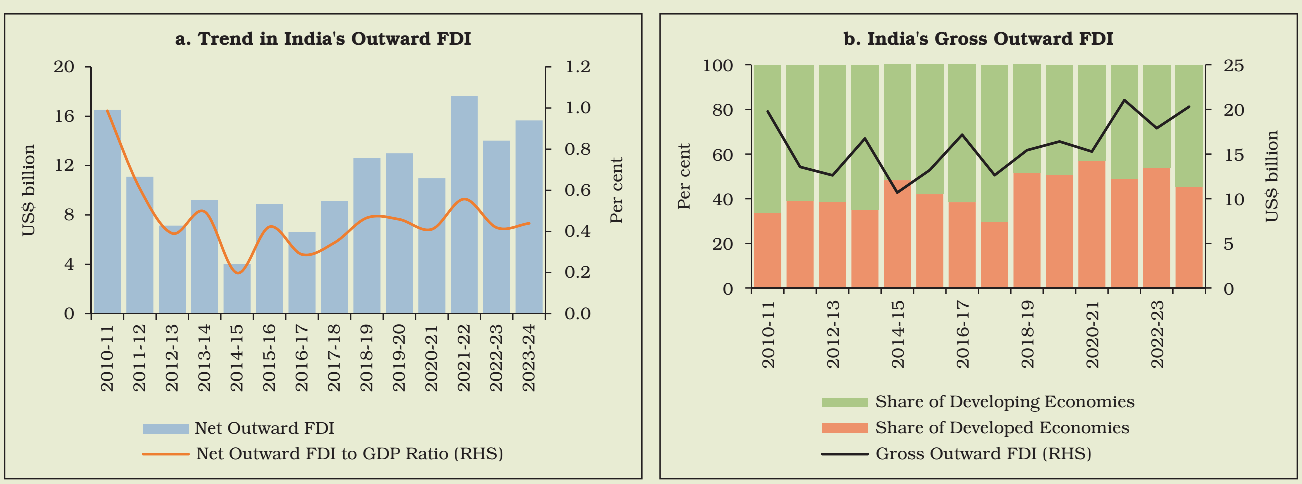
Box II.7.1
India's Outward FDI Trends: Insights from the Gravity Model

The global FDI landscape is experiencing a structural transformation on the back of geopolitical alignments and a rising share of services in global FDI (Casella *et al.*, 2024). EMEs are emerging as a major source of foreign investment, with the share of G20-Emerging Market (G20-EM) countries in global FDI outflows increasing from 9.7 per cent in 2009 to 16.5 per cent in 2023. In tandem with these trends, India's outward investment has significantly increased, particularly during the post-pandemic period (Chart 1a). Also, India's outward investment has witnessed a shift towards developed economies, with the average share rising to 51.1 per cent during 2019-2024 (Chart 1b).

Macroeconomic factors such as physical distance, tax regimes, and availability of natural and strategic resources are amongst the key determinants of outward FDI flows (Cieślik *et al.*, 2019; Kaushal, 2022). Economies also transition from being net FDI recipients to net outward investors, gaining benefits from economies of scale, enhanced competitiveness, and productivity spillovers to domestic enterprises (Herzer, 2010).

To explore the determinants of outward FDI flows from India, quarterly data are used from Q1:2010 to Q1:2024 (57 quarters) for India's bilateral outward FDI flows to 14 countries, which constitutes around 80 per cent of India's total outward FDI. An extended gravity model is estimated by applying the Poisson Pseudo-Maximum Likelihood (PPML) estimator, given its ability to handle zero-valued observations and heteroskedasticity in the data. Following

Chart 1: India's Outward FDI Trend



Source: UNCTAD, RBI and RBI staff estimates.

(Contd.)

Cieślik *et al.* (2019) and Kaushal (2022), PPML regression is estimated as per the following generalised form:

$log\ (Outward\ FDI_{it}) = \alpha + \beta_1 {*} log(Export_{it}) + \beta_2 {*} log(Nominal\ GDP_{it}) + \beta_3 {*} log(Physical\ Distance_i) + \beta_4 {*} Corporate\ Tax_{it} + \beta_5 {*} Natural\ Endowments_{it} + \beta_6 {*} i.country + \beta_7 {*} i.time$

where, 'i' represents the host country and 't' denotes the time period.

The regression results indicate that India's outward FDI is positively impacted by the host country's nominal GDP, emphasising the significance of market size (Table 1). Exports to the host country show a strong positive impact on outward FDI, indicating that robust bilateral trade relations strengthen economic linkages and foster investment. The negative association with distance highlights the importance of geographic and economic proximity in outbound investments. The availability of natural resources in host country boosts outward FDI bolstered by secured essential resources and stable supply chains. Further, higher corporate tax rates in host economies act as a deterrent for outward FDI. These findings emphasise the interplay of economic, geographic and institutional factors in shaping India's outward FDI flows.

Table 1: Estimated Gravity Model Using PPML Estimator

Dependent Variable: Log (Outward FDI)

Explanatory Variable^	Coefficients	
	Model 1	Model 2
1	2	3
Log (Export)	0.45*** (0.04)	-
Log (Nominal GDP)	-	0.54*** (0.05)
Corporate Tax (in per cent)	-	-0.06*** (0.007)
Natural Endowments (in per cent)	0.20*** (0.05)	-
Log (Distance)	-0.39*** (0.09)	-0.39*** (0.11)
Number of Observations	798	798
R-squared	0.50	0.53

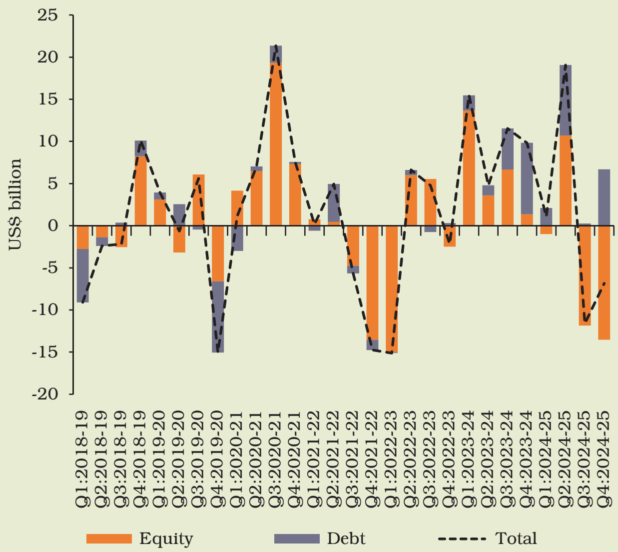
^: Physical distance is measured as geographical distance (in kilometres) between the capital cities, while natural endowments are captured by percentage share of raw material export in total export of the host country.
-: Not Applicable.
*** represents significance level at 1 per cent.
Note: Figures in parentheses indicate robust standard errors.
Source: RBI staff estimates.

References:

1. Casella, B., Bolwijn, R., and Casalena, F. (2024), 'Global Economic Fracturing and Shifting Investment Patterns: A Diagnostic of Ten FDI Trends and Their Development Implications'. *Vox EU,* Centre for Economic Policy Research.
2. Cieślik, A., and Tran, G. H. (2019), 'Determinants of Outward FDI from Emerging Economies', *Quarterly Journal of Economics and Economic Policy,* 14(2), 209-231.
3. Herzer, D. (2010), 'Outward FDI and Economic Growth', *Journal of Economic Studies*, 37(5).
4. Kaushal, L. A. (2022), 'Institutional and Economic Determinants of Indian OFDI', *Cogent Economics & Finance*, 10(1), 2147648.

II.7.27 During 2024-25, foreign portfolio investment (FPI) registered a net inflow amounting to US$ 1.7 billion as compared to net inflows of US$ 41.6 billion during the previous year (Chart II.7.25). The debt segment witnessed steady FPI inflows amounting to US$ 17.4 billion on the back of inclusion of Indian sovereign bonds in global bond indices. Equity FPI flows, however, recorded net outflows of US$ 15.7 billion during the same period as against net inflows of US$ 25.3 billion in 2023-24, mirroring trends in other EMEs with rising risk-off sentiments leading to selloffs in the equity segment during April-May 2024, October-November 2024 and January-February 2025. FPI equity outflows were largely contributed by oil, gas and consumable fuels, fast moving consumer goods, automobile, and power sectors, while inflows were primarily recorded

Chart II.7.25: Net Foreign Portfolio Flows to India

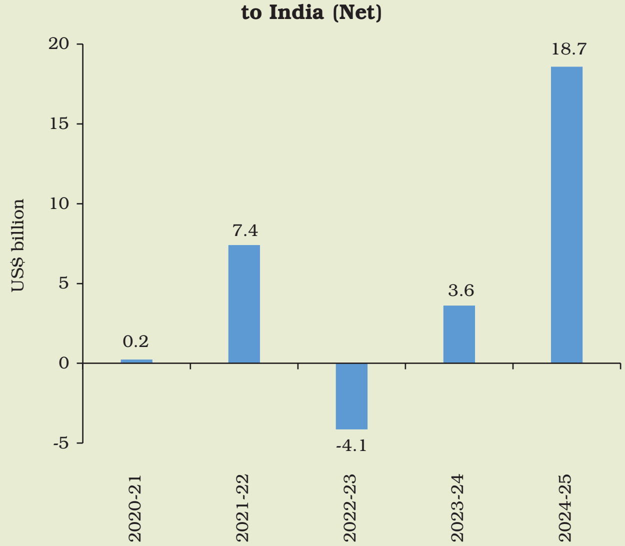


Source: NSDL.

in the financial services, telecommunication, healthcare, and consumer services sectors. Even as investment by FPIs in the debt market increased, the utilisation remains below the available investment limits. As at end-March 2025, 15.7 per cent of the limits in central government securities (G-secs) were utilised (18.5 per cent as at end-March 2024). Of the total value of specified central G-secs opened for non-resident investors under the fully accessible route (FAR), 7.1 per cent were held by FPIs as at end-March 2025, up from 4.5 per cent as at end-March 2024.

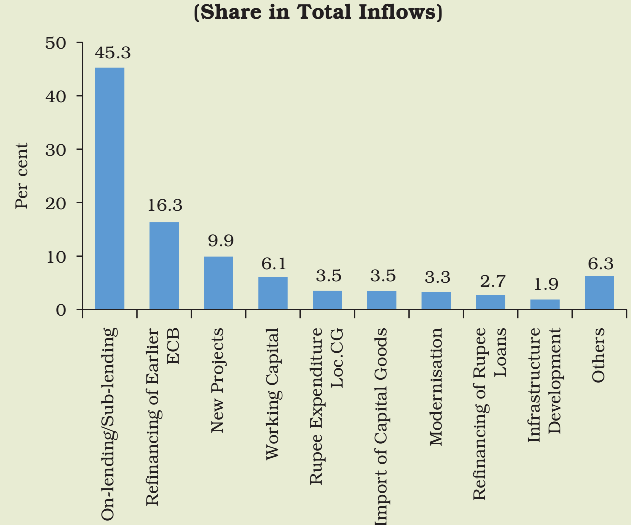
II.7.28 During 2024-25, net ECB inflows to India rose significantly to US$ 18.7 billion from US$ 3.6 billion in 2023-24 (Chart II.7.26). Besides on-lending/sub-lending, disbursements were used for refinancing of earlier ECBs, new projects and working capital requirements (Chart II.7.27). The share of rupee denominated loans and bonds in the total agreement amount stood at 5.0 per cent during 2024-25 as compared with 5.3 per cent a year ago. Of the total ECB agreement amount during 2024-25, 67.6 per cent was explicitly hedged, 5.2 per cent was from FDI parent companies (excluding INR loans) and 5.0 per cent was denominated in the INR. The remaining 22.3 per cent comprised other ECBs, including

Chart II.7.26: External Commercial Borrowings to India (Net)



Source: RBI.

Chart II.7.27: End Use of ECBs during 2024-25 (Share in Total Inflows)



Loc. CG: Local Capital Goods.
Source: RBI.

Table II.7.3: Flows under Non-Resident Deposit Accounts

(US$ billion)

Item	2021-22	2022-23	2023-24	2024-25
1	2	3	4	6
1. Non-Resident External (Rupee) Account	3.3	2.5	4.2	4.7
2. Non-Resident Ordinary Account	3.5	4.0	4.2	4.4
3. Foreign Currency Non-Resident (B) Account	-3.6	2.4	6.4	7.1
Non-Resident Deposits (1+2+3)	**3.2**	**9.0**	**14.7**	**16.2**

Source: RBI.

naturally hedged loans (*i.e.*, borrowers' business earnings in foreign currency).

II.7.29 Short-term trade credit increased during April-December 2024 in line with the rise in merchandise imports, with a net inflow of US$ 11.1 billion as compared with a net outflow of US$ 1.0 billion during the corresponding period a year ago. Around 32 per cent of the trade credit was raised for imports of crude oil, gold, coal and copper. Net inflows under non-resident deposits increased to US$ 16.2 billion during 2024-25 from US$ 14.7 billion a year ago (Table II.7.3).

6. Vulnerability Indicators

II.7.30 India's external debt to GDP ratio remained modest at 19.1 per cent as at end-December 2024 (18.5 per cent as at end-March 2024), the lowest among emerging market peers (Table II.7.4). The share of short-term debt (residual maturity) in total external debt declined

Table II.7.4: External Vulnerability Indicators (End-March)

(Per cent, unless indicated otherwise)

Indicator	2013	2022	2023	2024	End-December 2024
1	2	3	4	5	6
1. External Debt to GDP Ratio	22.4	19.9	19.1	18.5	19.1
2. Ratio of Short-term Debt (Original Maturity) to Total Debt	23.6	19.7	20.6	19.1	19.4
3. Ratio of Short-term Debt (Residual Maturity) to Total Debt	42.1	43.2	44.0	43.4	42.4
4. Ratio of Concessional Debt to Total Debt	11.1	8.3	8.2	7.4	6.8
5. Ratio of Reserves to Total Debt	71.3	98.1	92.7	96.7	88.6
6. Ratio of Short-term Debt (Original Maturity) to Reserves	33.1	20.0	22.2	19.7	22.0
7. Ratio of Short-term Debt (Residual Maturity) to Reserves	59.0	44.0	47.4	44.9	47.8
8. Reserve Cover of Imports (in Months)*	7.0	11.8	9.6	11.3	10.5
9. Debt Service Ratio (Debt Service to Current Receipts)	5.9	5.2	5.3	6.7	6.6
10. External Debt (US$ billion)	409.4	618.8	623.9	668.8	717.9
11. Net International Investment Position (NIIP) [US$ billion]	-326.7	-358.1	-367.1	-361.2	-364.5
12. NIIP/GDP Ratio	-17.8	-11.6	-11.3	-10.1	-9.8
13. CAB/GDP Ratio	-4.8	-1.2	-2.0	-0.7	-1.3

*: Based on merchandise imports of latest four quarters, published in BoP statistics.
Source: RBI and Government of India.

to 42.4 per cent as at end-December 2024. Foreign exchange reserves continue to provide a strong buffer for mitigating external risks and spillovers. As at end-December 2024, foreign exchange reserves were more than two times of short-term external debt (residual maturity). Moreover, foreign exchange reserves as at end-March 2025 provided a cover of 11 months of merchandise imports (on BoP basis) for 2024-25. Net international investment position (IIP) to GDP ratio also recorded an improvement as at end-December 2024.

7. Conclusion

II.7.31 India's external sector displayed resilience in the face of global challenges. Supported by sustained robust growth in services exports and private transfer receipts, current account deficit remained manageable despite a widening merchandise trade deficit. Even as portfolio capital flows exhibited volatility, strong buffers in the form of ample foreign exchange reserves and modest external debt liabilities impart strength to the external sector, contributing to overall macroeconomic and financial stability.

PART TWO: THE WORKING AND OPERATIONS OF THE RESERVE BANK OF INDIA

III MONETARY POLICY OPERATIONS

During 2024-25, headline inflation exhibited gradual easing, with the path of disinflation interrupted by volatile and elevated food inflation. The monetary policy committee (MPC) changed the stance from withdrawal of accommodation to neutral in October 2024 and subsequently reduced the policy repo rate by 25 basis points (bps) to 6.25 per cent in February 2025. To ease potential liquidity stress, the cash reserve ratio (CRR) of banks was reduced to 4.0 per cent of net demand and time liabilities (NDTL) in December 2024 along with several other measures to inject durable liquidity during January-March 2025.

III.1 Headline inflation in terms of the consumer price index (CPI) trended down during 2024-25, though the path of disinflation was interrupted by food price shocks (see Section 3 of Chapter II). Keeping in view the inflation-growth dynamics, the MPC changed the monetary policy stance from withdrawal of accommodation to neutral in October 2024 that provided it the flexibility to monitor the progress and outlook on disinflation and growth and act in accordance with the evolving situation. With inflation expected to moderate further during 2025-26, the MPC reduced the policy repo rate by 25 basis points to 6.25 per cent in February 2025 after maintaining *status quo* on the policy repo rate since February 2023 at 6.50 per cent.

III.2 During the year, system liquidity moved from surplus during July-November 2024 to deficit during December 2024-February 2025, before turning into surplus by end-March 2025. To ease potential liquidity stress, the CRR of banks was reduced by 50 bps to 4.0 per cent of NDTL in December 2024 followed by several measures during January-March 2025 to inject durable liquidity. Reflecting the reduction in the policy repo rate, short-term money market rates softened. The transmission of policy repo rate changes to banks' deposit and lending rates continued but at a slower pace during 2024-25. The mandated external benchmark regime introduced in October 2019 for loan pricing in select sectors strengthened the process of monetary transmission.

III.3 Against the above backdrop, section 2 presents the implementation status of the agenda set for 2024-25 along with major developments during the year, while section 3 sets out the agenda for 2025-26. Concluding observations are provided in the last section.

2. Agenda for 2024-25

III.4 The Department had set out the following goals for 2024-25:

- Strengthening further the analysis of transmission of policy impulses to lending rates of non-banking financial companies (NBFCs) [*Utkarsh* 2.0] (Paragraph III.5);

- Measuring the sectoral credit flows of NBFCs (*Utkarsh* 2.0) [Paragraph III.5];
- Examining the feasibility of introduction of the external benchmark-based lending rate (EBLR) system of loan pricing for credit extended by NBFCs to select sectors (Paragraph III.5);
- Computing a financial conditions index for India (Paragraph III.5);
- Studying behaviour of banks under varying reserve requirements (Paragraph III.5); and
- Publishing CPI diffusion indices (Paragraph III.5).

Implementation Status

III.5 In pursuit of the goals set for 2024-25, lending rates and sectoral credit data of NBFCs are being collected and analysed for policy inputs. The introduction of the EBLR system of loan pricing for credit extended by NBFCs to select sectors was examined but was not found to be feasible at this juncture. A financial conditions index for India was developed using several financial market indicators at daily frequency, which captured the build-up of incipient stress in financial conditions during crisis episodes. The study on daily reserve maintenance behaviour of banks found that the flexible inflation targeting regime and automated sweep-in and sweep-out facility have been associated with lower volatility in daily reserve maintenance and a decline in average daily excess reserves by scheduled commercial banks (SCBs). CPI diffusion indices are now being disseminated on the centralised information management system (CIMS) of the Reserve Bank.

III.6 Additionally, studies were undertaken to analyse: (i) monetary policy transmission during the phase of monetary policy tightening since May 2022; (ii) the core-like properties of food inflation such as volatility, persistence, spillovers and cyclical sensitivity; and (iii) the implication of high food inflation persistence on inflation expectations and its spillovers to non-food components.

Major Developments

Monetary Policy

III.7 When the MPC met for its first meeting of 2024-25 in April, the global economy was exhibiting signs of resilience, and the domestic economy was gaining momentum buoyed by strong investment activity and a lower drag from net external demand. Domestic headline inflation had softened from 5.7 per cent in December 2023 to 5.1 per cent during January-February 2024. Food price uncertainties, frequent and overlapping adverse climate shocks and ongoing geopolitical tensions posed upside risks to the inflation trajectory. Assuming a normal monsoon, CPI inflation for 2024-25 was projected at 4.5 per cent with Q1 at 4.9 per cent, Q2 at 3.8 per cent, Q3 at 4.6 per cent and Q4 at 4.5 per cent with risks evenly balanced. The real GDP growth for 2024-25 was projected at 7.0 per cent with Q1 at 7.1 per cent; Q2 at 6.9 per cent; Q3 at 7.0 per cent; and Q4 at 7.0 per cent, reinforced by expectations of normal south-west monsoon (SWM), sustained growth in manufacturing and services sectors, and pick up in private consumption, although headwinds from geopolitical conflicts, volatility in international financial markets and geoeconomic fragmentation posed downside risks to the outlook. The MPC decided to keep the repo rate unchanged at 6.50 per cent with a 5-1 majority and remained focused on withdrawal of accommodation to ensure that inflation progressively aligns to the target while supporting growth.

III.8 During the June 2024 policy meeting of the MPC, headline inflation had moderated sequentially since February. CPI inflation projection for 2024-25 was retained at 4.5 per cent. Real GDP growth for 2024-25 was projected at 7.2 per cent on the back of expectations of above-normal SWM, continued thrust on capital expenditure by the government and sustained momentum in manufacturing and services activity. The MPC decided to keep the policy repo rate unchanged at 6.50 per cent by a 4-2 majority and maintained its stance on withdrawal of accommodation, reiterating the need to continue with the disinflationary stance until a durable alignment of the headline CPI inflation with the target is achieved.

III.9 During the MPC meeting of August 2024, global activity was exhibiting stability through uneven expansion and domestic activity remained steady. Real GDP growth projection for 2024-25 was retained at 7.2 per cent. In a reversal of trend, headline inflation increased to 5.1 per cent in June 2024 after remaining steady at 4.8 per cent during April-May 2024 owing to stubborn food inflation. Taking into account the expectations of food inflation easing due to pick-up in the SWM and healthy progress in sowing coupled with strong buffer stocks of cereals and softening global food prices, the CPI inflation projection for 2024-25 was retained at 4.5 per cent with Q2 at 4.4 per cent, Q3 at 4.7 per cent and Q4 at 4.3 per cent, with risks evenly balanced. The MPC noted that the risks from volatile and elevated food prices remained high, which may adversely impact inflation expectations and result in spillovers to core inflation. Therefore, the MPC decided to keep the repo rate unchanged by a 4-2 majority but unanimously reiterated its stance of withdrawal of accommodation.

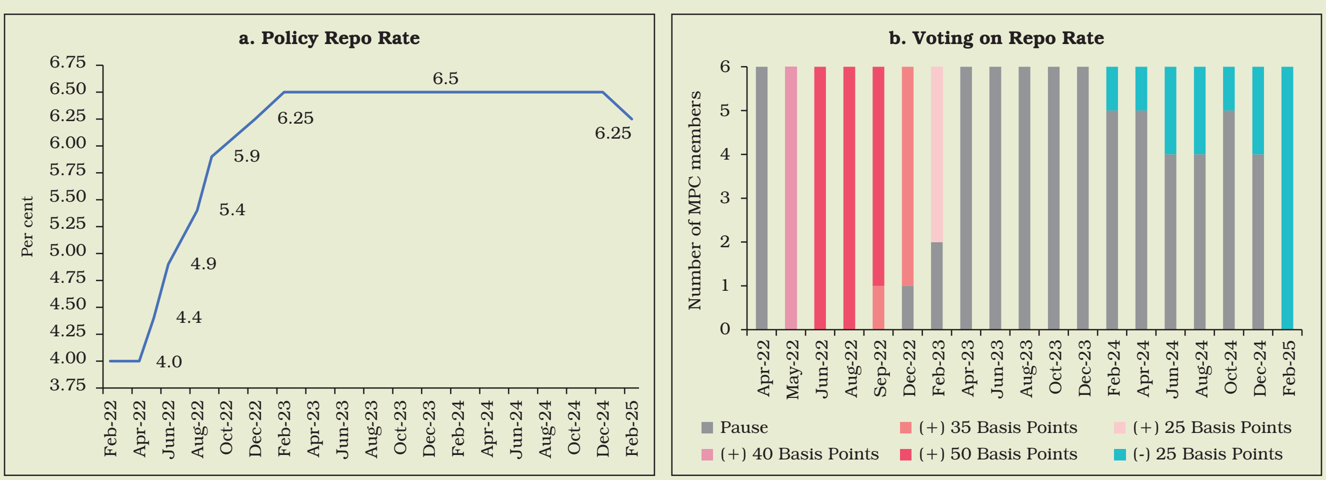
III.10 On October 1, 2024, the central government notified the reconstitution of the MPC with the induction of new external members after the completion of tenure of the existing external members. When the new MPC met in October 2024, domestic real GDP had registered a growth of 6.7 per cent (y-o-y) in Q1:2024-25, driven by private consumption and investment. Headline inflation moderated in July and August as compared to June. CPI inflation and real GDP growth projections for 2024-25 were retained at 4.5 per cent and 7.2 per cent, respectively. The MPC decided by a 5-1 majority to keep the policy repo rate unchanged at 6.50 per cent. Buoyed by a well-balanced inflation-growth dynamics, the MPC unanimously decided to change the policy stance from withdrawal of accommodation to neutral to provide it the flexibility to monitor the progress of ongoing disinflation.

III.11 In the run up to the December 2024 meeting, real GDP growth registered a lower-than-expected growth of 5.4 per cent in Q2:2024-25. Consequently, real GDP growth projection for 2024-25 was revised downwards to 6.6 per cent. Headline inflation increased to 6.2 per cent in October breaching the upper tolerance level, driven by a sharp pick-up in food inflation and uptick in core inflation. Though food inflation was expected to ease by Q4:2024-25, adverse weather events and rise in international agricultural commodity prices posed upside risks to food inflation. In view of these factors, CPI inflation projection for 2024-25 was revised upwards to 4.8 per cent with Q3 at 5.7 per cent and Q4 at 4.5 per cent. Moreover, CPI inflation for Q1:2025-26 was projected at 4.6 per cent; and Q2 at 4.0 per cent. The MPC observed that the near-term inflation and growth outcomes had turned somewhat adverse since the October policy and it remained committed on restoring the inflation-growth balance, keeping in view the overall interest of the economy. By a majority of 4-2, the MPC decided to keep the policy repo rate unchanged at 6.50 per cent while unanimously deciding to continue with the neutral stance.

III.12 The last meeting of the MPC for the financial year 2024-25 was held in February 2025. As per the First Advance Estimates (FAE), domestic real GDP was estimated to grow by 6.4 per cent in 2024-25, supported by a recovery in private consumption. For 2025-26, real GDP growth was projected at 6.7 per cent. Headline inflation eased in November-December 2024 due to moderation in food inflation, which, in turn, was expected to soften further due to good *kharif* production. Adverse weather events and uncertainties in global financial markets, however, posed upside risks to inflation. CPI inflation projection for 2024-25 was retained at 4.8 per cent with Q4 at 4.4 per cent. Assuming a normal monsoon, CPI for 2025-26 was projected at 4.2 per cent with Q1 at 4.5 per cent; Q2 at 4.0 per cent; Q3 at 3.8 per cent; and Q4 at 4.2 per cent. Against this backdrop, the MPC, noting that the growth-inflation dynamics opened up policy space to support growth, unanimously voted to reduce the policy repo rate by 25 bps to 6.25 per cent. The MPC, while being watchful, also decided unanimously to continue with the neutral stance, as excessive volatility in global financial markets, continued uncertainties about global trade policies and adverse weather events pose risks to growth and inflation outlook.

III.13 The MPC's rate decisions during 2024-25 were marked with diversity barring the February 2025 rate cut action (Chart III.1). Moreover, given the prevailing uncertainties, the MPC eschewed from providing forward guidance and continued

Chart III.1: Monetary Policy Committee (MPC) Rate Action



Source: RBI.

to remain data-dependent in policymaking. In the February 2025 meeting, the policy repo rate was reduced for the first time since February 2023, with greater confidence on the disinflation path. Inflation is expected to further moderate in 2025-26, gradually aligning with the target.

III.14 Globally, while many central banks pivoted to an easing cycle in 2024, they remained cautious, maintaining a restrictive stance due to the lingering uncertainty about inflation aligning sustainably with their targets. However, faced with exacerbated trade related uncertainties, central banks remained guarded in their rate action in the first quarter of 2025, reducing rates either with caution or taking a pause (Chart III.2).

The Operating Framework: Liquidity Management

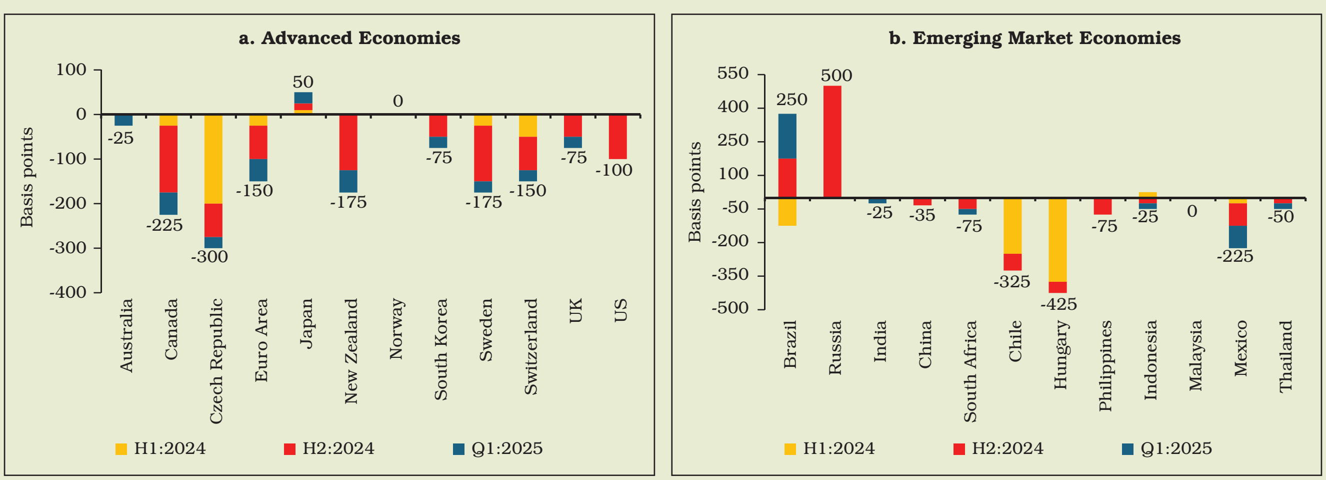
III.15 With a view to ease the potential liquidity stress that may arise on account of higher tax outflows, increase in currency in circulation (CiC) and volatility in capital flows, the CRR of banks was reduced to 4.0 per cent of NDTL on December 6, 2024, in two equal tranches of 25 bps each, effective fortnights beginning December 14, 2024 and December 28, 2024. This reduction released primary liquidity of about ₹1.16 lakh crore to the banking system. In addition, the Reserve Bank undertook a slew of liquidity measures in Q4:2024-25 including term repo auctions, open market purchase operations and USD/INR Buy/Sell swaps to inject durable liquidity into the banking system.

Drivers and Management of Liquidity

III.16 Volatile capital flows, pick-up in CiC and Government of India (GoI) cash balances emerged as the major drivers of liquidity during 2024-25 (Table III.1). The leakage in banking system liquidity due to increase in currency demand and the Reserve Bank's forex market operations was partly offset by the drawdown of excess reserves, reduction in GoI cash balances and OMO purchases during 2024-25.

III.17 At the beginning of Q1:2024-25, liquidity conditions remained in surplus during first half of April due to an increase in government spending. Thereafter, liquidity conditions turned into deficit in the latter half of April

Chart III.2: Policy Rate Easing: 2024-2025



Source : Central banks' websites.

Table III.1: Liquidity – Key Drivers and Management

(₹ crore)

Item	2023-24	2024-25	Q1:2024-25	Q2:2024-25	Q3:2024-25	Q4:2024-25
1	2	3	4	5	6	7
Drivers						
(i) CiC [withdrawal (-) / return (+)]	-1,37,244	-2,04,703	-47,237	80,789	-78,988	-1,59,267
(ii) Net Forex Purchases (+) / Sales (-)	3,39,528	-2,91,233	-13,016	83,418	-3,27,601	-34,034
(iii) GoI Cash Balances [build-up (-) / drawdown (+)]	-2,75,156	34,737	-97,774	-52,720	1,06,873	78,358
(iv) Excess Reserves [build-up (-) / drawdown (+)]	-11,961	38,340	58,523	-21,755	41,534	-39,962
Management						
(i) Net OMO Purchases (+) / Sales (-)	-18,505	2,59,346	-	-24,040	-	2,83,386
(ii) Required Reserves [including both change in NDTL and CRR / I-CRR]	-1,27,717	20,837	-30,413	-25,200	39,349	37,101
Memo Item:						
Daily Net Injection (+) / Absorption (-) as at end-period	52,918	172	-31,379	-84,651	1,82,788	172

CiC: Currency in Circulation. GoI: Government of India. -: Nil.
Note: 1. Inflow (+)/Outflow (-) to and from the banking system.
2. Data pertain to the last Friday of the respective period.
Source: RBI.

and remained so till June in the wake of: (i) seasonal expansion in CiC; (ii) build-up of GoI cash balances amidst lower spending as the model code of conduct became effective during elections; (iii) advance tax payments and goods and services tax (GST) related outflows; and (iv) the increase in holding of precautionary balances by banks in the form of excess reserves. As a result, average daily net injection under the liquidity adjustment facility (LAF) [including those under the marginal standing facility (MSF)] stood at ₹0.5 lakh crore in Q1:2024-25. With system liquidity in surplus in the first half of April 2024 (up to April 19), the Reserve Bank conducted one main and seven fine-tuning variable rate reverse repo (VRRR) auctions. As liquidity turned into deficit beginning the latter half of April, five main and 17 fine-tuning variable rate repo (VRR) auctions were conducted to ease liquidity tightness[1].

III.18 Liquidity turned into surplus during Q2:2024-25 with a pick-up in government spending after the elections, net forex purchases by the Reserve Bank and return of currency to the banking system. The build-up of GoI cash balances due to advance tax collections and GST payments tightened liquidity conditions between September 21-25, 2024. Additionally, net sales through open market operations (OMOs) under the negotiated dealing system - order matching (NDS-OM) absorbed durable liquidity amounting to ₹0.24 lakh crore during the quarter. Average daily net absorption under the LAF was ₹1.27 lakh crore during Q2. The Reserve Bank conducted five main and 44 fine-tuning VRRR auctions to absorb surplus liquidity.

III.19 The liquidity surplus moderated in Q3:2024-25 with average net absorption under the LAF declining to ₹0.80 lakh crore from

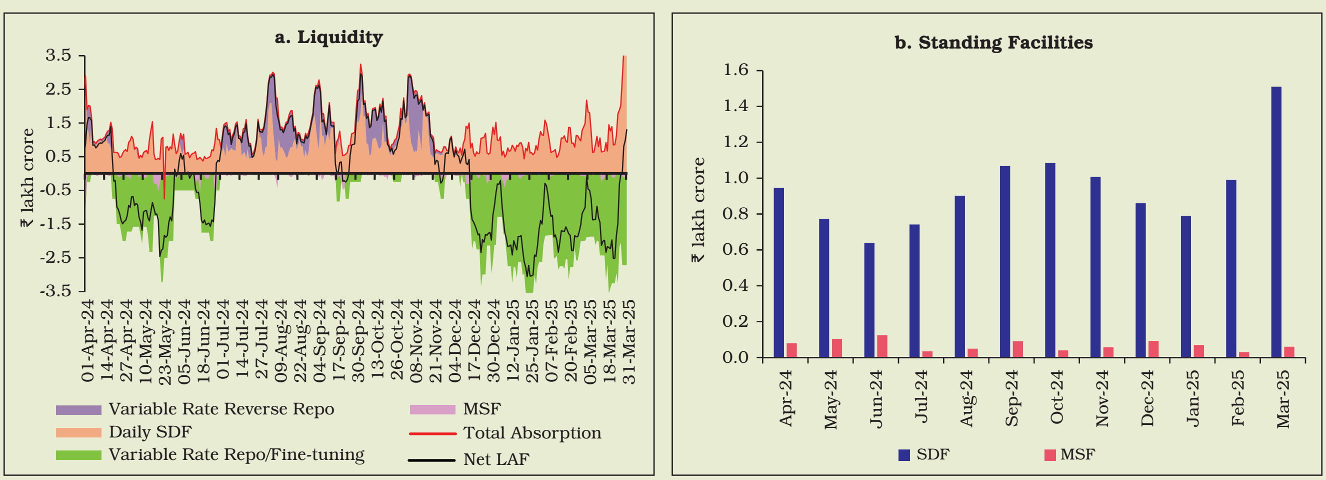
[1] During this period, three fine-tuning VRRR operations were conducted on May 6 and June 4, 2024.

₹1.27 lakh crore in the previous quarter. Except for a brief period, system liquidity remained in surplus during October-November on account of higher government spending, notwithstanding a significant increase in CiC due to festival related demand in October and capital outflows in November. Consequently, the Reserve Bank conducted five main and 23 fine-tuning VRRR operations during October 1-November 29, 2024[2]. System liquidity turned into deficit during the second half of December on account of advance tax payments and capital outflows.

III.20 Liquidity conditions remained in deficit in Q4:2024-25 due to capital outflows and currency outgo, with average net injection of ₹1.56 lakh crore under the LAF. In order to ease the liquidity stress and the resultant pressure on the weighted average call rate (WACR), the Reserve Bank started conducting daily VRR auctions effective January 16, 2025 with reversal taking place on the next working day. During Q4:2024-25, the Reserve Bank conducted four main and 62 fine-tuning VRR auctions to inject liquidity. With a view to ease the persistently tight liquidity conditions, the Reserve Bank undertook a slew of measures in Q4, which included: (i) injection of ₹1.83 lakh crore through three term VRR auctions of varying maturities conducted in February 2025; (ii) OMO purchase auctions of Government of India securities for an aggregate amount of ₹2.45 lakh crore; and (iii) USD/INR Buy/Sell swap auction of US$ 5 billion for a tenor of six months on January 31, 2025 and US$ 10 billion for a tenor of three years each on February 28, 2025 and March 24, 2025[3]. In addition, the Reserve Bank purchased government securities amounting to ₹38,825 crore under the NDS-OM during the quarter that augmented durable liquidity.

III.21 During 2024-25, average absorption under the standing deposit facility (SDF) at ₹0.94 lakh crore constituted 78 per cent of average daily total absorption (₹1.21 lakh crore) under the LAF, while the remaining 22 per cent was absorbed through VRRR auctions – both main and fine-tuning operations (Chart III.3). Banks' recourse to the MSF remained low, with average

Chart III.3: Liquidity Operations



Source: RBI and CCIL.

2 11 fine-tuning VRR auctions were conducted to alleviate occasional bouts of liquidity stress during this period.

3 USD/INR Buy/Sell swaps injected durable liquidity of approximately ₹2.16 lakh crore into the banking system.

daily borrowing amounting to ₹0.07 lakh crore during 2024-25 compared to ₹0.5 lakh crore in 2023-24. Buyback of G-secs, which is part of an active debt consolidation strategy, augmented systemic liquidity amounting to ₹0.5 lakh crore during 2024-25.

III.22 The tightening of liquidity conditions in the latter half of Q3 and Q4 was mainly on account of capital outflows and forex operations of the Reserve Bank. The Reserve Bank's intervention in the forex market is aimed at maintaining orderly market conditions by containing excessive volatility in the exchange rate without targeting any exchange rate level or band, thereby allowing monetary policy to primarily remain focused on domestic macroeconomic conditions and the outlook (Box III.1).

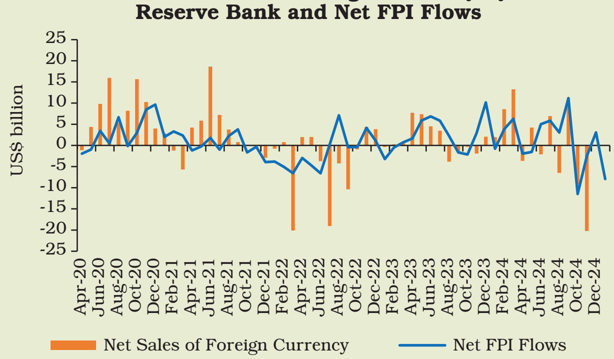
Box III.1

Liquidity Management Challenges from Forex Market Operations

Divergent monetary policy trajectories across advanced economies, lingering geopolitical tensions and rising trade and policy uncertainties in recent years have rendered capital flows highly volatile. Since its integration with the global economy, India has experienced episodes of surges and sudden stops/reversal in capital flows, posing trade-offs for monetary policy (Chart 1). The Reserve Bank intervenes in the forex market to modulate excessive exchange rate volatility and maintain orderly market conditions, thereby allowing monetary policy to primarily remain focused on domestic macroeconomic conditions. The Reserve Bank's spot interventions in the forex market entail changes in domestic liquidity conditions, which may necessitate sterilisation of such interventions, given the monetary policy stance.

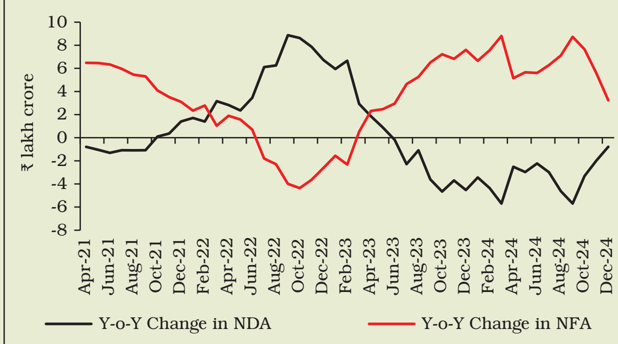
Sterilisations are typically carried out through open market operations (OMOs) – sale/purchase of government securities to modulate the domestic liquidity impact of purchase/sale of foreign currency assets by the Reserve Bank. This is reflected in an offsetting change in net domestic assets (NDA) *vis-à-vis* any change in net foreign assets (NFA) in the Reserve Bank's balance sheet[4]. A change in NDA, in turn, may cause further change in NFA as sterilisation operations through OMOs may affect domestic yields resulting in further capital in/out flows. This contrasting movement between NDA and NFA dampens the impact of sterilised intervention. Therefore, the Reserve Bank carefully adjusts changes in NFA and NDA (Chart 2), keeping in mind the prevailing liquidity conditions and the

Chart 1: Net Sales of Foreign Currency by the Reserve Bank and Net FPI Flows



Source: NSDL and RBI.

Chart 2: Reserve Bank's NDA and NFA



Note: NDA and NFA are adjusted for valuation change.
Source: RBI staff estimates.

(Contd.)

[4] The total monetary liability of the Reserve Bank, reflected in the quantum of reserve money in the economy, is the sum of NDA and NFA of the Reserve Bank.

stance of monetary policy, while preventing excessive volatility in the exchange rate.

The endogenous relationship between NDA and NFA is modelled using a central bank liquidity management reaction function ($\Delta NDA = \alpha + \beta\Delta NFA + \mu_i X_i$), and a net capital flows equation ($\Delta NFA = a + b\Delta NDA + \theta_i Y_i$), where β and b are the sterilisation and offset coefficients, respectively. X_i [nominal GDP: quarterly data interpolated to monthly, money multiplier (MUL) and domestic spread (DS: spread between the weighted average call rate and policy repo rate)] and Y_i [nominal GDP, MUL, international spread (IS: spread between the weighted average call rate and effective Fed Funds rate) and real effective exchange rate (REER)] are control variables in the equations for NDA and NFA, respectively (Raj *et al.,* 2018). Appropriate instrument variables are used to tackle endogeneity – IS and REER for NFA and DS for NDA. The model is estimated based on monthly data from January 2010 to September 2024 using a two-stage least squares (2SLS) framework (Table 1).

In this framework (Ouyang and Rajan, 2008), the efficacy of the sterilised forex market interventions can be gauged by the sterilisation coefficient (to what extent the increase in liquidity resulting from the increase in NFA is sterilised by a corresponding decline in NDA), net of the offset coefficient (the extent of change in NDA that is partially neutralised by a sterilisation induced change in NFA). The estimated sterilisation coefficient of -0.78 implies that, on average, about 78 per cent of the increase in rupee liquidity resulting from an increase in NFA is absorbed through sterilisation operations. The high offset coefficient of -0.71, however, dampens the impact of sterilisation operations. Overall, the findings demonstrate the continued effectiveness of sterilised intervention in managing capital flows.

Table 1: Sterilisation and Offset Coefficients

Dependent Variable: ΔNDA		
Explanatory Variable	Coefficient	p-value
1	2	3
Constant	0.01	0.79
ΔNFA	-0.78	0.00
ΔGDP	-0.03	0.41
ΔMUL	-0.18	0.00
ΔDS	0.01	0.19
AR(1)	0.68	0.00
AR(2)	0.19	0.05
Instrument Variables	IS; REER	
Adjusted R-sqaured	0.94	
DW Statistic	1.99	

Dependent Variable: ΔNFA		
Explanatory Variable	Coefficient	p-value
1	2	3
Constant	-0.00	0.99
ΔNDA	-0.71	0.01
ΔGDP	-0.02	0.70
ΔMUL	-0.16	0.00
ΔIS	-0.00	0.69
ΔREER	0.03	0.76
AR(1)	0.74	0.00
AR(2)	0.13	0.12
Instrument Variable	DS	
Adjusted R-squared	0.91	
DW Statistic	1.97	

Note: All variables are considered in their first difference form (12-month variation); GDP and REER are taken in log form; NDA and NFA are adjusted for valuation changes and are scaled by the reserve money of the previous year; ΔNFA is 80 per cent winsorised; Transformed variables are found to be stationary; Newey-West correction method has been used for heteroskedasticity and autocorrelation-consistent standard errors.
Source: RBI staff estimates.

References:

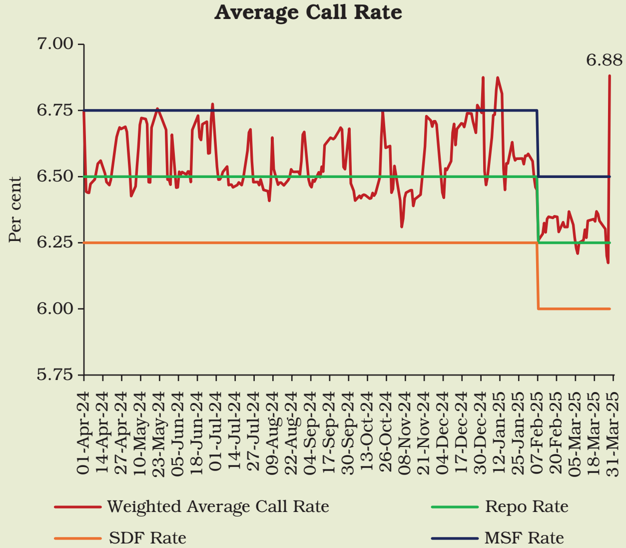
1. Ouyang, A.Y., and Rajan, R.S. (2008), 'Reserve Stockpiling and Managing its Monetary Consequences: The Indian Experience', *Macroeconomics and Finance in Emerging Market Economies*, 1(1), 75-91.

2. Raj, J., Pattanaik, S., Bhattacharya, I., and Abhilasha (2018), 'Forex Market Operations and Liquidity Management', *RBI Bulletin*, 72(8), 13-22.

III.23 During 2024-25, two-way fine-tuning operations were the key instrument to manage frictional liquidity. During this period, fine-tuning and main VRRR operations elicited average offer-cover ratios of 0.50 and 0.16, respectively. Banks were reluctant in parting with liquidity for longer tenors, as evident from the lower offer-cover ratios of main operations *vis-à-vis* fine-tuning operations. In contrast, the market was more responsive to fine-tuning and main VRR operations as reflected in much higher bid-cover ratios.

III.24 Reflecting the liquidity dynamics, the WACR – the operating target of monetary policy – remained broadly within the LAF corridor during 2024-25.[5] It, however, moderated after the introduction of daily VRR operations and the reduction in the policy repo rate by 25 bps on February 7, 2025. The WACR, on an average, remained 6 bps above the policy repo rate in 2024-25 as against 13 bps in 2023-24 (Chart III.4).

Chart III.4: Policy Corridor and Weighted Average Call Rate



Source: RBI and CCIL.

III.25 Overnight rates in the collateralised segment moved in tandem with the WACR (Table III.2). In the short-term money market, average yield on 3-month treasury bills (T-bills) softened by 26 bps in September 2024 from June 2024 on account of lower short-term borrowing requirements of the government, as reflected in the cancellation of T-bill auctions in the second half of September. Yields declined further in March 2025. Similarly, yields on 3-month commercial papers (CPs) of NBFCs and certificates of deposit (CDs) softened from March 2024, taking cues from

Table III.2: Interest Rates

(Per cent)

Indicator		Average for Mar-2024	Jun-2024	Sep-2024	Mar-2025
1		2	3	4	5
Rates	WACR	6.60	6.59	6.54	6.32
	Tri-party Repo	6.54	6.51	6.43	6.17
	Market Repo	6.61	6.53	6.52	6.32
	3-Month T-bill	6.92	6.84	6.58	6.47
	3-Month CP	8.18	7.79	7.68	7.81
	3-Month CD	7.70	7.15	7.28	7.55
	AAA Corporate Bond - 5-year	7.66	7.68	7.49	7.44
	G-sec Yield - 5-year	7.07	7.00	6.71	6.57
	G-sec Yield - 10-year	7.06	6.99	6.80	6.67
Spreads (bps)	CP - T-bill	126	95	110	134
	AAA 5-year - G-sec 5-year	59	68	78	87
Memo Items:					
Liquidity	Net LAF (₹ crore)	-29,323	-45,406	1,08,706	-1,14,640
Global Indicators	US 10-year G-sec Yield (Per cent)	4.20	4.30	3.73	4.28
	Crude Oil Price (Indian Basket) [US $ per barrel]	84	83	74	72

Source: CCIL, RBI and Bloomberg.

5 Temporary liquidity tightness resulted in overnight rates breaching the ceiling of the policy corridor (MSF rate) occasionally during the year.

domestic developments such as the transition of systemic liquidity to surplus and moderation in the wedge between deposit and credit growth. The decline in short-term rates prompted banks to increase CD issuances to meet rising credit demand amidst sluggish deposit growth. G-sec yields also remained benign throughout the year (see Section 5 of Chapter II). Overall, monetary policy changes impact short-term interest rates more than long-term rates in the Indian context (Patra *et al.,* 2024)[6].

Monetary Policy Transmission

III.26 The transmission of policy repo rate changes to banks' deposit and lending rates continued during 2024-25 *albeit* at a slower pace. The weighted average lending rates (WALRs) on fresh and outstanding rupee loans of SCBs declined by 2 bps and 8 bps, respectively, during 2024-25. In case of deposits, weighted average domestic term deposit rates (WADTDRs) on fresh and outstanding deposits increased by 3 bps and 14 bps, respectively, in 2024-25, with a rising proportion of deposits getting renewed at higher rates. The pace and extent of monetary transmission to lending and deposit rates of SCBs has strengthened in recent years, reflecting the Reserve Bank's sustained efforts to impart transparency and flexibility to the interest rate structure.[7]

III.27 During the tightening cycle (May 2022-January 2025), banks revised their repo-linked lending rates upwards by 250 bps and 1-year marginal cost of funds-based lending rate (MCLR) by 178 bps, resulting in an increase in the WALR on fresh rupee loans and on outstanding loans. The WADTDRs on fresh term deposits and outstanding term deposits also increased during this period (Table III.3). The increase in term deposit rates on fresh deposits was mainly driven

Table III.3: Transmission from the Policy Repo Rate to Deposit and Lending Rates of SCBs

(Variation in basis points)

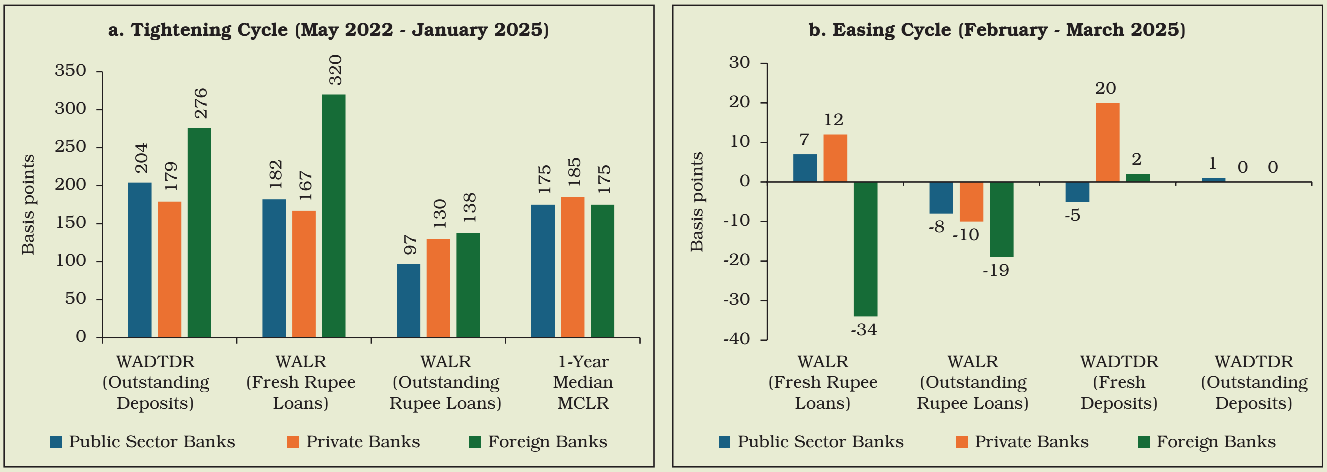
Period (April-March)	Repo Rate	Term Deposit Rates		Lending Rates			
		WADTDR Fresh Deposits	WADTDR Outstanding Deposits	1-year MCLR (Median)	EBLR	WALR Fresh Rupee Loans	WALR Outstanding Rupee Loans
1	2	3	4	5	6	7	8
2022-23	250	236	113	150	250	169	98
2023-24	0	14	73	30	0	5	13
2024-25	-25	3	14	10	-25	-2	-8
Memo Items:							
February 2019 to March 2022 (Easing Cycle)	-250	-259	-188	-155	-250	-232	-150
May 2022 to January 2025 (Tightening Cycle)	250	253	199	178	250	181	115
February 2025 to March 2025 (Easing Cycle)	-25	8	1	0	-25	3	-10

WADTDR: Weighted Average Domestic Term Deposit Rate.
MCLR: Marginal Cost of Funds-based Lending Rate.
WALR: Weighted Average Lending Rate.
EBLR: External Benchmark-based Lending Rate.
Note: Data on EBLR pertain to domestic banks.
Source: RBI.

[6] Patra, M. D., Bhattacharyya, I., John, J., and Kumar, A. (2024), 'Monetary Policy Transmission in India: The Recent Experience', *RBI Monthly Bulletin*, October.

[7] The introduction of external benchmark-based lending rate (EBLR) for floating rate loans was a major initiative in October 2019.

Chart III.5: Transmission to Lending and Deposit Rates Across Bank-Groups



Source: RBI.

by bulk deposit rates, although retail deposit rates also exhibited significant transmission, especially in H1:2024-25.

III.28 In response to the 25 bps cut in policy repo rate during the February policy meeting, banks have reduced their repo linked external benchmark lending rate (EBLR) by a similar magnitude. The MCLR, having a longer reset period and being linked to the cost of funds, may undergo adjustments with some lag. Consequently, the WALR on outstanding rupee loans declined by 10 bps during the easing cycle (February-March 2025). In case of fresh loans, however, it has increased by 3 bps.

III.29 Across bank-groups, increase in the WADTDR on outstanding deposits and WALR on fresh rupee loans were higher for public sector banks (PSBs) relative to private banks (PVBs) during May 2022-January 2025 (Chart III.5). The transmission to WALR on outstanding rupee loans, however, was lower for PSBs reflecting a comparatively higher share of internal benchmark-based lending rates, *viz.,* MCLR and others. Transmission was highest in case of foreign banks, facilitated by their low-cost deposits and a higher proportion of EBLR-linked loans[8]. During February-March 2025, WALR on outstanding rupee loans declined across all bank-groups.

External Benchmark-based Loan Rates

III.30 The EBLR regime has strengthened and quickened the pace of transmission. The proportion of EBLR-linked loans in outstanding floating rate rupee loans of SCBs increased further during 2024-25. Concomitantly, the share of the MCLR-linked loans fell during the year (Table III.4).

Table III.4: Outstanding Floating Rate Rupee Loans of SCBs across Interest Rate Benchmarks

(Per cent to total)

Month	Base Rate	MCLR	EBLR	Others	Total
1	2	3	4	5	6
March 2023	3.1	45.4	49.6	1.9	100.0
March 2024	2.2	39.2	56.6	2.0	100.0
December 2024	1.6	35.9	60.6	1.9	100.0

Source: RBI.

8 Foreign banks had 92.2 per cent share of EBLR-linked loans in total outstanding floating rupee loans as at end-December 2024.

Chart III.6: Share of Various Benchmark-based Loans in Total Outstanding Floating Rate Loans

Source: RBI.

III.31 The share of EBLR-linked loans in total outstanding floating rate loans of PSBs stood at 44.6 per cent, whereas it was 85.9 per cent for PVBs as at end-December 2024 (Chart III.6). The share of MCLR and other legacy rate loans was significantly higher in PSBs as compared to PVBs. Thus, the predominance of legacy factors, *viz.,* base rate, MCLR and others in PSBs' portfolios have resulted in lower transmission to WALR on outstanding rupee loans of PSBs *vis-à-vis* PVBs.

III.32 In case of loans linked to the policy repo rate, the spread of fresh rupee loans (WALR over the repo rate) was highest for education loans followed by micro, small and medium enterprise (MSME) loans and vehicle loans. Among the domestic bank-groups, the spreads charged by PSBs for housing, vehicle, education and other personal loans were lower than those of PVBs, whereas the spread on MSME loans was broadly similar between the two groups (Table III.5).

Sectoral Lending Rates

III.33 The WALRs on fresh rupee loans rose for vehicle, rupee export credit, and education

Table III.5: Loans Linked to External Benchmark – Spread of WALR (Fresh Rupee Loans) over Repo Rate (March 2025)

(Percentage points)

Bank Group	Personal Loans				MSME Loans
	Housing	Vehicle	Education	Other Personal Loans	
1	2	3	4	5	6
Public Sector Banks	2.13	2.63	3.56	2.92	3.31
Private Sector Banks	2.56	4.84	5.48	4.24	3.31
Domestic Banks	2.39	3.14	4.66	3.09	3.31

Source: RBI.

Table III.6: Sector-wise WALR of SCBs (Excluding RRBs) - Fresh Rupee Loans

(Per cent)

Month	Agriculture	Industry (Large)	MSMEs	Infrastructure	Trade	Professional Services	Personal Loans				Rupee Export Credit
							Housing	Vehicle	Education	Credit Card	
1	2	3	4	5	6	7	8	9	10	11	12
Mar-23	10.12	8.34	9.84	8.56	8.87	8.80	9.02	10.47	10.26	37.06	8.09
Mar-24	10.18	8.39	9.99	8.74	8.53	9.58	8.65	9.21	10.45	37.72	7.21
Jun-24	9.89	8.12	9.87	8.51	8.62	9.13	8.91	10.47	10.19	38.10	7.31
Sep-24	10.07	8.19	10.05	8.71	8.56	9.08	8.96	10.93	10.84	37.51	7.53
Dec-24	10.12	8.06	9.93	8.52	8.60	8.88	8.69	10.47	10.65	37.48	8.06
Mar-25	10.02	8.33	9.69	8.56	8.45	9.18	8.55	10.37	10.47	37.72	8.07
Variation (Percentage Points)											
2023-24	0.06	0.05	0.15	0.18	-0.34	0.78	-0.37	-1.26	0.19	0.66	-0.88
2024-25	-0.16	-0.06	-0.30	-0.18	-0.08	-0.40	-0.10	1.16	0.02	0.00	0.86

Source: RBI.

segments during 2024-25, while they declined on loans to professional services, MSMEs, infrastructure, agriculture, housing, trade, and large industry (Table III.6).

III.34 In case of outstanding loans, the WALRs on credit cards, rupee export credit, vehicle, and agriculture loans increased during 2024-25. On the other hand, the WALRs on loans to trade, MSMEs, large industry, housing, professional services, education and infrastructure segments declined during the same period (Table III.7).

III.35 With a view to strengthen the assessment of monetary policy transmission, monthly data on

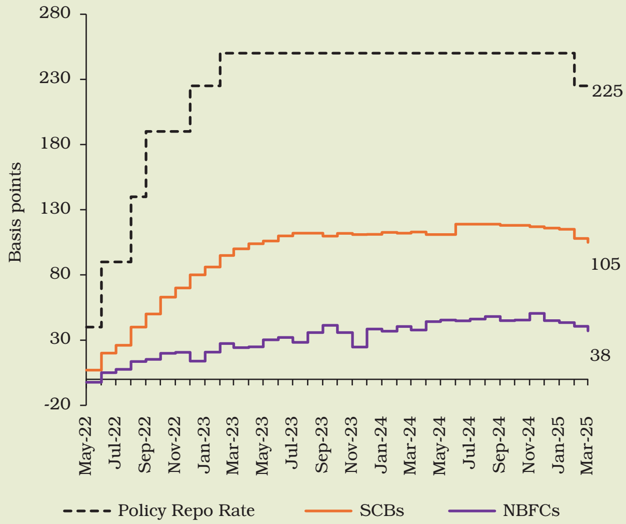
Table III.7: Sector-wise WALR of SCBs (Excluding RRBs) - Outstanding Rupee Loans

(Per cent)

Month	Agriculture	Industry (Large)	MSMEs	Infrastructure	Trade	Professional Services	Personal Loans				Rupee Export Credit
							Housing	Vehicle	Education	Credit Card	
1	2	3	4	5	6	7	8	9	10	11	12
Mar-23	9.84	8.78	10.28	8.96	9.49	9.29	8.86	9.36	10.20	30.44	7.71
Mar-24	10.16	8.69	10.31	9.11	9.46	9.54	8.90	9.48	10.46	28.84	7.96
Jun-24	10.20	8.63	10.28	9.14	9.40	9.46	9.10	9.93	10.56	28.91	7.94
Sep-24	10.25	8.57	10.21	9.05	9.43	9.43	9.05	9.96	10.57	29.28	8.03
Dec-24	10.23	8.53	10.20	9.05	9.35	9.35	8.93	9.99	10.49	29.38	8.20
Mar-25	10.21	8.44	10.01	9.02	9.13	9.39	8.72	9.96	10.31	29.42	8.52
Variation (Percentage Points)											
2023-24	0.32	-0.09	0.03	0.15	-0.03	0.25	0.04	0.12	0.26	-1.60	0.25
2024-25	0.05	-0.25	-0.30	-0.09	-0.33	-0.15	-0.18	0.48	-0.15	0.58	0.56

Source: RBI.

Chart III.7: Monetary Policy Transmission to Outstanding Lending Rates of NBFCs



Source: RBI.

lending rates of major NBFCs covering various sectors of the economy were examined. The interest rates charged by NBFCs tend to be higher as compared to SCBs, *inter alia*, reflecting their liability structure and the risk profile of their borrowers. The degree of monetary policy transmission, thus, differs between NBFCs and SCBs (Chart III.7).

3. Agenda for 2025-26

III.36 The Department would support the conduct and formulation of monetary policy by providing (i) high quality inputs on the assessment and outlook of inflation and growth; (ii) analysing and refining forecast of liquidity conditions; (iii) studying the monetary policy transmission process; and (iv) evaluating credit conditions and sectoral flows. Against this backdrop, the Department would focus on the following initiatives:

- Review of the monetary policy framework;
- Revisiting optimal level of system liquidity for effective monetary policy transmission;
- Spatial and cross-sectional analysis of National Sample Survey Organisation's household consumption expenditure data; and
- Collection of credit deployment data from housing finance companies (HFCs) for improved assessment of sectoral credit by NBFCs.

4. Conclusion

III.37 During 2024-25, headline inflation exhibited further moderation, though the path of disinflation was interrupted by volatile and elevated food inflation. System liquidity conditions transited from surplus during August-November 2024 to deficit in December-February. The Reserve Bank reduced the policy rate by 25 bps as growth-inflation dynamics opened up policy space for supporting growth and proactively conducted a suite of market operations to provide durable liquidity in the system. As a result, system liquidity returned to surplus by end-March 2025. Going forward, domestic economic activity is expected to strengthen from the lows of H1:2024-25. Headline inflation is expected to ease and move further towards the target in 2025-26. Monetary policy is committed towards achieving durable price stability, which is a necessary prerequisite for high growth on a sustained basis. The Reserve Bank will undertake liquidity management operations in sync with the monetary policy stance and keep system liquidity adequate to meet the needs of the productive sectors of the economy.

IV CREDIT DELIVERY AND FINANCIAL INCLUSION

The Reserve Bank continued with its endeavour to deepen financial inclusion in the country as envisaged under the National Strategy for Financial Inclusion (NSFI). Steps were undertaken for the formulation of the next iteration of the NSFI for the period 2025-30. RBI90Quiz was conducted for enhancing financial literacy among youth. The Centre for Financial Literacy (CFL) project was scaled up in a phased manner to cover the entire country in 2024.

IV.1 The Reserve Bank continued with its focus on ensuring availability of banking services to all sections of society across the country, including strengthening the credit delivery system to cater to the needs of productive sectors of the economy, particularly agriculture, and micro and small enterprises (MSEs). During 2024-25, a number of initiatives were taken such as initiation of process for formulation of the next iteration of the NSFI for the period 2025-30, review of priority sector lending (PSL) guidelines, extension of expanding and deepening of digital payments ecosystem (EDDPE) programme in all districts [except two districts of Union Territory (UT) of Andaman and Nicobar Islands and one district of Manipur] and bolstering the credit availability for micro, small and medium enterprises (MSMEs). Moreover, the composite financial inclusion index (FI-Index) registered a year-on-year (y-o-y) growth of 6.8 per cent to 64.2 in March 2024, with expansion across all sub-indices. The CFL project was scaled up to 2,421 CFLs across the country to provide greater stimulus to the financial literacy programme. A nationwide general knowledge-based quiz competition, RBI90Quiz, for undergraduate students across the country was conducted during the year.

IV.2 Against this backdrop, the rest of the chapter is structured into three sections. The implementation status of the agenda for 2024-25 along with the performance of credit flow to priority sectors and developments with respect to financial inclusion and financial literacy are presented in section 2. The agenda for 2025-26 is provided in section 3 with concluding observations in section 4.

2. Agenda for 2024-25

IV.3 The Department had set the following goals for 2024-25:

- Formulation of the next iteration of the NSFI for the period 2025-30 (*Utkarsh* 2.0) [Paragraph IV.4];
- Review of priority sector lending guidelines (*Utkarsh* 2.0) [Paragraph IV.5];
- Achieving 100 per cent coverage in 50 per cent districts across the country by March 2025, under EDDPE[1] (Paragraph IV.6);

[1] Providing every eligible individual in the identified districts at least one mode of digital payment, *viz.*, debit/RuPay cards, net banking, mobile banking, UPI, unstructured supplementary service data (USSD), *Aadhaar* enabled payment system (AePS), *etc.*

- Enhancing the effectiveness of Lead Bank Scheme (LBS) for greater financial inclusion (Paragraph IV.7); and
- Strengthening the regulatory framework to bolster credit availability for MSMEs (Paragraph IV.8).

Implementation Status

IV.4 The work relating to formulation of the next iteration of NSFI for the period 2025-30 is in progress.

IV.5 The PSL guidelines were comprehensively reviewed and revised Master Directions on PSL were issued on March 24, 2025 which became effective from April 1, 2025. The revised directions include, *inter alia*, enhancement of several loan limits under PSL categories, broadening of the purposes based on which loans may be classified under 'Renewable Energy', revision of overall PSL target for urban co-operative banks (UCBs) from 75 per cent to 60 per cent, fixation of target for non-corporate farmers, *etc*. The enhanced coverage of the revised guidelines is expected to facilitate better targeting of bank credit to the priority sectors of the economy.

IV.6 The EDDPE programme was extended to all districts (except two districts of UT of Andaman & Nicobar Islands and one district of Manipur) in August 2023. As on March 31, 2025, 100 per cent coverage has been achieved in more than 60 per cent districts (514 districts) across the country. This includes all districts in 15 states, *viz*., Kerala, Telangana, Andhra Pradesh, Tripura, Tamil Nadu, Madhya Pradesh, Rajasthan, Bihar, Himachal Pradesh, Karnataka, Jharkhand, Gujarat, Goa, Uttar Pradesh, Odisha and six UTs, *viz*., Delhi, Chandigarh, Lakshadweep, Dadra and Nagar Haveli and Daman and Diu, Ladakh and Puducherry.

IV.7 A comprehensive review of the LBS is underway with a view to enhancing the effectiveness of the scheme in deepening financial inclusion through improved access, usage, and quality of financial services for all sections of the population.

IV.8 Access to credit is critical for the growth and sustainability of MSMEs. Some of the common challenges faced by MSMEs in accessing formal credit include information asymmetry, excess documentation and lack of transparency. To address these challenges, the following instructions were issued to banks on June 11, 2024:

a) Scheduled commercial banks (SCBs) have been advised to have a uniform turnaround time (TAT) of 14 days for loans up to ₹25 lakh for micro and small enterprises (MSE) borrowers to ensure faster disposal of such loan applications, and clearly display all credit related information under a separate tab on their websites.

b) It was reiterated to banks to implement a credit proposal tracking system (CPTS) and inform the MSME borrowers in writing, the main reason/s of rejection of loan applications, furnish them with an indicative checklist of documents required at the time of loan application, and display the pendency position of loan applications on their websites.

c) The guidelines on cluster financing were reviewed to provide a clear definition of clusters and address their credit needs. MSE clusters have now been defined as those identified by the Ministry of MSME, Government of India and state governments. Lead banks are required to promote credit linkage in all clusters in their districts directly/with other banks, to create awareness among the MSE units and incorporate the credit needs of clusters in the branch/block level credit plans.

Major Developments

Credit Delivery

Priority Sector

IV.9 SCBs' priority sector lending as on March 31, 2025 stood at 43.1 per cent[2] of adjusted net bank credit (ANBC)/credit equivalent of off-balance sheet exposure (CEOBSE), whichever is higher. Each of the bank groups achieved the prescribed 40 per cent overall PSL target during 2024-25 (Table IV.1).

Table IV.1: Achievement of Priority Sector Lending Targets

(Amount in ₹ lakh crore)

Financial Year	Public Sector Banks	Private Sector Banks	Foreign Banks	SCBs
1	2	3	4	5
2023-24	31.9 (42.6)	24.1 (47.4)	2.5 (41.6)	58.5 (44.4)
2024-25*	36.0 (42.4)	27.1 (44.3)	2.7 (42.0)	65.7 (43.1)

*: Data are provisional.
Note: Figures in parentheses are percentage to ANBC or CEOBSE, whichever is higher.
Source: Priority sector returns submitted by SCBs.

Flow of Credit to Agriculture

IV.10 The *Kisan* Credit Card (KCC) is a single window facility for providing working capital as well as investment credit to farmers for cultivation, animal husbandry and fisheries. The number of operative KCCs declined by 2.7 per cent during 2024-25 over the previous year, while the outstanding amount increased by 4.5 per cent (Table IV.2).

Enhancement of Collateral-free Agriculture Loan Limit

IV.11 Keeping in view the rise in agricultural input costs and overall inflation, the limit for collateral-free agriculture loans was raised from ₹1.6 lakh to ₹2 lakh per borrower in December 2024 to further enhance credit availability for small and marginal farmers.

Table IV.2: *Kisan* Credit Card (KCC) Scheme

(Number in lakh, Amount in ₹ crore)

Financial Year	Number of Operative KCCs#	Outstanding Crop Loan	Outstanding Term Loan	Outstanding Loan for Animal Husbandry and Fisheries	Total
1	2	3	4	5	6
2023-24	298.1	4,93,362	46,332	35,279	5,74,974
2024-25*	290.2	5,07,821	55,047	38,107	6,00,975

*: Data are provisional.
#: The number of operative KCC accounts does not include non-performing asset (NPA) accounts.
Source: Public sector banks, private sector banks and small finance banks.

[2] Pertains to public sector banks, private sector banks and foreign banks.

Table IV.3: Bank Credit to MSMEs

(Number in lakh, Amount in ₹ lakh crore)

Financial Year	Micro Enterprises		Small Enterprises		Medium Enterprises		MSMEs	
	Number of Accounts	Amount Outstanding	Number of Accounts	Amount Outstanding	Number of Accounts	Amount Outstanding	Number of Accounts	Amount Outstanding
1	2	3	4	5	6	7	8	9
2022-23	194.4	10.5	15.7	7.5	3.2	4.6	213.3	22.6
2023-24	231.9	13.3	21.3	8.6	3.8	5.3	257.0	27.3
2024-25*	225.8	15.1	15.5	9.9	4.0	6.3	245.3	31.3

*****: Data are provisional.
Source: Priority sector returns submitted by SCBs.

Bank Credit to the MSME Sector

IV.12 Increasing the flow of credit to the MSMEs has been a policy priority of the Reserve Bank and the Government of India. SCBs' outstanding credit to the MSMEs increased by 14.8 per cent (y-o-y) during 2024-25 (Table IV.3).

Financial Inclusion

Assignment of Lead Bank Responsibility

IV.13 The assignment of lead bank responsibility to a designated bank in every district is undertaken by the Reserve Bank. At present, 12 public sector banks and two private sector banks (Jammu & Kashmir Bank and ICICI Bank) have been assigned lead bank responsibility, covering 782 districts across the country.

Universal Access to Financial Services in Every Village

IV.14 Providing banking access to every village within a 5 km radius/hamlet of 500 households in hilly areas is one of the milestones of the NSFI: 2019-24, which has been fully achieved in 27 states and eight UTs as on March 31, 2025. 99.99 per cent of the identified villages/hamlets across the country have been covered. Efforts are underway to achieve the target for the remaining few villages/hamlets.

Financial Inclusion Plan (FIP)

IV.15 The progress made by the banks in the financial inclusion sphere as captured through various indicators under the FIP as at end-December 2024 is set out in Table IV.4. The aggregate balance in Basic Savings Bank Deposit Accounts (BSBDA) increased by 11.9 per cent (y-o-y) in December 2024.

Financial Inclusion Index (FI-Index)

IV.16 The Reserve Bank has constructed a composite FI-Index to measure and evaluate the extent of financial inclusion across the country. It has three sub-indices, *viz.*, FI-access, FI-usage and FI-quality. The index incorporates granular data on banking, investments, insurance, postal as well as the pension sector collated from the government and sectoral regulators. The FI-Index for March 2024 increased to 64.2 from 60.1 in March 2023, with growth witnessed

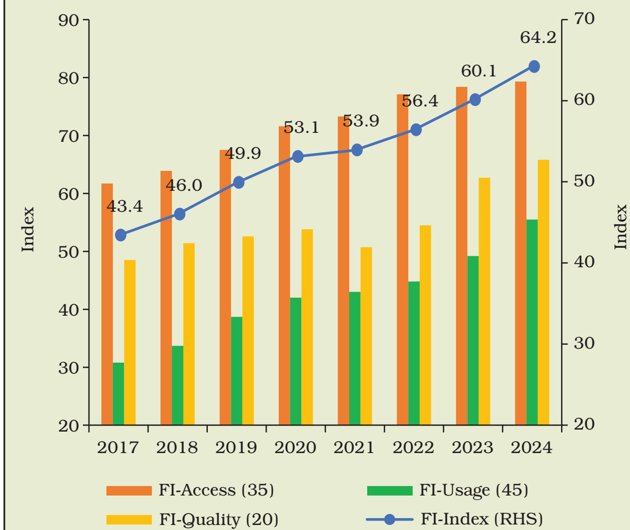
Table IV.4: Financial Inclusion Plan: A Progress Report

Particulars	March 2010	December 2023	December 2024[$]
1	2	3	4
Banking Outlets in Villages - Branches	33,378	53,893	56,579
BC Outlets in Villages > 2000*	8,390	13,15,004	10,82,650
BC Outlets in Villages < 2000*	25,784	2,77,594	2,72,941
Total BC Outlets in Villages	34,174	15,92,598	13,55,591
Urban Locations Covered Through BCs	447	3,58,167	3,67,712
BSBDA - Through Branches (Number in lakh)	600	2,780	2,743
BSBDA - Through Branches (Amount in crore)	4,400	1,35,628	1,45,883
BSBDA - Through BCs (Number in lakh)	130	4,274	4,458
BSBDA - Through BCs (Amount in crore)	1,100	1,36,558	1,58,832
BSBDA - Total (Number in lakh)	**730**	**7,054**	**7,201**
BSBDA - Total (Amount in crore)	**5,500**	**2,72,186**	**3,04,715**
OD Facility Availed in BSBDAs (Number in lakh)	2	53	45
OD Facility Availed in BSBDAs (Amount in crore)	10	579	548
KCC - Total (Number in lakh)	240	507	520
KCC - Total (Amount in crore)	1,24,000	8,11,906	8,85,068
GCC - Total (Number in lakh)	10	55	22
GCC - Total (Amount in crore)	3,500	53,690	36,312
ICT-A/Cs-BC-Total Transactions (Number in lakh)[#]	270	27,294	29,944
ICT-A/Cs-BC-Total Transactions (Amount in crore)[#]	700	9,86,236	10,73,073

BCs: Business Correspondents.
BSBDAs: Basic Savings Bank Deposit Accounts.
OD: Overdraft. KCC: *Kisan* Credit Card.
GCCs: General Credit Cards.
ICT: Information and Communication Technology.
$: Data are provisional. *: Village Population.
#: Transactions during the financial year.
Source: FIP returns submitted by public sector banks, private sector banks and regional rural banks.

across all sub-indices, mainly contributed by FI-usage (Charts IV.1 and IV.2).

Chart IV.1: FI-Index and Sub-Indices (end-March)

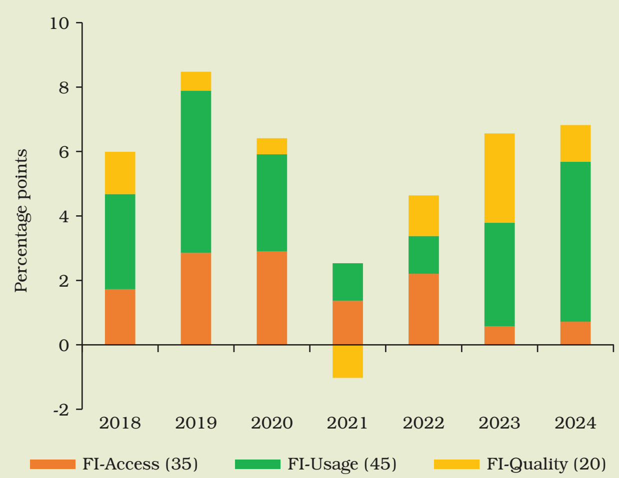


Note: Figures in parentheses indicate weights in per cent in FI-Index.
Source: RBI.

National Strategy for Financial Inclusion (NSFI): 2019-24

IV.17 NSFI: 2019-24, released in January 2020, has facilitated the deepening of financial inclusion in the country. The strategy envisaged providing access to formal financial services in an affordable manner, broadening and deepening

Chart IV.2: Contribution of Sub-Indices to the Growth of FI-Index (end-March)



Note: 1. Figures in parentheses indicate weights in per cent in FI-Index.
2. Negative contribution by FI-Quality during 2021 was due to reduced financial literacy activities.
Source: RBI.

financial inclusion, promoting financial literacy and consumer protection.

IV.18 Five of the 18 milestones under NSFI were envisaged to be achieved during 2024. These include: (a) leveraging developments in FinTech space for strengthening outreach through virtual modes; (b) moving towards an increasingly digital and consent-based architecture for customer on-boarding; (c) focusing on process literacy along with concept literacy; (d) expanding the reach of CFLs at every block in the country; and (e) articulating the responsibilities of respective stakeholders to ensure convergence of action. These milestones have been achieved in 2024.

Financial Literacy

Observing Financial Literacy Week 2025

IV.19 The Financial Literacy Week (FLW) is an initiative of the Reserve Bank to spread awareness among the masses/various sections of the population on key topics through a focused campaign every year. FLW 2025 was observed between February 24 – 28, 2025 on the theme of 'Financial Literacy – Women's Prosperity', with a focus on creating financial awareness among women. During the week, the Reserve Bank undertook a centralised mass media campaign to disseminate essential financial awareness messages on the theme among the general public. The financial awareness messages were also made available in Indian Sign Language (ISL). The Regional Offices of the Reserve Bank also carried out localised campaigns. Banks were also advised to disseminate information and create awareness amongst their customers and the general public.

Centre for Financial Literacy (CFL)

IV.20 The CFL pilot project on financial literacy was initiated by the Reserve Bank in 2017 in nine states across 80 blocks in collaboration with eight sponsor banks and six non-governmental organisations (NGOs) for a three-year period, with funding support from Financial Inclusion Fund (FIF) of the National Bank for Agriculture and Rural Development (NABARD) and the respective sponsor banks. The CFL project was scaled up in a phased manner to cover the entire country by 2024 with each CFL covering about three blocks. As on March 31, 2025, a total of 2,421 CFLs[3] have been operationalised across the country. The financial literacy camps conducted by these CFLs aim to achieve certain end-outcomes such as opening/reactivation of bank accounts, pension and insurance linkages, *etc*.

RBI90Quiz

IV.21 As part of the series of events to mark the 90th year of the Reserve Bank, a nation-wide general knowledge-based quiz competition, RBI90Quiz, was organised for undergraduate students. The quiz was held in multiple stages starting with online mode and culminating in a national final. The quiz attracted participation of 79,103 teams (1,58,206 students) from 13,961 colleges across the country.

3 https://www.rbi.org.in/FinancialEducation/FLCs_CFLs_Details.aspx

Activities Conducted by Financial Literacy Centres (FLCs)

IV.22 As on December 31, 2024, there were 1,508 FLCs in the country, which conducted a total of 1,31,220 financial literacy camps during April-December 2024.

3. Agenda for 2025-26

IV.23 The Department has set the following goals for 2025-26:

- Review of Financial Inclusion Index (FI-Index);
- Strengthening Micro, Small and Medium Enterprises outreach and inclusion; and
- Achieving 100 per cent coverage in 80 per cent districts across the country by March 2026, under EDDPE[4].

4. Conclusion

IV.24 The Reserve Bank endeavoured to achieve the agenda set for the year by undertaking various measures to improve financial inclusiveness and enhance the flow of credit to priority sectors. The implementation of the strategy adopted under the NSFI:2019-24 document led to significant improvement in financial inclusion. Further, Master Directions on priority sector lending were updated to harmonise the various instructions. Going forward, sustained efforts will continue towards further deepening financial inclusion.

[4] Refer to footnote 1 of this Chapter.

V FINANCIAL MARKETS AND FOREIGN EXCHANGE MANAGEMENT

During 2024-25, the Reserve Bank continued its efforts towards further strengthening of various segments of the financial markets by broadening participation, easing access and rationalising regulations. Regulations pertaining to foreign exchange management have been rationalised in tune with evolving business practices with a focus on being more principle-based, reducing compliance burden and promoting the ease of doing business. Efforts are also underway to promote Indian Rupee (INR) as an international currency.

V.1 During 2024-25, the Reserve Bank sustained its efforts to further develop and deepen financial markets by streamlining regulations and fostering innovations. The Financial Markets Regulation Department (FMRD) initiatives in this regard included issuance of framework for recognition of self-regulatory organisations (SROs) for financial markets regulated by the Reserve Bank; putting in place requirements for exchange of initial margin for non-centrally cleared over-the-counter (OTC) derivative trades; introduction of forward contracts in government securities; expanding access of the Negotiated Dealing System - Order Matching (NDS-OM), *inter alia,* to SEBI-registered non-bank stock brokers; consolidation of operational instructions pertaining to investments by non-residents in debt instruments; permitting trading of sovereign green bonds (SGrBs) issued by the Government of India (GoI) in the International Financial Services Centre (IFSC); and putting in place reporting requirements for all foreign exchange transactions. The liquidity management operations of the Reserve Bank evolved in sync with its monetary policy stance, while ensuring orderly financial market conditions amidst volatility in global financial markets.

V.2 The Reserve Bank remained focused on simplifying regulations, promoting internationalisation of INR, and enhancing ease of doing business to facilitate external trade and investment. Accordingly, the Foreign Exchange Department (FED) is currently reviewing several extant guidelines relating to external commercial borrowings (ECB), export of goods and services, supervisory framework for Authorised Persons (APs), liberalised remittance scheme (LRS), inward remittance scheme and settlement of cross-border transactions in INR and local/national currencies.

V.3 Against this backdrop, the rest of the chapter is structured into four sections. The development and regulation of financial markets are covered in section 2. The Reserve Bank's market operations are discussed in section 3. In section 4, the focus is on external trade and payments, and measures relating to liberalisation and development of external financial flows. Concluding observations are provided in section 5.

2. FINANCIAL MARKETS REGULATION DEPARTMENT (FMRD)

V.4 FMRD in pursuance of its mandate of development, regulation and surveillance of money, government securities (G-secs), interest rate derivatives, foreign exchange and credit derivative markets, undertook various initiatives towards attainment of objectives set for 2024-25.

Agenda for 2024-25

V.5 The Department had set out the following goals for 2024-25:

- Better aggregation and transparency under the legal entity identifier (LEI) requirements for reporting of OTC derivative transactions; global identifiers for OTC derivative transactions (*e.g.*, unique transaction identifier) [*Utkarsh* 2.0] (Paragraph V.6);
- Review of the regulatory framework for electronic trading platform (ETP) authorisation for financial market instruments regulated by the Reserve Bank in sync with the evolution of domestic financial markets and global best practices (Paragraph V.7); and
- Development of a framework for SROs for financial markets regulated by the Reserve Bank (Paragraph V.8).

Implementation Status

V.6 A concept paper for implementation of unique transaction identifier (UTI) in India was prepared and shared with market bodies for their feedback. Based on the feedback and assessment of implementation of UTI by advanced economies, the implementation of UTI domestically will be taken up.

V.7 Based on the feedback received from stakeholders, the revised regulatory framework for ETP authorisation is being finalised.

V.8 With an increase in the number of financial market participants, growing scale of operations, increasing adoption of innovative technologies and enhanced customer outreach, a need was felt to develop better industry standards for self-regulation. Accordingly, a framework for recognition of SROs in financial markets regulated by the Reserve Bank was issued on August 19, 2024.

Major Initiatives

Hedging of Gold Price Risk in Overseas Markets (OTC Derivatives)

V.9 As announced in the Statement on Developmental and Regulatory Policies of the Reserve Bank (February 8, 2024), resident entities were permitted to hedge their exposures to price risk of gold using OTC derivatives in the IFSC, in addition to the exchange-traded derivatives, to provide flexibility to resident entities.

Unauthorised Foreign Exchange Transactions

V.10 In view of the proliferation of unauthorised entities offering forex trading facilities to Indian residents, Authorised Dealer Category-I (AD Cat-I) banks were advised on April 24, 2024 to be more vigilant and exercise greater caution to prevent the misuse of banking channels in facilitating unauthorised forex trading. AD Cat-I banks were also advised to sensitise their customers and increase their awareness about extant advisories on the issue.

Facilitating Participation of Standalone Primary Dealers (SPDs) in the Foreign Exchange Market

V.11 The Master Direction on risk management and inter-bank dealings was amended on May 3, 2024 to extend and clarify the applicability of the provisions to the SPDs authorised as AD Cat-III under Section 10(1) of Foreign Exchange Management Act (FEMA), 1999.

Exchange of Initial Margin for Non-centrally Cleared Derivatives

V.12 With a view to strengthen the resilience of OTC derivative markets and in the backdrop of the G20 recommendations on OTC derivatives, the Directions mandating the exchange of initial margin between counterparties of non-centrally cleared OTC derivative transactions were issued on May 8, 2024. The scope of the Directions extends to interest rate and foreign exchange and credit derivative transactions and will be applicable to the financial entities based on the extent of their participation in the OTC derivative markets. Simultaneously, the Directions on margin for derivative contracts were revised, *inter alia*, to facilitate the exchange of margin within and outside India by market participants from a FEMA, 1999 perspective, enabling them to enter into and adhere to global margining arrangements.

Fully Accessible Route (FAR) for Investment by Non-residents in G-secs

V.13 Non-residents were permitted to invest in specified categories of G-secs (*viz*., G-secs of 5-year, 7-year, 10-year, 14-year and 30-year tenors) without any restrictions under the FAR, *w.e.f.* April 1, 2020. In consultation with the government, it was decided to exclude all new G-secs of 14-year and 30-year tenors from the FAR on July 29, 2024. Moreover, the list of specified securities under the FAR was expanded on November 7, 2024 to include all SGrBs of 10-year tenor issued by the GoI in H2:2024-25.

Trading of SGrBs Issued by the GoI in the IFSC

V.14 With a view to facilitate wider non-resident participation in SGrBs, eligible foreign investors in IFSC were permitted on August 29, 2024 to participate in the primary auctions of SGrBs and transact in the secondary market for SGrBs in the IFSC.

Expanding Access to NDS-OM

V.15 In order to widen the access to NDS-OM platform (the sole/primary trading platform for all G-secs transactions), revised Directions were issued on October 18, 2024 so as to provide direct access to a larger set of regulated entities and to harmonise the access with that of other facilities, *viz*., centralised payment systems offered by the Reserve Bank.

Reporting of Foreign Exchange Cash/Tom/Spot Transactions to Trade Repository

V.16 With a view to putting in place a centralised repository of all transactions in financial markets regulated by the Reserve Bank, in particular, the foreign exchange market, and facilitate greater transparency and effective oversight, Authorised Dealers (ADs) were mandated on November 8, 2024 to report foreign exchange cash/tom/spot trades in a phased manner to the trade repository (TR) of Clearing Corporation of India Limited (CCIL).

Reporting of Transactions Undertaken to Hedge Price Risk of Gold

V.17 To facilitate regulatory monitoring and help shape policy stance on the subject as well as to increase transparency, reporting of transactions in gold derivatives undertaken by banks and their customers/constituents to the TR of CCIL was mandated, *w.e.f.* February 1, 2025.

Non-resident Investment in Debt Instruments in India

V.18 To improve ease of doing business, operational instructions contained in all the relevant circulars pertaining to investments by non-residents in debt instruments (63 circulars issued during 2008-2024) were consolidated under a single Master Direction[1].

Access of SEBI-registered Non-bank Brokers to NDS-OM

V.19 With a view to widening access, non-bank brokers registered with SEBI have been granted direct access to NDS-OM for secondary market transactions in government securities on behalf of their clients. These brokers may access NDS-OM subject to the regulations and conditions laid down by the Reserve Bank in this regard.

Government Securities Transactions Between a Primary Member (PM) of NDS-OM and its Own Gilt Account Holder (GAH) or Between Two GAHs of the Same PM

V.20 To bring uniformity in the trading and settlement norms for government securities transactions, the facility of clearing and settlement through CCIL has been extended to transactions between a PM and its own GAH or between two GAHs of the same PM which are bilaterally negotiated and reported to NDS-OM, on an optional basis.

Introduction of Forward Contracts in Government Securities

V.21 To enable long-term investors such as insurance funds to manage their interest rate risk across interest rate cycles, forward contracts in government securities have been introduced, which will also facilitate efficient pricing of derivatives that use bonds as underlying instruments.

Agenda for 2025-26

V.22 For the year 2025-26, the Department has set the following goals:

- Continuing with its efforts towards better aggregation and transparency under the LEI requirements for reporting of OTC derivative transactions, global identifiers for OTC derivative transactions (*e.g.,* UTI) shall be implemented in India in line with global developments (*Utkarsh* 2.0); and
- To expand the reach of FX-Retail platform and enhance user experience, the linking of this platform with *Bharat* Connect (formerly *Bharat* Bill Payment System) operated by the NPCI *Bharat* Connect shall be facilitated. In the first phase, a pilot facilitating purchase of USD against the Indian Rupee by individuals and sole proprietors shall be implemented.

3. FINANCIAL MARKETS OPERATIONS DEPARTMENT (FMOD)

V.23 FMOD is primarily responsible for the conduct of liquidity management[2] operations towards implementing the Reserve Bank's monetary policy objectives and ensuring orderly conditions in the foreign exchange market through both onshore and offshore market operations.

Agenda for 2024-25

V.24 During the year, the Department had set out the following goals:

- Technological upgradation to facilitate smoother and more flexible liquidity management operations (Paragraph V.25-V.28);

[1] Master Direction - Reserve Bank of India (Non-resident Investment in Debt Instruments) Directions, 2025 dated January 7, 2025.

[2] Details relating to liquidity management operations are covered in Chapter III of this Report.

- Issuance of consolidated instructions on the liquidity adjustment facility (Paragraph V.29); and
- Policy-oriented research and analysis on financial markets to guide market operations strategies on an ongoing basis (*Utkarsh* 2.0) [Paragraph V.30].

Implementation Status

V.25 With effect from June 21, 2024, an option has been provided under the automated sweep-in and sweep-out (ASISO) facility through which the eligible participants can set/modify minimum and maximum balance limits for future dates. This has helped the banks in better management of their liquidity and cash reserve requirement over weekends and holidays.

V.26 Under the Reserve Bank's liquidity adjustment facility (LAF), the valuation of various government securities collateral is done on the basis of daily market rates published by the Financial Benchmarks India Private Limited (FBIL). To enhance system robustness and operational efficiency, an auto-upload facility has been deployed in e-*Kuber* 2.0, in which the market rates of government securities are directly fetched from the FBIL website on straight-through processing (STP) basis.

V.27 Multiple bids upload facility in open market operation (OMO) auctions is being developed in e-*Kuber* 2.0, which would enable the participants to submit multiple bids in OMO auctions through a single file upload. The facility is in the advanced stage of development.

V.28 Foreign exchange swap auctions are one of the instruments available in the Reserve Bank's toolkit for managing durable liquidity. A module is being developed in e-*Kuber* 2.0 for conducting the foreign exchange swap auctions in which banks would be able to submit their bids for processing and allocation.

V.29 The Reserve Bank is in the process of reviewing the extant liquidity management framework which has been in operation since February 14, 2020. Consolidated instructions on liquidity management operations will be issued post completion of the review of the framework.

V.30 The Department continued to conduct policy-oriented research and analysis related to financial markets during 2024-25. These studies included decentralised finance and the financial system; real effective exchange rate and India's trade balance; and foreign exchange reserve trends during high volatility episodes.

Agenda for 2025-26

V.31 During 2025-26, the Department plans to achieve the following goals:

- Review of the liquidity management framework;
- Undertake foreign exchange operations to curb excessive volatility in the USD/INR exchange rate; and
- Conduct policy-oriented research and analysis on financial markets to guide market operations strategies on an ongoing basis (*Utkarsh* 2.0).

4. FOREIGN EXCHANGE DEPARTMENT (FED)

V.32 FED is entrusted with the responsibility of fulfilling the objectives of facilitating external trade and payments and promoting the orderly development and maintenance of foreign exchange market in India, as envisaged under the Foreign Exchange Management Act (FEMA), 1999. Accordingly, the Department continued its endeavour to frame simple, comprehensive, time consistent and more principle-based policies to facilitate external trade and payments; further rationalise the rules and regulations relating to external sector transactions; and promote the increasing use of INR for international cross-border transactions.

Agenda for 2024-25

V.33 The Department had set out the following goals for 2024-25:

- Review of the authorisation framework for APs under FEMA, 1999 (*Utkarsh* 2.0) [Paragraph V.34];
- Rationalisation of ECB framework (Paragraph V.35);
- 'Go-live' for phase I of software platform for ECBs and trade credits reporting and approval (SPECTRA) project (Paragraph V.36);
- Rationalisation of regulations for export of goods and services (*Utkarsh* 2.0) [Paragraph V.37];
- Review of the supervisory framework for APs (Paragraph V.38);
- Rationalisation of Foreign Exchange Management (Guarantees) Regulations (Paragraph V.39);
- Rationalisation of Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations (Paragraph V.40);
- Internationalisation of INR (Paragraph V.41-V42):
    - o Permitting opening of INR accounts outside India by persons resident outside India (PROIs) [*Utkarsh* 2.0];
    - o INR lending by Indian banks to PROIs; and
    - o Enabling foreign direct investment (FDI) and foreign portfolio investment (FPI) through special accounts [*viz.,* special non-resident rupee (SNRR) account and special rupee vostro account (SRVA)];
- Making a framework for a comprehensive integrated reporting of forex transactions (Paragraph V.43);
- Measures to improve the role of GIFT City[3] at Gandhinagar, Gujarat *vis-à-vis* other international financial services centres (Paragraph V.44):
    - o Encouraging the trading of foreign currency (FCY)-INR pairs, for different foreign currencies; and
    - o Review of the IFSC Regulations under FEMA, 1999.
- Review of Compounding Proceedings Rules, 2000 (as amended from time to time) under FEMA, 1999 (*Utkarsh* 2.0) [Paragraph V.45];
- Rationalisation of the Liberalised Remittance Scheme (LRS) [*Utkarsh* 2.0] (Paragraph V.46); and

[3] Gujarat International Finance Tec-City.

- Rationalisation of inward remittance schemes, *viz.*, Money Transfer Service Scheme (MTSS) and Rupee Drawing Arrangement (RDA) [*Utkarsh* 2.0] (Paragraph V.47).

Implementation Status

V.34 In light of progressive liberalisation under FEMA, along with significant increase in APs and emergence of new business models, the extant authorisation framework is being reviewed to address potential misuse, plug regulatory gaps, enhance ease of doing business and encourage innovation while ensuring safeguards. Accordingly, the draft framework for APs under FEMA was placed on the Reserve Bank's website for feedback from the stakeholders. Based on the feedback, the revised framework is being prepared.

V.35 In terms of liberalisation measures pertaining to the ECB framework, a comprehensive review of the Schedule I of Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 (as amended from time to time), is in process.

V.36 Post in-principle approval of the revised Phase I implementation of SPECTRA project in June 2024, the necessary final approvals and vendor confirmations for rolling out of the project are underway.

V.37 To rationalise and simplify the existing regulatory framework for trade transactions, trade guidelines are being rationalised. Accordingly, comments/feedback from the public on draft regulations and draft Directions to the ADs on export and import of goods and services were sought *vide* press release dated July 2, 2024. Based on the feedback and further consultations with various stakeholders, the draft regulations and Directions were revised further and placed on the Reserve Bank's website on April 4, 2025, seeking comments/feedback. The emphasis of the revised regulations is on enhancing ease of doing business and bringing all instructions into a single document.

V.38 A revised risk-based supervisory framework for inspecting full-fledged money changers (FFMCs) and non-bank AD Cat-II entities based on a risk rating model was introduced on June 11, 2024 to evaluate entities based on operations, governance and compliance. In the revised framework, inspection frequency has been linked to the risk ratings, to prioritise high-risk entities. The risk rating framework has been designed in such a manner that entities with inadequate know your customer (KYC)/anti-money laundering (AML) compliance or those involved in non-compliant transactions are subjected to focused inspections, regardless of their overall or other category risk ratings.

V.39 A comprehensive review of Foreign Exchange Management (Guarantees) Regulations, 2000 has been undertaken in view of the evolving business needs/practices and macroeconomic conditions. The revised regulations propose to simplify and rationalise the guarantees issued/obtained. The draft regulations are being reviewed.

V.40 The framework relating to mode of payment and reporting of non-debt instruments, currently prescribed[4] under Foreign Exchange

[4] Reserve Bank notification number FEMA.395/2019-RB dated October 17, 2019.

Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 (as amended from time to time), is being reviewed.

V.41 In order to promote the settlement of cross-border transactions in INR and local/national currencies, the amended notifications/revised regulations under FEMA were notified in the official gazette on January 15, 2025, enabling the provisions for the following:

- Permitting PROIs to open SNRR accounts with overseas branches of AD banks, for payments and settlement of all permissible current and capital account transactions with persons resident in India (PRIs), and all *bona fide* transactions with other PROIs; and
- Enabling foreign investment (including FDI and portfolio investment) through various repatriable INR accounts.

V.42 In order to provide INR liquidity for facilitating use of INR for cross-border transactions, a comprehensive set of measures has been initiated.

V.43 A Committee has been constituted to review the existing reporting systems, identify gaps and overlaps, and suggest necessary improvements for streamlining reporting and facilitate analytics for more informed policy formulation. The report of the Committee is under preparation.

V.44 Inputs/comments were solicited from within the Reserve Bank to review the extant IFSC regulations under FEMA. Based on the inputs received, a review is being undertaken by the Department.

V.45 Foreign Exchange (Compounding Proceedings) Rules, 2024 have been notified by the Government of India in consultation with the Department on September 12, 2024, superseding erstwhile Foreign Exchange (Compounding Proceedings) Rules, 2000. The new framework, *inter alia*, enhanced the monetary ceilings for sum involved in contravention that can be compounded by officers of various ranks at the Reserve Bank, enabled electronic and other online modes of payment for compounding application fee and the sum for which contravention is compounded, and brought out provisions for treatment of cases involving various stages of investigation/adjudication by Directorate of Enforcement. Pursuant to the notification, the Department has issued fresh Directions on compounding to all AD Cat-I banks.

V.46 A comprehensive review to address various issues in the extant LRS covering, *inter alia*, the legal framework, annual limit, permitted purposes (inclusion/exclusion) and payment modes/currencies under the scheme has been undertaken. Consequently, the revised scheme along with the necessary amendments to Foreign Exchange Management (Current Account Transactions) Rules and Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, is in process.

V.47 A comprehensive review process of MTSS and RDA schemes is underway. Key areas of the review include the expansion of permitted transactions, the rationalisation of the guidelines to make them more principle-based, and to reduce the compliance burden.

Major Initiatives

V.48 Pursuant to an amendment to the FEM (NDI)[5] Rules, 2019 dated January 24, 2024 by the Department of Economic Affairs, Ministry of Finance, GoI to enable listing of Indian companies on stock exchanges in permissible jurisdictions other than India, the Department on April 23, 2024 prescribed guidelines for transactions pertaining to listing of Indian companies on International exchanges by an amendment to Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 (as notified by the Reserve Bank on October 17, 2019).

V.49 Under FEMA, 1999, banks in India were not permitted earlier to exchange margins with non-residents (in FCY) or post/collect margin overseas, leading to constraints in dealing with non-residents. To address this issue, Foreign Exchange Management (Margin for Derivative Contracts) Regulations, 2020[6] enabled exchange of margin for permitted derivative contracts between a person resident in India and a person resident outside India. Accordingly, Foreign Exchange Management (Deposit) Regulations, 2016[7] were amended to allow a PROI to open, hold and maintain an interest-bearing account in INR and/or FCY for posting/collecting margin in India since May 6, 2024.

V.50 Pursuant to amendment to FEM (NDI) Rules, 2019 dated March 14, 2024, enabling issuance of partly paid units to PROIs by investment vehicles in India, it was clarified that such issuances by investment vehicles prior to the above amended notification may be regularised through compounding proceedings under FEMA. Accordingly, the Department issued Directions on May 21, 2024 for implementation of the same.

V.51 On review of the SRVA scheme (with effect from July 11, 2022), for promotion of Indian exports and increased usage of INR in settlement, the facility of opening an additional special current account by the AD Cat-I banks (maintaining SRVAs) for their constituents has been extended for settlement of their import transactions (in addition to the existing provision for export transactions) since June 11, 2024.

V.52 In order to improve ease of compliance, the limit imposed on outbound remittances based on 'online' submission of Form A2 has been done away with, *w.e.f.* July 3, 2024. All AD Cat-I and AD Cat-II persons have been permitted to facilitate all remittances, irrespective of transaction value, on submission of either an online or a physical Form A2 and other related documents, as applicable [subject to the conditions laid down in Section 10(5) of FEMA, 1999].

V.53 To enable resident individuals to remit funds under LRS to IFSCs for any permissible current and/or capital account transaction under FEMA as well as use funds in their foreign currency accounts in IFSCs for transaction(s) in another jurisdiction and in order to provide parity for IFSCs *vis-à-vis* other foreign jurisdictions, *w.e.f.* July 10, 2024, APs have been permitted

[5] Foreign Exchange Management (Non-debt Instruments).
[6] Reserve Bank notification number FEMA.399/RB-2020 dated October 23, 2020.
[7] Reserve Bank notification number FEMA.5(R)/2016-RB dated April 1, 2016.

to facilitate remittances for all permissible purposes under LRS to IFSCs for (a) availing financial services or financial products as per the International Financial Services Centres Authority Act, 2019 within IFSCs; and (b) all current or capital account transactions, in any other foreign jurisdiction (other than IFSCs) through a foreign currency account held in IFSCs.

V.54 Through an amendment to the FEM (NDI) Rules, *w.e.f.* August 16, 2024, Indian companies have been enabled to issue equity instruments or transfer equity instruments of an investee Indian company in exchange for equity capital of foreign company, effectively enabling cross-border swaps of equity instruments/equity capital, subject to prior government approval, if applicable.

V.55 The Department in consultation with the GoI and Securities and Exchange Board of India on November 11, 2024 finalised an operational framework for reclassification of foreign portfolio investment made by foreign portfolio investors (FPI) to FDI under FEM (NDI) Rules, 2019. The said framework for reclassification has been implemented in case of any breach of investment limit by FPIs concerned, to provide flexibility to the foreign investors and enhance the ease of doing business in India. Accordingly, FPI investing in breach of the prescribed limit shall have the option of reclassifying such holdings as FDI in addition to the earlier option of divesting their holdings.

V.56 *Vide* an amendment to Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2015, all resident exporters (as opposed to only exporters undertaking project exports earlier) are now permitted to open FCY accounts overseas for settling trade transactions, subject to ensuring the applicable realisation and repatriation provisions. The rationale of this amendment is to support exporters who receive payments in local currencies and may require such foreign currency accounts to hold these currencies and to pay for imports from that territory, this would encourage settlement of trade transactions in local currencies with trade partner countries.

V.57 Bilateral transactions with the Maldives, a member of the ACU, were hitherto being settled within the ACU framework in terms of extant receipt and payment regulations, as amended from time to time. On November 21, 2024, the Reserve Bank and the Maldives Monetary Authority (MMA) signed a memorandum of understanding (MoU) for establishing a framework to promote the use of local currencies, *viz.,* INR and the Maldivian Rufiyaa (MVR) for cross-border transactions. Therefore, settlement of bilateral trade transactions with the Maldives in local currencies, which was not permitted under the FEMA framework thus far, has been enabled, *w.e.f.* March 17, 2025, in addition to the extant ACU mechanism.

Agenda for 2025-26

V.58 The primary focus of the Department will be on rationalising various guidelines while ensuring continuous synchronisation of the FEMA operating framework with the evolving macroeconomic environment. To achieve this, the Department has set the following goals for 2025-26:

- Rationalisation of FEM (Guarantees) Regulations;
- Rationalisation of the LRS;

- Review Directions on borrowing and lending transactions in INR with a view to rationalise and merge them into the Master Direction - External Commercial Borrowings, Trade Credit and Structured Obligations;
- Review of the authorisation framework for APs under FEMA, 1999;
- Rationalisation of FEM (Non-Debt Instruments) Rules;
- Review of Insurance Regulations, 2015;
- Review of Deposit Regulations, 2016; and
- Review of FEM (Establishment in India of a branch office or a liaison office or a project office or any other place of business) Regulations, 2016.

5. CONCLUSION

V.59 During 2024-25, the Reserve Bank continued to focus on further developing and deepening of financial markets through strengthening the regulatory framework and surveillance, and streamlining regulations, including consolidation of directions on non-resident investment in Indian debt instruments. Proactive measures were undertaken to ensure orderly market conditions, and anchor market expectations, amidst formidable global spillovers. The Reserve Bank also undertook various measures to promote the increasing use of the INR and local currencies of partner trading countries for international cross-border transactions and focused on rationalising various regulatory, supervisory and authorisation frameworks for ease of undertaking forex transactions. A framework for the comprehensive reporting of forex transactions to further strengthen regulatory reporting is also underway. Going forward, the liquidity operations would continue to be in sync with the stance of monetary policy, while the foreign exchange operations would be guided by the objective of ensuring orderly movements in the exchange rate of the INR.

VI REGULATION, SUPERVISION AND FINANCIAL STABILITY

Preserving financial stability while building a resilient and sound financial system continued to remain as the primary objective of regulatory and supervisory initiatives during the year. Accordingly, several regulatory and supervisory measures were undertaken in line with global best practices towards further strengthening governance and risk management practices and regulatory reporting system. Harnessing technology for effective supervision along with a focus on enhancing cyber security, strengthening fraud detection mechanism and consumer protection were also pursued as concurrent objectives.

VI.1 The domestic financial system remained sound and resilient during the year. The Reserve Bank continued with concerted endeavours to fortify the financial system and promote responsible innovations amidst emerging challenges from technological disruptions, cyber risks and climate change. As part of the overall objective of aligning the regulatory/supervisory framework with global best practices, significant strides in the areas of risk management, regulatory compliance and enforcement, and consumer education and protection were undertaken during the year.

VI.2 The Department of Regulation (DoR) issued guidelines, *inter alia*, on key facts statement (KFS) on loans and advances; eligibility criteria for voluntary transition of small finance banks (SFBs) to universal bank; harmonisation of regulations applicable to housing finance companies (HFCs) and non-banking financial companies (NBFCs); submission of information to credit information companies (CICs) by asset reconstruction companies (ARCs); operational risk management and operational resilience; and prudential treatment to be followed while implementing debt relief schemes.

VI.3 The FinTech Department expanded the scope and coverage of central bank digital currency (CBDC) pilots by testing use cases of programmability and offline functionalities and distribution of CBDC wallets by select non-banks in CBDC-retail (CBDC-R); addition of standalone primary dealers to CBDC-wholesale (CBDC-W) ecosystem and upgradation in technical architecture; scaled up the ongoing pilot on unified lending interface (ULI) to include more lenders, data service providers and loan journeys; released framework for self-regulatory organisations (SROs) for FinTech sector and recognised an Association as SRO; and launched FinTech and EmTech repositories.

VI.4 The Department of Supervision (DoS) initiated measures to further strengthen and integrate both onsite and offsite supervision, including cyber/information technology (IT) related risk assessment, emphasis on fraud risk management and know your customer (KYC)/ anti-money laundering (AML) supervision; guidelines on prompt corrective action (PCA) framework for urban cooperative banks (UCBs); enhancing cross-border supervisory engagements with overseas authorities in key global jurisdictions; and development of supervisory data quality index (sDQI). The Consumer Education and Protection Department (CEPD) continued with its efforts towards augmenting consumer awareness on safe banking practices and extant customer service regulations and protection; and strengthening grievance redress mechanism.

VI.5 This chapter discusses regulatory and supervisory measures undertaken during 2024-25 to strengthen the financial system and to preserve financial stability. The rest of this chapter is divided into five sections. Section 2 deals with the mandate and functions of the Financial Stability Department (FSD). Section 3 dwells upon regulatory measures undertaken by the DoR along with activities of the FinTech Department. Section 4 covers supervisory measures undertaken by the DoS and enforcement actions carried out by the Enforcement Department (EFD). Section 5 highlights the role played by CEPD and Deposit Insurance and Credit Guarantee Corporation (DICGC) in protecting consumer interests, spreading awareness and upholding consumer confidence. The agenda of these departments for 2025-26 are covered in the respective sections of this chapter. Concluding observations are set out in the last section.

2. FINANCIAL STABILITY DEPARTMENT (FSD)

VI.6 The FSD monitors risks to macrofinancial stability and evaluates the resilience of the financial system by undertaking macroprudential surveillance. It also functions as the secretariat to the Sub-Committee of the Financial Stability and Development Council (FSDC), an inter-regulatory institutional forum for preserving financial stability and promoting financial sector development. The FSD brings out half-yearly Financial Stability Report (FSR), highlighting key macrofinancial vulnerabilities along with results of macro-stress tests under various risk scenarios.

Agenda for 2024-25

VI.7 The Department had set out the following goals for 2024-25:

- Implementation of recommendations of the peer review (*Utkarsh* 2.0) [Paragraph VI.8];
- Development of a non-banking stability map/index (*Utkarsh* 2.0) [Paragraph VI.9]; and
- Enhancement of single-factor stress tests (*Utkarsh* 2.0) [Paragraph VI.9].

Implementation Status

VI.8 Based on the recommendations of the peer review, the macro-stress testing framework for scheduled commercial banks (SCBs) has been revised and includes: (i) projection of internally consistent adverse macrofinancial scenarios by performing simulations using vector autoregression with exogenous variables (VARX) model; (ii) projection of slippage ratio, interest income and interest expense at bank level using panel regression models; (iii) incorporation of market risk in the solvency stress testing framework; and (iv) increasing the scenario horizon of macro-stress test from currently one year to 1.5 - 2.0 years and generating projections of key financial ratios as at end of the ensuing financial years.

VI.9 To make an overall assessment of the risk factors that have a bearing on the stability of the NBFC sector, a non-banking stability map/ index has been developed. Further, based on the recommendation of the International Monetary Fund (IMF) peer review, the Department has replaced the erstwhile liquidity stress test of SCBs by operationalising liquidity coverage ratio (LCR)-based liquidity stress test as part of enhancing single factor stress tests.

Agenda for 2025-26

VI.10 In the year ahead, FSD will focus on the following:

- To enhance the stress testing framework further, a liquidity stress test framework for NBFCs will be developed in-house. Further, the extension of macro stress test to the UCBs sector (Tier-3 and Tier-4) will be explored. In addition to extending the stress testing framework, the Department also plans to assess the impact of climate transition risk on major carbon intensive sectors and its impact on balance sheets of banks having exposure to emission intensive sectors; and
- 'Growth-at-Risk' model will be developed for understanding how financial conditions and the level of financial vulnerabilities contribute to the possibility of future episodes of weak economic growth by linking current macrofinancial conditions to the distribution of future growth.

3. REGULATION OF FINANCIAL INTERMEDIARIES

Department of Regulation (DoR)

VI.11 DoR is the nodal Department for regulation of commercial banks, cooperative banks, NBFCs, CICs and all-India financial institutions (AIFIs)[1]. The regulatory design and implementation is aligned to the evolving requirements of the Indian economy while adapting to international best practices.

Agenda for 2024-25

VI.12 The Department had set out the following goals for 2024-25:

- Review of guidelines on valuation of properties based on international best practices (*Utkarsh* 2.0) [Paragraph VI.13];
- Regulatory framework for web-aggregation of loan products (Paragraph VI.14);
- With a view to strengthen the extant regulatory framework governing project finance and to harmonise the instructions across all regulated entities (REs), the extant prudential norms for projects under implementation were reviewed, and a comprehensive regulatory framework applicable for all REs is proposed to be issued (Paragraph VI.15);
- A discussion paper on introduction of Expected Credit Loss (ECL) framework for provisioning by banks was issued on January 16, 2023, soliciting comments

[1] Export-Import (EXIM) Bank, National Bank for Agriculture and Rural Development (NABARD), National Housing Bank (NHB), Small Industries Development Bank of India (SIDBI) and National Bank for Financing Infrastructure and Development (NaBFID).

from stakeholders. While comments on the discussion paper are being examined, an external working group - comprising domain experts from academia, industry and select major banks - was constituted in October 2023 to holistically examine and provide independent comments on some of the technical aspects. The guidelines on the subject are being finalised by incorporating the feedback received on the discussion paper and the recommendations of the working group which submitted its report in February 2024 (Paragraph VI.15);

- The extant regulations on interest rates on advances vary across REs. In order to harmonise the same, a comprehensive review of the extant regulatory instructions is underway (Paragraph VI.16);
- Delineating the role of various committees (*viz.*, Audit Committee of the Board, Nomination and Remuneration Committee, and Risk Management Committee) in NBFCs as mentioned in the scale-based regulatory framework issued on October 22, 2021 (Paragraph VI.17);
- Reviewing the requirement of obtaining prior approval of the Reserve Bank for change in management of NBFCs/HFCs, which would result in change in more than 30 per cent of the directors, excluding independent directors (Paragraph VI.17);
- In view of the operationalisation of a new overseas investment regime under Foreign Exchange Management (Overseas Investment) Rules, 2022, a review of extant guidelines on overseas investments by NBFCs and CICs shall be undertaken (Paragraph VI.17);
- In April 2021, an external committee was set up by the Reserve Bank to review the existing legal and regulatory framework applicable to ARCs and recommend measures to enhance their efficacy. Major recommendations of the Committee were implemented *vide* circular dated October 11, 2022. Remaining recommendations of the Committee shall be examined and implemented during 2024-25 (Paragraph VI.18);
- Standalone primary dealers (SPDs) are placed in middle layer of the scale-based regulatory framework for NBFCs. However, unlike NBFCs, the SPDs are subject to guidelines on minimum capital requirements for market risk in view of their exposure to government securities and other market related products and are also eligible to undertake various core and non-core activities which an NBFC is not allowed to undertake. A review of the framework for market risk for SPDs would be undertaken to bring about convergence with Basel III standards for banks (Paragraph VI.18); and
- Connected lending can involve moral hazard issues leading to compromise in pricing and credit management. The extant guidelines on the issue are limited in scope and are not applicable uniformly to all REs. As announced in the Reserve

Bank's Statement on Developmental and Regulatory Policies (December 8, 2023), a unified regulatory framework on connected lending for all the REs will be put in place for which a draft circular will be issued for public comments (Paragraph VI.18).

Implementation Status

VI.13 In the process of lending, institutions create charge on various primary or collateral securities with a view to secure their exposures. Most of such securities are non-financial in nature such as land, building, plants, machinery and inventories. While there are explicit standards and regulations on objective valuation of financial securities, the extant instructions on valuation of non-financial securities are relatively broad in nature and vary across REs. With a view to harmonise the regulations in this regard across REs and to bring more consistency in the valuation process, a comprehensive review is currently underway.

VI.14 Presently, most lending service providers (LSPs) make available web-aggregation service by partnering with multiple lending partners. Generally, LSPs exercise discretion in choosing a suitable lender for a given borrower and seldom display all the available loan offers to the borrower for making an informed choice. In line with the objective of customer centricity in digital lending, it was proposed *vide* a draft circular dated April 26, 2024 to mandate REs to ensure that all LSPs having arrangements with multiple REs present a digital view of loan offers available to the borrowers from the willing lenders over their digital lending apps (DLAs). The digital view shall at least include details such as name of the RE, amount of loan, the annual percentage rate (APR), tenor and other associated terms and conditions. LSPs, while displaying all available options, shall not use any 'dark patterns'[2] in their user interface to nudge the borrowers in choosing a particular loan offer which may not be suited to their requirements. The final guidelines incorporating the feedback received from various stakeholders have been issued as part of 'Reserve Bank of India (Digital Lending) Directions, 2025'.

VI.15 Based on a comprehensive review of experience of banks with regard to financing of project loans and the structural issues prevalent in the sector, the draft guidelines on the prudential norms for projects under implementation were issued on May 3, 2024. The draft guidelines aim to bring the norms in alignment with a more principle-based approach to resolution of such exposures, while ensuring that the REs recognise risks in a timely manner and build adequate buffers to absorb any future shocks that may arise from such exposures. The revised guidelines, taking into account the feedback received from the stakeholders, are being finalised. These guidelines will also be brought in alignment with the proposed provisioning regime based on expected credit loss (ECL), the draft circular on which is also under finalisation, incorporating the feedback received on the discussion paper issued earlier and the recommendations of the external working group.

[2] Dark patterns are design interfaces and tactics used to trick users into desired behaviour.

VI.16 Extensive consultations[3] have been undertaken internally as well as with key stakeholders regarding the approach to be adopted relating to the framework on interest rates on advances, considering the objectives of monetary transmission, risk pricing and conduct related aspects. In order to solicit wider public feedback, it is proposed to issue a discussion paper delineating the various imperatives of moving to a harmonised regime for interest rates on loans and advances across all REs.

VI.17 The draft guidelines on functions and responsibilities of the board committees in NBFCs and HFCs are under consideration. The extant regulatory requirement for NBFCs/HFCs to obtain prior approval of the Reserve Bank for management changes involving more than 30 per cent of the directors, excluding independent directors, is also being reviewed. The draft circular on overseas investments by NBFCs and CICs for seeking public comments is underway.

VI.18 Appropriate guidelines on remaining recommendations of the ARC committee shall be issued in 2025-26. The market risk framework for SPDs would be reviewed based on the revised market risk framework for banks, which is currently underway. Connected lending or loans to related parties have inherent moral hazard issues. A comprehensive review of connected lending has been undertaken after considering the extant instructions and definition of related parties in statutes such as Income Tax Act, 1961, Insolvency and Bankruptcy Code, 2016, and Companies Act, 2013. Accordingly, the draft circular is under preparation and will be issued for public comments.

Major Developments[4]

Regulatory Principles for Management of Model Risks in Credit

VI.19 REs use models for variety of activities to facilitate and enhance decision making. The application of rule-based algorithms and machine learning (ML) have increased the reliance on such models. With a view to ensuring prudence and to impart robustness in usage of such models, a draft circular on 'Regulatory Principles for Management of Model Risks in Credit' was issued on August 5, 2024, which provides broad regulatory principles to be followed for model risk management. The draft framework covers aspects related to governance and oversight, model development and deployment, and model validation framework. In light of the feedback received during the consultation period, the Reserve Bank will issue the finalised guidelines, which will encompass a broader scope to include models deployed across all relevant functional and operational domains.

Creation of a Directory of Digital Lending Apps (DLAs)

VI.20 Although the guidelines on digital lending issued in September 2022 cover the entire gamut of digital lending activities of REs, the issue of illegal lending apps has recently been gaining attention with reported harassment by such

[3] Annex II of this Report provides a list of regulatory measures undertaken post public consultations during April 2022 to March 2025.

[4] This sub section highlights the major circulars/guidelines issued by the DoR. Annex I of this Report provides a comprehensive department-wise chronology of policy announcements during April 2024 to March 2025.

illegal apps. In many cases, these illegal apps falsely advertise their relationship with REs, with some entities creating a fake website of NBFC for listing their app as a partner app of the NBFC. Accordingly, to aid the customers in verifying the claim of DLAs' association with REs, the Reserve Bank has issued instructions regarding operationalisation of the public directory of DLAs directing REs to furnish the details of their DLAs through the Centralised Information Management System (CIMS) portal of the Reserve Bank. REs have time till June 15, 2025 to report the initial data on the portal.

Key Facts Statement (KFS) on Loans and Advances

VI.21 As announced in the Reserve Bank's Statement on Developmental and Regulatory Policies (February 8, 2024), a circular regarding KFS on loans and advances applicable to retail, and micro, small and medium enterprise (MSME) loans extended by all REs was issued on April 15, 2024. REs are required to provide their borrowers a statement containing the key information regarding loan agreement, including all-in cost of the loan, in a simple and easy to understand format.

Banks' Exposure to Capital Market - Issue of Irrevocable Payment Commitments (IPCs)

VI.22 The settlement cycle for equities has been revised to 'T+1' from 'T+2' ('T' being the trade day) by the stock exchanges. Accordingly, the risk mitigation measures for intra-day exposures of banks arising out of issuance of IPCs have been revised *vide* circular dated May 3, 2024 as follows: (i) capital market exposures (CME) shall be computed at 30 per cent of the settlement amount; (ii) intra-day CME to the counterparty shall be subject to large exposure limits; and (iii) in case any exposure remains outstanding at the end of 'T+1', capital will have to be maintained as per the extant norms.

Gold Monetisation Scheme (GMS), 2015 - Amendment

VI.23 Government of India, *vide* press release dated March 25, 2025 regarding GMS, decided to discontinue the medium-term and long-term government deposit (MLTGD) components of GMS effective March 26, 2025. Accordingly, any gold deposits tendered at the designated collection and purity testing centre (CPTC)/ GMS mobilisation, collection and testing agent (GMCTA)/designated bank branches towards MLTGD component of GMS shall not be accepted after March 25, 2025. The designated banks, at their discretion, may offer short term bank deposits (STBD) under GMS. The MLTGD mobilised till March 25, 2025 shall continue till redemption as per the extant guidelines.

Climate Risks and Sustainable Finance

VI.24 During the year, the Reserve Bank continued to foster an ecosystem of sustainable and green finance, and comprehensive assessment of climate change risks, besides capacity building *via* conducting two workshops for the middle management level staff of the REs covering several aspects of climate risk mitigation and finance, risk assessment and management, scenario analysis and stress testing. The Reserve Bank also hosted the annual plenary and steering committee meetings of the Network for Greening the Financial System (NGFS) and organised a national level policy seminar on 'Climate Change

Risks and Finance' for exchange of ideas between the various stakeholders.

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

VI.25 In October 2024, the Reserve Bank announced the creation of RB-CRIS (data repository) to bridge data related gaps for undertaking climate risk assessments by REs. It is proposed to set up a web-based directory, listing various data sources, which will be publicly accessible on the Reserve Bank's website, along with a data portal comprising datasets (*i.e.,* processed data in standardised formats) accessible to the REs (Box VI.1).

Government Debt Relief Schemes (DRS)

VI.26 DRS generally entails funding by a fiscal authority to cover either part or the entire debt obligations of the borrower and may also cast obligations on lending institutions to sacrifice/ waive the remaining loan exposure. This has implications from a credit discipline standpoint and potentially creates moral hazard and prudential concerns, including delays in receipt of funds; mismatch between the claims admitted/ submitted by the REs and accepted by the government; and mandatory requirement to sanction fresh credit. Accordingly, a circular on government debt relief schemes was issued

Box VI.1

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 REs to undertake proper assessment, quantification and mitigation of climate change risks. One of the major challenges by the REs in this regard is to have a comprehensive assessment of its financial impact, which is constrained due to lack of high quality data, besides modelling challenges.

Climate change risks are generally of two types, *viz.*, physical risk and transition risk. The estimation of physical risks requires hazard data in the form of susceptibility of geographical locations to events such as flood, drought, cyclone, sea-level rise and vulnerability data, *i.e.*, financial loss data. The final assessment regarding climate risk would rest on the quality of such data.

Similarly, the assessment of transition risk faces issues relating to data gaps in terms of estimation of carbon prices, sectoral benchmark pathways and emission intensities. The data gaps are characterised by lack of uniform methodology, fragmentation in accessibility, lack of uniformity in publication of data and differences in metrics, units and formats. Although there are initiatives like NGFS, G20 Data Gap Initiative (DGI), and the Net-Zero Data Public Utility (NZDPU) to establish sources for comprehensive, consistent and comparable data; these initiatives need fine-tuning from a developing country perspective.

Against the above backdrop, the Reserve Bank has announced the creation of a data repository, *viz.,* RB-CRIS, comprising two parts: (i) web-based directory, listing various data sources (meteorological and geospatial) which will be publicly accessible on the Reserve Bank's website; and (ii) data portal comprising datasets (processed data in standardised formats), accessible to the Reserve Bank's REs. Essentially, RB-CRIS is proposed to bridge and standardise three data gaps : (i) physical risk; (ii) transition risk; and (iii) carbon emission. Bridging these data gaps will ensure comprehensive assessment of the financial impact due to climate change risks, which will facilitate informed decision and policy making for the broader financial system.

Reference:

Li, B., and Kroese, B. (2022), 'Bridging Data Gaps Can Help Tackle the Climate Crisis', *IMF Blog,* November 28.

on December 31, 2024, containing, *inter alia,* the prudential treatment to be followed by the REs while implementing DRS. The circular also contains model operating procedure (MOP) for consideration of state governments while designing and implementing such schemes through a consultative approach and in line with the expectations of the stakeholders involved, including the government, lenders and borrowers.

Exposures of SCBs to NBFCs

VI.27 To address the concerns on post-COVID risk build-up in certain segments of consumer credit and NBFCs' growing reliance on SCBs for funding, a circular was issued on November 16, 2023 which, *inter alia*, increased the risk weights by 25 percentage points for certain consumer credit exposures of SCBs and NBFCs. Additionally, risk weight on SCB's exposure to NBFCs was increased by 25 percentage points in cases where the existing risk weight based on external ratings was below 100 per cent. On a review, *vide* a circular dated February 25, 2025, it was decided to restore the risk weight on SCBs funding to NBFCs to the risk weight associated with the given external rating of NBFCs (where the extant risk weight as per external rating of NBFCs is below 100 per cent).

Rupee Interest Rate Derivative Products - Small Finance Banks (SFBs)

VI.28 In order to provide greater flexibility and expand the avenues available for hedging interest rate risk in the balance sheet and commercial operations more effectively, SFBs were permitted to deal in permissible rupee interest rate derivative products.

Voluntary Transition of SFBs to Universal Banks

VI.29 On April 26, 2024, the Reserve Bank issued eligibility criteria for SFBs to transition into universal banks. The eligibility criteria require SFBs to have scheduled status, along with a satisfactory track record of performance for a minimum period of five years and its shares listed on a recognised stock exchange. Further, SFBs are required to have a minimum net worth of ₹1,000 crore as at the end of the previous quarter and meet their prescribed capital to risk-weighted assets ratio (CRAR) of 15 per cent. Moreover, they are mandated to have net profits in the preceding two financial years with gross non-performing asset (GNPA) and net non-performing asset (NNPA) ratios of less than or equal to 3 per cent and 1 per cent, respectively. Additionally, the eligible SFBs will be required to furnish a detailed rationale for the transition.

Formats of Financial Statements of Cooperative Banks

VI.30 The current format of the financial statements of cooperative banks was notified in 1981 under the Banking Regulation Act, 1949. Since then, there have been several developments in the financial market as well as accounting standards and practices. Accordingly, the Reserve Bank had undertaken a review of the format and released draft format on January 7, 2025 for public comments. The Reserve Bank is in the process of comprehensively reviewing the draft formats based on the comments/feedback received.

Forms of Business and Prudential Regulation for Investments

VI.31 In order to streamline the activities undertaken by banks and their group entities and provide more operational freedom to banks and non-operative financial holding companies (NOFHCs) for equity investments and setting up group entities, respectively, a draft circular on 'Forms of Business and Prudential Regulation for Investments' was placed on the Reserve Bank's website on October 4, 2024, seeking feedback from stakeholders. Final guidelines would be issued based on the feedback received.

Harmonisation of Regulations Applicable to HFCs and NBFCs

VI.32 Post the transfer of regulation of HFCs from NHB to the Reserve Bank, various regulations have been issued treating HFCs as a category of NBFCs, duly considering their specialised nature. To ensure smooth regulatory transition, further harmonisation between the regulations of HFCs and NBFCs is being taken up in a phased manner. Accordingly, post a review, certain regulations of HFCs pertaining to deposit directions, diversification of activities, hedging avenues, technical specifications for account aggregator ecosystem and other miscellaneous regulations have been harmonised with NBFC regulations *vide* circular dated August 12, 2024, which became effective from January 1, 2025. Further, the guidelines on private placement of non-convertible debentures (NCDs) with maturity period of more than one year by HFCs were reviewed and have been completely aligned with NBFC regulations on the same *vide* circular dated January 29, 2025.

Submission of Information to Credit Information Companies (CICs) by ARCs

VI.33 With a view to align the CIC related guidelines for ARCs with the guidelines applicable to banks and NBFCs, and to maintain a track of borrowers' credit history after transfer of loans by banks and NBFCs to ARCs, a circular on submission of information to CICs by ARCs was issued on October 10, 2024, the salient features of which include: (i) advising ARCs to become members of all four CICs; (ii) stipulating the submission of data by ARCs to CICs on a fortnightly basis or shorter intervals as agreed between the ARC and the CICs; (iii) prescription for rectification of rejected data within seven days of receipt of rejected data from CICs; and (iv) extension of best practices regarding regular submission/updation of data and customer grievance redressal to ARCs.

Guidelines on Settlement of Dues of Borrowers by ARCs

VI.34 Earlier guidelines on one-time settlement (OTS) of dues by ARCs, *inter alia*, required evaluation of all OTS proposals by an independent advisory committee (IAC) of professionals, followed by a review by the Board of Directors comprising at least two independent directors. Based on the feedback received, a comprehensive review of the OTS guidelines applicable to ARCs was undertaken and revised guidelines were issued on January 20, 2025, which, *inter alia*, prescribe that: (i) settlement should be done with the borrower after all possible ways to recover the dues have been examined and OTS is considered to be the best option available; (ii) settlement of accounts having aggregate outstanding value of more than ₹1 crore as well as of all accounts classified as fraud or wilful defaulter should be done after the proposal is examined by an IAC followed by a review by the Board of Directors comprising at least two independent directors; and (iii) settlement of accounts having aggregate outstanding value of less than ₹1 crore shall be done as per Board approved policy subject to the condition that any official who was part of the acquisition of the concerned financial asset shall not be part of processing/approving the OTS proposal of the same financial asset.

NBFC - Peer to Peer (NBFC-P2P) Lending Platform (Reserve Bank) Directions, 2017

VI.35 During the course of supervisory examinations, several concerns were observed in the operations of NBFC-P2Ps, which were not in conformity with the regulatory prescriptions. To ensure proper understanding of regulatory guidelines, certain clarifications were issued on August 16, 2024 which, *inter alia*, include: (i) lenders' funds should not be deployed in any manner other than specified; (ii) funds of a lender should not be utilised for replacement of other lender(s); (iii) objective pricing policy and disclosure of the fees liable to be charged at the time of lending itself; such fees should be a fixed amount, or a fixed proportion of the principal amount involved in the lending transaction and should not be dependent upon the repayment by the borrower(s); (iv) funds transferred into the escrow accounts should not remain in the accounts for a period exceeding 'T+1' day, where 'T' is the date on which the funds are transferred to these escrow accounts; and (v) disclosure of the portfolio performance on the NBFC-P2P website in respect of losses borne by the lenders and non-performing assets (NPAs).

Wilful Defaulters and Large Defaulters

VI.36 The existing instructions on wilful defaulters were reviewed, taking into consideration various judgments/orders from the Hon'ble Supreme Court and Hon'ble High Courts, as well as feedback received from stakeholders. Subsequently, the final Master Direction was issued on July 30, 2024 after incorporating public comments received on draft Directions. The Master Direction serves as a comprehensive document delineating the regulatory framework and procedures for classification of borrowers as wilful defaulters. The guidelines are applicable to SCBs; scheduled UCBs; AIFIs; NBFC - Middle and above Layers as per the scale-based regulatory framework; non-scheduled UCBs falling under Tier 3 and 4 according to the revised regulatory framework; local area banks (LABs); and regional rural banks (RRBs). The process of classification of wilful defaulters has been refined by introducing disclosure of all materials and information on which show-cause notice is based; provision for written representation against the order of identification committee to the review committee; and a provision for personal hearing for the borrower by the review committee. For early detection of wilful default, review of all NPA accounts for identification of wilful default within six months of their classification as NPA has been prescribed. The Directions also provide clarity on the treatment of wilful default accounts subsequent to undergoing resolution under the IBC process or on loan assignment.

Credit Information Reporting

VI.37 The extant instructions on reporting of credit information issued to REs have been consolidated in a single direction to establish a standardised framework for reporting and dissemination of credit information, safeguarding the confidentiality and security of sensitive credit data, providing mechanisms for consumers to access their credit information and grievance redressal on the related matters. The Master Direction in this regard has been issued on January 6, 2025.

Enhancing Operational Risk Management and Operational Resilience

VI.38 To align the Reserve Bank of India's regulatory guidance with the Basel Committee on Banking Supervision (BCBS) principles, *viz.*, (a) revisions to the principles for the sound management of operational risk; and (b) principles for operational resilience (both issued in March 2021), a 'Guidance Note on Operational Risk Management and Operational Resilience' was issued on April 30, 2024. It provides overarching guidance to REs[5] to strengthen their operational risk management framework and enhance their operational resilience enabling them to deliver critical operations even through disruption. It has been built on three pillars (consisting of 17 principles), *viz.*, prepare and protect[6], build resilience[7], and learn and adapt[8]. The guidance note provides operational flexibility to ensure smooth implementation across REs of various sizes, nature, complexity, geographic location and risk profile of their business.

Review and Rationalisation of Prudential Norms – UCBs

VI.39 The Reserve Bank has, from time to time, prescribed various prudential norms for UCBs for enhancing their financial soundness and resilience. Some of these prudential norms have been issued with a view to reducing credit concentration risk, reducing exposures to sensitive sectors, and enhancing provisioning requirements for relatively riskier exposures. These norms, *inter alia*, include the stipulations relating to small value loans, exposure ceilings on housing and real estate loans, and provisioning requirements for investment in security receipts (SRs). With a view to rationalising these norms, and thereby allowing greater operational flexibility to UCBs without diluting the regulatory objectives, the above prudential norms have been reviewed *vide* circular dated February 24, 2025. The review includes increase in the dynamic and static upper limit of small value loans from 0.2 per cent of Tier-I capital to 0.4 per cent of Tier-I capital and ₹1 crore to ₹3 crore, respectively; rationalisation of aggregate exposure limits for housing loans to individuals with reference to total loans and advances instead of total assets and a stricter limit for real estate loans; enhanced monetary ceiling on individual housing loans for Tier-3 and Tier-4 UCBs; and further extension of the five year glide-path allowed to UCBs to provide for the valuation differential on the SRs held against the assets transferred by them to ARCs by additional two years till 2027-28.

Review of Risk Weights on Microfinance Loans

VI.40 As per circular on 'Regulatory Measures Towards Consumer Credit and Bank Credit to NBFCs' dated November 16, 2023, the risk weight on consumer credit, excluding housing,

[5] Commercial banks, primary UCBs/State Cooperative Banks (StCBs)/ Central Cooperative Banks (CCBs), AIFIs and NBFCs (including HFCs).

[6] Focussing on governance and operational risk management.

[7] Consisting of areas such as business continuity, incident management and cyber security for ensuring delivery of critical operations in case of disruptions.

[8] For the creation of a feedback loop through disclosures and lessons learnt exercises.

education, vehicle loans, and loans secured by gold was increased to 125 per cent. It has been decided, *vide* circular dated February 25, 2025, that the microfinance loans in the nature of consumer credit shall be risk weighted at 100 per cent. Other microfinance loans may be classified under regulatory retail portfolio (RRP) and assigned risk weight of 75 per cent, provided that the banks put in place appropriate policies to ensure fulfilment of the qualifying criteria of RRP. Further, all microfinance loans extended by RRBs and LABs shall attract a risk weight of 100 per cent.

Agenda for 2025-26

VI.41 During 2025-26, the Department will focus on the following key deliverables:

- Issuance of harmonised regulations on 'Income Recognition, Asset Classification and Provisioning Pertaining to Advances' to REs;
- Comprehensive review of all non-fund based contingent facilities issued by lending institutions;
- A draft regulatory framework for all forms of co-lending arrangements among REs was issued for public comments on April 9, 2025. Final guidelines would be issued post examination of the comments received;
- *Framework for Securitisation of Stressed Assets*: Discussion Paper was issued in January 2023, on which suggestions were received from the various stakeholders. Based on the same, the draft framework has been issued for public comments on April 9, 2025 and final guidelines are proposed to be issued post examination of the same;
- Draft guidelines on Expected Credit Loss (ECL) framework;
- *The final phase of Basel III implementation:* (a) Issuance of draft guidelines on Standardised Approach for credit risk; (b) Issuance of final guidelines on market risk; and (c) Updating Pillar 3 disclosure requirements in alignment with the Basel III framework of BCBS;
- Issuance of guidelines on standardised approach to counterparty credit risk (SA-CCR);
- Regulatory principles on model risk management;
- Issuance of prudential guidelines on climate risk for banks. This includes issuance of final guidelines on disclosure of climate related financial risks and guidance on climate scenario analysis and stress testing;
- Operationalisation of the data repository - Reserve Bank - Climate Risk Information System (RB-CRIS);
- Issuance of principles for effective management and supervision of climate related financial risks;
- Review of the framework for acceptance of green deposits;
- Guidelines on sustainability linked loans;
- Suitable guidelines to address mis-selling of financial products and services by REs (their own as well as third-party);

- Issuance of 'Frequently Asked Questions (FAQs)' on the Master Direction on know your customer (KYC);
- Review of regulations on internet and mobile banking for all banks;
- Differentiated regulatory framework for Type I – NBFCs, *i.e,* NBFCs without public funds and customer interface;
- Development of a platform namely 'Regulatory Application Management System' (RAMS) by the Department to undertake an end-to-end digital transformation of its internal processing of regulatory applications to ensure a life-cycle approach to regulation of any RE; and
- Consolidation of existing guidelines on regulatory matters into thematic Master Directions.

FinTech Department

VI.42 The FinTech Department is entrusted with the responsibility of fostering innovation in the FinTech ecosystem, while remaining vigilant and addressing the associated risks. The Department undertook several measures in pursuance of this mandate to fulfil the objectives set out for 2024-25.

Agenda for 2024-25

VI.43 The Department had set out the following goals for 2024-25:

- Expanding the scope of CBDC pilots to cover new use cases such as offline functionality, programmability, cross-border transactions and tokenisation of assets as well as new designs, technological considerations and more participants (Paragraph VI.44);
- Exploring commencing CBDC pilots on cross-border payments both on bilateral and multilateral basis to overcome key challenges related to turnaround time (TAT), efficiency and transparency, considering India being the world's largest recipient of remittances (Paragraph VI.45);
- Launching full scale public tech platform [renamed as Unified Lending Interface (ULI)] with more financial institutions/data service providers and product offerings (Paragraph VI.46);
- Putting in place the framework for SRO(s) for the FinTech sector (Paragraph VI.47);
- Setting up a repository for capturing essential information about FinTechs and repository for tech-related activities by REs in order to effectively discern the developments in its ecosystem (Paragraph VI.48);
- Conduct of next global hackathon 'HaRBInger 2024' (Paragraph VI.49); and
- Testing innovative products/services and technology under sixth cohort of the regulatory sandbox (RS) [Paragraph VI.50].

Implementation Status

VI.44 The CBDC-R (e₹-R) pilot started with the initial use cases of person-to-person (P2P) and person-to-merchant (P2M) transactions. The Reserve Bank has since rolled out multiple pilots exploring offline and programmability features as well. The programmability use cases include direct benefit transfers to farmers against generation of carbon credits and loans to tenant farmers under *kisan* credit card (KCC) in select locations. Employee allowances for fuel/meal purposes are being implemented by banks. Under *Subhadra Yojana* of the state government of Odisha, e₹ has been used as a payment channel for around 88,000 beneficiaries so far. Discussions are underway with multiple central government Ministries and state governments for leveraging programmability feature of CBDC to transfer funds to beneficiaries with a defined end use.

VI.45 Bilateral cross-border CBDC pilots with select countries are being actively explored and progress has been made in finalisation of roadmap, technical aspects and use cases. The Reserve Bank's participation in multilateral CBDC initiatives, particularly under the Bank for International Settlements (BIS) Innovation Hub, are also being considered.

VI.46 The development of ULI, previously called as Public Tech Platform for Frictionless Credit (PTPFC) and rechristened to ULI on August 26, 2024, was announced as part of the Reserve Bank's Statement on Developmental and Regulatory Policies on August 10, 2023. The ULI pilot commenced on August 17, 2023. ULI is an enterprise-grade, open architecture platform which connects lenders and data service providers through a standardised, open application programming interface (API) framework operating on a plug-and-play model. By eliminating the need for multiple bilateral integrations by banks, ULI streamlines credit assessments and decision-making by enabling access to a diverse array of data. As on March 31, 2025 the Platform has recorded 44 lenders including banks and NBFCs, using over 60 data services for 12 loan journeys including KCC loans, digital cattle loans, MSME loans, *etc.* Based on the learnings and the positive response from stakeholders, the scope and coverage of the platform are being expanded to include more products, data providers and lenders.

VI.47 The Reserve Bank released a 'Draft Framework for Recognising Self-Regulatory Organisation(s) for FinTech Sector' on January 15, 2024, inviting comments and feedback from the stakeholders. Based on the inputs received and examination thereof, the 'Framework for Recognising SRO(s) for FinTech Sector' (SRO-FT framework) was finalised and released on May 30, 2024, which laid down the characteristics of a FinTech SRO, and includes, *inter alia*, functions and governance standards. Accordingly, applications were invited and FinTech Association for Consumer Empowerment (FACE) was recognised as SRO-FT *vide* press release dated August 28, 2024.

VI.48 With a view to gather information on the FinTech sector including the use of emerging technologies by traditional financial institutions, a 'FinTech Repository' was launched on May 28, 2024, to capture essential information about FinTech entities, their activities and technology stack. Simultaneously, a related repository for REs called 'EmTech Repository' was also launched to capture information on their adoption of emerging technologies such as artificial intelligence (AI), machine learning (ML), cloud computing, distributed ledger technology (DLT), *etc.* The FinTech and EmTech Repositories are secure web-based applications and are managed by the Reserve Bank Innovation Hub (RBIH).

VI.49 The Reserve Bank launched the third edition of its annual Global Hackathon – 'HaRBInger 2024 – Innovation for Transformation' – on June 7, 2024, focusing on two themes 'Zero Financial Frauds' and 'Being Divyang Friendly'. The Hackathon received 534 proposals, of which 39 were received from teams outside India. An independent jury evaluated and selected the winners based on several parameters, including comprehensiveness, innovation, feasibility, scalability and compliance.

VI.50 The Reserve Bank has been operating the RS framework since 2019, under which four thematic cohorts[9] have been announced and completed till date (Table VI.1). Under the fourth cohort, three entities were found viable. The fifth cohort which is theme neutral is currently underway. The On-Tap[10] application facility under the RS is open for the closed themes.

Major Initiatives

Framework for Responsible and Ethical Enablement of AI (FREE-AI)

VI.51 Driven by rapid advances in computing power and the vast availability of digital data, AI and ML technologies have seen growing interest and significant progress in recent years, with financial institutions globally and domestically increasingly adopting these technologies. The Reserve Bank is exploring and implementing AI/ML-driven solutions in its own functions. The Reserve Bank has constituted an external committee in December 2024 comprising experts with a mandate to recommend a Framework for Responsible and Ethical Enablement of AI in the financial sector.

Global Conference on Digital Public Infrastructure (DPI) and Emerging Technologies

VI.52 As part of the celebrations of the 90th year of its establishment, the Reserve Bank organised a global conference on 'Digital Public Infrastructure and Emerging Technologies' during August 26-27, 2024 at Bengaluru. The Conference was

Table VI.1: Regulatory Sandbox - Experience So Far

(Number)

Cohort	Theme	Applications Received	Shortlisted for Testing	Successfully Exited
1	2	3	4	5
1	Retail Payments	32	6	6
2	Cross-border Payments	27	8	4
3	MSME Lending	22	8	5
4	Prevention and Mitigation of Financial Frauds	9	6	3
5	Theme Neutral	22	5	Testing is going on
On Tap	Closed Cohort Themes	11	3	2

[9] 'Retail Payments', 'Cross Border Payments', 'MSME Lending' and 'Prevention and Mitigation of Financial Frauds'.

[10] The Reserve Bank *vide* press release dated April 9, 2025 allowed 'Theme Neutral' applications as part of the 'On-Tap' facility under the RS.

attended by around 700 participants, including 81 distinguished delegates from 28 central banks and multilateral institutions such as World Bank, IMF, BIS Innovation Hub and European Central Bank (ECB).

VI.53 FinTech Department engages with FinTech ecosystem regularly through both structured and one to one basis, with a view to convey the policy initiatives, understand the new products/services, gather information on new innovations and identify areas which need solutions. This helps to chart out areas for policy support. During 2024-25, 486 interactions were conducted which included 22 structured group interactions. 'Finquiry' is an initiative that provides an opportunity for FinTechs to visit the FinTech Department at Mumbai for open enquiries and policy clarifications, while 'Finteract' is conducted across various cities on rotation, both at monthly intervals. Since April 2024, the Reserve Bank convened 12 structured interactions under 'FinTeract' covering over 965 representatives from FinTechs, and 10 open interactions were convened through 'Finquiry' (since June 2024) with over 300 participants. The Reserve Bank also launched an initiative named 'FinKonnect' in June 2024 aimed at providing a platform to connect successful entities from the RS and HaRBInger with the potential users of such solutions such as banks, NBFCs and separately with investors.

RBIH Initiative: AI/ML- based Solution to Identify Mule Bank Accounts (MuleHunter.ai™)

VI.54 In order to enable timely detection of mule accounts, RBIH has developed 'MuleHunter.ai™', a supervised ML model designed for near-real-time identification of mule accounts. The model leverages advanced AI/ML techniques to learn patterns of mule account activity from data, achieving higher accuracy as compared to the traditional systems. This solution is currently being tested and deployed in a few large public sector banks.

Agenda for 2025-26

VI.55 In 2025-26, the Department will focus on the following goals:

- Expand the scope and coverage of CBDC and introducing new use cases and features;
- Introducing business-to-customer (B2C) functionality in ULI;
- Scaling up 'MuleHunter.ai™'; and
- Prepare a framework for responsible and ethical adoption of AI in financial sector.

4. SUPERVISION OF FINANCIAL INTERMEDIARIES

Department of Supervision (DoS)

VI.56 The DoS is entrusted with the responsibility of supervising all SCBs (excluding RRBs), LABs, payments banks (PBs), SFBs, CICs, AIFIs, UCBs, NBFCs (excluding HFCs) and ARCs.

Commercial Banks

VI.57 The Department took several measures to further strengthen both onsite and off-site supervision of the SCBs, LABs, PBs, SFBs, CICs and AIFIs during the year.

Agenda for 2024-25

VI.58 The Department had set the following goals for 2024-25:

- Setting up of cyber range to augment cyber incident response capability of

SCBs (*Utkarsh* 2.0) [Paragraph VI.59]; and

- To augment supervisory capabilities by a suite of SupTech data tools on micro-data analytics and other similar use cases using artificial intelligence and machine learning (*Utkarsh* 2.0) [Paragraph VI.60].

Implementation Status

VI.59 The approach to implementation of cyber range was re-strategised as per the requirement of the Reserve Bank's Department of Information and Technology (DIT). The project is now set to be executed by Institute for Development and Research in Banking Technology (IDRBT) in coordination with DIT and DoS with the objective of enhancing synergies among the existing cyber drills conducted by IDRBT and other stakeholders. It is in advanced stage of finalising the implementation modalities.

VI.60 DoS has set up an Advanced Supervisory Analytics Group (ASAG) for increasing the use of techniques like AI/ML which has developed several advanced analytics models (microdata analytics, governance assessment model, social media monitoring model, fraud vulnerability index, borrowers' vulnerability model and asset quality prediction model). The Department is in the process of developing more such models.

Other Initiative

Fraud Analysis

VI.61 An assessment of bank group-wise fraud cases over the last three years indicates that while private sector banks reported maximum number of frauds, public sector banks continued to contribute maximum to the fraud amount (Table VI.2). Frauds have occurred predominantly in the category of digital payments (card/internet) in terms of number and primarily in the loan portfolio (advances) in terms of value (Table VI.3). While card/internet frauds contributed maximum to the number of frauds reported by private sector banks, frauds in public sector banks were mainly in loan portfolio. The increase in the amount involved in the total frauds reported during 2024-25 over 2023-24 was mainly due to removal of fraud classification in 122 cases amounting to ₹18,674 crore reported during previous financial years and reporting afresh during the current financial year after re-examination and ensuring compliance with the judgement of the Hon'ble Supreme Court dated March 27, 2023.

Agenda for 2025-26

VI.62 The Department has set out the following goals for 2025-26:

- Strengthening of liquidity stress tests of SCBs by developing a cash flow analysis to ensure banks remain resilient during episodes of stress. The process would evaluate the potential impact of extreme but plausible scenarios on a bank's liquidity position, ensuring it can meet obligations even during crises. It would provide forward-looking perspective and assess the stability of banks' liquidity positions under adverse conditions. By identifying vulnerabilities and ensuring adequate liquidity buffers, stress testing would aid in ensuring resilience of banks, protect depositor interest and prevent systemic risks;

Table VI.2: Fraud Cases - Bank Group-wise

(Amount in ₹ crore)

Bank Group/Institution	2022-23		2023-24		2024-25	
	Number of Frauds	Amount Involved	Number of Frauds	Amount Involved	Number of Frauds	Amount Involved
1	2	3	4	5	6	7
Public Sector Banks	3,331 (24.7)	12,557 (66.2)	7,460 (20.7)	9,254 (75.6)	6,935 (29.0)	25,667 (71.3)
Private Sector Banks	8,971 (66.4)	5,206 (27.4)	24,207 (67.2)	2,722 (22.3)	14,233 (59.4)	10,088 (28.0)
Foreign Banks	804 (6.0)	292 (1.5)	2,899 (8.0)	154 (1.3)	1,448 (6.0)	181 (0.5)
Financial Institutions	9 (0.1)	888 (4.7)	1 -	1 -	2 -	13 -
Small Finance Banks	311 (2.3)	31 (0.2)	1,019 (2.8)	64 (0.5)	1,217 (5.1)	58 (0.2)
Payments Banks	68 (0.5)	7 -	472 (1.3)	35 (0.3)	113 (0.5)	6 -
Local Area Banks	0 -	0 -	2 -	0 -	5 -	1 -
Total	**13,494 (100.0)**	**18,981 (100.0)**	**36,060 (100.0)**	**12,230 (100.0)**	**23,953 (100.0)**	**36,014 (100.0)**

-: Nil/Negligible.

Note: 1. Figures in parentheses represent the percentage share of the total.
2. Data are in respect of frauds of ₹1 lakh and above reported during the period.
3. The figures reported by banks and FIs are subject to changes based on revisions filed by them.
4. Frauds reported in a year could have occurred several years prior to year of reporting.
5. Amounts involved reported do not reflect the amount of loss incurred. Depending on recoveries, the loss incurred gets reduced. Further, the entire amount involved is not necessarily diverted.
6. As on March 31, 2025, 783 frauds amounting to ₹1,12,911 crore were withdrawn by banks due to non-compliance with the principles of natural justice as per the judgment of the Hon'ble Supreme Court dated March 27, 2023.
7. Data pertaining to 2024-25 includes fraud classification in 122 cases amounting to ₹18,674 crore, pertaining to previous financial years, reported afresh during the current financial year after re-examination and ensuring compliance with the judgement of the Hon'ble Supreme Court, dated March 27, 2023.

Source: RBI Supervisory Returns.

- Further strengthening the supervisory framework for PBs and SFBs;
- Digital services are important channels for servicing customers and ensuring resilience of the channels is of paramount importance. A framework will be devised with specific parameters for operational resilience of digital channels in REs;
- Issuance of guidelines on digital forensic readiness; and
- To provide a near-real-time view and analytics on the uptime of select digital services for the benefit of customers of banks, a dynamic online dashboard would be developed and the banks would be onboarded in a phased manner.

Urban Cooperative Banks (UCBs)

VI.63 The Department continued with its objective to monitor the performance of UCBs

Table VI.3: Frauds Cases - Area of Operations

(Amount in ₹ crore)

Area of Operation	2022-23		2023-24		2024-25	
	Number of Frauds	Amount Involved	Number of Frauds	Amount Involved	Number of Frauds	Amount Involved
1	2	3	4	5	6	7
Advances	4,021	17,542	4,118	10,072	7,950	33,148
	(29.8)	(92.4)	(11.4)	(82.4)	(33.2)	(92.1)
Off-balance Sheet	13	280	11	256	8	270
	(0.1)	(1.5)	-	(2.1)	-	(0.7)
Forex Transactions	13	12	19	38	23	16
	(0.1)	(0.1)	(0.1)	(0.3)	(0.1)	-
Card/Internet	6,699	278	29,082	1,457	13,516	520
	(49.7)	(1.5)	(80.6)	(11.9)	(56.5)	(1.4)
Deposits	652	259	2,002	240	1,208	527
	(4.8)	(1.4)	(5.6)	(2.0)	(5.0)	(1.5)
Inter-Branch Accounts	3	0	29	10	14	26
	-	-	(0.1)	(0.1)	(0.1)	(0.1)
Cash	1,485	159	484	78	306	39
	(11.0)	(0.8)	(1.3)	(0.6)	(1.3)	(0.1)
Cheques/DDs, *etc.*	118	25	127	42	122	74
	(0.9)	(0.1)	(0.4)	(0.3)	(0.5)	(0.2)
Clearing Accounts	18	3	17	2	6	2
	(0.1)	-	-	-	-	-
Others	472	423	171	35	800	1,392
	(3.5)	(2.2)	(0.5)	(0.3)	(3.3)	(3.9)
Total	**13,494**	**18,981**	**36,060**	**12,230**	**23,953**	**36,014**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**

-: Nil/Negligible.

Note: 1. Figures in parentheses represent the percentage share of the total.
2. Refer to footnotes 2-7 of Table VI.2.

Source: RBI Supervisory Returns.

during the year and undertook measures for a safe and well-managed urban cooperative banking sector.

Agenda for 2024-25

VI.64 The Department had set out the following goal for supervision of UCBs in 2024-25:

- Strengthening the cyber/IT risks assessment (Paragraph VI.65).

Implementation Status

VI.65 A set of Level II UCBs[11] offering digital payment services have been advised to carry out gap assessment through Computer Emergency Response Team-India (CERT-In) empanelled auditors. UCBs have been utilising the services of third-party IT service providers (ITSPs) for various services such as for hosting servers in data centres, automated teller machine (ATM)

[11] Please refer to the Reserve Bank's circular on 'Comprehensive Cyber Security Framework for Primary (Urban) Cooperative Banks (UCBs) – A Graded Approach' dated December 31, 2019 for definition of Level II UCBs.

switch, core banking solution (CBS), card management and mobile banking. To evaluate the cyber risk, pooled audit of three such common ITSPs was conducted by select UCBs through CERT-In empanelled auditor. Cyber security related instructions issued to UCBs have been consolidated and an updated framework is being finalised.

Other Initiatives

Risk-based Approach (RBA) for KYC/AML Supervision of UCBs

VI.66 The coverage of UCBs under RBA was aligned with the four-tiered regulatory framework and expanded to include Tier 3 and Tier 4 UCBs constituting around 60 per cent of the total deposit size of the sector.

Prompt Corrective Action (PCA) Framework for UCBs

VI.67 The Reserve Bank issued the guidelines on PCA framework for UCBs on July 26, 2024, superseding earlier instructions issued on supervisory action framework (SAF). The revised framework seeks to provide flexibility to design entity specific supervisory action plans based on the assessment of risks on a case-by-case basis. The provisions of the PCA framework will be effective from April 1, 2025. The PCA framework has been made applicable to all UCBs in Tier 2, Tier 3 and Tier 4, except UCBs under all-inclusive Directions[12]. Tier 1 UCBs have been excluded from the PCA framework as of now; however, they will continue to be subjected to enhanced monitoring under the extant supervisory framework. Capital, asset quality and profitability are the key areas for monitoring in the revised PCA framework. The framework has been suitably harmonised with similar frameworks applicable for SCBs and NBFCs, with suitable modifications keeping in mind the underlying principle of proportionality. It is largely principle-based, with a fewer number of parameters as compared to the SAF, but ensuring sustenance of the supervisory rigour.

Agenda for 2025-26

VI.68 The Department has identified the following goals for supervision of UCBs in 2025-26:

- Review of risk-based approach (RBA) for KYC/AML supervision of select UCBs (*Utkarsh* 2.0);
- Examining the migration of UCBs to risk-based supervision (RBS); and
- Issuance of updated guidelines on cyber security framework.

Non-Banking Financial Companies (NBFCs)

VI.69 The Department continued to closely monitor the NBFCs (excluding HFCs) and ARCs registered with the Reserve Bank.

Other Initiative

Risk-based Approach (RBA) for KYC/AML Supervision of NBFCs

VI.70 Under RBA, the criterion to include NBFCs was reviewed and aligned with that of scale-based regulations. Accordingly, all upper layer NBFCs and those with an asset size above ₹5,000 crore in the middle layer are now covered.

[12] All-inclusive Directions are restrictions imposed by the Reserve Bank on banks in the public interest. These directions are issued under Section 35A of the Banking Regulation Act, 1949.

Agenda for 2025-26

VI.71 The Department has identified the following goals for supervision of NBFCs in 2025-26:

- Review of RBA for KYC/AML supervision of select NBFCs (*Utkarsh* 2.0);
- As a thematic assessment, assessing adherence by REs to pricing guidelines prescribed *vide* extant regulations to ensure that the customers of such loans are not being charged exorbitant interest rates; and
- Examining the migration of NBFCs to risk-based supervision (RBS).

Supervisory Measures for All Supervised Entities (SEs)

VI.72 A unified DoS has been operationalised in which the supervision of banks, UCBs and NBFCs is being undertaken in a holistic manner under one umbrella Department.

Agenda for 2024-25

VI.73 The Department had set out the following supervisory goals for 2024-25:

- Examining information systems (IS) audit framework in REs (Paragraph VI.74);
- Examining data governance framework for REs (Paragraph VI.75);
- Developing data quality index (DQI) for offsite returns (Paragraph VI.76); and
- Deeper integration of offsite analytics with onsite supervision (Paragraph VI.77).

Implementation Status

VI.74 An IS audit sub-group under Standing Committee on cyber security was formulated with representation from industry, academia and experts from IS audit profession. The report of the sub-group has been finalised and the recommendations are being examined for appropriate action.

VI.75 Data governance aspects, including localisation and data privacy, are being examined by an internal inter-departmental group on data governance. While 'The Digital Personal Data Protection Act' was enacted in August, 2023, the rules related to the Act have not been framed, and the same will be examined before finalising the report of the sub-group.

VI.76 Supervisory DQI (sDQI) was developed to identify and address deficiencies in risk data aggregation capabilities and risk reporting practices across SEs. This sDQI model is used for assessing the quality of data submitted by SEs to DoS through various returns. The model generates SE-wise and aggregate sDQI scores each quarter. The movement in sDQI score is being monitored to identify improvement/decline in the quality of reporting by various SEs.

VI.77 A mechanism in the form of a feedback loop among various groups of the department is in place along with a structured framework for supervisory action.

Other Initiatives

Strategy to Strengthen KYC/AML Supervision of SEs

VI.78 The specialised KYC/AML risk assessment of SEs, implemented through the

'Supervisory Assessment for KYC/AML Risks (SAKAR)' framework in 2020, was further strengthened with increase in the coverage of the SEs under offsite risk assessment; inspection of SEs which were not previously subjected to onsite examination for KYC/AML/Terrorist Financing (TF) risks; and carrying out thematic assessments on areas of emerging risks. The supervisory strategy has also been reoriented to identify the major deficiencies and areas of non-compliance, particularly in critical processes such as customer due diligence and transaction monitoring at the system level and to mitigate the KYC/AML/TF risks in a more focused manner through targeted assessments and close engagement with the SEs. Further, to utilise the supervisory resources in a more efficient manner, desktop assessments of smaller SEs have also been introduced.

Fraud Monitoring Returns and Return on Theft, Burglary, Dacoity and Robbery

VI.79 Commercial banks (excluding RRBs); NBFCs (excluding HFCs) in the upper layer, middle layer and base layer (with asset size of ₹500 crore and above); and UCBs are required to report incidents through returns on frauds and theft, burglary, dacoity and robbery on CIMS from November 18, 2024.

Cross-border Supervisory Cooperation

VI.80 During the year, the Reserve Bank proactively strengthened international supervisory cooperation by establishing and deepening formal relationships with authorities in key global jurisdictions. These efforts aim to enhance the stability of the financial system (Box VI.2).

Box VI.2
Exploring Supervisory Dimensions Through Cross-border Cooperation

Consolidated supervision of international banking groups by home and host country authorities is essential in a highly globalised and interconnected financial system. The increasing scale and complexity of cross-border banking operations across multiple jurisdictions pose significant risks to global financial stability. While banks leverage offshore centres to expand their business and attract investments, responsible supervision ensures that local operations meet the standards of domestic jurisdictions, preventing risk accumulation and contagion.

The Basel Committee on Banking Supervision (BCBS) has highlighted the importance of international cooperation in its core principles for effective banking supervision, particularly principle 3 (cooperation and collaboration) and principle 11 (home-host relationships). These principles establish minimum standards for prudential regulation and supervision, which are critical for safeguarding financial systems worldwide.

Supervisors across the globe are increasingly engaging in cross-border cooperation through formal agreements, bilateral exchanges and multilateral forums. Recognising the importance of international supervisory collaboration, the Reserve Bank has established formal arrangements, including 47 memoranda of understanding (MoUs) with overseas authorities, covering major jurisdictions with significant Indian bank operations. These arrangements facilitate onsite inspections, exchange of supervisory information, technical collaboration and coordinated crisis responses.

To enhance the supervision of cross-border banking groups, supervisory colleges were formalised as a platform for collaboration, coordination and information

(Contd.)

sharing. The Reserve Bank established its first supervisory college in 2012 for State Bank of India and ICICI Bank, later extending it to Axis Bank, Bank of Baroda, Bank of India, and Punjab National Bank. These colleges convene biennially in India, enabling home and host supervisors to address key supervisory concerns and risks. Similarly, the Reserve Bank actively participates in supervisory colleges for foreign banks with Indian operations, hosted by their respective home supervisors.

Furthering its commitment to global collaboration, the Reserve Bank is an active member of the Federal Reserve Bank of New York's Supervisors Roundtable, comprising 24 agencies from 18 jurisdictions.

In addition to multilateral engagements, the Reserve Bank has initiated High-Level Bilateral Supervisory Exchanges with authorities such as the UK's Financial Conduct Authority and Prudential Regulation Authority, the Monetary Authority of Singapore, and the Malta Financial Services Authority. These exchanges facilitate comprehensive knowledge sharing on emerging risks, including climate risk, SupTech, third-party outsourcing and operational resilience.

Additionally, to enhance preparedness against IT-based risks and digital fraud, the Reserve Bank is actively engaging with overseas supervisors to adopt global best practices in operational resilience and cyber security.

Source: RBI.

Gold Loans

VI.81 In the backdrop of significant growth in gold loans in recent years, the Department of Supervision and Regulation jointly conducted a review of the adherence to prudential guidelines, as well as practices being followed by select SEs with regard to loans against pledge of gold ornaments and jewellery. The review and the findings of onsite inspection indicated several irregular practices such as: (i) shortcomings in the use of third parties for sourcing and appraisal of loans; (ii) valuation of gold without the presence of the customer; (iii) inadequate due diligence and lack of end use monitoring; (iv) lack of transparency during auction of gold ornaments and jewellery on default by the customer; (v) limitations in monitoring of loan-to-value (LTV); and (vi) incorrect application of risk-weights. The SEs have been advised *vide* circular dated September 30, 2024 to comprehensively review their policies, processes and practices on gold loans to identify gaps and initiate appropriate remedial measures in a timebound manner. The SEs have also been advised to closely monitor the portfolio and ensure that adequate controls are in place over outsourced activities and third-party service providers.

Cyber Security Related Measures for REs

VI.82 Cyber security continued to be assessed as a major operational risk. Cyber incident monitoring framework was updated and detailed guidance was provided to REs on reporting of cyber incidents. Thematic studies were carried out including on IT governance, third party IT service providers, comparative study on IT/information system (IS) regulations to assess the relative areas and improve upon the existing risk mitigation measures. Advanced supervisory tools have been used to assess the SEs' cyber resilience capabilities such as conduct of phishing simulation exercise. Frameworks on IS audit, forensic readiness and revised guidelines for cyber security for UCBs are being worked upon based on the updated risk environment.

Fraud Risk Management in REs

VI.83 The Reserve Bank issued the revised Master Directions on fraud risk management for

REs on July 15, 2024. The revised Directions are principle-based and strengthen the role of the Board in overall governance and oversight of fraud risk management. Framework on early warning signals (EWS) and red flagging of accounts (RFA) has been further strengthened for early detection and prevention of frauds in the REs along with timely reporting to law enforcement agencies and supervisors. The Master Directions now explicitly require REs to ensure compliance with the principles of natural justice in a time-bound manner before classifying persons/entities as fraud, duly taking into account the Hon'ble Supreme Court judgment dated March 27, 2023. These Directions have also been made applicable to RRBs, rural cooperative banks and HFCs.

Agenda for 2025-26

VI.84 The Department has identified the following goals for supervision of all SEs in 2025-26:

- Review and issue of updated/harmonised regulatory instructions on statutory audit and concurrent audit in REs;
- Conducting detailed thematic reviews on select areas of cyber risks;
- Enhancing cyber resilience and capabilities of SEs through implementing recommendations of the inter-regulatory working group on uniformity in baseline cyber security guidelines of financial entities;
- Enhancing cyber mapping of financial systems and conduct of cross-sectoral and market-wide cyber crisis simulation exercises in a phased manner; and
- Enhance the existing framework for supervision of NBFCs in Base Layer.

Enforcement Department (EFD)

VI.85 The Enforcement Department was set up with a view to separate enforcement action from supervisory process and to put in place a structured, rule-based approach to identify and process violations by the REs of the applicable statutes and the directions issued thereunder, and to enforce the same consistently across the Reserve Bank. The objective of enforcement is to ensure compliance by the REs with the rules and regulations, within the overarching principles of financial stability, public interest and consumer protection.

Agenda for 2024-25

VI.86 The Department had set out the following goal for 2024-25:

- Based on a feasibility study, a Scale-based Framework for Enforcement would be put in place (Paragraph VI.87).

Implementation Status

VI.87 The Scale-based Framework for Enforcement is being reviewed on the basis of the feasibility study and the feedback received.

Major Developments

VI.88 During 2024-25, the Department undertook enforcement action against REs and imposed 353 penalties aggregating to ₹54.78 crore for contraventions/non-compliance[13] with provisions of statutes and certain directions issued by the Reserve Bank from time to time (Table VI.4).

VI.89 With the objective of rationalising and consolidating enforcement action by the Reserve Bank, the enforcement related work (*i.e.*, imposition of monetary penalty and compounding) under the Payment and Settlement Systems (PSS) Act, 2007 was transferred to the Department and the circular on framework for enforcement action under the PSS Act, 2007 has been issued on January 30, 2025.

Table VI.4 Enforcement Actions (April 2024 - March 2025)

Regulated Entity	Number of Penalties	Total Penalty (₹ crore)
1	2	3
Public Sector Banks	8	11.11
Private Sector Banks	15	14.80
Foreign Banks	6	3.52
Payments Banks	1	0.27
Small Finance Banks	2	0.72
Regional Rural Banks	6	0.59
Cooperative Banks	264	15.63
Non-banking Financial Companies/ Asset Reconstruction Companies	37	7.29
Credit Information Companies	1	0.02
Housing Finance Companies	13	0.83
Total	**353**	**54.78**

Source: RBI.

Agenda for 2025-26

VI.90 During 2025-26, the Department proposes to achieve the following goal:

- Review the standard operating procedure (SOP) for enforcement action based on the experience gained (*Utkarsh* 2.0).

5. CONSUMER EDUCATION AND PROTECTION

Consumer Education and Protection Department (CEPD)

VI.91 The CEPD frames policy guidelines for effective grievance redress mechanism at the level of the REs; monitors the functioning of internal grievance redress mechanism of REs; administers 'the Reserve Bank-Integrated Ombudsman Scheme, 2021' (RB-IOS) through ombudsman offices; oversees the performance of the consumer education and protection cells at the regional offices; and creates public awareness on safe banking practices, extant regulations on customer service[14] and protection, as also on the avenues for redress of customer complaints.

Agenda for 2024-25

VI.92 The Department had proposed the following goals for 2024-25:

- Improvement in the complaint management system to enhance support in lodging complaints and ensure greater

[13] Illustratively, some of them include contravention of/violation related to Section 26A of Banking Regulation Act, 1949; Cyber Security Framework in banks; Exposure Norms and IRAC Norms; Reserve Bank of India [Know Your Customer (KYC)] Directions, 2016; Reserve Bank of India (Frauds Classification and Reporting by Commercial Banks and Select FIs) Directions, 2016; Reporting Information on CRILC; Submission of Credit Information to Credit Information Companies (CICs); Customer Protection-Limiting Liability of Customers in Unauthorised Electronic Banking Transactions; Director Related Loans; the Housing Finance Companies (NHB) Directions, 2010; and the Non-Banking Financial Company - Peer to Peer Lending Platform (Reserve Bank) Directions, 2017.

[14] Annex III of this Report provides a list of customer centric measures undertaken during April 2022 to March 2025.

consistency in decisions and outcomes (*Utkarsh* 2.0) [Paragraph VI.93];

- Development of consumer protection assessment matrix for REs (*Utkarsh* 2.0) [Paragraph VI.94];
- Strengthen internal grievance redress framework to encourage banks to take proactive measures to improve customer service (Paragraph VI.95);
- Conduct of survey to assess the reasons for the low level of complaints in the rural/ semi-urban areas (Paragraph VI.96); and
- Review and rollout of reoriented nationwide intensive awareness programme (NIAP) based on feedback received from REs and Offices of RBI Ombudsman (ORBIOs) [Paragraph VI.97].

Implementation Status

VI.93 The Reserve Bank is collaborating closely with Reserve Bank Information Technology Pvt. Ltd. (ReBIT) to integrate artificial intelligence (AI) into the complaint management system in a phased manner. While phase I will introduce a conversational AI chatbot for the complainants, phase II will have more advanced features for processing the complaints.

VI.94 The Reserve Bank is developing a consumer protection assessment matrix (CoPAM) to assess the quality of customer protection provided by the REs. The pilot test of the model with respect to select banks is currently underway.

VI.95 The Reserve Bank had issued 'Framework for Strengthening the Grievance Redress Mechanism in Banks' in January 2021. The framework, *inter alia*, includes recovery of cost of redress of complaint from outlier banks to incentivise banks to strengthen their internal grievance redressal systems and to bring improvements in the quality of customer service. Based on the experience gained and feedback obtained, the framework is being reviewed to fine-tune the parameters, strengthen the mechanism and further nudge the concerned REs towards improving their internal grievance redress mechanisms.

VI.96 A survey has been undertaken to understand the reasons for the low level of complaints from the rural/semi-urban areas and assess the level of awareness in these areas, as also to provide inputs for geography/population specific awareness programmes. The findings of the survey are currently being analysed.

VI.97 The Reserve Bank had launched a month-long NIAP in November 2022, in collaboration with the REs, with focus on creating awareness in the hitherto unreached and isolated segments of the populations. Based on the feedback from all the stakeholders, the need was felt for sustaining consumer awareness efforts with a targeted approach on an ongoing basis. Accordingly, a systematic approach for augmenting awareness throughout the year has been initiated in January 2025.

Major Developments

Receipt of Complaints at ORBIOs

VI.98 During 2024-25, 2.96 lakh complaints were received at ORBIOs, compared to 2.93 lakh complaints during 2023-24, showing a marginal increase. Complaints were mainly received against banks, followed by NBFCs, non-bank system participants and CICs. Majority of these complaints pertain to loans/advances and digital banking products.

Awareness Initiatives

VI.99 The Reserve Bank of India Ombudsmen conducted 47 townhall meetings and 239 awareness programmes in 2024-25, with focus on specific groups such as students, senior citizen and women. Moreover, thematic multimedia campaigns on safe banking practices for *Aadhaar* enabled payment system (AePS), complaint lodging procedure and 'Digital Arrest' were conducted. Awareness booklets relating to safe banking practices were distributed in rural self-employment training institutes (RSETIs). The Reserve Bank is in the process of releasing animated short films depicting *modus operandi* of various frauds and safeguards to be exercised.

Agenda for 2025-26

VI.100 During 2025-26, the Department has identified the following goals to focus:

- Review of 'Reserve Bank-Integrated Ombudsman Scheme, 2021', including consumer education and protection cells, centralised receipt and processing centre, and contact centre (*Utkarsh* 2.0);
- Issuance of Master Direction on grievance redressal framework in REs; and
- Improve the complaint management system to better support the lodging of complaints and ensure greater consistency in decisions and outcomes (*Utkarsh* 2.0).

Deposit Insurance and Credit Guarantee Corporation (DICGC)

VI.101 The DICGC, a wholly owned subsidiary of the Reserve Bank established under the DICGC Act, 1961, administers the deposit insurance scheme in India, the objective of which is to protect depositors of banks and preserve public confidence in the banking system thereby contributing to financial stability. The deposit insurance scheme is mandatory for all banks (commercial and co-operative) that are licensed by the Reserve Bank. The number of registered insured banks stood at 1,982 as on March 31, 2025, comprising 139 commercial banks (including 11 SFBs, 6 PBs, 43 RRBs and 2 LABs) and 1,843 co-operative banks (1,457 UCBs, 34 StCBs and 352 DCCBs).

VI.102 The current coverage limit of deposit insurance is ₹5 lakh per depositor of a bank for deposit accounts held 'in the same capacity and in the same right'[15]. As on September 30, 2024, the number of fully insured deposit accounts under the coverage limit was 286.9 crore (281.8 crore a year ago) which constituted 97.7 per cent (97.9 per cent a year ago) of the total number of accounts. In terms of value, the total insured

[15] Deposit accounts are called so when the depositor has one or more types of deposit accounts and in one or more branches of a bank in his/her personal name. This also includes deposit held in the name of the proprietary concern where the depositor is the sole proprietor. If the depositor has deposit accounts in his/her capacity as a partner of a firm/guardian of a minor/director of a company/trustee of a trust/joint account, in one or more branches of the bank then such accounts are considered as held in different capacity and different right. In the case of joint accounts, if individuals open more than one joint accounts in which their names are not in the same order or group of persons are different, then the deposits held in these joint accounts are considered as held in the different capacity and different right.

deposits were ₹96,74,623 crore (₹90,32,340 crore in the previous year) which was 42.6 per cent (44.2 per cent in the previous year) of assessable deposits[16]. The reserve ratio (*i.e.*, Deposit Insurance Fund/Insured Deposits) as on September 30, 2024 stood at 2.21 per cent (2.02 per cent in the previous year). Currently, the coverage limit is 2.5 times the GDP per capita in 2024-25.

VI.103 The DICGC levies banks a flat rate premium of 0.12 per cent per annum on the total assessable deposits for providing deposit insurance. During 2024-25, deposit insurance premium received was ₹26,764 crore, recording a y-o-y growth of 12.1 per cent.

VI.104 The DICGC maintains a Deposit Insurance Fund (DIF) for the settlement of claims of depositors of banks taken into liquidation/amalgamation or put under all-inclusive Directions. The Fund has been built up through transfer of the Corporation's surplus, *i.e.*, excess of income (mainly comprising premium received from insured banks, interest income from investments and cash recovery out of liquidation of assets of failed banks) over expenditure (payment of claims of depositors and related expenses) each year, net of taxes. During 2024-25, the total claims settled by the Corporation amounted to ₹476 crore, all of which were towards 43 UCBs liquidated/placed under all-inclusive Directions. The size of the DIF stood at ₹2,28,933 crore as on March 31, 2025 recording a y-o-y growth of 15.2 per cent over ₹1,98,753 crore as on March 31, 2024.

6. CONCLUSION

VI.105 The Reserve Bank undertook several measures to safeguard the financial system by further strengthening the regulatory and supervisory framework of banking and non-banking sectors in line with global best practices. Going forward, concerted efforts would be made, *inter alia*, towards rationalisation and harmonisation of regulations across regulated entities; issuance of prudential guidelines on climate risk for banks; preparing a framework for responsible and ethical adoption of AI in financial sector; strengthening of liquidity stress tests of SCBs; and also examining the migration of UCBs/NBFCs to risk-based supervision, besides strengthening cyber security and fraud detection mechanism. Further, fine-tuning the existing complaint management and grievance redress mechanism, including exploring the use of AI, would remain in focus.

[16] Assessable deposits include all bank deposits except (i) deposits of foreign governments; (ii) deposits of central/state governments; (iii) inter-bank deposits; (iv) deposits received outside India; and (v) deposits specifically exempted by the corporation with prior approval of the Reserve Bank.

VII PUBLIC DEBT MANAGEMENT

As the debt manager to the central and state governments, the Reserve Bank manages their market borrowing programme adhering to the broad objectives of cost optimisation, risk mitigation and market development. During 2024-25, the government securities (G-secs) yields and the weighted average coupon on the entire outstanding debt stock decreased. The weighted average maturity (WAM) of primary issuances increased as compared to the previous year. Issuances of sovereign green bonds (SGrBs) and ultra-long securities continued during the year.

VII.1 The Internal Debt Management Department (IDMD) of the Reserve Bank is entrusted with the responsibility of managing the domestic debt of the central government by statute *vide* Sections 20 and 21 of the Reserve Bank of India (RBI) Act, 1934, and of 28 state governments and two union territories (UTs) in accordance with the respective bilateral agreements as provided in Section 21A of the RBI Act. In terms of Section 17(5) of the RBI Act, 1934, short-term credit up to three months is provided to both the central and state governments to bridge temporary mismatches in their cash flows.

VII.2 Market borrowings by the central government moderated in 2024-25 on the back of its lower gross fiscal deficit (GFD). The Reserve Bank ensured the completion of the market borrowing programme for both the central and state governments in a non-disruptive manner, keeping in mind the three broad objectives of cost optimisation, risk mitigation and market development. The weighted average yield (WAY) of market borrowings for the central government softened by 28 basis points (bps) during the year. The maturity profile of outstanding dated securities was elongated to contain the rollover risk. The Reserve Bank, in consultation with the central government, also issued SGrBs during 2024-25.

VII.3 The remainder of the chapter is arranged under three sections. Section 2 presents the implementation status in respect of the agenda for 2024-25 along with major developments during the year in the area of debt management for both the central and state governments. Section 3 covers major initiatives to be undertaken in 2025-26, followed by a summary in the last section.

2. Agenda for 2024-25

VII.4 The Department had set out the following goals for 2024-25:

- Consolidation of debt through calendar driven, auction-based switch operations along with re-issuance of securities to augment liquidity in the G-secs market (Paragraph VII.5-VII.6);
- Development of an application programming interface (API) to facilitate value free transfer (VFT) of G-secs by the depositories in a seamless manner (Paragraph VII.7);
- Review of operational guidelines for floating rate savings bonds (FRSB) and sovereign gold bond (SGB) scheme (Paragraph VII.8); and

- Further improving the user interface of the RBI 'Retail Direct' portal by providing additional payment options (Paragraph VII.9).

Implementation Status

VII.5 The Reserve Bank successfully completed the combined gross market borrowings of the central and state governments to the tune of ₹24.7 lakh crore, which was 3.0 per cent lower than the previous year. During 2024-25, there were 101 re-issuances out of 118 issuances of G-secs (85.6 per cent) as compared with 135 re-issuances out of 149 issuances (90.6 per cent) in the previous year. With an aim to ensure active debt consolidation, switches amounting to ₹1.47 lakh crore were completed during 2024-25 as against the budgeted amount of ₹1.50 lakh crore. Further, buyback of short-term securities amounting to ₹1.18 lakh crore was completed through reverse auctions.

VII.6 During 2024-25, securities ranging from 3-year to 50-year tenor (original maturity) were issued as part of the government's market borrowing programme with the objective of catering to the requirements of various investors with appetite for securities in different maturity buckets. Based on market feedback and in line with global market practice, issuance of benchmark security in 15-year tenor was introduced during the year in place of the 14-year benchmark security. SGrBs were issued for the total amount of ₹21,697 crore (₹11,697 crore in the 10-year tenor and ₹10,000 crore in the 30-year tenor) during the year.

VII.7 To facilitate the settlement of inter-depository trades executed in stock exchanges between demat account holders of different depositories, the Reserve Bank had earlier rolled out an advanced VFT module. To make the process simpler and to remove manual intervention, API has been developed connecting the systems between the Reserve Bank and the depositories, which now facilitates seamless transfer of G-secs between the depositories for settlement of inter-depository trades executed between demat account holders of different depositories.

VII.8 The Floating Rate Savings Bonds, 2020 (Taxable) [FRSB, 2020 (T)] - operational guidelines specified the roles and responsibilities of the receiving offices with respect to issue and servicing of these bonds. A comprehensive review of the operational guidelines for the FRSB has been carried out and the revised guidelines will be issued shortly.

VII.9 The RBI 'Retail Direct' mobile application was launched on May 28, 2024 to improve ease of access and convenience of investing in G-secs for retail investors. The mobile application offers a single sign-on facility for seamless navigation between primary market and secondary market modules of the app. To further expand the modes of payment available in the 'Retail Direct' portal/ mobile application, UPI single-block-and-single-debit facility has been introduced. This facility allows investors to pre-authorise transactions and block funds in their accounts for debits to be initiated as per the scheduled timeline in respect of bids placed in primary auctions of G-secs, state government securities (SGS) and treasury bills (T-Bills).

Major Developments

Debt Management of the Central Government

VII.10 During 2024-25, both gross and net market borrowings of the Government of India (GoI) through dated G-secs were lower by 9.2 per cent and 1.5 per cent, respectively, as compared

Table VII.1: Market Borrowings of the Central Government

(₹ crore)

Item	2021-22	2022-23	2023-24	2024-25
1	2	3	4	5
Gross Market Borrowings through Dated Securities	11,27,382 (4.8)	14,21,000 (5.3)	15,43,000 (5.3)	14,00,697 (4.2)
Net Market Borrowings (i to iv)#	9,29,351 (3.9)	11,74,375 (4.4)	12,28,805 (4.2)	10,81,598 (3.3)
i) Dated Securities@	8,63,103	11,08,261	11,80,456	11,62,879
ii) 91-day T-Bills	45,439	-23,798	20,164	72,713
iii) 182-day T-Bills	71,252	52,426	15,982	-55,896
iv) 364-day T-Bills	-50,444	37,487	12,203	-98,098

#: After adjusting for switches/buyback, net market borrowings during 2024-25 stood at ₹9,93,233 crore, ₹12,26,101 crore in 2023-24, ₹11,71,951 crore in 2022-23 and ₹9,29,060 crore in 2021-22.
@: Without adjusting for buyback/switches.
Note: Figures in parentheses are per cent of GDP.
Source: RBI, Union Budget and MoSPI.

to the previous year. Net market borrowings through dated securities and T-Bills taken together were lower by 12.0 per cent as compared to the previous year (Table VII.1).

Debt Management Operations

VII.11 The weighted average yield of G-secs issued during the year decreased by 28 bps as compared to the previous year, while the weighted average coupon on the entire outstanding debt stock decreased by 4 bps. The weighted average maturity of primary issuances and outstanding debt increased as compared to the previous year (Table VII.2).

VII.12 There were two instances of devolvement on Primary Dealers (PDs) during 2024-25 as against no such instance in the previous year. There was one instance each of rejection of all bids for a notified amount of ₹6,000 crore, and partial acceptance of bids for ₹1,695 crore as against the notified amount of ₹6,000 crore.

Table VII.2: Market Loans of Central Government - A Profile*

(Yield in Per cent/Maturity in Years)

Years	Range of Cut Off Yield in Primary Issues			Issued during the Year^			Outstanding Stock#	
	Under 5 Years	5-10 Years	Over 10 Years	Weighted Average Yield	Range of Maturities@	Weighted Average Maturity	Weighted Average Maturity	Weighted Average Coupon
1	2	3	4	5	6	7	8	9
2018-19	6.56-8.12	6.84-8.28	7.26-8.41	7.77	1-37	14.73	10.40	7.81
2019-20	5.56-7.38	6.18-7.44	5.96-7.77	6.85	1-40	16.15	10.72	7.71
2020-21	3.79-5.87	5.15-6.53	4.46-7.19	5.79	1-40	14.49	11.31	7.27
2021-22	4.07-5.10	4.04-6.78	4.44-7.44	6.28	1-40	16.99	11.71	7.11
2022-23	5.43-7.45	5.21-7.52	5.65-7.90	7.32	1-40	16.05	11.94	7.26
2023-24	6.89-7.39	6.98-7.40	7.07-7.57	7.24	3-50	18.09	12.54	7.29
2024-25	6.61-7.25	6.69-7.19	6.78-7.34	6.96	3-50	20.66	13.24	7.25

@: Residual maturity of issuance and figures are rounded off.
*: Excluding special securities. ^: Excluding switch auction. #: Including switch auction.
Source: RBI.

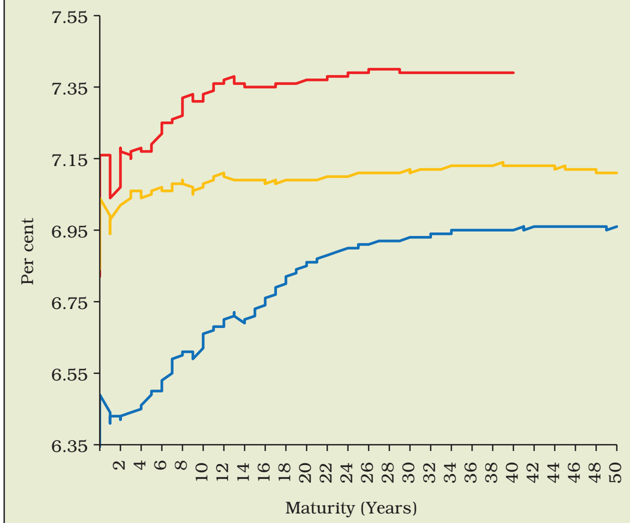
VII.13 G-secs yields softened during the year driven by various factors, *viz.*, decline in inflation, expectation of monetary policy easing, continuation of fiscal consolidation, the Reserve Bank's liquidity injection measures, increased FPI investments aided by inclusion of G-secs in global bond indices, fall in crude oil prices and start of monetary easing by major central banks (see Section 5 of Chapter II). Overall, the 10-year yield softened by 45 bps in 2024-25 (Chart VII.1).

VII.14 During 2024-25, about 55.3 per cent of the market borrowing was through issuance of dated securities, with a residual maturity of 10 years and above as compared with 52.1 per cent in the previous year (Table VII.3).

Treasury Bills (T-Bills)

VII.15 Short-term cash requirements of the central government are met through issuance of auction treasury bills (ATBs). During 2024-25, the net short-term issuance of ATBs (91,182 and 364 days) declined to ₹(-)81,281 crore as against ₹48,349 crore in the previous year.

Chart VII.1: FBIL Semi Annualised Par Yield Curve



Source: FBIL.

Ownership of Securities

VII.16 Commercial banks remained the largest holders of G-secs (including T-Bills and SGS) accounting for 36.4 per cent as at end-March 2025, followed by insurance companies (24.3 per cent), provident funds (10.6 per cent) and the Reserve Bank (8.1 per cent). The share of foreign portfolio investors was 1.9 per cent. The other holders of G-secs (including T-Bills and SGS) include mutual funds, state governments, financial institutions, corporates and others.

Table VII.3: Issuance of Government of India Dated Securities – Maturity Pattern

(Amount in ₹ lakh crore)

Residual Maturity	2022-23		2023-24		2024-25	
	Amount Raised	Percentage to Total	Amount Raised	Percentage to Total	Amount Raised	Percentage to Total
1	2	3	4	5	6	7
Less than 5 Years	2.7	19.0	2.5	16.5	1.9	13.4
5 - 9.99 Years	4.6	32.1	4.8	31.4	4.4	31.3
10 -14.99 Years	2.9	20.1	2.8	17.8	2.1	15.5
15 Years & Above	4.1	28.8	5.3	34.3	5.6	39.8
Total	**14.2**	**100.0**	**15.4**	**100.0**	**14.0**	**100.0**

Note: Figures in the columns might not add up to the total due to rounding off of numbers.
Source: RBI.

Primary Dealers (PDs)

VII.17 The number of PDs stood at 21 [14 bank-PDs and 7 standalone PDs (SPDs)]. The PDs have the mandate to underwrite primary auctions of dated G-secs, while they have a target of achieving bidding commitment and success ratio in respect of primary auctions of T-Bills/cash management bills (CMBs). PDs achieved an average success ratio of 66.7 per cent in H1:2024-25 and 64.2 per cent in H2:2024-25. The share of amount allotted to PDs in auctions of T-Bills was 74.8 per cent during 2024-25 as compared with 69.4 per cent in the previous year. The commission paid to PDs, including GST, for underwriting primary auctions of dated G-secs during 2024-25 was ₹15.8 crore as compared with ₹48.5 crore during 2023-24.

Floating Rate Savings Bond, 2020 (Taxable) [FRSB, 2020 (T)] Scheme

VII.18 During the year, ₹5,503 crore was raised through issuance of the FRSB, 2020 (T), of which, ₹346 crore was raised through the Reserve Bank's 'Retail Direct'.

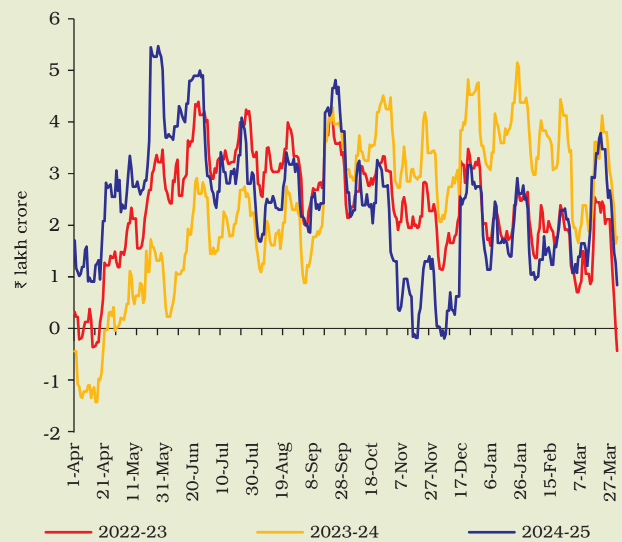
Cash Management of the Central Government

VII.19 The ways and means advances (WMA) limit of the central government was fixed at ₹1.5 lakh crore and ₹0.5 lakh crore for H1 and H2 of 2024-25, respectively. The cash balance of the central government remained in surplus during most part of the year. The central government resorted to WMA for 8 days during 2024-25 as compared with 24 days in the previous year (Chart VII.2).

Investments under Foreign Central Bank (FCB) Scheme

VII.20 Under the FCB scheme, the Reserve Bank invests in Indian G-secs on behalf of select FCBs and multilateral development institutions in the secondary G-sec market. Total volume transacted on behalf of these institutions stood at ₹730 crore (face value) during 2024-25 as compared to ₹920 crore (face value) in the previous year.

Chart VII.2: GoI Cash Balance Position



Source: RBI.

Debt Management of State Governments

VII.21 Following the recommendations of the 14th Finance Commission to exclude most of the states from the National Small Savings Fund (NSSF) financing facility, market borrowings of states have increased over the last few years. The share of market borrowings in financing the gross fiscal deficit of states rose to 79 per cent in 2024-25 (BE) from 75.5 per cent in 2023-24 (RE).

VII.22 The gross market borrowings of states in 2024-25 stood at 81.9 per cent of the amount indicated in the quarterly indicative calendar. There were 835 issuances in 2024-25, of which, 100 were re-issuances (782 issuances in 2023-24, of which, 49 were re-issuances) [Table VII.4].

VII.23 The weighted average cut-off yield of SGS issuances during 2024-25 fell to 7.20 per cent from

Table VII.4: Market Borrowings of States through SGS

(Amount in ₹ crore)

Item	2021-22	2022-23	2023-24	2024-25
1	2	3	4	5
Gross Sanctions under Article 293(3)	8,95,166	8,80,779	11,29,295	11,73,714
Gross Amount Raised during the Year	7,01,626	7,58,392	10,07,058	10,73,310
Redemptions during the Year	2,09,143	2,39,562	2,89,918	3,19,965
Net Amount Raised during the Year	4,92,483	5,18,830	7,17,140	7,53,345
Amount Raised during the Year to Gross Sanctions (per cent)	78.4	86.1	89.2	91.4
Outstanding (at the end of period)#	44,10,254	49,29,083	56,46,222	63,99,567

#: Including *Ujjwal* DISCOM Assurance *Yojana* (UDAY) bonds and other special securities.
Source: RBI.

7.52 per cent in the previous year. The weighted average spread (WAS) of SGS issuances over comparable maturity of the central government securities was 30 bps in 2024-25 as compared to 31 bps in the previous year. In 2024-25, 25 states and two UTs issued dated securities of tenors other than 10 years, ranging from 2 to 35 years. The average inter-state spread on securities of 10-year tenor (fresh issuances) was 4 bps in 2024-25, as compared to 3 bps in 2023-24.

VII.24 During 2024-25, 16 states/UTs availed special drawing facility (SDF), 13 states/UTs resorted to WMA and 9 states/UTs availed OD.

VII.25 The limits for financial accommodation provided by the Reserve Bank to state governments/UTs through SDF and WMA were reviewed based on the recommendations of the Working Group on Consolidated Sinking Fund (CSF) and Guarantee Redemption Fund (GRF); and the Group on Review of Ways and Means Advances to the State Governments, respectively (Box VII.1). The revised SDF/WMA limits were made effective from July 1, 2024.

Box VII.1

Review of Financial Accommodation Facilities for the State Governments

In terms of Section 17(5) of the Reserve Bank of India Act, 1934, the Reserve Bank provides short-term financial accommodation facilities, not exceeding three months from the date of making of the advance, to the states to tide over temporary mismatches in their cash flows.

Presently, financial accommodation facilities to the states from the Reserve Bank are available in the form of SDF, WMA and OD. SDF is a collateralised facility available to the states at concessional rates[1] against their investment in CSF/GRF/auction treasury bills (ATBs). WMA and OD are uncollateralised facilities available at rates higher[2] than that applicable for SDF. The financial accommodation facilities available to the state governments can be availed in order of first SDF followed by WMA and OD.

(Contd.)

1 SDF against investment in CSF/ GRF is available at repo rate *minus* 200 bps, while SDF against investment in ATBs is available at repo rate *minus* 100 bps.

2 WMA up to its pre-fixed limits but outstanding up to 3 months from date of making advance is available at the prevailing repo rate, while WMA outstanding beyond 3 months from date of making advance is available at repo rate *plus* 100 bps. The OD beyond the WMA limits is available at the prevailing repo rate *plus* 200 bps and at the prevailing repo rate *plus* 500 bps if OD exceeds 100 per cent of WMA limits.

During the 33rd Conference of the State Finance Secretaries held on July 6, 2023, members requested for a revision in the WMA limits on account of rise in expenditure post pandemic. Accordingly, the Reserve Bank constituted a Group of select State Finance Secretaries to review the WMA limits of the states based on the latest expenditure data. The Group analysed the expenditure data for the three-year period from 2019-20 to 2021-22 and based on the methodology adopted by the Sudhir Shrivastava Committee[3], recommended an increase in aggregate WMA limit for states to ₹60,118 crore from the extant limit of ₹47,010 crore. Accepting the recommendations of the Group, the Reserve Bank revised the WMA limits of the states/UTs. Further, based on the recommendation of the Working Group[4] on CSF and GRF, the methodology to determine the SDF limits of the state governments against their investment in CSF/GRF/ATBs has also been revised. The revised maximum limit of SDF that can be availed by the states/UTs against the investments held under CSF/GRF shall be 50 per cent of the lower of (i) outstanding balance of the funds as on the last date of the second preceding quarter, and (ii) the current balance held in CSF/GRF. For investments held in ATBs, the maximum limit of SDF shall be 50 per cent of the lower of (i) outstanding balance in ATBs (91/182/364 days) as on the last date of the second preceding quarter, and (ii) the current ATB balance.

Source: RBI.

VII.26 The day end surplus cash balance above the minimum required to be maintained by any state/UTs gets auto-invested in 14 days intermediate treasury bills (ITBs). States/UTs are also permitted to invest in ATBs through primary auctions under the non-competitive bidding facility. The outstanding investments in ITBs moderated during the year 2024-25 (Table VII.5).

VII.27 Capacity building programmes (CBPs) on cash and debt management were conducted for five states. In addition, a two-day CBP was also conducted at the Reserve Bank's College of Agricultural Banking, Pune, in January 2025 which was attended by officials from 14 states.

Investments in Consolidated Sinking Fund (CSF)/ Guarantee Redemption Fund (GRF) and Budget Stabilisation Fund (BSF)

VII.28 The Reserve Bank manages two reserve fund schemes on behalf of states – the CSF and the GRF. Currently, 25 states and two UTs have set up CSF, while 21 states and one UT have set up GRF. Besides CSF/GRF, the Reserve Bank also

Table VII.5: Investments in ITBs and ATBs by State Governments/UTs

(₹ crore)

Item	Outstanding as on March 31				
	2021	2022	2023	2024	2025
1	2	3	4	5	6
14-Day (ITBs)	2,05,230	2,16,272	2,12,758	2,66,805	1,88,072
ATBs	41,293	87,400	58,913	51,258	88,781
Total	**2,46,523**	**3,03,672**	**2,71,671**	**3,18,063**	**2,76,853**

Source: RBI.

3 Advisory Committee (Chairman: Shri Sudhir Shrivastava) on Ways and Means Advances to State Governments submitted the Report to the Reserve Bank on March 24, 2021.

4 The Working Group to review the CSF/GRF was constituted during the 32nd Conference of State Finance Secretaries held on July 7, 2022.

maintains BSF for the state government of Odisha. Outstanding investments by member states in the CSF and GRF as at end-March 2025 stood at ₹2,40,348 crore and ₹16,019 crore, respectively, as against ₹2,06,441 crore and ₹12,259 crore, respectively, as at end-March, 2024.

3. Agenda for 2025-26

VII.29 During 2025-26, the market borrowing programme is proposed to be conducted with the following strategic milestones to achieve the overall goals of debt management:

- Expanding the bidding and payment options available to retail investors under the RBI 'Retail Direct' portal/application; and
- Extending API facility for seamless transfer of G-secs between demat accounts and Retail Direct Gilt (RDG) accounts.

4. Conclusion

VII.30 During the year, the market borrowings of the central and state governments were completed successfully amidst global financial volatility and geopolitical tensions. The market borrowing programme for 2025-26 will be managed in an orderly manner taking into account the government's fiscal deficit goals and evolving market conditions. The Reserve Bank would continue to ensure smooth conduct of the market borrowing programme based on the guiding principles of cost optimisation, risk mitigation and market development.

VIII CURRENCY MANAGEMENT

During 2024-25, initiatives were undertaken towards modernisation of the currency management architecture. Maintaining adequate supply of clean banknotes in circulation, sustaining the self-sufficiency in banknote production, strengthening the integrity of banknotes through research, and improving methodologies for assessing the future demand for banknotes remained key priorities.

VIII.1 The Reserve Bank remained committed during the year to ensure sufficient supply of clean banknotes and coins to meet the demand for cash from the public. Withdrawal of ₹2000 denomination banknotes initiated in 2023-24 continued during the year. The plan to modernise the currency management infrastructure in the country was taken forward during the year. An exercise to standardise the Note Sorting Machines (NSMs) being used across the currency ecosystem was undertaken in collaboration with the Bureau of Indian Standards (BIS). A research project commissioned by the Department of Currency Management (DCM) on sustainable use of banknote shreds yielded positive results and the process is being actively taken forward.

VIII.2 Against this backdrop, the rest of the chapter is organised into five sections. Section 2 covers the implementation status of the agenda for 2024-25, followed by important developments in currency in circulation along with other initiatives in section 3. The developments with regard to Bharatiya Reserve Bank Note Mudran Pvt. Ltd. (BRBNMPL), a wholly owned subsidiary of the Reserve Bank, are given in section 4. The Department's agenda for 2025-26 is provided in section 5 with concluding observations towards end of the chapter.

2. Agenda for 2024-25

VIII.3 The Department had set out the following goals for 2024-25:

- Carrying forward the project on modernisation of the currency management infrastructure (Paragraph VIII.4);
- Exploring more sustainable and eco-friendly disposal of currency note briquettes (Paragraph VIII.5);
- Finetuning policies and initiating measures for improving delivery of banknotes/coins to members of the public (Paragraph VIII.6); and
- Implementation of technical standards issued by BIS for NSMs used by banks across the country (Paragraph VIII.7).

Implementation Status

VIII.4 The Reserve Bank has embarked upon the project '*Sa-Mudra*' ("With Currency"), involving multiple stakeholders for redesigning and modernising the currency management architecture in the country using network optimisation, technological solutions, automation and business process re-engineering. The underlying objective is to attain better process efficiency, clean note policy enforcement, better security, and green shift in currency management operations. A task force has been set up to implement this project. In view of the enormity and complexities involved, it has been decided to implement the project in a phased manner.

VIII.5 With a view to move up the sustainability value chain for disposal of soiled banknotes, the Department undertook a project for identifying alternate usage of the banknote shreds. Following research and field level trials, it has been established that the banknote shreds can be used to supplement the raw material for manufacturing of particle boards. Accordingly, a process has been initiated for empanelment of particle board manufacturers who will procure briquettes for end use as raw material in partial replacement of wood particles in their boards (Box VIII.1).

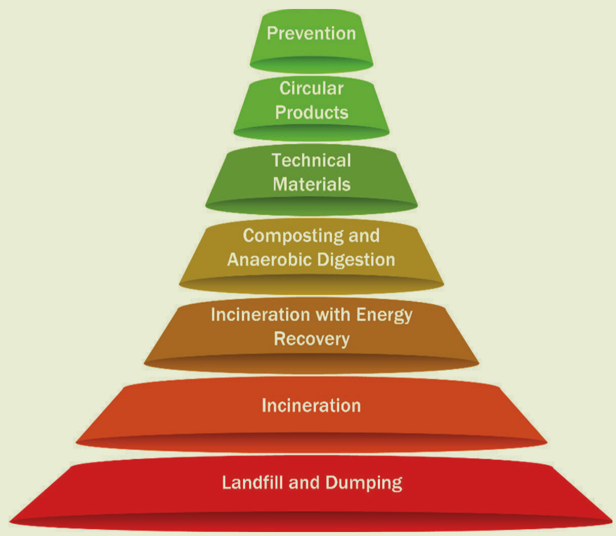
Box VIII.1
Sustainable Use of Banknote Shreds/Briquettes

In consideration of the environmental impact of the ingredients embedded in banknote paper substrate such as security threads and fibres, security inks and other chemicals used in banknote printing; the Reserve Bank has been exploring sustainable and eco-friendly solutions for disposal of the banknote briquettes. Over the past few years, the quantum of banknote briquettes produced in India annually has hovered around 15,000 tonnes.

Current Global Practices in Banknote Shred Disposal

Globally, central banks as well as other authorities responsible for managing currency operations deploy different methods for disposal of banknote shreds, with a vast majority disposing them in landfills or through incineration (Chart 1). However, these methods are not environment friendly, may affect soil and/or generally degrade the environment owing to the chemical and elemental properties of banknotes.

Chart 1: Various Uses of Banknote Shreds



Source: M/s Royal Dutch Kusters Engineering, 'Waste Recovery Pyramid (Value Chain of Disposal) of Banknote Shred/Briquettes', Netherlands.

In comparison to the primitive disposal methods such as dumping the banknote shreds in landfill and incinerating them as fuel substitutes, re-usage of the soiled banknote shreds for fabricating certain long-lasting materials (such as board panels, materials for interior design, particle board furniture and acoustic applications) is found to be more sustainable.

Study Project with Institute of Wood Science and Technology (IWST)

The Department commissioned a study by IWST[1] for 'Evaluation of Suitability of Banknote Briquettes Replacement with Wood Particles to Manufacture Particle Boards'. The study established that particle boards created with currency briquette particles would conform to the technical requirements of particle board.

Based on the findings of the study, the Reserve Bank has initiated a process for empanelment of particle board manufacturers who will procure briquettes for end use as partial replacement of wood particles in their boards. Going forward, the Department would continue to actively pursue its initiatives towards finding more environment-friendly ways for disposal of banknote shred/briquettes.

Source: RBI.

[1] Institute of Wood Science and Technology is an autonomous body under the Ministry of Environment, Forest and Climate Change, Government of India.

VIII.6 The Reserve Bank undertook various initiatives to improve the circulation of coins such as their distribution and exchange of lower denomination notes through Mobile Coin Vans (MCVs), coin *melas* and packaging of coins in value-based small pouches.

VIII.7 In pursuance of the clean note policy, the Reserve Bank has issued instructions on 'Note Authentication and Fitness Sorting Parameters' for NSMs installed in the banks. However, lack of uniformity in sorting of banknotes was observed due to non-standardisation of NSMs in use by the banks. To address this issue, BIS, at the Reserve Bank's initiative, framed and issued IS 18663:2024 titled 'Note Sorting Machines - Specifications' in March 2024. The laboratory facility of BIS is being leveraged for certification of NSMs that duly meet the standards and performance testing parameters. Banks have also been advised to deploy only such NSM models that conform to these standards and are duly certified by BIS beginning November 1, 2025.

3. Developments in Currency in Circulation

VIII.8 Currency in circulation includes banknotes, central bank digital currency (CBDC) and coins. Presently, banknotes in circulation comprise denominations of ₹2, ₹5, ₹10, ₹20, ₹50, ₹100, ₹200, ₹500 and ₹2000. The Reserve Bank is no longer printing banknotes of denominations of ₹2, ₹5 and ₹2000. Coins in circulation comprise denominations of 50 paise and ₹1, ₹2, ₹5, ₹10 and ₹20.

Banknotes

VIII.9 The value and volume of banknotes in circulation increased by 6.0 per cent and 5.6 per cent, respectively, during 2024-25 (Table VIII.1). During 2024-25, the share of ₹500 banknotes at

Table VIII.1: Banknotes in Circulation (end-March)

Denomination (₹)	Volume (pieces in lakh)			Value (₹ crore)		
	2023	2024	2025	2023	2024	2025
1	2	3	4	5	6	7
2 and 5	1,10,843	1,10,547	1,10,352	4,263	4,249	4,239
	(8.1)	(7.5)	(7.1)	(0.1)	(0.1)	(0.1)
10	2,62,123	2,49,506	2,53,590	26,212	24,951	25,359
	(19.2)	(17.0)	(16.4)	(0.8)	(0.7)	(0.7)
20	1,25,802	1,33,973	1,38,398	25,160	26,795	27,680
	(9.2)	(9.1)	(8.9)	(0.8)	(0.8)	(0.8)
50	85,716	89,783	98,959	42,858	44,892	49,480
	(6.3)	(6.1)	(6.4)	(1.3)	(1.3)	(1.3)
100	1,80,584	2,05,656	2,27,891	1,80,584	2,05,656	2,27,891
	(13.3)	(14.0)	(14.7)	(5.4)	(5.9)	(6.2)
200	62,620	77,108	86,754	1,25,241	1,54,215	1,73,509
	(4.6)	(5.2)	(5.6)	(3.7)	(4.4)	(4.7)
500	5,16,338	6,01,770	6,34,458	25,81,690	30,08,847	31,72,287
	(37.9)	(41.0)	(40.9)	(77.1)	(86.5)	(86.0)
2000	18,111	410	318	3,62,220	8,202	6,366
	(1.3)	(0.03)	(0.02)	(10.8)	(0.2)	(0.2)
Total	**13,62,137**	**14,68,754**	**15,50,720**	**33,48,228**	**34,77,805**	**36,86,811**

Note: 1. Figures in parentheses represent the percentage share in total volume/value.
2. Figures may not add up to total due to rounding off of numbers.
Source: RBI.

86 per cent, declined marginally in value terms. In volume terms, ₹500 denomination at 40.9 per cent, constituted the highest share of the total banknotes in circulation, followed by ₹10 denomination banknotes at 16.4 per cent. The lower denomination banknotes (₹10, ₹20 and ₹50) together constituted 31.7 per cent of total banknotes in circulation by volume.

Withdrawal of ₹2000 Denomination Banknotes from Circulation

VIII.10 The withdrawal of ₹2000 banknotes from circulation, initiated in terms of press release dated May 19, 2023, continued during the year and 98.2 per cent of ₹3.56 lakh crore in circulation at the time of announcement have returned to the banking system up to March 31, 2025. The facility for exchange and deposit of the ₹2000 banknotes is presently available at 19 issue offices[2] of the Reserve Bank. The ₹2000 banknotes can also be sent through India Post to any of the 19 issue offices for credit to bank accounts in India.

Coins

VIII.11 The value and volume of coins in circulation increased by 9.6 per cent and 3.6 per cent, respectively, during 2024-25 (Table VIII.2). As on March 31, 2025, coins of ₹1, ₹2, and ₹5 together constituted 81.6 per cent of the total volume of coins in circulation, while in value terms, these denominations accounted for 64.2 per cent.

e₹ in Circulation

VIII.12 The value of e₹ in circulation increased by 334 per cent during 2024-25 (Table VIII.3).

Currency Management Infrastructure

VIII.13 The functions relating to issuance of currency (*i.e.,* banknotes and coins) and their management are performed by the Reserve Bank through its 19 issue offices, 2,689 currency chests and 2,299 small coin depots across the country. As on March 31, 2025, State Bank of India accounted for the highest share of currency chests (Table VIII.4).

Table VIII.2: Coins in Circulation (end-March)

Denomination (₹)	Volume (pieces in lakh)			Value (₹ crore)		
	2023	2024	2025	2023	2024	2025
1	2	3	4	5	6	7
Small coins	1,47,880 (11.6)	1,47,880 (11.2)	1,47,880 (10.8)	700 (2.3)	700 (2.1)	700 (1.9)
1	5,21,618 (40.8)	5,29,934 (40.0)	5,38,720 (39.3)	5,216 (17.2)	5,299 (15.9)	5,387 (14.7)
2	3,47,277 (27.1)	3,55,929 (26.9)	3,64,605 (26.6)	6,946 (23.0)	7,119 (21.3)	7,292 (19.9)
5	1,94,155 (15.2)	2,05,471 (15.5)	2,16,198 (15.8)	9,708 (32.1)	10,274 (30.8)	10,810 (29.5)
10	59,764 (4.7)	68,637 (5.2)	83,636 (6.1)	5,976 (19.8)	6,864 (20.6)	8,364 (22.9)
20	8,483 (0.7)	15,667 (1.2)	20,180 (1.5)	1,697 (5.6)	3,133 (9.4)	4,036 (11.0)
Total	**12,79,178**	**13,23,518**	**13,71,218**	**30,242**	**33,389**	**36,589**

Note: 1. Figures in parentheses represent the percentage share in total volume/value.
2. Figures may not add up to total due to rounding off of numbers.
Source: RBI.

[2] Ahmedabad, Belapur, Bengaluru, Bhopal, Bhubaneswar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Jammu, Kanpur, Kolkata, Lucknow, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram.

Table VIII.3: e₹ in Circulation (end-March)

e₹	Denomintion (₹)	Volume (pieces in lakh)			Value (₹ crore)		
		2023	2024	2025	2023	2024	2025
1	2	3	4	5	6	7	8
e₹-R	0.5	2.7	18.4	23.0	0.01	0.09	0.11
		(16.1)	(7.7)	(4.7)	(0.2)	(0.04)	(0.01)
	1	3.8	37.3	45.7	0.04	0.37	0.46
		(22.2)	(15.7)	(9.3)	(0.7)	(0.2)	(0.05)
	2	2.8	27.1	38.8	0.06	0.54	0.78
		(16.2)	(11.4)	(7.8)	(1.0)	(0.2)	(0.08)
	5	2.4	27.3	35.4	0.12	1.37	1.77
		(13.9)	(11.5)	(7.2)	(2.1)	(0.6)	(0.2)
	10	1.5	21.4	30.6	0.15	2.14	3.06
		(8.8)	(9.0)	(6.2)	(2.6)	(0.9)	(0.3)
	20	1.2	19.7	32.0	0.23	3.94	6.39
		(6.8)	(8.3)	(6.5)	(4.1)	(1.7)	(0.6)
	50	0.8	17.0	33.3	0.39	8.49	16.64
		(4.6)	(7.1)	(6.7)	(6.9)	(3.6)	(1.6)
	100	0.8	20.7	38.2	0.83	20.73	38.23
		(4.8)	(8.7)	(7.7)	(14.5)	(8.9)	(3.8)
	200	0.6	16.0	45.7	1.16	32.01	91.33
		(3.4)	(6.7)	(9.2)	(20.4)	(13.7)	(9.0)
	500	0.5	32.9	171.5	2.71	164.36	857.68
		(3.2)	(13.8)	(34.7)	(47.5)	(70.2)	(84.4)
	2000	-	-	-	-	-	-
Total e₹-R		17.1	237.8	494.1	5.7	234.0	1,016.5
Total e₹-W		…	…	…	10.7	0.08	-
Total e₹		**17.1**	**237.8**	**494.1**	**16.4**	**234.1**	**1,016.5**

-: Nil. e₹-R: e₹-Retail. e₹-W: e₹-Wholesale. …: Not applicable.
Note: 1. Figures in parentheses represent the percentage share in total volume/value.
2. Figures may not add up to total due to rounding off of numbers.
Source: RBI.

Table VIII.4: Currency Chests and Small Coin Depots (end-March 2025)

Category	Number of Currency Chests	Number of Small Coin Depots
1	2	3
State Bank of India	1,372	1,221
Nationalised Banks	1,072	869
Private Sector Banks	227	193
Cooperative Banks	5	5
Foreign Banks	5	3
Regional Rural Banks	7	7
Reserve Bank of India	1	1
Total	**2,689**	**2,299**

Source: RBI.

Indent and Supply of Currency

VIII.14 The volume of indent of banknotes and coins for 2024-25 was higher than 2023-24 (Tables VIII.5 and VIII.6). The printing presses supplied banknotes as per indent placed with them.

Disposal of Soiled Banknotes

VIII.15 The disposal of soiled banknotes increased by 12.3 per cent during 2024-25 as compared with the previous year (Table VIII.7).

Counterfeit Notes

VIII.16 During 2024-25, out of the total Fake Indian Currency Notes (FICNs) detected in the banking sector, 4.7 per cent were detected at the Reserve Bank (Table VIII.8).

VIII.17 The counterfeit notes detected in the denominations of ₹10, ₹20, ₹50, ₹100 and ₹2000 declined during 2024-25, while those in ₹200

Table VIII.5: Indent and Supply of Banknotes by BRBNMPL and SPMCIL (April-March)

(Pieces in lakh)

Denom-ination (₹)	2022-23		2023-24		2024-25	
	Indent	Supply	Indent	Supply	Indent	Supply
1	2	3	4	5	6	7
5	-	-	-	-	-	-
10	6,000	6,000	8,000	8,000	18,000	18,000
20	20,000	19,999	20,000	20,000	15,000	15,000
50	20,000	20,000	25,000	25,000	30,000	30,000
100	60,000	60,000	70,000	70,000	80,000	80,000
200	20,000	20,000	30,000	30,000	40,000	40,000
500	1,00,000	1,00,004	90,000	90,000	1,20,000	1,20,000
2000	-	-	-	-	-	-
Total	**2,26,000**	**2,26,002**	**2,43,000**	**2,43,000**	**3,03,000**	**3,03,000**

-: Nil
BRBNMPL: Bharatiya Reserve Bank Note Mudran Pvt. Ltd.
SPMCIL: Security Printing and Minting Corporation of India Ltd.
Note: Figures may not add up to total due to rounding off of numbers.
Source: RBI.

Table VIII.6: Indent and Supply of Coins by Mints (April-March)

(Pieces in lakh)

Denomination (₹)	2022-23		2023-24		2024-25	
	Indent	Supply	Indent	Supply	Indent	Supply
1	2	3	4	5	7	8
1	1,000	1,000	3,000	3,058	1,000	1,000
2	3,000	3,000	3,000	3,000	1,000	1,000
5	3,000	3,000	3,000	3,000	8,000	8,000
10	1,000	1,002	1,000	1,000	1,000	1,000
20	2,000	2,000	2,000	1,999	4,000	4,000
Total	**10,000**	**10,002**	**12,000**	**12,056**	**15,000**	**15,000**

Note: Figures may not add up to total due to rounding off of numbers.
Source: RBI.

and ₹500 denominations increased by 13.9 and 37.3 per cent, respectively, as compared with the previous year (Table VIII.9).

Expenditure on Security Printing

VIII.18 The expenditure incurred on security printing during 2024-25 was ₹6,372.8 crore as against ₹5,101.4 crore during the previous year mainly due to increase in indent for printing of banknotes.

Table VIII.7: Disposal of Soiled Banknotes (April-March)

(Pieces in lakh)

Denomination (₹)	2022-23	2023-24	2024-25
1	2	3	4
2000	4,824	18,458	2,211
1000	-	4	-
500	51,092	63,320	89,855
200	13,062	13,594	24,756
100	58,282	60,217	58,334
50	34,219	19,095	25,720
20	21,393	13,971	16,503
10	45,077	23,461	20,799
Up to 5	1,315	370	384
Total	**2,29,264**	**2,12,493**	**2,38,563**

-: Nil.
Note: Figures may not add up to total due to rounding off of numbers.
Source: RBI.

Other Initiatives

Awareness Campaign on Coins, Mobile Aided Note Identifier (MANI) and Exchange Facility for Soiled Banknotes

VIII.19 During the year, the Reserve Bank conducted awareness campaigns through digital media, social media and All India Radio (AIR) to increase awareness about coins among members of the public. The Reserve Bank also conducted awareness campaign for the visually impaired through AIR about MANI App which facilitates identification of denomination of Indian banknotes. Further, print, digital and

Table VIII.8: Number of Counterfeit Notes Detected (April-March)

(Number of pieces)

	2022-23	2023-24	2024-25
1	2	3	4
Detection at the Reserve Bank	10,465 (4.6)	17,613 (7.9)	10,255 (4.7)
Detection at Other Banks	2,15,304 (95.4)	2,05,026 (92.1)	2,07,141 (95.3)
Total	**2,25,769**	**2,22,639**	**2,17,396**

Note: 1. Figures in parentheses represent the percentage share in total.
2. Does not include counterfeit notes seized by the police and other enforcement agencies.
Source: RBI.

Table VIII.9: Denomination-wise Counterfeit Notes Detected in the Banking System (April-March)

(Number of pieces)

Denomination (₹)	2022-23	2023-24	2024-25
1	2	3	4
2 and 5	3	1	3
10	313	235	159
20	337	297	253
50	17,755	15,366	12,015
100	78,699	66,310	51,069
200	27,258	28,672	32,660
500 (Specified Banknotes)	6	11	5
500	91,110	85,711	1,17,722
1000 (Specified Banknotes)	482	1	2
2000	9,806	26,035	3,508
Total	**2,25,769**	**2,22,639**	**2,17,396**

Source: RBI.

social media campaigns were organised for creating awareness on exchange facility for soiled notes.

Procurement of New Security Features for Indian Banknotes

VIII.20 The Reserve Bank is actively taking forward the process of introduction of new/upgraded security features for banknotes.

Indigenisation of Inputs for Banknote Production

VIII.21 To reduce dependencies on foreign sources, the Reserve Bank has actively pursued indigenisation of banknote production over the years. With persistent efforts, all the primary raw materials used for the production of banknotes, *i.e.*, banknote paper, all types of inks (offset, numbering, intaglio and colour-shifting intaglio ink) and all other security features are now being procured from domestic sources.

4. Bharatiya Reserve Bank Note Mudran Pvt. Ltd. (BRBNMPL)

VIII.22 The BRBNMPL has been playing a critical role in designing, printing and supply of banknotes. BRBNMPL, a subsidiary of the Reserve Bank, has been a partner in the implementation of the Reserve Bank's strategic goal of indigenisation of banknote production. It has also been consistently focusing on enhancing logistics efficiency and bringing cost effectiveness by increasing direct remittances to various currency chests. BRBNMPL has established learning and development centre at its Mysuru campus, which is primarily focused on imparting and sharing banknote printing and allied knowledge to the domestic as well as global stakeholders.

VIII.23 For conducting advanced testing of security features of Indian banknotes, counterfeit deterrence tests, forensic/scientific analysis of forged notes, ethical counterfeiting of notes through the use of latest available tools and technologies and for the development of security/design features for Indian banknotes, a Currency Research and Development Centre (CRDC) has been set up under the administrative control of BRBNMPL.

5. Agenda for 2025-26

VIII.24 During the year, the Department will focus on the following:

- Carrying forward the project on modernisation of the currency management infrastructure;
- Strengthening the integrity of Indian banknotes through introduction of new/upgraded security features;

- Installation and commencement of operation of new SBS machines;
- Capacity augmentation for processing of banknotes; and
- Understanding the payment behaviour of the public through survey.

6. Conclusion

VIII.25 During 2024-25, the Reserve Bank continued its efforts to improve the efficiency of banknote and coin distribution, raise public awareness about security features of banknotes and acceptance of coins, and ensure adequate supply of clean currency notes for the public. Action towards modernisation and automation of currency management infrastructure also gained momentum. Going forward, sustaining self-sufficiency in banknote production, analytical and developmental currency research towards further strengthening the life and integrity of banknotes and understanding the trends in public preference for cash *vis-à-vis* other modes of payment shall continue to remain key focus areas.

IX PAYMENT AND SETTLEMENT SYSTEMS AND INFORMATION TECHNOLOGY

The Reserve Bank continued with its initiatives during 2024-25 to enhance the efficiency, security, and accessibility of payment systems, fostering a more inclusive and resilient digital payments ecosystem. Efforts towards accelerating global outreach of India's domestic payment systems, particularly Unified Payments Interface (UPI) and RuPay cards, were sustained. The Reserve Bank seeks to leverage the latest technology to provide the best-in-class information and communication technology (ICT) infrastructure.

IX.1 Building on the foundations of the Payments Vision documents[1], the Reserve Bank focused on expanding digital payment adoption across all segments of society by promoting innovation and a supportive regulatory framework. The year witnessed greater emphasis on cyber resilience and payment security controls of payment system operators (PSOs), fraud prevention and consumer awareness to ensure a safe and seamless experience for users. On the global front, the Reserve Bank explored various avenues for expanding the global outreach of UPI and RuPay cards.

IX.2 The Department of Information Technology (DIT) made significant advancements during the year in leveraging technology to enhance its operations, including the launch of PRAVAAH[2] - a centralised web-based portal for submission of applications to the Reserve Bank for seeking authorisation, licenses or regulatory approvals. Several initiatives were taken in the areas of expanding cloud infrastructure for the financial sector and strengthening cyber security.

IX.3 Against this backdrop, section 2 covers developments in the area of payment and settlement systems during 2024-25 and an assessment of the implementation status of the agenda for the year. Section 3 provides various measures undertaken by the DIT *vis-à-vis* the agenda set for 2024-25. The chapter has been summarised in section 4.

2. DEPARTMENT OF PAYMENT AND SETTLEMENT SYSTEMS (DPSS)

IX.4 During the year, DPSS launched many initiatives in line with Payments Vision 2025, across the pillars of integrity, inclusion, innovation, institutionalisation and internationalisation.

Payment Systems

IX.5 India's payment and settlement systems[3] recorded a robust growth of 34.8 per cent in terms of transaction volume during 2024-25 on top of the expansion of 44 per cent in the previous year (Table IX.1). In value terms, the growth was 17.3 per cent in 2024-25 as compared with 15.8 per cent in the previous year, mainly due to growth in

[1] Payments Vision documents were released by the Reserve Bank in 2005, 2009, 2010, 2012, 2016, 2019 and 2022 to provide strategic direction along with implementation roadmap to drive structured development of the payments ecosystem.

[2] Platform for Regulatory Application, Validation And AutHorisation.

[3] Total payments, including digital payments and paper-based instruments.

Table IX.1: Payment System Indicators - Annual Turnover (April-March)

Item	Volume (lakh)			Value (₹ lakh crore)		
	2022-23	2023-24	2024-25	2022-23	2023-24	2024-25
1	2	3	4	5	6	7
A. Settlement Systems						
CCIL Operated Systems	41	43	47	2,588.0	2,592.1	2,962.2
B. Payment Systems						
1. Large Value Credit Transfers - RTGS	**2,426**	**2,700**	**3,025**	**1,499.5**	**1,708.9**	**2,013.9**
Retail Segment (2 to 6)						
2. Credit Transfers	**9,83,621**	**14,86,107**	**20,61,015**	**550.1**	**675.4**	**797.8**
2.1 AePS (Fund Transfers)	6	4	4	0.004	0.003	0.002
2.2 APBS	17,834	25,888	32,964	2.5	3.9	5.5
2.3 ECS Cr	-	-	-	-	-	-
2.4 IMPS	56,533	60,053	56,250	55.9	65.0	71.4
2.5 NACH Cr	19,257	16,227	16,939	15.4	15.3	16.7
2.6 NEFT	52,847	72,640	96,198	337.2	391.4	443.6
2.7 UPI	8,37,144	13,11,295	18,58,660	139.1	200.0	260.6
3. Debit Transfers and Direct Debits	**15,343**	**18,250**	**21,660**	**12.9**	**16.9**	**22.1**
3.1 BHIM *Aadhaar* Pay	214	194	230	0.1	0.1	0.1
3.2 ECS Dr	-	-	-	-	-	-
3.3 NACH Dr	13,503	16,426	19,762	12.8	16.8	22.0
3.4 NETC (Linked to Bank Account)	1,626	1,629	1,668	0.03	0.03	0.02
4. Card Payments	**63,325**	**58,470**	**63,861**	**21.5**	**24.2**	**26.1**
4.1 Credit Cards	29,145	35,610	47,741	14.3	18.3	21.1
4.2 Debit Cards	34,179	22,860	16,120	7.2	5.9	5.0
5. Prepaid Payment Instruments	**74,667**	**78,775**	**70,254**	**2.9**	**2.8**	**2.2**
6. Paper-based Instruments	**7,109**	**6,632**	**6,095**	**71.7**	**72.1**	**71.1**
Total Retail Payments (2+3+4+5+6)	11,44,065	16,48,234	**22,22,885**	659.1	791.5	**919.3**
Total Payments (1+2+3+4+5+6)	11,46,491	16,50,934	**22,25,910**	2,158.6	2,500.4	**2,933.1**
Total Digital Payments (1+2+3+4+5)	**11,39,382**	**16,44,302**	**22,19,815**	**2,086.8**	**2,428.2**	**2,862.0**

CCIL : Clearing Corporation of India Ltd.
APBS : *Aadhaar* Payment Bridge System.
IMPS : Immediate Payment Service.
NEFT : National Electronic Funds Transfer.
NETC : National Electronic Toll Collection.
AePS : *Aadhaar* Enabled Payment System.
ECS : Electronic Clearing Service.
NACH : National Automated Clearing House.
BHIM : *Bharat* Interface for Money.
RTGS : Real Time Gross Settlement.
Cr : Credit.
Dr : Debit.
\- : Nil/Negligible.

Note: 1. RTGS system includes customer and inter-bank transactions only.
2. Settlements of government securities and forex transactions are through CCIL. Government securities include outright trades and both legs of repo transactions and triparty repo transactions.
3. The figures for cards are for payment transactions at Point of Sale (PoS) terminals and online.
4. Figures in the columns might not add up to the total due to rounding off of numbers.

Source: RBI.

the large value payment system, *viz.*, Real Time Gross Settlement (RTGS). The share of digital transactions in the total volume of non-cash retail payments was 99.9 per cent during 2024-25 (99.8 per cent a year ago).

Digital Payments

IX.6 During 2024-25, RTGS transactions increased by 12 per cent in volume terms and 17.8 per cent in value terms. The volume and value of retail transactions increased by 34.9 per cent and 16.1 per cent, respectively (Table IX.1). As on March 31, 2025, RTGS services were available through 1,73,688 IFSCs[4] of 250 member banks, while NEFT services were available through 1,74,762 IFSCs of 236 member banks.

IX.7 The retail payment system recorded robust growth in transaction volume as well as value in 2024-25 (Table IX.1). Amongst the retail payment system, UPI transactions increased by 41.7 per cent in terms of volume and 30.3 per cent in terms of value, while NEFT transactions rose by 32.4 per cent in terms of volume and 13.4 per cent in terms of value. In terms of volume, UPI transactions had the highest share (84 per cent) in total retail payments during 2024-25.

IX.8 Payments Infrastructure Development Fund (PIDF) aided the growth in digital payments during the year by subsidising the availability of acceptance infrastructure, especially in Tier III to Tier VI centres. During 2024-25, the number of point of sale (PoS) terminals increased by 24.7 per cent to 1.1 crore. UPI Quick Response (QR) codes increased by 91.5 per cent to 65.8 crore as on March 31, 2025.

Authorisation of Payment Systems

IX.9 During the year, the Reserve Bank accorded authorisation/approval to 26 online Payment Aggregators (PAs), five Payment Aggregators - Cross Border (PA-CB), 11 non-bank Prepaid Payment Instrument (PPI) issuers, one Trade Receivables and Discounting System (TReDS) entity and one white label ATM (WLA) operator, besides granting in-principle authorisation to a few other online PAs, PPIs and WLA operators. Moreover, the Reserve Bank also granted approval to four banks for PPI issuance during the year (Table IX.2).

Table IX.2: Authorisation of Payment System Operators (PSOs) [end-March]

(Number)

Entities	2024	2025
1	2	3
A. Non-Banks – Authorised		
PPI Issuers^	38	48
Payment Aggregators- Online$	22	46
Payment Aggregators – Cross Border	-	5
WLA Operators	4	5
Instant Money Transfer Service Providers	1	1
BBPCU [NPCI *Bharat* BillPay Ltd.(NBBL)]	1	1
BBPOUs	10	10
TReDS Platform Operators	4	5
MTSS Operators#	8	7
Card Networks	5	5
ATM Networks	2	2
Financial Market Infrastructure	1	1
Central Counterparties	1	1
Retail Payments Organisation	1	1
B. Banks – Approved		
PPI Issuers	59	63
BBPOUs	46	46
ATM Networks	3	3

$: Two entities surrendered their certificate of authorisation during the period.

#: Certificate of authorisation of one entity was revoked during the period.

^: Certificate of authorisation of one entity was cancelled as per regulatory requirement.

-: Nil.

Note: PSOs comprise PPI issuers, online Payment Aggregators (PAs-Online), Payment Aggregators - Cross Border (PA-CB), cross-border money transfer (in-bound only) service schemes (MTSS), WLA operators, TReDS platforms, ATM networks, instant money transfer service providers, card networks, *Bharat* Bill Payment Central Unit (BBPCU), *Bharat* Bill Payment Operating Units (BBPOUs) and central counterparty (CCP), besides the CCIL and the National Payments Corporation of India (NPCI).

Source: RBI.

4 Indian Financial System Codes.

Agenda for 2024-25

IX.10 The Department had set out the following goals for 2024-25:

- The Central Payments Fraud Information Registry (CPFIR) reporting to be extended to local area banks, state cooperative banks, district cooperative banks, regional rural banks (RRBs) and non-scheduled urban cooperative banks (UCBs) for payment fraud reporting (*Utkarsh* 2.0) [Paragraph IX.11];
- Cheque truncation system (CTS) had two settlements, one for presentation session and other for return session. Under on-realisation model, a single settlement would be arrived at after closure of return session for net position of each bank to improve liquidity efficiency of the CTS (Paragraph IX.12);
- In light of goals for *Viksit Bharat* 2047, the Reserve Bank, along with NPCI International Payments Ltd. (NIPL) will work towards taking UPI to 20 countries with initiation timeline of 2024-25 and completion timeline of 2028-29. Moreover, Fast Payment System (FPS) collaboration with group of countries like European Union and South Asian Association for Regional Cooperation (SAARC) as well as multilateral linkages will be explored (Paragraph IX.13);
- The prevailing payments ecosystem (card networks/banks/PPI entities) has largely adopted SMS-based one-time password (OTP) as additional factor of authentication (AFA). With the advancement in technology, various innovative solutions now available to address the fraud and friction in payments, an alternate risk-based authentication mechanism leveraging behavioural biometrics, location/historical payments, digital tokens, and in-app notifications will be explored (Paragraph IX.14); and
- The prevailing centralised payment systems (RTGS and NEFT) relied only on account number and IFSC for transfer of funds. With an aim to curb frauds and enhance the payment experience further, the introduction of real-time payee name validation before the actual fund transfer will be explored in compliance with newly enacted 'The Digital Personal Data Protection Act, 2023' (Paragraph IX.15).

Implementation Status

IX.11 CPFIR, a web-based payment related fraud reporting solution, has been implemented from March 31, 2020. CPFIR reporting was made available to all scheduled commercial banks (SCBs) [including small finance banks (SFBs) and payments banks (PBs)], non-bank PPI issuers and non-bank credit card issuers. The reporting has now been extended to 49 scheduled UCBs, all local area banks, 43 RRBs, 71 district central co-operative banks (DCCBs) and 234 non-scheduled UCBs. The remaining banks are being on-boarded to CPFIR reporting in a gradual manner.

IX.12 To improve the efficiency of cheque clearing, reduce settlement risk for participants and enhance customer experience, continuous clearing of cheques under CTS was announced in the statement on developmental and regulatory policies of the Reserve Bank (August

8, 2024). The approach paper and technical specification document on continuous clearing and on-realisation settlement under CTS were released to the CTS member banks by NPCI in August 2024. NPCI and banks are in the process of updating their systems, post which go-live will be scheduled. Once implemented, the cheque clearing cycle will reduce from the present T+1 day to a few hours.

IX.13 The Reserve Bank is committed towards the goal of taking UPI to 20 countries with a completion timeline of 2028-29 and has been facilitating the global outreach of expanding the footprint of UPI as well as the RuPay cards. The Reserve Bank has joined Project Nexus and is actively collaborating with other countries on interlinking of FPS (Box IX.1).

IX.14 To enable the payments ecosystem and leverage the technological advancements, the Reserve Bank issued a draft framework on 'Alternative Authentication Mechanisms for Digital Payment Transactions' on July 31, 2024.

IX.15 A circular on introduction of beneficiary bank account name look-up facility for RTGS and NEFT systems was issued on December 30, 2024. The facility shall enable the remitters using RTGS and NEFT systems to verify the name of the bank account to which money is being transferred before initiating the fund transfer and thereby avoid mistakes and prevent frauds. Based on the account number and IFSC of the beneficiary entered by the remitter, the facility will fetch the beneficiary's account name from the bank's Core Banking Solution (CBS). All banks who are direct members or sub members of RTGS and NEFT were advised to offer this facility no later than April 1, 2025.

Box IX.1

Project Nexus: A Multilateral Approach for Inter-linking Fast Payment Systems (FPS)

The Reserve Bank has been collaborating with various countries bilaterally to link India's FPS, *i.e.*, UPI, with their respective FPS for effecting payments in person-to-person (P2P) and person-to-merchant (P2M) modes. As of now, there are seven[5] countries which accept UPI for merchant payments while the linkage of UPI with PayNow, the FPS of Singapore, is live for personal remittances.

Bilateral linking of FPS comes with advantages like: (a) faster negotiation and implementation; (b) tailored solutions to address specific needs; and (c) refining the approach on an ongoing basis.

Another approach towards inter-linking FPS is the multilateral platform which has advantages in terms of resource optimisation, standardisation of procedures, and better scalability. Driven by these factors and to provide further impetus to the Reserve Bank's efforts in expanding the international connectivity of its payment systems, India joined Project Nexus in June 2024. Project Nexus is a multilateral international initiative, conceptualised by the Bank for International Settlements Innovation Hub (BISIH) to enable instant cross-border retail payments by inter-linking domestic FPS. Malaysia, Philippines, Singapore and Thailand, along with India, have joined Project Nexus as founding member countries, while Indonesia and European Central Bank (ECB) are the special observers. Once live, Project Nexus is expected to support the goals outlined in the G20 cross-border payments roadmap on enhancing speed, transparency and accessibility, while reducing costs.

Source: RBI.

[5] Bhutan, France, Mauritius, Nepal, Singapore, Sri Lanka and the United Arab Emirates (UAE).

Major Developments

Integrity

Domestic Money Transfer (DMT) – Review of Framework

IX.16 The framework for DMT was introduced in 2011 for opening up the formal banking channel to facilitate domestic fund transfers of small value, and users now have multiple digital options for funds transfer. Based on a review, the extant DMT framework was revised to enhance the safety of cash-based remittances by mandating due diligence process like: (a) registration of remitter with verified mobile number and officially valid document (OVD) as provided in 'Master Direction – Know Your Customer Directions, 2016'; (b) validation of each transaction with additional factor of authentication (AFA); and (c) use of identifiers to classify the transactions as cash-based remittances.

Updation of RTGS System Regulations and NEFT Procedural Guidelines

IX.17 The Reserve Bank revised the RTGS regulations and the NEFT procedural guidelines on October 25, 2024, which include instructions on access criteria for membership to centralised payment systems (CPS), periodic review of membership, adherence to cyber security guidelines by CPS members on an ongoing basis and instructions from extant circulars concerning RTGS and NEFT.

Revision of Central Counterparties (CCPs) Directions, 2024

IX.18 The Reserve Bank repealed 'Directions for CCPs' dated June 12, 2019 and issued the revised 'Directions for CCPs' on October 28, 2024 to strengthen corporate governance in CCPs. Some of the major changes in the Directions include increased representation of independent directors in Board meetings as well as in important committees such as Nomination and Remuneration Committee, Risk Management Committee and Audit Committee.

Oversight of CPS

IX.19 An onsite inspection of CPS was carried out in April 2024 by a team of internal experts sourced from different departments of the Reserve Bank. RTGS, being a financial market infrastructure (FMI) and a systemically important payment system, was assessed against the principles for financial market infrastructure (PFMIs)[6] as outlined in the Reserve Bank's oversight framework for FMIs and retail payment systems (RPS). The NEFT system, though not an FMI, was also assessed against the PFMIs.

Cyber Resilience and Payment Security Controls of PSOs

IX.20 Based on the feedback received from the stakeholders on the draft Master Direction, the final 'Master Directions on Cyber Resilience and Digital Payment Security Controls for Non-bank PSOs' were issued by the Reserve Bank on July 30, 2024. The Directions cover robust governance mechanisms for identification, analysis, monitoring and management of cyber security risks and vulnerabilities by providing a framework for overall information security preparedness, with an emphasis on cyber resilience.

[6] PFMIs are international standards for financial market infrastructures issued by the Committee on Payments and Market Infrastructures (CPMI) and the International Organisation of Securities Commissions (IOSCO) in April 2012.

Enabling Additional Factor of Authentication (AFA) in Cross-border Card Not Present Transactions

IX.21 Introduction of AFA for digital payments has enhanced the safety of transactions which, in turn, provided confidence to customers to adopt digital payments. This requirement, however, is mandatory for domestic transactions only. In order to provide a similar level of safety for online international transactions using cards issued in India, the Reserve Bank has proposed to enable AFA for non-recurring cross-border card not present transactions where request for an authentication is raised by an overseas merchant or overseas acquirer.

Financial Inclusion

Facilitating Accessibility to Digital Payment Systems for Persons with Disabilities

IX.22 The Reserve Bank issued guidelines to promote effective access to digital payment systems wherein payment system participants (PSPs) [*i.e.*, banks and authorised non-bank payment system providers] were advised to review their payment systems/devices in terms of accessibility to persons with disabilities. Based on the review, PSPs may carry out necessary modifications so that all their payment systems and devices such as PoS machines can be easily accessed and used by persons with disabilities.

Introduction of Delegated Payments Through UPI

IX.23 'Delegated Payments'/'UPI Circle' enable individuals (primary user) to allow another individual (secondary user) to make UPI transactions up to a limit from the primary user's bank account, without the need for the secondary user to have a separate bank account linked to UPI. This payment solution, introduced in August 2024, will further deepen the reach and usage of digital payments.

UPI Access for PPIs Through Third-party Applications

IX.24 The Reserve Bank permitted linking of PPIs through third-party UPI applications. This will enable PPI holders to make/receive UPI payments through third-party UPI applications.

Payment Aggregators (PAs)-Offline - Draft Guidelines

IX.25 PAs play an important role in the payments ecosystem and, hence, were brought under regulations in March 2020 and designated as PSOs. However, the current regulations are not applicable to offline PAs which handle proximity/face-to-face transactions and play a significant role in the spread of digital payments. New draft Directions applicable to offline PAs as well were placed on the Reserve Bank's website for feedback/comments.

Business-to-Business (B2B) Payments in Bharat Bill Payment System (BBPS)

IX.26 Businesses today are serviced through enterprise resource planning (ERP) systems, B2B service providers, FinTechs and banks. These solutions are currently not interoperable which makes payments and reconciliation of invoices across these platforms difficult. Hence, the Reserve Bank decided to include B2B as a category in BBPS operated by NPCI *Bharat* BillPay Ltd. (NBBL). Through BBPS, the systems will be able to interact with each other thereby reducing manual overheads.

UPI - Enhancement of Limits

IX.27 In order to encourage wider adoption of UPI, limits were enhanced for the following products of UPI:

- *UPI123Pay*: In consultation with the stakeholders, the per-transaction limit was increased to ₹10,000 from ₹5,000.
- *UPI Lite*: UPI Lite wallet limit of ₹500 per transaction and overall per wallet limit of ₹2,000 were increased to ₹1,000 and ₹5,000, respectively.
- *Enhancing Transaction Limits for Tax Payments through UPI*: Considering that direct and indirect tax payments are regular, common and high value, the limit for tax payments through UPI was enhanced from ₹1 lakh to ₹5 lakh per transaction.

Pre-sanctioned Credit Lines Through UPI - Extending the Scope to SFBs

IX.28 Credit lines on UPI has the potential to make available low-ticket, low-tenor products to 'new-to-credit' customers. SFBs leverage on a high-tech, low-cost model to reach the last mile customer and can play an enabling role in expanding the reach of credit on UPI. The Reserve Bank, therefore, permitted SFBs to extend pre-sanctioned credit lines through UPI.

Enhancing Public Awareness Through Various Channels

IX.29 During the year, 419 electronic banking awareness and training (e-*BAAT*) programmes were conducted by the regional offices of the Reserve Bank, in which safe usage of electronic payment systems, their benefits and grievance redressal mechanisms were explained to the participants.

Innovation

Auto-replenishment of FASTag, National Common Mobility Card (NCMC) and UPI Lite

IX.30 The e-mandate framework for processing recurring transactions was issued by the Reserve Bank on January 10, 2020, enabling recurring payments with defined periodicity. Recurring payments such as replenishment of balances in FASTag and NCMC, which do not have any fixed periodicity, and/or are not time/amount specific, were permitted to be auto-replenished using e-mandate, and were exempted from the requirement of pre-debit notification on processing of e-mandates for recurring transactions. The Reserve Bank also brought UPI Lite facility within the ambit of the e-mandate framework by introducing an auto-replenishment facility for loading the UPI Lite wallet if the balance goes below a threshold amount set by the customer. Since the funds remain with the customer (funds move from the customer's account to the wallet), the requirement of additional authentication or pre-debit notification has also been dispensed with.

UPI for Cash Deposit

IX.31 Cash deposit machines (CDMs) deployed by banks enhance customer convenience while reducing cash-handling load on bank branches. Given the popularity and acceptance of UPI, interoperable cash deposit facility through use of UPI has been enabled since June 2024.

Internationalisation

Global Outreach of Payment Systems

IX.32 The Payments Vision 2025 Document envisaged expanding the global outreach of UPI and RuPay cards as one of the key objectives under the internationalisation pillar. The Reserve

Bank has been facilitating the linkage of UPI with FPS of other countries on a bilateral basis, enabling both inward and outward remittance payments. Acceptance of India's UPI apps *via* QR code has been operationalised in Bhutan, France, Mauritius, Nepal, Singapore, Sri Lanka, and the UAE, which enables Indian tourists, students, and business travellers in other countries to make payments to merchants using their Indian UPI apps. RuPay cards acceptance is presently live in Nepal, Bhutan, Mauritius, Singapore, the UAE and Maldives. Furthermore, the issuance of RuPay cards is live in Bhutan and Mauritius, and RuPay cards issued in Bhutan and Mauritius are acceptable in India as well. The Reserve Bank has given approval to NIPL for deployment of UPI like infrastructure in Namibia, Peru, Trinidad and Tobago, and Jamaica.

Other Initiatives

Review of ATM Interchange Fee and Customer Charges

IX.33 The Reserve Bank had, from time to time, issued various instructions on the number of free ATM transactions and maximum charges that can be levied on a customer beyond the mandatory number of free transactions. Instructions were also issued on interchange fee structure for ATM transactions. Based on a review, it has been prescribed, *vide* the updated (as on March 28, 2025) circular on 'Usage of Automated Teller Machines/Cash Recycler Machines – Review of Interchange Fee and Customer Charge', that the ATM interchange fee will be as decided by the ATM networks. Further, with effect from May 1, 2025, banks may charge customers a maximum fee of ₹23 per ATM transaction, beyond the mandatory number of free transactions.

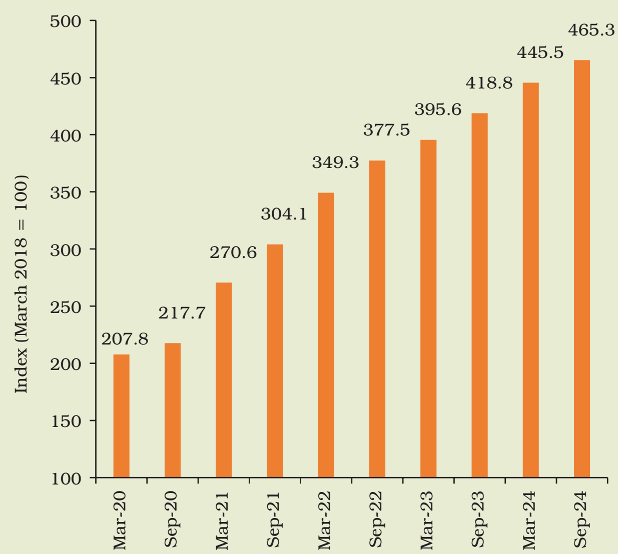
Digital Payments Index (DPI)

IX.34 The Reserve Bank had constructed a composite DPI in 2021 to capture the extent of digitisation of payments across the country. The RBI-DPI index, computed semi-annually, demonstrates significant growth representing the rapid adoption and deepening of digital payments across the country in recent years (Chart IX.1).

Inspection of PSOs

IX.35 Under Section 16 of the Payment and Settlement Systems Act, 2007, onsite inspections of 84 entities, *viz.*, one financial market infrastructure (CCIL), one retail payment organisation [NPCI which includes NPCI *Bharat* BillPay Ltd. (NBBL), RuPay Cards, NPCI BHIM Services Ltd. (NBSL), and NPCI International Payments Ltd. (NIPL)], 31 non-bank PPI issuers, 10 BBPOUs, two TReDS platform providers, one ATM network provider, 34 online PAs, one PA-CB, two WLAOs and one entity facilitating instant money transfer (IMT) were carried out by the Reserve Bank. During 2024-25, the Department undertook enforcement action against three

Chart IX.1: Digital Payments Index



Source: RBI.

PSOs for contraventions/non-compliance of the directions issued by the Reserve Bank.

First Onsite Inspection of AMC Repo Clearing Ltd.

IX.36 An onsite inspection of AMC Repo Clearing Ltd., a CCP authorised by the Reserve Bank to act as a triparty agent and for settling repo in corporate bond securities traded in recognised stock exchanges, was carried out in June 2024. Being a CCP, the entity was assessed against the PFMIs.

Agenda for 2025-26

IX.37 In 2025-26, the Department will focus on the following goals:

- To assess the evolving trends, adoption patterns and user preferences in India's digital payments ecosystem, the Reserve Bank proposes to conduct a 'Survey on Usage of Digital Payments'. The findings are expected to provide key insights into the transaction behaviour and challenges faced by users, thereby facilitating evidence-based decision making towards enhancing financial inclusion and making payment systems more effective;
- To protect customers from digital payment frauds, the Reserve Bank constituted a committee to examine various aspects of setting up a Digital Payments Intelligence Platform (DPIP) to harness advanced technologies for the purpose. Reserve Bank Innovation Hub (RBIH) has been assigned for building a prototype of DPIP in consultation with five to ten banks based on the contours of the report of the committee;
- The Reserve Bank had issued 'Payments Vision 2025' in June 2022 detailing the roadmap it wishes to embark on for the period up to December 2025. The work towards framing of 'Payments Vision Document 2028' has started with inputs being sought from various stakeholders. The document would aim to build on the growth of payment systems in the last decade and provide further impetus to entities in the payments ecosystem for them to develop and deploy solutions in this space; and
- The G20 Roadmap for enhancing cross-border payments has set targets for achieving cheaper, faster, more transparent and more accessible cross-border payments. The 'Annual Progress Report on Meeting the Targets for Cross-border Payments: 2024 Report on Key Performance Indicators' published by Financial Stability Board (FSB) indicates that the primary challenge with speed of payments is experienced at the beneficiary leg (*i.e.*, the time from the beneficiary bank receiving the payment until the funds are credited to the end-customer's account). The Reserve Bank shall work towards identifying the frictions in processing of beneficiary leg of cross-border payments and framing suitable regulatory policy/ action in consultation with the relevant stakeholders in India.

3. DEPARTMENT OF INFORMATION TECHNOLOGY (DIT)

IX.38 DIT continued its endeavour to ensure the smooth functioning of all the IT systems and applications of the Reserve Bank and leverage the latest technology to provide the best-in-class ICT infrastructure. PRAVAAH, the secure and centralised web-based portal, was made live during the year. The Reserve Bank has been selected for the Digital Transformation Award 2025 by Central Banking, London, UK for

PRAVAAH and *Sarthi*, for transformation in the internal and external processes, reducing reliance on paper-based workflows and increasing transparency and efficiency in the Reserve Bank. Further, in order to reduce the risks associated with dependence on external vendors, and to support the '*AatmaNirbhar Bharat'* initiative, the Department prioritised the in-house development of projects like *e-Kuber* 3.0 (*i.e.,* core banking system of the Reserve Bank), alternate messaging system and alternate mechanism for digital payment systems. To ensure the security of the Reserve Bank's IT infrastructure, best practices in cyber security and cyber hygiene were followed during the year. To maintain the heightened state of cyber security awareness and resilience across the organisation, the second series of the six-month long Cybersecurity Awareness Drive (CAD 2.0) was launched with the theme of 'Cyber *Surakshit Bharat* (*#SatarkNagrik*)'.

Agenda for 2024-25

IX.39 The Department had set out the following goals for 2024-25:

- The Reserve Bank initiated the project to construct a new state-of-the-art greenfield next generation data centre to address the capacity expansion constraints, meet ever-increasing IT landscape needs and avoid region specific risks. The data centre, which is envisaged to cater to the internal needs of the Reserve Bank and its subsidiary organisations, shall commence its operations in 2024-25 (*Utkarsh* 2.0) [Paragraph IX.40];
- To enhance the security, integrity, and privacy of Indian financial sector data, a cloud facility will be set up and initially operated by the Indian Financial Technology and Allied Services (IFTAS). This cloud facility is intended to be rolled out in a calibrated fashion in the medium-term (Paragraph IX.41);
- The Indian Financial Network (INFINET) is the communication backbone for the Indian banking and financial sector. It is a Closed User Group (CUG) network for exclusive use of member banks and financial institutions. Critical payment system applications such as RTGS, NEFT and *e-Kuber* run on the INFINET network backbone. INFINET 3.0 which seeks to refresh the existing INFINET 2.0 with better technology, bandwidth, and overall services is proposed to be built with the latest software-defined wide area network (SD-WAN) technology. The features proposed under SD-WAN include effective load balancing of the links, voice and video traffic optimisation and application aware routing. SD-WAN also provides for centralised management of the network and zero touch provisioning (Paragraph IX.42);
- The Reserve Bank, in its bid to take the Indian Rupee (INR) on global platform at greater pace, has conceptualised a solution wherein India's domestic Structured Financial Messaging System (SFMS) would be extended through a Global SFMS Hub to other countries. Interested countries can connect their local messaging system to Global SFMS Hub for cross-border payment messaging in their local currencies. This may help India in promoting self-reliance in technology infrastructure (Paragraph IX.43); and
- To align with the *'AatmaNirbhar Bharat'* initiative of the country, the Department

plans to develop the following applications in-house to reduce external dependencies (including vendors), besides providing increased flexibility in terms of carrying out changes in the system:

- o Development of *e-Kuber* 3.0 application by Reserve Bank Information Technology Pvt. Ltd. (ReBIT), the Reserve Bank's wholly owned subsidiary. The development of the core accounting platform along with Government Payment Module (GPx) is in progress.
- o Developing an alternate messaging system framework to support domestic as well as cross-border financial and non-financial message communication. It would be based on globally accepted ISO 20022 messaging standards with functionalities like cross-border solution, and Letter of Credit/Bank Guarantee (LC/BG) message.
- o Develop an alternate mechanism for digital payment systems, which would offer all the functionalities currently being offered by existing Centralised Payment Systems (CPS) along with other advanced functionalities. The system would support retail and high value payment services, bulk message support and low value fast payment services. It would provide options like thick client and open API solution to connect to CPS. It is also proposed to offer this in-house developed comprehensive system to other countries as well (Paragraph IX.44).

Implementation Status

IX.40 Construction activity of the second greenfield data centre is progressing well. The facility has been designed and built to ensure a high level of redundancy, resilience and system availability, incorporating in-built fault tolerance. It has achieved Tier IV certification for its design, underscoring its compliance with the highest standards of reliability and performance.

IX.41 IFTAS was entrusted with building the Indian Financial Sector (IFS) cloud with the objective of providing secure and cost-effective cloud-based services and ease the challenges of adopting modern technology, governance and data localisation. The work on Phase I of the IFS cloud services was initiated during the year. Simultaneously, work on beta phase of the IFS cloud, involving a few banks/financial intermediaries having Minimum Viable Product (MVP) services, has commenced to obtain customer feedback, understand the challenges, and help improve the cloud services offering.

IX.42 The Reserve Bank had initiated INFINET 3.0 project through IFTAS with the objective of refreshing the existing INFINET 2.0 with transformative changes in technology, framework, automation, improved bandwidth, and overall services. The latest SD-WAN technology has been adopted in the INFINET 3.0 solution design which allows for better traffic engineering, application visibility and enhanced security. Presently, the project is at an advanced stage of implementation.

IX.43 To enable cross-border payments in local currencies, the Reserve Bank has completed the development of Global SFMS Hub during the year. Using the services of this Hub, interested countries through their central bank or designated bank may directly send/receive financial messages to/from the designated bank in India. Technical discussions with countries that have expressed interest in connecting with the Hub are presently underway.

IX.44 The *e-Kuber* 3.0 application is being developed with many business and functional modules along with an enterprise application technical platform. The development of e-Payments and e-Receipts as part of GPx was completed during the year, and the implementation of the core accounting platform is underway.

Major Initiatives

PRAVAAH - A Secure and Centralised Web-based Portal

IX.45 As a part of the Reserve Bank's commitment to leveraging technology for enhanced governance, PRAVAAH was successfully launched on May 28, 2024. This secure, centralised web-based portal has digitised the submission and processing of applications, requests and references from regulated entities and individuals ensuring seamless and faster delivery of services in a transparent manner. PRAVAAH was also integrated with *Sarthi*, the internal workflow application of the Reserve Bank, thereby, ensuring end-to-end digitisation of the entire processing lifecycle of the applications and facilitating ease of doing business for the Regulated Entities (REs). Going forward, planned enhancements in PRAVAAH would include: (a) *Aadhaar* based e-Sign services to authenticate uploaded documents; and (b) dedicated access to other regulators and government agencies to receive their inputs in PRAVAAH itself. Further, the Reserve Bank plans to build a unified technology platform to enhance integration, security and interoperability across the departments.

ChiRAG: A Generative Conversational AI Tool

IX.46 The potential of emerging technologies, particularly generative AI which can generate context-aware, human-like responses and analyse vast amounts of data, is rapidly gaining traction in the central banking landscape, offering transformative opportunities to enhance operations and decision-making processes. To this effect, the Reserve Bank has also developed its generative AI platform, Chat interface with Retrieval Augmented Generation (*ChiRAG)*. Initially designed as a tool for information extraction and synthesis, *ChiRAG* has potential to evolve into a sophisticated orchestration layer, which will seamlessly coordinate with diverse types of information and data associated with the Reserve Bank's wide array of functions.

Sarthi 2.0

IX.47 During the year, the Reserve Bank undertook revamping of its Electronic Document Management System (*Sarthi* 2.0). *Sarthi* 2.0 is being implemented with a host of features such as improved User Interface (UI)/ User eXperience (UX), innovative workflow processes, mobile responsiveness, knowledge repository functionality, and integration with Microsoft Office.

Making NEFT Compliant with ISO 20022 Messaging Standards

IX.48 The NEFT system at the Reserve Bank has been compliant with ISO 20022 messaging standards since 2023. Over 230 member banks of the NEFT system were migrated to ISO standards using a converter solution facilitating conversion between INFINET Format Number (IFN) and ISO messages by August 2024. The member banks are now in the process of making their respective Core Banking Solutions (CBS) compliant with ISO 20022, thus, enabling direct, end-to-end transmission of ISO messages. The adoption of ISO 20022 will provide structured and granular data, end-to-end automation, effective compliance, and interoperability across domestic and foreign payment solutions.

Continuous Upgradation of Information Technology (IT) and Cyber Security

IX.49 Upgradation of IT and cyber security forms a part of the Reserve Bank's ongoing efforts to navigate the ever-evolving landscape of digital threats. As part of the CAD, 'Red Teaming' cyber security exercise was conducted for officials managing critical IT infrastructure. To develop new approaches and technical solutions to address problems/challenges encountered while carrying out day-to-day operations in the Reserve Bank, an all-India competition 'Cyber Codefest - Let's Develop Together' was conducted. While the construction of the Enterprise Computing and Cybersecurity Training Institute (ECCTI) at Bhubaneswar, which aims at fostering a safe and responsible cyber culture within the Reserve Bank, is in progress, advanced training programmes for officers of the Reserve Bank have already commenced. A high-level conference on IT, 'Tech Connect', organised during July 25-27, 2024, served as a forum for exploring current technological trends and gaining a comprehensive understanding of the best practices that play a key role for benefit of the stakeholders.

Agenda for 2025-26

IX.50 The Department's goals for 2025-26 are set out below:

- *Cloud Facility for the Financial Sector* : Phase I of the IFS cloud with basic services such as Infrastructure-as-a-Service, Platform-as-a-Service, Software-as-a-Service, Container-as-a-Service, Storage-as-a-Service, and Public Internet Protocol-as-a Service would be initiated. Subsequently, work on Phase II of the cloud with advance services like API management, application performance management, availability zone, and Development, Security and Operations (DevSecOps) will be initiated;
- *e-Kuber 3.0:* Development of future modules relating to functionalities such as primary auction, public debt management, Central Accounts Section and Centre for Financial Literacy (CFL) have been planned;
- *Alternate Mechanism for Digital Payment System*: The Reserve Bank will continue further innovation and development of alternate payment and messaging systems. The vision will be to develop payment and messaging solutions based on modern standards with advanced capabilities;
- *AI Governance Policy:* Framework for AI Policy for the Reserve Bank for responsible and ethical use of AI/machine learning (ML) technologies by employees, vendors, and third-party partners will be initiated. By providing clear guidelines on data handling, consent and security, the policy seeks to maintain the integrity

of the Reserve Bank's operations while using the opportunities that AI offers; and

- *Enhancing Trust in the Financial Sector Through 'bank.in' and 'fin.in' Domains:* To combat increased instances of fraud in digital payments, the Reserve Bank had announced introducing the 'bank.in' exclusive internet domain for Indian banks. This initiative aims to reduce cyber security threats and malicious activities like phishing; and streamline secure financial services, thereby enhancing trust in digital banking and payment services. The Institute for Development and Research in Banking Technology (IDRBT) will act as the exclusive registrar. The registration process for the banks will be initiated.

4. CONCLUSION

IX.51 During 2024-25, the Reserve Bank continued with its endeavour towards enhancing the efficiency, security and accessibility of the payment systems, while further expanding the global outreach, promoting digital payments adoption and strengthening cyber resilience. The efforts towards fostering innovation, reducing operational risks and ensuring robust ICT infrastructure for the smooth functioning of its IT systems and applications were sustained. The work relating to cloud facility for the financial sector, next generation core banking (*i.e., e-Kuber* 3.0), registration of banks for 'bank.in' domain and AI governance policy framework would be initiated in 2025-26.

X COMMUNICATION, INTERNATIONAL RELATIONS, RESEARCH AND STATISTICS

During the year, the Reserve Bank continued to widen its communication reach through social media and public awareness campaigns. Economic and financial relations were deepened with international organisations and multilateral bodies, besides successful completion of India's Financial Sector Assessment Programme (FSAP). Efforts were made for effective cash management on behalf of the government and sound management of foreign exchange reserves. Economic policy analysis and research were sharpened, and information management systems were further strengthened.

X.1 The Reserve Bank's communication policy, based on the broad principles of transparency, clarity and timeliness, has facilitated in effectively managing public perceptions about its various policies and actions. The Reserve Bank strengthened its communication channels further by adding podcasts in its toolkit during the year. Economic and financial relations were deepened with international organisations and multilateral bodies. Several measures were undertaken to enhance the efficiency in government cash management through onboarding stakeholders progressively to the integrated platform (*viz., e-Kuber*[1]*,* SNA-SPARSH[2] and TIN[3] 2.0). Risk management practices for foreign exchange reserves were strengthened amidst heightened market uncertainty. Research studies were conducted on a variety of contemporary macroeconomic and financial issues towards providing analytical inputs for policy formulation along with timely release of flagship publications. Forecasting and statistical methods were refined using innovative techniques and models, while the information management system was further strengthened with the adoption of latest technology. The Reserve Bank also initiated work towards harmonisation of its statutory regulations.

X.2 Against this backdrop, the rest of the chapter is divided into eight sections. Section 2 presents major initiatives of the Reserve Bank with regard to its communication policy and processes. Section 3 discusses the Reserve Bank's international relations, including interactions with international organisations and multilateral bodies. Section 4 deals with the activities of the Reserve Bank as a banker to governments and banks. Section 5 analyses the conduct of foreign exchange reserves management. Section 6 focuses on activities of the Department of Economic and Policy Research (DEPR) on economic research, including statutory reports and frontline research publications. Section 7 outlines the activities of the Department of Statistics and Information Management (DSIM), whereas Section 8 presents the activities of the Legal Department. Concluding observations are provided in the last section.

[1] The core banking solution of the Reserve Bank.

[2] Single Nodal Agency - *Samayochit Pranali Akikrut Sheeghra Hastantaran* (SNA-SPARSH) is a real time system of integrated quick transfers.

[3] Tax Information Network.

2. COMMUNICATION PROCESSES

X.3 Clear and timely central bank communication enhances the effectiveness of central bank's policies and pre-empt spread of misinformation in the age of social media through proactive two-way communication channel. Thus, effective communication by central banks can strengthen the efficacy of their policy measures and foster price and financial stability.

X.4 During the year, the Reserve Bank's communication strategy facilitated in instilling confidence among the public, investors and other stakeholders. When warranted, timely interventions in the supervisory and financial markets space through verbal communication were undertaken. Instances of fake news and deepfake videos about the Reserve Bank on social media platforms were promptly clarified through press releases along with undertaking public awareness campaigns (PACs) through multiple channels to ensure systemic stability and public trust.

X.5 During the year, concerted efforts were made to demystify the actions and thinking of the Reserve Bank through speeches and interviews of the top management and social media interactions, which helped build public trust and confidence in its ability to achieve multiple objectives. To take its messages to younger population, the Reserve Bank announced the introduction of podcasts as an additional communication tool.

Agenda for 2024-25

X.6 The Department had set out the following goals for 2024-25:

- Conduct workshops for media personnel on a periodic basis (Paragraph X.7);
- Continue 360-degree awareness campaigns on various themes (Paragraph X.8);
- Comprehensively review the Reserve Bank's communication policy (Paragraph X.9);
- Commence RBI *Sunta Hai* (RBI Listens) programme (Paragraph X.10);
- Effectively use social media platforms for spreading financial awareness and public awareness messages (Paragraph X.11); and
- Develop 'The RBI Museum' microsite (Paragraph X.12).

Implementation Status

X.7 The Reserve Bank's structured communication in written form through the website and social media platforms was supplemented through speeches and interviews by the top management and post monetary policy press conferences. Further, to meet the knowledge needs of regional media with respect to central banking policies, informal media interactions and workshops on important policy initiatives were held at Kolkata and Hyderabad during the year.

X.8 The Reserve Bank, in its role as a full-service central bank, continued to conduct 360-degree PACs under the 'RBI *Kehta Hai*' and 'RBI Says' banner. The focus of these campaigns is to create awareness on the Reserve Bank's initiatives, alert people against fraudulent players or schemes and improve financial literacy. During 2024-25, the Reserve Bank discontinued the practice of celebrity endorsed messages, while giving more prominence to mascots - Money Kumar and Ms. Money.

Compared to the previous year, when the Reserve Bank launched 30 campaigns on various themes, 43 campaigns covering 23 themes were conducted during the year (up to March 31, 2025).

X.9 A revised version (version 3.0, January 2025) of the communication policy is placed on the website to account for changes in usage of social media, podcasts, fact checking and to align it with the revised *Utkarsh* plan.

X.10 The 'RBI *Sunta Hai*' project is currently being developed to enhance the Reserve Bank's ability to capture cues from the media channels, which can act as early warning signal or provide input for issuing clarifications, if necessary. The project, currently in progress, will also enable the tracking and removal of fake news, paving the way for selective two-way communication.

X.11 As part of the new initiative, the Reserve Bank's PACs were released through social media platforms using Google display ads and YouTube, which resulted in better targeting of audience, and enabled *niche* and focused campaigns in some regions. The Reserve Bank has further expanded its outreach by adding WhatsApp as an additional means to deliver PACs.

X.12 'The RBI Museum' microsite was developed during the year to provide interactive content, educational resources and information about the Reserve Bank's policies and initiatives, while showcasing snippets from its history.

Major Developments

X.13 During 2024-25, the Department disseminated customised communication using various media, *viz*., television (TV), print, radio, digital, out-of-home (OOH), Google ads, YouTube, and short-messaging-service (SMS) in 12 major regional languages apart from Hindi and English (Table X.1).

Table X.1: Customised Campaigns (2024-25)

Campaign Theme	Period
1	2
1. MANI App	April 2024 October 2024
2. First Resort Complaint (RB-IOS)	May 2024 October 2024
3. *Aadhaar* Enabled Payment System	June 2024
4. CEPD SMS Campaign	April 2024 May 2024 June 2024 (2 Campaigns) July 2024 August 2024 December 2024 March 2025
5. Account Aggregator	July 2024 October 2024
6. Misinformation of Coins	July 2024
7. Fraud Impersonation	August 2024 November 2024
8. Retail Direct Mobile App	August 2024
9. Money Mules	September 2024
10. Sachet Portal	November 2024
11. Forex Trading Platform	November-December 2024
12. UDGAM Portal	November-December 2024
13. Public Notice on Deepfake Videos	December 2024
14. Multi Thematic Half Page Print Campaign	December 2024
15. Inoperative Account	December 2024
16. Children Awareness Programme – Beware of unknown pop-ups	January 2025
17. Children Awareness Programme – Exchange of soiled notes	January 2025
18. Nomination Facility	January-February 2025
19. Digital Arrest	January-February 2025
20. Children Awareness Programme – Do not click on unknown links	January-February 2025
21. Retail Direct Mobile App	February 2025
22. Nomination Facility	February-March 2025
23. Financial Literacy Week 2025	February-March 2025
24. Nomination Facility	March 2025
25. IPL 2025	March-May 2025

MANI: Mobile Aided Note Identifier.
RB-IOS: Reserve Bank - Integrated Ombudsman Scheme.
CEPD: Consumer Education and Protection Department.
UDGAM: Unclaimed Deposits Gateway to Access inforMation.
Source: RBI.

X.14 Apart from these thematic customised campaigns, the Reserve Bank participated in high impact events/programmes like the Indian Premier League (IPL), Paris Olympics 2024, *Kaun Banega Crorepati* (KBC), Drama Juniors (Marathi), Pro *Kabaddi* League 2024 and child focused awareness programme with Nickelodeon. For greater reach in Tier-3 and Tier-4 cities, campaigns were also launched through national broadcasters, *viz., Akashvani* and *Doordarshan*.

RBI Website

X.15 During 2024-25, the Department released 2,517 press releases, 161 notifications, 16 Master Circulars, 16 Master Directions, and uploaded 14 interviews and 60 speeches of the top management, five RBI reports, seven working papers, 2,351 tenders and 53 recruitment related advertisements. The newly developed RBI website and mobile application was released on April 5, 2024. Both old and new RBI websites would run parallelly till the new website gets fully stabilised.

Other Initiatives

Awareness Campaign for Children

X.16 As part of the 'Catch Them Young' initiative, simplified public awareness messages with the tagline 'RBI *Kehta Hai... Smart Bano, Cool Raho*' were released, aimed at creating awareness among children. New mascots - 'Junior Money' and 'Mini Money' - were introduced for child-focused messaging to find resonance with children.

Social Media Command Centre

X.17 The Reserve Bank's presence on various social media platforms is well evidenced by the increasing number of followers, engagement and information dissemination (Table X.2).

Post Monetary Policy Press Conferences

X.18 On the date of announcement of the bi-monthly monetary policy, the Governor and Deputy Governors interact with the media persons. Six such press conferences were conducted during 2024-25.

Table X.2: Social Media Presence*

Platform	Name of Social Media Handle/Page	Launch Date	Number of Followers/ Subscribers (Lakh)
1	2	3	4
1. X (formerly Twitter)	i. @RBI	January 2012	23.00
	ii. @RBISays	August 2019	2.30
2. YouTube	Reserve Bank of India	August 2013	4.85
3. Facebook	i. @RBIsays	August 2019	0.17
	ii. @therbimuseum	February 2020	0.03
4. Instagram	@reservebankofindia	January 2022	3.70
5. Public App	@RBIsays	January 2023	0.67
6. LinkedIn	@Reserve Bank of India	December 2023	2.04

*: As on March 31, 2025.
Source: RBI.

Informal Media Interactions

X.19 The Reserve Bank conducted 13 media interactions in an informal, Chatham House[4] set up in Mumbai and Delhi during 2024-25.

Podcasts

X.20 Podcasts, with accompanying video (commonly called 'vodcasts') are used for explainers, select interviews of the Reserve Bank personnel and discussing other important areas under its ambit. The podcasts are intended to create visibility and awareness in focused areas of the Reserve Bank which do not attract enough attention in traditional media (Box X.1).

Agenda for 2025-26

X.21 During 2025-26, the Reserve Bank's communication channels would be further strengthened with:

- Commencement of RBI *Sunta Hai* - Social Media Listening Project;
- Media room with facility of podcast;
- Impact assessment of PACs; and
- Greater collaboration with regulated entities (REs) for awareness campaigns.

3. INTERNATIONAL RELATIONS

X.22 During 2024-25, the Reserve Bank through its International Department (ID) strengthened economic and financial relations with international organisations (IOs) and multilateral bodies. India's perspectives were articulated at various international fora such as the International Monetary Fund (IMF), the G20, the Bank for International Settlements (BIS), the Financial

Box X.1

Podcasts by Central Banks - A Distinct Digital Communication Tool

Podcasts are used to provide *niche* and targeted content on specific topics by media platforms, independent media and standalone podcast producers. Major central banks and global financial institutions such as the US Federal Reserve (US Fed), the European Central Bank (ECB), the Bank for International Settlements (BIS), the International Monetary Fund (IMF), and the World Bank have embraced podcasts to take their messages and ideas to a wider audience. Like these institutions, the Reserve Bank plans to use podcasts as an additional tool for its communication purpose, along with the existing structured communication. The podcasts can be accessed anytime from anywhere and makes policy communication more accessible, engaging and relatable, especially for the younger, tech-savvy and regional-language-speaking population. This innovation aligns with the Reserve Bank's digital-first strategy, reflecting its adaptation to changing media consumption habits. The podcasts will attempt to break down technical subjects into simple, conversational explainer formats, making Reserve Bank's messages more relatable and engaging for the public. Unlike traditional announcements, podcasts offer potential for feedback and engagement from listeners. This communication tool is expected to counter misinformation by dealing with topics like inflation, digital payments, cyber frauds, and monetary policy in an engaging manner.

References:

1. Dhiman, B. (2023), 'The Power of Podcasts: Revolutionising News and Information', July 20, Available at *SSRN*.
2. Mehendale, S. (2022), 'Why India Pods: Studying the Motivations of Indian Independent Podcasters', *International Journal of Early Childhood Special Education,*14 (4): 2612-2618.

[4] The Royal Institute of International Affairs, commonly known as Chatham House, is a British think-tank based in London, England. The Chatham House rule evolved to facilitate frank and candid discussions on any issue by speakers who may not have other appropriate forum to speak freely.

Stability Board (FSB), SAARCFINANCE[5] and BRICS[6]. The Reserve Bank completed its tenure of chairmanship of the South East Asian Central Banks (SEACEN) Research and Training Centre and subsequently, Bank of Korea (BoK) has assumed the chairmanship. The revised Framework of SAARC currency swap for 2024-27 was also finalised during the year, to meet the short-term liquidity needs of SAARC countries.

Agenda for 2024-25

X.23 The Department had set out the following goals for 2024-25:

- SAARC currency swap framework for 2024-27 (*Utkarsh* 2.0) [Paragraph X.24];
- IMF-World Bank (WB) Joint Quinquennial Surveillance - Financial Sector Assessment Programme (FSAP) for India 2024 (*Utkarsh* 2.0) [Paragraph X.25]; and
- As chair of the SEACEN Centre for the year 2024, the Reserve Bank would host the 17th SEACEN high-level seminar and the 23rd meeting of the SEACEN Executive Committee (EXCO) [Paragraph X.26].

Implementation Status

X.24 The Reserve Bank, with the approval of the Government of India, has revised the framework on currency swap arrangement for SAARC countries for the period 2024-27 (Box X.2).

X.25 The Department facilitated discussions under the Financial Sector Assessment Programme (FSAP) 2024 exercise, for a comprehensive assessment of the country's

Box X.2

Framework on Currency Swap Arrangement for SAARC Countries, 2024-27

Central bank currency swaps, especially the bilateral swaps and regional financing arrangements, are an integral part of the global financial safety net. India, in consultation with other SAARC countries, put in place the bilateral currency swap arrangement for SAARC countries in 2012. The SAARC currency swap facility is a bilateral arrangement that provides liquidity to SAARC countries to meet balance of payments pressures or short-term foreign exchange liquidity requirements and is revised from time to time.

With the approval of the Government of India, the Reserve Bank put in place the new SAARC currency swap framework 2024-27 for three years from June 19, 2024 to June 18, 2027. Under this framework, an Indian Rupee (INR) swap window with various concessions for swap support in INR has been introduced with a total corpus of ₹250 billion, with a view to focus on INR swaps and for encouraging the use of INR in international transactions. The Reserve Bank will continue to offer swap support in USD and Euro under the extant USD/Euro swap window with an overall corpus of US$ 2 billion. The framework also has a provision for simultaneous access to both these windows in exceptional cases, with total aggregate disbursal under the swap facility at any point in time not exceeding US$ 3 billion or its equivalent.

The Reserve Bank signed bilateral swap agreements with the Royal Monetary Authority of Bhutan on August 1, 2024, and the Maldives Monetary Authority on October 7, 2024, under the new framework. The swap support extended by the Reserve Bank under the new framework is USD 400 million under the USD/Euro window and ₹15 billion under the INR window.

Source: RBI.

[5] Network of Central Bank Governors and Finance Secretaries of the South Asian Association for Regional Cooperation (SAARC) countries (*viz.*, Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka).

[6] Brazil, Russia, India, China and South Africa. Egypt, Ethiopia, Iran and United Arab Emirates were admitted as new members during the 2023 BRICS Summit in South Africa. Indonesia joined the bloc as a full member in January 2025.

financial sector conducted jointly by the IMF and the World Bank. The assessment is based on the financial system's adherence to global standards such as the Basel Core Principles (BCP) for Banking Supervision and the CPMI-IOSCO[7] core principles. Financial stability assessment under FSAP is mandatory for 32 systemically important jurisdictions every five years and for another 15 jurisdictions every ten years. India was one of the first countries to volunteer for the FSAP assessment after the exercise began in 1999 and has been undergoing the FSAP since 2010. The majority of meetings under 2024 FSAP exercise for India started in December 2023 and concluded on October 4, 2024. The FSAP exercise has been completed with the release of the Financial System Stability Assessment (FSSA) by the IMF on February 28, 2025. The Financial Sector Assessment (FSA) report by the World Bank is also expected to be released in due course. The overall assessment of the FSAP indicates that the Indian financial system is resilient and has become more diversified and inclusive, driven by economic growth, digitalisation and supportive economic policies.

X.26 The 23rd meeting of the SEACEN Executive Committee (EXCO) - a Committee of Deputy Governors of member central banks - was held virtually on August 30, 2024 under the chairmanship of Dr. Michael Debabrata Patra, Deputy Governor, Reserve Bank with the representatives of 19-member central banks. The meeting discussed the implementation of the SEACEN Centre's Work Plan in 2024, activities, budget for 2025, and other administrative issues.

Other Initiatives

BIS Activities

X.27 The Department provided analytical support for various meetings of the BIS, including the Governors' bi-monthly meetings, the Committee on the Global Financial System (CGFS)[8], the BIS annual meeting of Emerging Market Deputy Governors and the BIS annual conference. In addition, the Department participated in the BIS Preparatory Asian Consultative Council (ACC) meetings.

FSB Initiatives on Global Financial Regulation

X.28 The Department actively participated in discussions across various standing committees of the FSB, articulating the Reserve Bank's perspectives on a wide range of topics. These included global cooperation on financial stability, the resilience of non-banking financial institutions (NBFIs), the March 2023 banking turmoil, cross-border payments, cyber and operational resilience, digital innovation [including artificial intelligence (AI) and tokenisation], and nature-related financial risks. Additionally, the Department also contributed inputs to key FSB reports and various surveys conducted by the FSB.

IMF

X.29 The Department provided support for the Reserve Bank participation at the bi-annual Fund-Bank meetings of the International

[7] Committee on Payments and Market Infrastructures (CPMI) - International Organisation of Securities Commissions (IOSCO).
[8] The CGFS assesses potential sources of stress in global financial markets and promotes improvements in their functioning and stability.

Monetary and Financial Committee (IMFC) held in April and October 2024 on the early warning exercise; global policy agenda; the IMF quota and governance reforms; and India's stance on exchange rate management under the integrated policy framework. The Department shared the Reserve Bank's stance on various policy issues including IMF resource raising through its Bilateral Borrowing Arrangements (BBAs), with the Ministry of Finance (MoF), Government of India (GoI). It also facilitated the completion of the IMF's Article IV consultations held during December 2024. The IMF Article IV report, which was released on February 27, 2025, made a favourable assessment noting that India's economic growth remained robust, inflation broadly declined to target band, financial system remained resilient and fiscal consolidation continued.

G20

X.30 Brazil's G20 Presidency centred around the theme of 'Building a Just World and a Sustainable Planet'. It carried forward the work on several legacy priorities, including the work initiated under India's G20 Presidency[9] such as enhancing multilateral development banks capacity to deal with shared global challenges, managing debt vulnerabilities, strengthening the global financial safety net, ensuring sustainable capital flows, enhancing cross-border payments, promoting cyber resilience, among others.

X.31 As part of the troika[10], India extended its support to the Brazilian Presidency in terms of its proposals, inputs, and comments. Under the Finance Track, the Reserve Bank worked in coordination with the MoF, GoI, on priorities under the financial sector issues, financial inclusion, international financial architecture, macroeconomic policy framework and sustainable finance.

X.32 With the overarching theme of 'Solidarity, Equality, and Sustainability', South Africa became the first African country to take the helm of G20 on December 1, 2024, marking the continuity of the Global South's leadership in the forum's discussion.

SAARCFINANCE

X.33 The Reserve Bank took the lead to put in place the SAARCFINANCE roadmap for regional cooperation for the period 2025-2030 enumerating three focus areas of cooperation amongst the SAARC central banks, *viz.*, banking regulation and supervision; financing for climate and sustainable development; and emerging digital technologies in central banking operations.

BRICS

X.34 Under BRICS Finance Track in 2024, discussions focused on BRICS economic outlook and policy cooperation, global economic and financial governance reforms, promoting settlements in national currencies, amendments to the Contingent Reserve Arrangement (CRA) to make it more dynamic by onboarding of new members and including alternative eligible currencies.

Capacity Building

X.35 The Reserve Bank continued to engage in capacity building initiatives by organising exposure visits, technical assistance, workshops and experience sharing sessions for the

9 India successfully completed its G20 Presidency, which culminated in the endorsement of the New Delhi Leaders' Declaration. Consequently, India handed over the G20 Presidency to Brazil on December 1, 2023.

10 The G20 troika is a group of three countries that includes the current, previous, and future G20 Presidencies.

SAARCFINANCE members and the central bankers from the Southeast Asian, European and African nations.

Agenda for 2025-26

X.36 During the year, the Department will focus on the following aspects of the Reserve Bank's international engagements:

- Intensifying engagements with BRICS central banks by finalising amendments to BRICS CRA treaty and facilitating discussions on onboarding of new BRICS members to the CRA;
- Continuing operational readiness for swap support under the framework on currency swap arrangement for SAARC Countries 2024-27;
- Strengthening cooperation with SAARCFINANCE and other central banks through capacity building, technical assistance, and research activities; and
- Finalising the memorandum of understanding (MoUs) under negotiation with other central banks, especially with the Banque *de* France and the European Central Bank.

4. GOVERNMENT AND BANK ACCOUNTS

X.37 The Department of Government and Bank Accounts (DGBA) manages the functions of the Reserve Bank as the banker to banks and banker to governments, besides maintaining internal accounts and formulating accounting policies of the Reserve Bank.

Agenda for 2024-25

X.38 The Department had set out the following goal for 2024-25:

- Implementation of centrally sponsored schemes (CSS) through integration of *e-Kuber* with government system for the notified states (Paragraph X.39).

Implementation Status

X.39 During the year, the CSS payment arrangements were implemented in 20 more states. With this, central government and 27 state governments are live under this arrangement. This has enabled just-in-time payments under CSS using tripartite integration between *e-Kuber* and financial systems of both Centre and respective state governments.

Major Developments

Enhancing Efficiency in Government Payment Systems

X.40 The state governments of Meghalaya, Arunachal Pradesh and Nagaland have been integrated for e-payments in *e-Kuber*. To enhance the efficiency of banking services provided to governments, the Reserve Bank has implemented several initiatives, including the introduction of a dashboard facility for governments and *Aadhaar*-based direct benefit transfer (DBT) payments (Box X.3).

Integration of State Governments with e-Kuber

X.41 During the year, the process of manual reporting of receipts by agency banks to the Reserve Bank for various state governments that are already integrated with *e-Kuber* system was discontinued for faster and efficient processing along with online reconciliation of the government transactions. Seven state governments were also integrated with the Reserve Bank's *e-Kuber* system for e-receipts agency bank reporting and one state government was integrated with *e-Kuber* system for NEFT/RTGS based receipt.

Box X.3
Initiatives for Ushering in Efficiency in Government Transactions

With the increasing integration of governments' systems with the Reserve Bank's *e-Kuber* system for processing e-payments and e-receipts, the volume of transactions processed through the Reserve Bank has increased manifold. Some of the initiatives taken by the Reserve Bank during 2024-25 for improving the banking services to governments, which will be also continued in the ensuing financial year, are as under:

Dashboard Facility to Governments

With the objective to enable state government account holders to view/download the details and status of transactions processed through the Reserve Bank, a web-based interactive dashboard facility has been developed and made live in April 2024. The salient features of the dashboard facility are as under:

- Government users can view the transaction cycle status of the e-receipts and e-payment transactions processed through *e-Kuber* integration;
- Enables creation of multiple government users to view dashboard as per the requirements of government;
- Government users can download/export the transaction level data for reconciliation; and
- Transaction data can be filtered and customised using different parameters of transactions as per the need.

Aadhaar-based Direct Benefit Transfer (DBT) Payments

As per the GoI guidelines, the DBT payments under CSS need to be processed through National Payments Corporation of India's (NPCI) *Aadhaar* Payment Bridge System (APBS). The APBS functionality has been developed to enable governments to make payments to beneficiaries based on *Aadhaar* numbers instead of bank account number and IFSC[11]. The government plans to route these payments through the Reserve Bank, leveraging on the Reserve Bank's state of the art information technology (IT) infrastructure and the integration between the systems of central government public financial management system (PFMS), state government, *e-Kuber* system and NPCI system to enable the processing of DBT payments.

Under this arrangement, the state governments will send *Aadhaar*-based payment files directly to NPCI for processing, while the Reserve Bank will do the gross fund settlement (debit/credit) accounting. The pilot run of the project was conducted on November 25, 2024 with the state government of Rajasthan, PFMS and NPCI.

Source: RBI.

Stabilisation of Extant Government Initiatives

X.42 As part of the endeavour by the Reserve Bank to continuously upgrade and enhance the process of government banking, the Indo-Nepal remittance facility was made live in e-payments for processing defence pension payments by Controller General of Defence Accounts to pensioners domiciled in Nepal.

X.43 Under the SNA-SPARSH model, an alternative fund flow mechanism for just-in-time release of CSS funds, 20 more state governments were onboarded.

X.44 Tax Information Network (TIN 2.0) which replaced the erstwhile Online Tax Accounting System (OLTAS) in 2023 has stabilised. New modes of payment like unified payments interface (UPI) have been added on both goods and service tax (GST) and TIN platforms to expand the available payment modes and enhance tax payer experience. The integration of state governments and union territories (UTs) with the Reserve Bank's system for processing of online Memorandum of Error (MoE) cases related to GST was taken forward with onboarding of state of West Bengal and initiation of user acceptance

[11] Indian Financial System Code.

test (UAT) with the governments of Mizoram, Meghalaya, Nagaland and union territory of Lakshadweep.

Formation of Committee to Review Agency Commission Rates

X.45 The Reserve Bank pays agency commission to agency banks for conducting government banking business. Agency commission rates are reviewed periodically. The current rates were implemented, *w.e.f.* July 1, 2019. The Reserve Bank constituted a committee under the Chairpersonship of Chief Financial Officer (CFO), Reserve Bank with representations from CAG, controller general of accounts (CGA), MoF, GoI, Indian Banks' Association (IBA), Department of Statistics and Information Management (DSIM) and DGBA to review the costs of government banking and the agency commission rates. The Committee submitted its report on March 10, 2025.

Digitisation of Special Deposit Scheme,1975

X.46 In line with its endeavour of leveraging technology for enhanced productivity, the Reserve Bank is in the process of developing digital solutions for maintenance of accounts under the legacy Special Deposit Scheme,1975, as part of *e-Kuber* 3.0. These accounts shall be brought into a digital platform with functionality of processing interest payments and withdrawals.

Agenda for 2025-26

X.47 The Department proposes the following agenda for 2025-26:

- Implementation of CSS payments through *Aadhaar* as notified by central government using NPCI's *Aadhaar* Payment Bridge System (APBS) platform through integration of *e-Kuber* with NPCI, central and state government systems for the notified states.

5. MANAGING FOREIGN EXCHANGE RESERVES

X.48 In sync with the broader principles of reserve management, the Department of External Investments and Operations (DEIO) continued with the management of foreign exchange reserves (FER). The FER increased by 3.4 per cent during 2024-25 (11.7 per cent a year ago). The Department also sustained its endeavour to ensure diversification of forex reserves by exploring new asset classes/jurisdictions for deployment of foreign currency assets (FCA) as per its defined policy objectives.

X.49 The reserve management function continued to be challenging with heightened market uncertainty driven by geopolitical risks and financial market volatility (Box X.4).

Box X.4

Reserve Management in an Era of Uncertainty

Foreign exchange reserves are expected to cushion volatility in the exchange rate and build resilience to external sector shocks which are increasing with recurrent geopolitical and economic shocks. The recent central bank survey '*Trends in Reserve Management 2024*' conducted by Central Banking revealed that geopolitical escalation is the most significant risk perceived by reserve managers. The rising frequency of geopolitical conflicts has highlighted the issue of weaponisation of reserves, with sanctions affecting the accessibility and usability of foreign assets. The rapid advancement of technology such as ongoing work by various central banks on digital currencies (CBDCs), cryptocurrency markets and AI is reshaping the global financial landscape and provides opportunities as well as challenges.

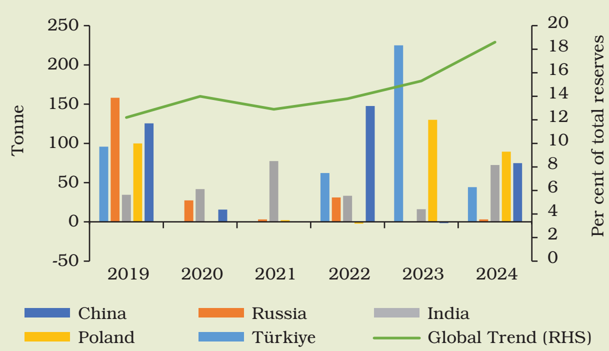
(Contd.)

In response to these challenges, central banks are adopting diverse strategies to manage reserves effectively while simultaneously pursuing the three traditional objectives of safety, liquidity and return. In this regard, diversification is seen as one of the most critical approaches. By spreading reserves across various currencies, asset classes, and jurisdictions; countries can mitigate risks associated with over-dependence on specific assets or geopolitical factors. Reserve managers across the globe earmark their assets into multiple tranches such as liquidity tranche to address liquidity needs and investment tranche to pursue higher returns. Moreover, gold's property of being a safe-haven asset has led to significant gold purchases by central banks (Chart 1).

Liquidity management is another key focus in uncertain times. Keeping a portion of reserves in highly liquid assets enables countries to respond swiftly to financial shocks caused by major geopolitical developments. Thus, bulk of the global reserves are invested in the USD denominated assets (Chart 2).

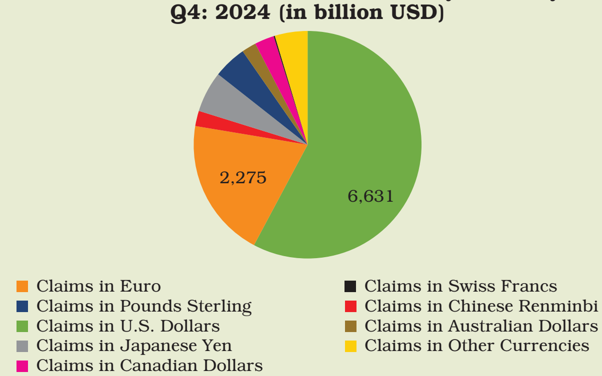
Moreover, reserve managers are increasingly prioritising sustainable investing, integrating environmental, social, and governance (ESG) criteria into their strategies to align with global sustainability goals and mitigate climate risks. These elements are vital for future proofing of reserves. The era of uncertainty demands a dynamic and forward-looking approach to reserve management across nations. By adopting robust diversification, embracing innovation and embedding sustainability into their strategies, central banks can strengthen their economies' resilience against shocks.

Chart 1: Gold Purchases by Central Banks - Recent Trends



Source: IMF, RBI and World Gold Council.

Chart 2: World - Allocated Reserves by Currency: Q4: 2024 (in billion USD)



Source: IMF.

Reference:

Central Banking (2024), 'Trends in Reserve Management: 2024', Survey Results.

Agenda for 2024-25

X.50 The Department had set out the following goals for 2024-25:

- To adopt global processes and investment frameworks to provide a leadership role to central bank peers in reserve management (Paragraph X.51);
- To encourage internationalisation of INR in its pursuit for bringing efficiency in trade settlements through local currency (Paragraph X.52); and
- To formulate an operational mechanism for trade settlement using INR under the Asian Clearing Union (ACU) mechanism (*Utkarsh* 2.0) [Paragraph X.53].

Implementation Status

X.51 The Department organised international symposium on reserve management on the theme 'Challenges in Reserve Management - Need for Diversification'. The symposium was attended by five central banks.

X.52 To encourage internationalisation of INR for bringing efficiency in the trade settlements through local currency, the Reserve Bank coordinated with partner countries to enter into local currency settlement (LCS)[12] arrangements (Box X.5). MoUs for LCS were signed with the Central Bank of UAE (June 2023), Bank Indonesia (March 2024), Maldives Monetary Authority (November 2024) and Bank of Mauritius (March 2025) to facilitate trade invoicing and settlement in local currencies. Pursuant to the MoUs, some traction has been observed in the trade settlement in INR with trade partners. Further, trade in local currencies has been encouraged and promoted through payment system infrastructure of UPI quick response (QR) codes and RuPay cards, which is now integrated with several countries.

X.53 An international workshop on 'Reimagining Settlements Amongst the ACU Nations' was conducted to explain and arrive at a consensus among the member central banks on potential use of domestic currencies. Subsequently, the ACU Board has given in-principle approval for the inclusion of domestic currencies of the members as settlement currencies under ACU mechanism. The operational mechanism for use of domestic currencies in the ACU mechanism is being deliberated.

Box X.5

Local Currency Settlement in the Changing Global Financial Order

The recent surge in geopolitical tensions along with rising geoeconomic fragmentation have added to the existing vulnerabilities in global trade and external sector of emerging market economies (EMEs). Accordingly, central banks in emerging economies are exploring ways to adapt to the emerging global economic and financial landscape. Trade settlement mechanism using domestic currencies of bilateral trade partners provides a feasible alternative under such scenario.

With the objective of de-risking its trade from global headwinds, the Reserve Bank is exploring trade settlement in local currencies with some of its trade partners, aiming at providing an alternative settlement mechanism. MoUs on establishing a LCS framework for bilateral trade transactions have been signed with the Central Bank of the UAE (CBUAE), Bank Indonesia (BI), Maldives Monetary Authority (MMA) and Bank of Mauritius (BOM). The LCS arrangement allows traders to invoice and pay for trade proceeds in their domestic currency, thereby minimising exposure to exchange rate risks. This, in turn, reduces transaction costs, facilitates developing a market in domestic currency exchange rate and reduces settlement time. Over the long-term, it can also strengthen the economic engagement between partner countries, leading to increased cross-border investment and deeper financial integration. The advent of LCS holds promise to EMEs to economise on foreign currency and usher efficiency and independence in settling both trade and capital account transactions.

In a more geoeconomically fragmented world, alternative currencies could play a greater role. Local currency settlement of bilateral trade with strategic partners and neighbouring nations can help de-risk a country's trade trade and help navigate the evolving global order. Like regional financial arrangements, LCS can complement a robust global payment and settlement system improving overall global trade across nations.

References:

1. Koosakul, J., Zhang, L., and Zia, M. (2024), 'Geopolitical Proximity and the Use of Global Currencies', Working Paper, *International Monetary Fund,* September.
2. International Monetary Fund, (2024), 'Policy Pivot, Rising Threat', World Economic Outlook, *International Monetary Fund,* October.

[12] Local currency settlement refers to the usage of domestic currencies of partner countries for settlement of bilateral trade and investment. LCS reduces dependency on third party currencies for settling cross-border trade transactions and payment obligations.

Agenda for 2025-26

X.54 The Department has set the following goals for 2025-26:

- To leverage the Reserve Bank's leadership role in: (i) promoting collaborative approach towards reserve management through multilateral platforms, and (ii) emerging as a 'centre of excellence', providing training/handholding to other central banks, if required; and
- To undertake a comprehensive review of credit risk policy and enhance the use of technology in credit risk management.

6. ECONOMIC AND POLICY RESEARCH

X.55 The Department of Economic and Policy Research (DEPR) serves as the hub of research activities in the Reserve Bank by supporting policy formulation through timely and topical analytical inputs. In addition to preparing various statutory and non-statutory reports of the Reserve Bank, the Department collects, compiles, and disseminates primary and secondary data on various aspects relating to the Indian economy, and publishes topical research papers and articles authored by the Reserve Bank's research staff. It also engages in collaborative research between the Reserve Bank's staff and external researchers.

Agenda for 2024-25

X.56 During 2024-25, the Department had set the following goals:

- Publication of a minimum of 100 research papers while maintaining and enhancing quality of analysis and coverage (*Utkarsh* 2.0) [Paragraph X.57];
- Preparation of a study on New Digital Economy and Productivity Paradox (*Utkarsh* 2.0) [Paragraph X.58];
- Publication of a joint Report with ICRIER[13] on 'Food Inflation Projection Framework' (*Utkarsh* 2.0) [Paragraph X.58]; and
- To strengthen inputs for policymaking, with studies on the 'Balance Sheet Channel of Monetary Policy Transmission', 'Dynamics of Inflation Surges in India', 'Global Value Chain (GVC) Participation by India and its Impact on Productivity' and 'Financial Inclusion and its Impact on Monetary Policy Effectiveness in India' (Paragraph X.58).

Implementation Status

X.57 In line with the objectives set for 2024-25, the Department published 100 research papers/articles during 2024-25. These include six research articles in the RBI Occasional Paper Series, seven RBI Working Papers, one DRG Study, one Programme Funding Scheme Study, 61 RBI Bulletin articles and 24 papers in domestic and international peer-reviewed journals. Key contemporary issues relevant for policy making were covered as part of these papers/articles, *viz*., (a) Estimation of the Natural Rate of Interest for India; (b) Determinants of Household Saving Portfolio; (c) Analysis of Core Inflation; (d) Agriculture Supply Chain Dynamics; (e) Estimation of State-level Fiscal Multipliers; (f) Mobile Banking Adoption for Rural Financial Inclusion; and (g) Valuation of Unpaid Household Activities.

[13] Indian Council for Research on International Economic Relations.

X.58 The studies on 'New Digital Economy and Productivity Paradox'; 'Price Dynamics and Supply Chains in Vegetables, Pulses, Fruits, Livestock, and Poultry'; 'Balance Sheet Channel of Monetary Policy Transmission' and 'Dynamics of Inflation Surges in India' were also completed and released during the year. The studies 'Financial Inclusion and Its Impact on Monetary Policy Effectiveness in India' and 'GVC Participation by India and Its Impact on Productivity' are under preparation.

Other Initiatives

Reports

X.59 During 2024-25, the Department released the Reserve Bank's flagship statutory reports, *viz.,* the RBI Annual Report and the Report on Trend and Progress of Banking in India in a timely manner. The reports titled 'State Finances: A Study of Budgets of 2024-25' and 'Handbook of Statistics on Indian States 2023-24' were also released. Furthermore, the 'Report on Currency and Finance 2023-24' based on the theme 'India's Digital Revolution' and the 'Report on Municipal Finances' themed on 'Own Sources of Revenue Generation in Municipal Corporations: Opportunities and Challenges' were also released by the Department.

Compilation and Dissemination of Data/Statistics

X.60 All primary and secondary statistics relating to monetary aggregates, balance of payments (BoP), external debt, effective exchange rates, combined government finances, household financial savings and flow of funds were released on time, while maintaining data quality. During the year, KLEMS (capital, labour, energy, material, and services) data for 2022-23 were released along with its manual. The monthly index of supply chain pressures for India (ISPI) to monitor supply chain health and its implications for economic growth and price stability was compiled and published in the RBI Bulletin.

Knowledge and Research Dissemination

X.61 During the year, the DEPR Study Circle, an in-house discussion forum, organised 17 online seminars/presentations of research papers on diverse topics to facilitate in-depth discussion and improve the overall quality of research. The Department organised several notable events during the year to foster knowledge exchange. These included the organisation of a High-Level Conference on 'Central Banking at Crossroads' in New Delhi in October 2024 as a part of RBI@90 celebrations, where perspectives of leading practitioners and academicians on key central banking issues – inflation targeting; monetary policy; role of FinTech and CBDCs in fast cross-border payment systems; central banks and financial stability - were deliberated upon. A conference focusing on digital technology, productivity, employment, and economic growth was held in Jaipur in November 2024.

X.62 For a wider dissemination of the Reserve Bank's research and report activities, the Department conducted outreach programmes in the North-Eastern Hill University, Shillong; Banaras Hindu University, Varanasi; and various colleges and universities in India, interacting and engaging with faculty members and students.

X.63 The Fourth Suresh Tendulkar Memorial Lecture was delivered by Dr. John C. Williams, President and Chief Executive Officer (CEO), Federal Reserve Bank of New York on 'Managing the Known Unknowns' on July 5, 2024, which highlighted key principles that are at the heart of inflation targeting strategies and have proven invaluable in managing uncertainty. The Nineteenth C.D. Deshmukh Memorial Lecture was delivered by Dr. P. K. Mishra, Principal Secretary to the Prime Minister of India on 'Transforming Small-holder Agriculture in India in the 21st Century: Challenges and Strategies' on November 28, 2024.

X.64 During the year, the Central Library focused on digital acquisition, digital access, and digital preservation of the library resources to support the Reserve Bank's research activities. It subscribed to two new online databases along with RemoteX application which helps in seamless remote access to all subscribed e-resources. The library also organised thematic display of books on various subjects for optimal use of library resources.

X.65 The RBI Archives accessioned 4,333 files, five registers, and 12 Solid State Drives (SSD) received from various central office departments (CODs), regional offices (ROs), and training establishments. Exhibition on the history of the Reserve Bank was also displayed during the High-Level Conference on 'Central Banking at Crossroads' held in New Delhi.

Support to Academic/Research Institutions

X.66 In pursuance of Section 17(15B) of the RBI Act, 1934, the Reserve Bank provides financial assistance through the RBI Professorial Chairs and Corpus Fund Scheme to support external research activities. At present, there are 20 RBI Professorial Chairs across research institutes/ universities spread all over India. In 2024-25, the Reserve Bank created a new Chair at the Indian Statistical Institute, Kolkata. During the year, research by the RBI Chairs covered wide-ranging issues, including inflation forecasting, climate financing, financial inclusion, and merchandise trade. Several RBI Chairs conducted workshops for students and young faculty members on issues relating to open economy macroeconomics to provide an operational perspective to traditional macroeconomics teaching. The Department provided faculty support for these workshops.

X.67 The Reserve Bank has also instituted external research schemes to support collaborative research. A study titled 'Status of Digital Financial Literacy in Lakshadweep Islands: Bottlenecks and Way Forward' was undertaken as part of the Reserve Bank's Programme Funding Scheme, giving insights into the financial sector and digital reach in the geographically secluded and under-studied Lakshadweep islands of India. As part of the DRG Study Scheme of the Reserve Bank, a study on 'Monetary Policy Transmission and Labour Markets in India' was completed and published, with focus on the impact of India's labour market on monetary policy transmission under the inflation targeting regime. Under the scholarship scheme for Faculty Members from Academic Institutions, five scholars were selected to undertake short-term research projects on various contemporary economic issues.

Engagements with Domestic/International Organisation

X.68 The Department actively participated in IMF's Article IV meetings and the IMF - World Bank's Joint Mission on India's FSAP. The Department also contributed to the India-Japan Macroeconomic Consultation and discussions with Banque *de* France delegation. The Department provided support to the RBI-led collaborative study on 'Implications of Climate

Change and Environmental Sustainability for Monetary Policy in SAARC Countries' as decided during the 44th SAARCFINANCE Governors' Group Meeting, held in Marrakesh, Morocco. Other engagements included interactions on current economic developments with credit rating agencies, participation in SEACEN Directors of Research and Monetary Policy Meeting, BIS Asian Consultative Council (ACC) Meeting on Research Priorities, BIS Global Economy Meetings, and OECD Economic Policy Committee Meetings.

Agenda for 2025-26

X.69 The Department's agenda for 2025-26 will focus on achieving the following goals:

- Maintaining the target of publishing a minimum of 100 research papers;
- Publication of the Report on Currency and Finance 2024-25 based on the theme 'India's External Sector: Navigating Global Turbulence' and the Report on Finances of Panchayati Raj Institutions; and
- Undertake topical studies covering issues relating to core areas of central banking as well as emerging policy issues, namely inflation dynamics, monetary and regulatory policy, real sector, and digital technology. These studies will cover topics, such as 'Multivariate Core Trend Inflation: Assessing Underlying Inflation', 'Wage and Inflation (Wage Phillips Curve) Dynamics: Insights from PLFS Data', 'Bank Competition and Monetary Transmission', 'Drivers of FinTech App User Experience: A Text Mining Approach', 'Real Effective Exchange Rate: Augmenting with Services Trade Weights', among others.

7. STATISTICS AND INFORMATION MANAGEMENT

X.70 The Department of Statistics and Information Management (DSIM) continued with its core functions of compilation, analysis and dissemination of macro-financial statistics. The Department focused on improving the scope and quality of statistics and information management by adopting latest technologies. Methodologies used for forecasting and compilation of statistics were refined by increasing the use of innovative techniques and models. Further, the scope and coverage of surveys were expanded during the year.

Agenda for 2024-25

X.71 The Department had set out the following goals for 2024-25:

- Development and implementation of standard data query engine (DQE) for metadata-based data access and visual analytics (Paragraph X.72);
- Statistical data and metadata eXchange (SDMX) standard data reporting by major regulated entities, comprising 90 per cent of banking business (*Utkarsh* 2.0) [Paragraph X.73];
- Mobile-based application for public access of the Database of Indian Economy (DBIE) portal (Paragraph X.74);
- Development of framework for domestic/foreign borrowing of major companies and financial accounts linkage (*Utkarsh* 2.0) [Paragraph X.75];
- Development of high-frequency indicators of economic activity using non-traditional data, including non-text data such as

satellite imagery data (*Utkarsh* 2.0) [Paragraph X.76]; and

- Refining the Reserve Bank's data governance framework (DGF) by implementing global data quality assessment framework (*Utkarsh* 2.0) [Paragraph X.77].

Implementation Status

X.72 A metadata driven standard DQE based on SDMX technology has been developed and implemented for user-friendly data access and visual analytics. This facilitates public access to macroeconomic data at desired level of granularity on the Reserve Bank's DBIE portal.

X.73 The software application for collection, processing and building element-based data repository has been completed. A converter application has been developed for building SDMX element-based data from existing traditional data architecture. Testing of SDMX element-based data has been completed for select returns. A proof of concept (PoC)[14] team has been formed to conduct pilot testing.

X.74 A mobile application, 'RBIDATA App', has been developed to provide user-friendly access to key macro-financial data. It provides access to approximately 11,000 distinct macroeconomic data series from real, corporate, financial, fiscal, and external sectors as well as payment indicators, and survey data. Each series is presented visually and updated in real-time, with download facility. The application also provides details of banking outlets on the Indian map as well as SAARC Finance database.

X.75 A system has been developed in the centralised information management system (CIMS) to link borrowings of major companies from different sources. This was done by integrating the corporate borrowings data from various sources for top 500 listed non-government non-financial companies. The data is also linked to their financial performance as reported by the companies.

X.76 The scope of data science [artificial intelligence (AI)/machine learning (ML)] applications in functional areas of the Reserve Bank is being expanded, using traditional and new age data sources, in coordination with other central office departments (CODs). The Department further leveraged the power of big data analytics, ML and text mining for policy purposes, and projects were undertaken for various Departments.

X.77 Data governance framework - focusing on organisational structure, technology, and governance fabric - has been prepared for internal use. An assessment on the global data quality framework has been carried out and a data quality index (DQI) at overall reporting entity level, along with sub-indices covering multiple dimensions has also been prepared. Impact of rules under the Digital Personal Data Protection Act, 2023, will be suitably incorporated once they are finalised by the central government.

Other Initiatives

X.78 All modules under the scope of CIMS project have been completed. All reports, dashboards, *ad hoc* query, and other modules for the RBI users (including those covered under

[14] It is an exercise in which work is focused on determining whether an idea can be turned into a reality or to verify if the idea will function as envisioned.

legacy XBRL/DBIE) have been made available for the users.

X.79 Data dissemination using application programming interface (API) enabling machine readable data transmission is in advanced stage of completion. Moreover, the URL of the Reserve Bank's data dissemination, DBIE, has been changed to *https://data.rbi.org.in.*

X.80 The pilot run involving select scheduled commercial banks (SCBs) for the comprehensive credit information repository (CCIR) system is in progress. After successful testing, the system is scheduled to go-live in a phased manner.

X.81 The Department refined the compilation of India's international investment position in respect of portfolio investment, separate identification of special drawing rights (SDRs) and receivables/payables in other accounts.

X.82 The rural consumer confidence survey (RCCS) launched in 2022, aims to capture economic sentiments of households in rural and semi-urban areas. RCCS, a bi-monthly survey, is conducted in sync with the monetary policy cycle. The survey gathers current and future views on the economy, employment, income, spending, prices, and inflation. It targets to cover 9,000 households from more than 600 rural and semi-urban areas across all Indian states and select union territories. The result of the survey was released for the first time in the public domain post announcement of monetary policy on April 9, 2025.

X.83 A system using AI/ML has been developed to regularly track and analyse corporate sentiments from online and print media. The information collected through this system supplements the results of regular enterprise surveys.

X.84 The nowcasting models for gross value added (GVA), non-agriculture GVA (NAGVA) and gross domestic product (GDP) were revamped, and the forecasting framework for demand side components of growth was augmented using the seasonal autoregressive integrated moving average (SARIMA) approach, along with the experimental use of large language models (LLMs) for short-term forecasting. A prototype of an atheoretical model using ML methods was developed for forecasting consumer price index (CPI) inflation in India (both headline and core), in addition to the existing inflation forecasting approaches at the Reserve Bank. Furthermore, an AI/ML-based forecasting model has been developed for onion-CPI and wheat-CPI, integrating unstructured data sets along with traditional data sources.

X.85 During August 2024, a quick survey on 'Quality Preference of Indian Consumers' was conducted among 15,000 households and 235 automobile dealers in 19 cities to examine the phenomenon of rising sales of premium products across sectors.

Agenda for 2025-26

X.86 The Department will focus on the following goals during 2025-26:

- Shifting the remaining paper-based/ e-mail-based reporting as well as any *ad hoc* data collection to structured electronic reporting in CIMS (*Utkarsh* 2.0);
- Shifting of CIMS's IT infrastructure to a new data centre of the Reserve Bank;
- Modernising central information system for banking infrastructure (CISBI) system as part of the CIMS;

- Phase-wise roll out of SDMX-based data collection for element-based reporting (*Utkarsh* 2.0);
- Leverage climate data to improve the performance of forecasting and nowcasting models by utilising advanced AI/ML techniques, while exploring new datasets to enhance predictive capabilities;
- Leverage advancements in LLMs, for text analysis, with plans to use them for pre-processing unstructured data and for extracting valuable insights. The pre-processed data generated by LLMs can serve as input to enhance existing AI/ML models; and
- Expansion of coverage and base revision for (a) housing price index and (b) banking service price index, consistent with the impending revision in compilation of major macroeconomic aggregates.

8. LEGAL ISSUES

X.87 The Legal Department examines and advises the Reserve Bank on legal issues and facilitates the management of litigation on behalf of the Reserve Bank. The Department functions as the secretariat to the Appellate Authority under the Right to Information Act, 2005 and represents the Reserve Bank in the hearing of cases before the Central Information Commission (CIC). The Department also extends legal support and advice to the Deposit Insurance and Credit Guarantee Corporation (DICGC), Centre for Advanced Financial Research and Learning (CAFRAL), and other RBI-owned institutions on legal issues, litigations, and court matters.

Agenda for 2024-25

X.88 The Department had set out the following goals for 2024-25:

- Digitisation of court case files of the Reserve Bank for getting uploaded on VIDHICaMS and updation of case status (*Utkarsh* 2.0) [Paragraph X.89];
- Organising training programmes on drafting of regulation (Paragraph X.90); and
- Harmonisation of the Reserve Bank's statutory regulations (Paragraph X.91).

Implementation Status

X.89 The workflow automation process application, VIDHICaMS, which is being used by law officers of the Reserve Bank, has enabled uploading case documents online. The application also allows users to update status of the cases.

X.90 The Department, in collaboration with the National Law School of India University, Bengaluru, organised a three-day training programme on 'Regulation Drafting' in December 2024 for officers from Department of Supervision, Department of Regulation, Enforcement Department, Foreign Exchange Department and FinTech Department.

X.91 The Department has initiated work towards harmonisation (*i.e.*, consolidation) of the Reserve Bank's statutory regulations.

Other Initiatives

X.92 During 2024-25, the Department's Research Cell organised several sessions under its study circle, an in-house discussion forum wherein officers of the Department as well as external experts made presentations on evolving areas of law.

X.93 The Department also provided faculty support to various training establishments of the Reserve Bank as well as external institutions to equip the trainees with knowledge about law related to central banking.

X.94 The Department published comprehensive data on litigation in which the Reserve Bank has been impleaded on the internal portal of the Reserve Bank. Further, certain important judgments of different courts were also uploaded, providing easy access and reference to all the departments of the Reserve Bank.

Agenda for 2025-26

X.95 In 2025-26, the Department will focus on the following goal:

- Preparation of a research paper on 'Leveraging of AI for Enhancing the Legal Function in the Financial Sector'.

9. CONCLUSION

X.96 The Reserve Bank broadened its communication toolkit to engage with wider audience to enhance the effectiveness of its policy actions. International economic and financial relations were strengthened through collaboration with global organisations, multilateral bodies, and various regional groups. The integrated framework for real-time fund transfers under CSS was further expanded with onboarding of additional stakeholders. Foreign exchange reserves were managed with prudence amid uncertain geopolitical conditions and volatile global financial markets. Economic research on topical and emerging macroeconomic and financial issues was undertaken to aid policy formulation through timely and analytical inputs. The statistics and information management system were refined by adopting innovative methods, advanced models, and incorporating cutting-edge technology. The Reserve Bank embarked on digitisation of its court cases and consolidation of statutory regulations.

XI GOVERNANCE, HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

The Reserve Bank continued with its endeavour to strengthen its human resources to develop a diverse set of capabilities in sync with the dynamically changing requirements through recruitment and capacity building programmes. The implementation status of milestones set for the year under Utkarsh[1] 2.0 was reviewed and the internal risk management and the internal audit mechanism in the Reserve Bank were strengthened further.

XI.1 This chapter discusses key aspects of the Reserve Bank's organisational functioning covering activities related to governance, human resource management, risk monitoring, corporate strategy and budgeting, internal audit, Rajbhasha and premises. It reviews the major developments during 2024-25, evaluates outcomes *vis-à-vis* the goals set at the beginning of the year and sets out priorities for 2025-26.

XI.2 The Human Resource Management Department (HRMD) undertook several initiatives during 2024-25 to strengthen human resources along with building a conducive working environment through new recruitments, skill enhancement through in-house and external training programmes, refining mentoring policy (*SABAL*) and conducting regular townhall meetings (*Vartalap*) for employees, besides undertaking leadership development programme for senior management. To commemorate the 90th year of the Reserve Bank's establishment, year-long events were organised during 2024-25, starting with the opening ceremony on April 1, 2024 inaugurated by the Hon'ble Prime Minister in Mumbai. The commemoration culminated with an event in Mumbai on April 1, 2025 with the Hon'ble President of India as the Chief Guest.

XI.3 The Risk Monitoring Department (RMD) persisted with its efforts towards ensuring more comprehensive management of risks facing the Reserve Bank through introduction of new risk frameworks, strengthening of existing frameworks, and propagation of risk culture and risk awareness. The Reserve Bank was assigned the highest level of operational risk management maturity rating in an international peer group assessment.

XI.4 During the year, the Inspection Department focused on strengthening the governance processes through risk-based internal audit (RBIA) framework. The Department fine-tuned the existing RBIA framework and calibrated the risk scoring methodology. Notably, the Department integrated all audits into the Audit Management System (AMS) a year ahead of its planned schedule of 2025-26.

XI.5 The Corporate Strategy and Budget Department (CSBD) conducted the triennial review of time-sensitive critical activities (TSCAs) of the Reserve Bank. The Department also

[1] *Utkarsh* is the Reserve Bank's medium-term strategy framework, in line with the evolving macroeconomic environment, to achieve excellence in the performance of Reserve Bank's mandates and strengthening the trust of citizens and other institutions. *Utkarsh* 2.0 covers the period January 2023 to December 2025, while those under *Utkarsh* 1.0 were for the period June 2019 to December 2022.

carried out the mid-term review of *Utkarsh* 2.0 and updated the rating framework for budgeting units.

XI.6 The Rajbhasha Department ensured compliance of various statutory requirements under the Official Language Policy and other instructions issued by the Government of India (GoI). It prioritised bilingualisation of the Reserve Bank's publications on its website, and further efforts were made to promote the original writings in Hindi through its flagship publications, *viz.,* '*Kriti-Anukriti*' (within RBI) and '*Banking Chintan-Anuchintan*' (for financial institutions).

XI.7 The Premises Department pursued its mandate of creating, maintaining, and upgrading the Reserve Bank's infrastructure while integrating architectural excellence with environmental priorities. The Department continued its efforts towards generating renewable energy through installation of solar power plants at various offices and residential colonies.

XI.8 This chapter is organised into nine sections. The developments relating to the governance structure of the Reserve Bank are set out in section 2. Section 3 outlines the initiatives undertaken by the HRMD during the year in the areas of human resource management and development. The progress on enterprise-wide risk management framework is presented in section 4. The activities of the Inspection Department and the CSBD are discussed in sections 5 and 6, respectively. The activities and accomplishments of the Rajbhasha and Premises departments are presented in sections 7 and 8, respectively, with concluding observations in section 9.

2. GOVERNANCE STRUCTURE

XI.9 The Central Board of Directors is entrusted with the governance of the Reserve Bank in accordance with the Reserve Bank of India (RBI) Act, 1934. It comprises the Governor as the Chairperson, Deputy Governors and Directors nominated by the Central Government. In accordance with the RBI Act, the Central Government also appoints members for four Local Boards to advise the Central Board on matters referred to them by the Board.

XI.10 The Central Board is assisted by three Committees: the Committee of the Central Board (CCB); the Board for Financial Supervision (BFS); and the Board for Regulation and Supervision of Payment and Settlement Systems (BPSS). These Committees are headed by the Governor. In addition, the Central Board has five Sub-Committees each headed by a non-official Director: the Audit and Risk Management Sub-Committee (ARMS); the Human Resource Management Sub-Committee (HRM-SC); the Building Sub-Committee (B-SC); the Information Technology Sub-Committee (IT-SC); and the Strategy Sub-Committee (S-SC).

Central Board, CCB and Local Boards

XI.11 During 2024-25, the Central Board held seven meetings. The CCB held 45 meetings, of which 33 were held as e-meetings and 12 in person. The CCB attends to the current business of the Reserve Bank, including approval of its Weekly Statement of Affairs.

XI.12 During 2024-25, a Standing Committee of the Central Board, consisting of two non-official Directors, functioned in *lieu* of the Northern, Western, Eastern and Southern Area Local Boards. The Standing Committee held two meetings each for the Northern, Western, Eastern and Southern Areas (Annex Tables XI.1-4).

XI.13 Shri Shaktikanta Das relinquished charge as Governor, Reserve Bank of India on December 10, 2024 on completion of his tenure and the Central Government appointed Shri Sanjay Malhotra, Secretary, Department of Revenue, Ministry of Finance, Government of India as Governor, Reserve Bank of India for a period of three years from December 11, 2024 under Section 8(1)(a) of the Reserve Bank of India Act, 1934.

XI.14 The Central Government re-appointed Shri M. Rajeshwar Rao as 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.

XI.15 Dr. Michael Debabrata Patra relinquished charge as Deputy Governor, Reserve Bank of India on completion of his tenure on January 14, 2025.

XI.16 The Central Government appointed Dr. Poonam Gupta, Director General, National Council of Applied Economic Research, New Delhi, as 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. Dr. Poonam Gupta assumed office on May 2, 2025.

XI.17 The Central Government re-appointed Shri T. Rabi Sankar as Deputy Governor, Reserve Bank of India for a further period of one year with effect from May 3, 2025 or until further orders, whichever is earlier.

XI.18 The Central Government nominated Shri Nagaraju Maddirala, Secretary, Department of Financial Services, Ministry of Finance, Government of India as Director on the Central Board of Reserve Bank of India under Section 8(1)(d) of Reserve Bank of India Act, 1934 with effect from August 30, 2024 and until further orders *vice* Dr. Vivek Joshi.

Executive Directors

XI.19 Executive Director Shri Deepak Kumar voluntarily retired on April 30, 2024. Executive Director Shri R. Subramanian superannuated on May 31, 2024; Shri Saurav Sinha on June 28, 2024; Shri Manoranjan Mishra on September 30, 2024; Dr. O.P. Mall and Shri Muneesh Kapur on February 28, 2025. Shri R. Lakshmi Kanth Rao was promoted as Executive Director on May 9, 2024; Shri Arnab Kumar Chowdhury on June 3, 2024; Smt. Charulatha S. Kar on July 1, 2024; Shri Aviral Jain on October 1, 2024; Dr. Ajit Ratnakar Joshi on March 3, 2025 and Shri Indranil Bhattacharyya on March 19, 2025.

3. HUMAN RESOURCE DEVELOPMENT INITIATIVES

XI.20 The Reserve Bank has a wide canvas of operations, requiring diversified skills and a robust set of internal capabilities to fulfil its mandate. During the year, the Department remained focused on upscaling the skillset through recruitment and training, including e-learning.

Agenda for 2024-25

XI.21 The Department had set out the following goals for 2024-25:

- The Vision Document for Sports states the initiatives of the Reserve Bank in promoting sports-related activities in a focused manner. A review and redesign of the Document would be undertaken (*Utkarsh* 2.0) [Paragraph XI.22];

- The Grade 'B' officers recruited by the Reserve Bank are exposed to development centre workshops (DCW) through which their core competencies and other abilities are assessed, and feedback provided as input for fostering their development. The design of the DCW framework would be reviewed and revamped (*Utkarsh* 2.0) [Paragraph XI.23]; and
- The Reserve Bank entered its 90th year of existence on April 1, 2024. To commemorate this milestone in the history of the Reserve Bank, various activities/ events will be organised during the year (Paragraph XI.24).

Implementation Status

XI.22 A review and redesign of the Vision Document for Sports has been initiated.

XI.23 The design of the DCW framework is being strengthened to align it with the performance management system and the process is underway.

XI.24 The Reserve Bank commemorated the 90th year of its establishment during 2024-25 with year-long events and activities reflecting on the Reserve Bank's legacy of nine decades (RBI@90), while looking ahead towards strategies for the coming decade (RBI@100).

Major Developments

In-house Training

XI.25 The Reserve Bank prioritises continuous skill advancement and strengthening of human resource capabilities. The training establishments (TEs) of the Reserve Bank, *viz.,* Reserve Bank Staff College (RBSC) at Chennai; College of Agricultural Banking (CAB) at Pune; College of Supervisors (CoS) at Mumbai; Enterprise Computing and Cybersecurity Training Institute (ECCTI) at Bhubaneswar; and four Zonal Training Centres (ZTCs) at Mumbai (Belapur), New Delhi, Kolkata and Chennai help attain this objective. The Reserve Bank's training infrastructure remains dedicated to fostering both technical and behavioural skills of its employees, with a focus on enhancing their overall efficiency and effectiveness. The programmes offered by the institutions are in the nature of training, workshops, seminars and conferences (Table XI.1). The Reserve Bank undertook two key measures, *viz.*, a leadership development programme for the senior management; and training of in-house counsellors under the employee assistance programme meant for mental health and employee well-being, who can act as first point of contact in case of any distress.

XI.26 During the year, the Reserve Bank laid emphasis on the mentoring of officers in junior and middle management by strengthening its mentoring policy (*SABAL*) and conducted orientation sessions for mentees and specialised workshops for mentors to set the tone for the redesigned mentoring policy.

Training at External Institutions

XI.27 The Reserve Bank nominated 1,133 officers for training programmes, seminars and conferences conducted in India and abroad, through both online and offline modes, during 2024-25 (Table XI.2). Class III and IV employees were also deputed for training in external institutions in India.

Table XI.1: Programmes Conducted at Reserve Bank's Training Establishments (April - March)

Training Establishment	2022-23		2023-24		2024-25	
	Number of Programmes	Number of Participants	Number of Programmes	Number of Participants	Number of Programmes	Number of Participants
1	2	3	4	5	6	7
RBSC, Chennai	97	2,800 (12)	109	2,437 (42)	135	3,502 (245)
CoS#	59	2,212*	70	2,889 (1,191)	51	1,432 (218)
RBI Academy$	15	1,274	17	683 (151)	20	506
CAB, Pune	194	23,657*	281	44,053 (43,198)	238	35,969 (34,935)
ECCTI	-	-	23	619 (22)	24	711
ZTCs (Class I)	112	2,511	118	2,260	105	2,203
ZTCs (Class III)	103	3,396	107	3,084	117	3,579
ZTCs (Class IV)	36	983	32	843	32	671

RBSC: Reserve Bank Staff College. CAB: College of Agricultural Banking.
ECCTI: Enterprise Computing and Cybersecurity Training Institute. ZTCs: Zonal Training Centres.
: College of Supervisors (CoS) is administratively attached to Department of Supervision (DoS), Central Office.
$: Since closed with effect from April 1, 2025.
* : Figures comprise RBI participants, non-RBI participants (domestic), foreign participants and/or participants from external institutions.
- : Not applicable.
Note: Figures in parentheses pertain to foreign participants and/or participants from external institutions.
Source: RBI.

Study Schemes

XI.28 A total of seven officers availed study leave scheme for pursuing higher studies, of which, three officers are pursuing higher studies overseas. Further, eight officers were selected for the Golden Jubilee Scholarship Awards 2024 for pursuing courses abroad.

Table XI.2: Number of Officers Trained in External Training Institutions in India and Abroad (April - March)

Year	Trained in India (External Institutions)	Trained Abroad
1	2	3
2022-23	401	420 (266)
2023-24	570	390 (29)
2024-25	564	569 (86)

Note: Figures in parentheses indicate online mode.
Source: RBI.

Other Initiatives

Grants and Endowments

XI.29 As a part of its mission to promote research, training and consultancy in the banking and financial sector, the Reserve Bank provided financial support amounting to ₹27.03 crore to the Indira Gandhi Institute of Development Research (IGIDR), Mumbai; ₹12.86 crore to the Centre for Advanced Financial Research and Learning (CAFRAL), Mumbai; ₹2.77 crore to National Institute of Bank Management (NIBM), Pune; ₹0.84 crore to the Indian Institute of Bank Management (IIBM), Guwahati and ₹0.83 crore to the London School of Economics (LSE) India Observatory and the IG Patel Chair.

Industrial Relations

XI.30 Industrial relations in the Reserve Bank remained cordial during the year. During 2024-25, HRMD, CO, held 21 meetings with central units of recognised Unions/Associations on various matters related to service conditions and welfare measures for employees. As per the extant instructions, regional offices (ROs) also held meetings with local units of recognised trade unions at quarterly/half-yearly intervals.

Interface with Employees

XI.31 The Reserve Bank sustained its efforts towards developing a continuous listening culture with a view to involve employees, harness their ideas and feedback, and achieve the organisation's purposes and goals. VOICE (Voicing Opinion to Inspire, Contribute and Excel) is one such initiative which provides a platform for employees to interact with the Department. During 2024-25, the Reserve Bank conducted 6 VOICE sessions, covering 127 participants from various ROs and central office departments (CODs). Similarly, the Reserve Bank's townhall meeting initiative (*Vartalap*) has been fruitful in nurturing a listening-oriented organisational culture and promoting better employer-employee relationship.

Table XI. 3: Recruitments by the Reserve Bank in 2024*

Category	Total	*of which:*			
		SC	ST	OBC	EWS
1	2	3	4	5	6
Class I	269	34	20	72	26
Class III	296	37	38	97	29
Class IV	39	01	03	08	01
Total	604	72	61	177	56

*: January - December, 2024.
EWS: Economically Weaker Section.
Source: RBI.

Recruitment and Staff Strength

XI.32 During 2024 (January-December), the Reserve Bank recruited a total of 604 employees in various cadres (Table XI.3).

XI.33 The total staff strength of the Reserve Bank as on December 31, 2024 was 13,520, an increase of 0.2 per cent over end-December 2023 (Table XI.4).

Table XI.4: Staff Strength of the Reserve Bank*

Category	Total Strength		Category-wise Strength						Per cent to Total Strength		
			SC		ST		OBC		SC	ST	OBC
	2023	2024	2023	2024	2023	2024	2023	2024	2024		
1	2	3	4	5	6	7	8	9	10	11	12
Class I	7,109	7,325	1,113	1,121	504	519	1,761	1,907	15.3	7.1	26.0
Class III	3,358	3,496	537	558	244	283	1,027	1,073	16.1	8.2	30.7
Class IV	3,023	2,699	521	428	242	215	943	890	16.0	8.0	33.0
Total	**13,490**	**13,520**	**2,171**	**2,107**	**990**	**1,017**	**3,731**	**3,870**	**15.7**	**7.5**	**28.6**

*: End-December.
Source: RBI.

XI.34 The total strength of ex-servicemen in the Reserve Bank stood at 1,087 as on December 31, 2024 while the total number of differently abled employees stood at 326 (Table XI.5). During January-December, 2024, two ex-servicemen and 20 persons with benchmark disabilities (PwBD) were recruited in the Reserve Bank.

XI.35 During 2024 (January-December), three meetings were held between the management and representatives of the All-India Reserve Bank Scheduled Castes (SCs)/Scheduled Tribes (STs) and the Buddhist Employees' Federation to discuss issues pertaining to implementation of the reservation policy in the Reserve Bank based on the Government of India's guidelines. One meeting was also held with the representatives of All-India Reserve Bank Other Backward Classes Employees' Welfare Association.

Prevention of Sexual Harassment of Women at the Workplace

XI.36 The grievance redressal mechanism in the Reserve Bank for prevention of sexual harassment of women at the workplace is governed by comprehensive set of guidelines issued in 2014-15 in accordance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act and Rules, 2013. During 2024-25, nine complaints were received, and eight cases have been disposed of. Several awareness programmes on the subject were organised at various regional offices (ROs) and the Central Office for sensitising the staff, including the newly recruited employees.

Right to Information (RTI)

XI.37 During 2024-25, the Reserve Bank received 21,043 requests for information and 1,764 appeals under the RTI Act. 11 training programmes and 134 sessions on RTI Act were also conducted.

Commemoration of the 90th Year of the RBI (RBI@90)

XI.38 The Reserve Bank commemorated the 90th year of its establishment during 2024-25 with year-long events and activities reflecting on the Reserve Bank's legacy of nine decades (RBI@90), while looking ahead towards strategies for the coming decade (RBI@100).

Table XI.5: Total Strength of Ex-Servicemen and PwBD*

Category	Ex-Servicemen (ESM)	Persons with Benchmark Disabilities (PwBD)			
		Visually Impaired (VI)	Hearing Impaired (HI)	Orthopaedically Handicapped (OH)	Intellectual Disabilities ('d')**
1	2	3	4	5	6
Class I	260	72	16	95	4
Class III	253	42	2	38	1
Class IV	574	15	7	33	1

* : As on December 31, 2024.
** : As per Rights of Persons with Disability Act, 2016, the PwBD classification is defined as: (a) blindness and low vision; (b) deaf and hard of hearing; (c) locomotor disability including cerebral palsy, leprosy cured, dwarfism, acid attack victims and muscular dystrophy; (d) autism, intellectual disability, specific learning disabilities and mental illness; and (e) multiple disabilities from amongst persons under clauses (a) to (d) including deaf-blindness.
Source: RBI.

XI.39 The commemoration was launched with an opening ceremony graced by the Hon'ble Prime Minister of India as the Chief Guest in Mumbai on April 1, 2024. A commemorative coin was released by the Hon'ble Prime Minister to mark RBI@90. As part of year-long events and activities, several marquee events were organised such as global conferences[2], national level events[3] and various activities[4] organised by ROs. The closing ceremony was held in Mumbai on April 1, 2025, with the Hon'ble President of India as the Chief Guest. A short film on events during RBI@90 was showcased and a Customised My Stamp marking this milestone was released by the Hon'ble President during the ceremony.

Vigilance-related Activities in the Reserve Bank

XI.40 The Reserve Bank's vigilance unit is under the overall charge of the Chief Vigilance Officer (CVO) and is organised on a two-tier basis with the Central Vigilance Cell (CV Cell) functioning at the Central Office and 52 branch vigilance units. The overall responsibility in respect of the vigilance work in the Reserve Bank vests with the CV Cell, which exercises its jurisdiction over all employees of the Reserve Bank and coordinates the activities of the branch vigilance units. The CV Cell also maintains liaison with the Central Vigilance Commission (CVC) and the Central Bureau of Investigation (CBI). The activities/ functions of the CV Cell are as under:

a. Implementation of anti-corruption and preventive vigilance measures including among others the conduct of vigilance audits of ROs/CODs/TEs, Chief Technical Examiner audit of major works and scrutiny of Annual Property Statements of assets/liabilities of employees;

b. Examination of vigilance cases, investigation and disposal of complaints received against employees from various sources, including under Public Interest Disclosure and Protection of Informers (PIDPI) Resolution, 2004;

c. Promotion of vigilance awareness among the employees of the Reserve Bank and observance of 'Vigilance Awareness Week' and training and sensitising staff on vigilance matters;

[2] Include "Digital Public Infrastructure (DPI) and Emerging Technologies" (August 26-27, 2024, Bengaluru) with participations from central bank Governors, senior government officials, banking and NBFC leadership, IT firms, payment system operators (PSOs), FinTech entities and academia, among others; High-Level conference on the theme "Central Banking at Cross-roads" (October 14, 2024, New Delhi) which brought together leading central bankers, experts from multilateral financial institutions, leading policymakers, academia, heads of major domestic banks, economists and financial market participants; and High-Level policy conference of central banks in the Global South (November 21-22, 2024, Mumbai) with delegates from 18 countries, including central bank Governors, Deputy Governors and other central bank officials from the Global South.

[3] Include quiz on general knowledge and awareness for undergraduate students pursuing bachelor's degree courses across all streams; art competition for fine art students in India, with focus on themes associated with the Reserve Bank (October 22, 2024, RBI New Delhi office) with participation from students of 71 colleges across the country; a panel discussion on the evolution of Indian art, influence of social media on art, future of traditional painting forms with advent of digital tools and artificial intelligence, impact of globalisation, art fairs, biennales, *etc.*; and inter-institutional tournaments at an all-India level (*viz.*, football at Kolkata during August 3-10, 2024; cricket at Jaipur during September 21-28, 2024; table tennis at Chandigarh during November 24-29, 2024; and badminton tournament at Bengaluru during January 2-5, 2025).

[4] Include townhall for RBI employees, talks by eminent personalities, art competition and activities to promote the use of Rajbhasha, tree plantation drives (245 plantation drives, 16,205 saplings planted during the year), and blood donation camps (45 blood donation camps across the offices of the Reserve Bank and residential colonies during the year with participation from about 2,237 employees and their family members).

d. Issuance of instructions to ROs/CODs/TEs on vigilance matters and dissemination of information about CVC's guidelines by conducting workshops for the staff; and

e. Maintaining information on sensitive posts, Agreed List, officers of doubtful integrity and issuance of vigilance clearances.

Agenda for 2025-26

XI.41 The roadmap for the year would include the following milestones for the Department:

- Identification and analysis of skill gaps in the Reserve Bank; and
- Integrating massive open online courses (MOOCs) framework in the Reserve Bank's training and development ecosystem (*Utkarsh* 2.0).

4. ENTERPRISE-WIDE RISK MANAGEMENT

XI.42 The RMD forms the second line of defence[5] in the three-tier internal risk management framework adopted by the Reserve Bank and is responsible for the formulation and operationalisation of the enterprise-wide risk management (ERM) framework.

XI.43 The Reserve Bank of India had adopted the extant Economic Capital Framework (ECF) in August 2019 based on the recommendations of the 'Expert Committee to Review the Extant Economic Capital Framework of the Reserve Bank of India', under the Chairmanship of Dr. Bimal Jalan. The Committee had recommended that the framework may be periodically reviewed every five years. In line with the Committee's recommendation, the Reserve Bank has undertaken a comprehensive internal review of the extant framework (Box XI.1).

Box XI.1

Economic Capital Framework (ECF) of the Reserve Bank of India – Internal Review

Over the last few years, the global macroeconomic environment has been challenging owing to the pandemic, elevated global public debt, persistent inflation, monetary tightening by central banks, volatility in financial markets, prolonged geopolitical tensions, and geo-economic fragmentation. Despite the adverse macroeconomic developments and other challenges mentioned above, the ECF has enabled the Reserve Bank to augment its financial resilience while also ensuring healthy transfer of surplus to the government, at a time when many central banks have experienced depleted incomes and capital buffers. The Review also noted that the consistent implementation of the rule-based, publicly disclosed ECF has helped build stakeholder confidence and trust in commitment towards maintaining the Reserve Bank's financial resilience.

The Review observed that the extant ECF has met its objective of ensuring a resilient balance sheet for the Reserve Bank, and proposed continuation of the broad principles underlying the extant ECF and the risk assessment methodologies adopted therein. The Review, however, highlighted certain areas where the Framework could be further refined, to ensure continued alignment with the core objective of ensuring financial resilience of the Reserve Bank. The major changes to the extant ECF are as under:

(Contd.)

[5] Individual business areas form the first line of defence and are primarily responsible for the identification and management of risks emanating from their respective areas of functioning, while the second line of defence is the RMD, which performs the centralised risk monitoring function, and the third line of defence is the Inspection Department, which through the inspection and audit process, performs the role of risk assurance.

(i) The computation of market risk buffer requirement may adopt an integrated approach, wherein the off-balance sheet portfolio is also reckoned, together with the on-balance sheet portfolio. Investments in foreign currency assets in minor currencies may also be considered;

(ii) The Central Board would have the flexibility to maintain market risk buffers at any resilience level within the range of Expected Shortfall (ES) at 99.5 per cent confidence level (CL) and ES at 97.5 per cent CL, and to maintain risk provisions for shortfall in revaluation balances accordingly, based on its assessment of expected market risk factors. Under the extant ECF, additional risk provisioning was triggered only if revaluation balances were below ES at 97.5 per cent CL;

(iii) The range for buffers for monetary and financial stability risks has been widened to 5.0 ± 1.5 per cent of balance sheet (B/S) size (*vis-à-vis* the existing range of 4.5 - 5.5 per cent), providing flexibility to the Central Board based on its assessment of the prevailing macroeconomic conditions and other factors;

(iv) Consequently, the Contingent Risk Buffer (CRB), which includes buffers for monetary and financial stability risk, credit risk and operational risk, would be maintained in the range of 6.0 ± 1.5 per cent of B/S size (as against the existing level of 6.5 per cent, with a lower bound of 5.5 per cent); and

(v) With respect to the surplus distribution policy, any Available Realised Equity (ARE) in excess of the Requirement for Realised Equity (RRE) may be written back from the Contingency Fund (CF) to income. In case the ARE is below the lower bound of its requirement, no surplus will be transferred to the government till at least the minimum level of RRE is achieved.

The reviewed ECF has been applied for determining risk provisioning requirement and surplus transferable for 2024-25.

Source: RBI.

Agenda for 2024-25

XI.44 The Department had set out the following goals for 2024-25:

- Analysis of the approved risk tolerance limits (RTLs) of all business areas (BAs) to identify the inter-linkages and subsequent harmonisation of similar RTLs across departments (Paragraph XI.45);
- Revision of Information Security (IS) Policy, 2022 of the Reserve Bank in order to fine-tune the existing policy and to provide necessary guidance in view of rapidly evolving technological adoption of artificial intelligence (AI), cloud computing and advanced analytics (Paragraph XI.46);
- Balance sheet stress testing with reference to simultaneous movement of exchange rate and interest rate based on scenarios derived from historical periods of market stress, augmented by forward-looking stress scenarios (Paragraph XI.47);
- Adopting international best practices of ERM (*Utkarsh* 2.0) [Paragraph XI.48]; and
- Assessment of emerging risks in the Reserve Bank (*Utkarsh* 2.0) [Paragraph XI.49].

Implementation Status

XI.45 A harmonisation exercise was conducted wherein RTLs of all BAs were analysed to identify common/similar processes, and uniform tolerance limits were articulated for these processes, with the approval of the Risk Monitoring Committee (RMC).

XI.46 Revision of IS policy, 2022 of the Reserve Bank was carried out to provide necessary guidance to suit rapidly evolving technological adoption such as AI, application programming interface (API), open-source software, analytics and governance requirements.

XI.47 The framework for balance sheet stress testing using scenarios based on simultaneous movement in exchange rates and interest rates has been put in place.

XI.48 A benchmarking exercise of the Reserve Bank's ERM framework and practices *vis-à-vis* the global best practices in risk management revealed that it was majorly in conformity with the international guidelines and globally accepted risk practices. The recommendations for strengthening the risk management framework, which emanated from the exercise, have been incorporated in the ERM 2.0 framework.

XI.49 Emerging risk scanning framework has been developed to identify and assess emerging risks in the Reserve Bank. An internal working group has been formed with the objective of providing inputs on the emerging risks and operationalisation of the framework.

Other Initiatives

The Reserve Bank's ERM Framework

XI.50 The ERM framework adopted by the Reserve Bank in 2012 for an integrated and holistic approach towards internal risk management has been fine-tuned over time and it has facilitated in building a robust architecture for risk management in the Reserve Bank (Box XI.2).

Box XI.2

ERM in the Reserve Bank - Reflections from More Than a Decade of Implementation

The ERM framework of the Reserve Bank is guided by the principles of robust governance (*i.e.,* well defined risk management roles and responsibilities, independent reporting lines and Board oversight); proportionality (*i.e.,* risk management attuned to operational environment and risk profile); accountability (*i.e.,* clear mandate and well-defined risk tolerance); transparency and effective communication (*i.e.,* timely monitoring and reporting, feedback loop). The risk management framework is complemented by the presence of a conducive risk culture, which involves an appropriate 'tone from the top' and initiatives for disseminating risk awareness amongst the staff.

Over the period of 13 years since the rollout of the ERM framework, the internal risk management processes in the Reserve Bank have considerably matured as indicated below:

- Formal structure for oversight and governance of internal risks has been put in place through the Central Board of Directors, the Audit and Risk Management Sub-Committee and the RMC. These collectively form the three-tiered risk governance structure.
- Implementation of the three lines of defence risk management structure with clear segregation of roles, while ensuring effective collaboration for a synergistic approach towards managing risks.
- Putting in place the institutional architecture in the form of risk philosophy, appetite and tolerance through an enterprise-wide risk tolerance statement and functional unit-level RTLs.
- Implementing guidelines and methodologies, which facilitate uniform identification, classification, assessment, measurement, and management of risks (Table 1).

(Contd.)

- Developing frameworks for reporting and aggregation of risks, and reporting of risk incidents, for organisation-level and business area (BA)-level monitoring (Table 1).

The findings of a recent internal survey on the implementation of the ERM framework revealed that the framework had served its objectives and has enhanced organisational value. The concerted initiatives undertaken towards strengthening internal risk management based on the ERM framework were recognised by the Central Banking, UK by awarding the Reserve Bank as the 'Risk Manager of the Year 2024'. The ERM 2.0 framework seeks to further build upon the institutional architecture and organisational systems and processes put in place through the ERM 1.0.

Table 1: Guidelines, Tools and Methodologies - ERM Framework

Identification and Classification	Assessment	Management	Reporting	Aggregation
1	2	3	4	5
1. Risk Taxonomy 2. Risk Register Framework	1. Risk Assessment Methodology - Operational Risk (RAM-OR) 2. Risk Assessment Framework/Scenario Analysis/Stress Tests a) Credit Risk b) Liquidity Risk c) Interest Rate Risk d) Exchange Rate Risk 3. Economic Capital Framework (ECF) a) Market Risk - Expected Shortfall b) Credit Risk - Basel III Standardised Approach c) Operational Risk - Basel III Standardised Approach	1. Risk Tolerance Limits 2. Policy Frameworks for Management of: a) Model Risk b) Outsourcing Risk c) Reputation Risk d) Transversal Risk e) Key Risks f) Policy Risk g) Information Security	1. Incident Reporting Framework 2. Monitoring Module	1. Risk Dashboards a) People Risk b) Project Risk c) Physical Infrastructure and Security Risk d) IT and Cyber Risk 2. Risk Reports a) Half-yearly Report on Internal Risk Governance b) Executive Risk Report c) Report on Risk Exposures and Available Risk Buffers

Source: RBI.

Risk Awareness Week (RAW)

XI.51 The first edition of the RAW was organised in the Reserve Bank during April 22-26, 2024, with the objective of propagation of risk awareness and fostering of risk culture in the Reserve Bank as part of the larger organisational framework of risk awareness programmes. The initiative has enabled the Department to actively reach out to employees and convey the message of risk awareness and risk culture. Going forward, the RAW is planned to be held annually.

Agenda for 2025-26

XI.52 For 2025-26, the following goals have been proposed for the Department:

- The Integrated Risk Monitoring and Incident Reporting System (IRIS) application, launched in January 2020 for reporting of incidents and formulation of risk registers, will be revamped to include a comprehensive Risk Repository and other advanced risk management tools so as to enhance user experience and efficiency;

- The operating procedures for implementation of the revised IS policy 2024 will be issued, in line with the best information technology (IT) practices; and
- A framework will be developed for carrying out liquidity risk stress testing of the Reserve Bank's market portfolio, by building various scenarios based on analysis of historical events of market liquidity stress. The same will be integrated with the framework for stress testing for interest rate and exchange rate risk.

5. INTERNAL AUDIT / INSPECTION

XI.53 The Inspection Department of the Reserve Bank examines, evaluates and reports on internal control and governance processes and provides risk assurance to the top management and the Central Board through RBIA framework. Thus, the Department acts as the third line of defence (*viz.*, risk assurance) under ERM function in the Reserve Bank and reports to Audit and Risk Management Sub-Committee (ARMS) of the Central Board. The Department also oversees the functioning of the concurrent audit (CA) system and control self-assessment audit (CSAA) in the Reserve Bank. The Department acts as the Secretariat to the ARMS of the Central Board and also to the Executive Directors' Committee (EDC) in overseeing the internal audit function. Further, Zonal Inspectorates (ZIs) in five zones help the Auditee Offices (AOs) in strengthening the internal control system in the Reserve Bank, by ensuring quality of compliance of various audits and assist the Department in fulfilling its mandate of providing an independent and objective risk assurance to the top management on the operations of the various Business Areas of the Reserve Bank.

Agenda for 2024-25

XI.54 The Department had set out the following goals for 2024-25:

- Fine-tuning of existing RBIA based on 'core' and 'criticality' of operations undertaken by the auditee units and make the process more risk focused (Paragraph XI.55);
- Review of working of ZIs to study their efficacy in strengthening the internal control mechanism in the Reserve Bank (Paragraph XI.56); and
- Carrying out thematic study on efficacy and efficiency of CSAA (Paragraph XI.57).

Implementation Status

XI.55 Based on 'core' and 'criticality' of the operations undertaken by the auditee units, engagement matrix has been made operational and the risk scoring methodology has also been calibrated.

XI.56 A study on working of the ZIs along with evaluating their role in strengthening the internal control mechanism was conducted and placed before the EDC and ARMS of the Central Board. Subsequently, revised guidelines were issued.

XI.57 A thematic study on efficacy and efficiency of CSAA was conducted and submitted to the top management. Subsequently, revised instructions on CSAA were issued.

Major Development

XI.58 The Department achieved the task of integrating all audits conducted by the Department into the AMS a year ahead of its schedule during 2024-25 (Box XI.3).

Box XI.3

Audit Management System (AMS)

AMS facilitates conduct of various types of internal audit in the Reserve Bank. AMS, the end-to-end solution for all the audits conducted by the Department, also functions as the repository of the entire lifecycle of the audits. Further, the system is scalable and capable of providing insights to the top management through analytics and customisable dashboards.

AMS was rolled out in the Department on upgradation of erstwhile Audit Management and Risk Monitoring System (AMRMS). Initially the system supported only the main activities of the Department, *viz.,* RBIA and CSAA.

Subsequently other modules, *viz.,* Project Audit, Compliance Audit and Concurrent Audit, were developed and integrated into the system. With the introduction of ZI, ZI module was also developed and integrated into the system. As on March 31, 2025, the workflow of all the audits conducted by the Department is carried out in the AMS.

Source: RBI.

Agenda for 2025-26

XI.59 During the year, the Department will focus on the following goals:

- Measures for strengthening the Concurrent Audit Process in the Reserve Bank;
- Formulation of Charter of Inspection Department;
- Feasibility study of adoption of AI and ML in the Internal Audit Process; and
- Conduct Thematic Studies on: (i) Analysis of risks associated with status of implementation of annual maintenance contracts (AMCs)/Agreements; (ii) Adherence to internal procedures pertaining to Disaster Recovery and business continuity plan (BCP); and (iii) Status on implementation of Archival and Record Management Policy.

6. CORPORATE STRATEGY AND BUDGET MANAGEMENT

XI.60 The CSBD coordinates and formulates the Reserve Bank's medium-term strategy framework (*Utkarsh*), prepares its annual budget, and monitors its expenditure with a view to ensuring budgetary discipline. The Department also formulates and executes the Reserve Bank's business continuity plan (BCP) for its critical operations and acts as the nodal Department for four institutes funded by the Reserve Bank. It also maintains various superannuation and staff welfare funds.

Agenda for 2024-25

XI.61 For 2024-25, the Department had set out the following goals:

- Triennial review of time sensitive critical activities (TSCAs) of the Reserve Bank (*Utkarsh* 2.0) [Paragraph XI.62];
- Review of the business continuity management (BCM) systems of the Reserve Bank (Paragraph XI.63);
- Mid-term review of *Utkarsh* 2.0 (Paragraph XI.64);
- Review of the budget rating framework (Paragraph XI.64); and
- Review of budget management of the budgeting units (Paragraph XI.64).

Implementation Status

XI.62 The triennial review of TSCAs of the Reserve Bank was done by carrying out a business impact analysis of its critical functions. The TSCAs were finalised by the Business Continuity Committee and approved by the Risk Monitoring Committee of the Reserve Bank.

XI.63 A review of the BCM systems in the Reserve Bank was undertaken. To reap the benefits of digitising the BCM processes and system, the Department has initiated the work towards development of a dashboard that would provide real time alerts during disaster/crisis, for carrying out the critical activities as per the extant standard operating procedures (SOPs).

XI.64 A mid-term review of *Utkarsh* 2.0 was completed. Rating framework for budgeting units was reviewed, and the updated rating framework was issued. New facilities for budget management were provided for the budgeting units in the budget module of *e-Kuber* system.

Major Developments

XI.65 Out of 150 milestones of *Utkarsh* 2.0 due for completion as on March 31, 2025, 118 milestones (78.7 per cent) were completed, and the remaining 32 milestones (21.3 per cent) were under various stages of implementation. In addition, 6 milestones were completed ahead of their schedule on March 31, 2025. New facilities were also brought in the '*Utkarsh*' portal enabling better monitoring of achievement of milestones.

XI.66 CSBD, being the nodal Department for BCM framework of the Reserve Bank, plays a key role in ensuring the smooth working of critical systems and business processes in the Reserve Bank. The business continuity framework was strengthened by carrying out review of TSCAs, assessing disaster recovery (DR) drills and performance of various business units of the Reserve Bank.

XI.67 The Department continued to reinforce governance of all four institutes funded by the Reserve Bank, *viz.,* CAFRAL, IGIDR, IIBM and NIBM through meetings of their governing boards and sub-committees, quarterly monitoring of major developments, and implementing the recommendations of their review Committees. During the year, the governance structure of CAFRAL was streamlined further by constituting sub-committees to advise on learning activities and financial matters.

XI.68 Various IT initiatives were taken by the Department towards streamlining the modules in its existing core banking solution (*e-Kuber*) for automated workflow and generation of management information system (MIS) reports.

XI.69 To create awareness on strategy, business continuity, and budget guidelines of the Reserve Bank, workshops and awareness programmes were conducted for the staff at various locations, including TEs.

Agenda for 2025-26

XI.70 The Department's agenda for the year includes the following:

- Development of a dashboard for BCM systems;
- Review of *Utkarsh* 2.0;
- Formulation of *Utkarsh* 3.0; and
- Enhancing the effectiveness of the deliverables across all four institutes funded by the Reserve Bank.

7. RAJBHASHA

XI.71 The Rajbhasha Department functions as the nodal Department for implementing the Official Language Policy within the Reserve Bank. By devising a comprehensive action plan and establishing a robust monitoring mechanism, the Department has ensured the progressive use of Hindi in the Reserve Bank along with compliance of the provisions of the Official Language Act, 1963; Rajbhasha Rules, 1976; directives issued by the President of India and instructions of the GoI; and the Committee of Parliament on Official Language. Through targeted initiatives such as Hindi training programmes, lectures and incentive schemes, the Department has actively fostered the propagation of Hindi while cultivating an environment conducive to its widespread usage.

Agenda for 2024-25

XI.72 The Department had set out the following goals for the year:

- To increase the number of sections specified to do their entire work in Hindi with an addition of 120 sections by December 2024 (*Utkarsh* 2.0) [Paragraph XI.73];
- To increase the number of staff members proficient in Hindi by imparting training under *Parangat* course (Paragraph XI.73);
- To organise a special programme for the Regional Directors on inspection questionnaire of Hon'ble Committee of Parliament on Official Language (Paragraph XI.74);
- To impart Hindi training to the members of faculty of RBSC, Chennai and CAB, Pune (Paragraph XI.74);
- To organise debate competition on economic, banking and financial topics for officers at regional office and central office levels to create more awareness as part of RBI@90 celebrations (Paragraph XI.75);
- To provide training to newly recruited staff members in order to help them acquire the compulsory working knowledge of Hindi (Paragraph XI.75);
- To organise training programmes related to various Rajbhasha inspections for Rajbhasha officers (Paragraph XI.75); and
- To organise faculty development programme for Rajbhasha officers (Paragraph XI.75).

Implementation Status

XI.73 A total of 145 additional sections were specified for carrying out entire work in Hindi *vis-à-vis* the target of 120 sections. During the year, a total of 298 additional staff members have received *Parangat* training.

XI.74 A special programme for the Regional Directors/CGMs/Officers-in-Charge on inspection questionnaire of Hon'ble Committee of Parliament on Official Language was organised at Pench, Madhya Pradesh during September 22-23, 2024, in which 23 Regional Directors and Officers-in-Charge participated from various ROs and CODs. Programmes to impart Hindi training to the members of faculty of CAB, Pune and RBSC, Chennai were organised on August 16, 2024 and August 20, 2024, respectively.

XI.75 Under the aegis of RBI@90, debate competitions on economic, banking and financial topics for officers of ROs and CODs were organised. A total of 129 additional staff members acquired working knowledge of Hindi during the year, including newly recruited staff. A training programme related to various Rajbhasha inspections for Rajbhasha officers was organised at CAB, Pune during July 18-19, 2024. Two Faculty Development Programmes were organised for Rajbhasha officers at CAB, Pune during February 10-12, 2025 and February 27- March 1, 2025.

Major Developments

Visits by Hon'ble Committee of Parliament on Official Language in the Reserve Bank

XI.76 The Hon'ble Committee of Parliament on Official Language inspected the Hyderabad office of the Reserve Bank on October 23, 2024.

Training/Conference

XI.77 In order to cater to the needs of different segments of the Reserve Bank staff, various training programmes were conducted throughout the year. Rajbhasha conference and *Heerak Jayanti* function was organised at Rajgir, Bihar during January 31-February 1, 2025.

Publications

XI.78 The Department's half-yearly magazine, '*Kriti-Anukriti*', served as a platform to highlight Rajbhasha related key activities and initiatives taken in various CODs, ROs and TEs. Featuring the contemporary issues in Banking and Finance, two editions of the Hindi journal '*Banking Chintan-Anuchintan*' were published.

Commemorating the 90th Year of the Reserve Bank

XI.79 Under the aegis of RBI@90, a national level debate competition was held on December 23, 2024, featuring winners from the zonal/cluster-level competitions.

Agenda for 2025-26

XI.80 During the year, the Department plans to focus on the following:

- To organise training programme on Rajbhasha inspection for Rajbhasha officers;
- To organise faculty development programme for Rajbhasha officers;
- To organise a Hindi workshop for private secretaries of the Reserve Bank;
- To organise a special programme for the Regional Directors/CGMs/Officers-in-Charge on inspection questionnaire of Hon'ble Committee of Parliament on Official Language; and
- To publish a new magazine showcasing the select contributions made by the staff of various ROs and CODs in their Hindi e-House magazines.

8. PREMISES DEPARTMENT

XI.81 The vision of the Premises Department is to provide 'best in class' and environment-friendly physical infrastructure by integrating architectural excellence and aesthetic appeal with green ratings in the Reserve Bank's premises while ensuring the highest level of cleanliness.

Agenda for 2024-25

XI.82 For 2024-25, the Department had set out the following goals:

- Achieve the targets set under *Utkarsh* 2.0 for December 2024 (Paragraph XI.83);

- Complete construction of Raipur office project (Paragraph XI.84);
- Take forward various construction projects currently in planning stage at various ROs (Paragraph XI.84); and
- Complete acquisition of residential space in Mumbai (Paragraph XI.84).

Implementation Status

XI.83 As against the goal for obtaining relevant green rating from IGBC/GRIHA[6] for at least 9 office buildings and 16 residential buildings by December 2025, green rating has already been received for 11 office buildings and 13 residential buildings up to December 2024. As against the target of achieving power consumption from renewable sources at 7 per cent of consumption by December 2024 (base year June 2018), 8.3 per cent has been achieved across all office premises till December 2024. Moreover, the Reserve Bank has achieved energy savings of 10.4 per cent till December 2024 as against the target of 6.5 per cent set for period ending December 2024 (base year June 2018).

XI.84 The construction of office building at Raipur is at an advanced stage and expected to be completed shortly. Various other construction projects have also been taken forward for a timely completion.

Major Development

XI.85 The Reserve Bank has been generating renewable energy through solar power plants installed at various offices and residential colonies. As at end-March 2025, 29 office premises and 61 residential premises have solar power plants with power generation capacity at 4,650 kWp (Kilowatt-peak).

Other Initiatives

XI.86 The Department is exploring to avail project management consultancy (PMC) services from various central public-sector undertakings (CPSUs) under different categories.

XI.87 The Department has been prioritising skill enhancement of the staff of estate departments through targeted training programmes on various functional aspects covering fixed asset policy, e-tendering through MSTC portal, procurement through Government e-Marketplace (GeM) portal, centralised insurance of assets, familiarisation and training programmes for smooth implementation of enterprise project management software.

XI.88 The Department has revised policy on disposal of surplus property and procurement policy. The GREEN[7] data platform has been further strengthened by adding a new module of submission of monthly information from ROs. Further, a project dashboard named '*Pari-Drishti*' has been developed as a part of improvement in MIS.

Agenda for 2025-26

XI.89 For the year 2025-26, the Department has set the following goals:

- Achieve the targets set under *Utkarsh* 2.0 for December 2025;

[6] Indian Green Building Council (IGBC)/Green Rating for Integrated Habitat Assessment (GRIHA).

[7] A web-based platform named GREEN (**G**eneration of **R**enewable **E**nergy, **E**nergy Conservation and **N**eer Conservation) has been developed for consolidation and analysis of data and information on other green initiatives and energy/water audit received from the ROs with an aim to improve energy efficiency/conservation.

- Strive to ensure sufficient office/residential space as per the Reserve Bank's requirement; and
- Take forward various construction projects currently in planning stage at various ROs.

9. CONCLUSION

XI.90 The Reserve Bank commemorated the 90th year of its establishment through year-long events and activities. Human resources were strengthened through new recruitments and trainings along with efforts towards promoting greater harmony between employer and employees. The Reserve Bank enhanced its internal risk management by further strengthening the ERM, RBIA and business continuity frameworks. Rajbhasha Department ensured compliance with the statutory provisions of the Official Languages Act of the GoI, while the Premises Department continued with its efforts to provide environment friendly physical infrastructure.

Annex

Table XI.1: Attendance in the Meeting of the Central Board of Directors during April 1, 2024 – March 31, 2025

Name of the Member	Appointed/Nominated under RBI Act, 1934	Number of Meetings Held	Number of Meetings Attended
1	2	3	4
Shaktikanta Das$	8(1)(a)	4	4
Sanjay Malhotra%	8(1)(a)	3	3
Michael Debabrata Patra@	8(1)(a)	5	5
M. Rajeshwar Rao	8(1)(a)	7	7
T. Rabi Sankar	8(1)(a)	7	7
Swaminathan J.	8(1)(a)	7	6
Revathy Iyer	8(1)(b)	7	7
Sachin Chaturvedi	8(1)(b)	7	6
Satish Kashinath Marathe	8(1)(c)	7	7
Swaminathan Gurumurthy	8(1)(c)	7	2
Anand Gopal Mahindra	8(1)(c)	7	2
Venu Srinivasan	8(1)(c)	7	4
Pankaj Ramanbhai Patel	8(1)(c)	7	4
Ravindra H. Dholakia	8(1)(c)	7	6
Ajay Seth	8(1)(d)	7	5
Vivek Joshi*	8(1)(d)	2	1
Nagaraju Maddirala#	8(1)(d)	5	4

$: Relinquished charge as Governor on December 10, 2024.
%: Took charge as Governor on December 11, 2024.
@: Deputy Governor till January 14, 2025.
*: Director till August 29, 2024.
#: Director *w.e.f.* August 30, 2024.

Table XI.2: Attendance in the Meeting of the Committees of the Central Board during April 1, 2024 – March 31, 2025

Name of the Member	Appointed/Nominated under RBI Act,1934	Number of Meetings Held	Number of Meetings Attended
1	2	3	4
I. Committee of the Central Board (CCB)			
Shaktikanta Das$	8(1)(a)	32	25
Sanjay Malhotra%	8(1)(a)	13	12
Michael Debabrata Patra@	8(1)(a)	36	27
M. Rajeshwar Rao	8(1)(a)	45	41
T. Rabi Sankar	8(1)(a)	45	43
Swaminathan J.	8(1)(a)	45	41
Revathy Iyer	8(1)(b)	17	17
Sachin Chaturvedi	8(1)(b)	26	26
Satish Kashinath Marathe	8(1)(c)	34	34
Swaminathan Gurumurthy	8(1)(c)	14	1
Anand Gopal Mahindra	8(1)(c)	11	8
Venu Srinivasan	8(1)(c)	15	15
Pankaj Ramanbhai Patel	8(1)(c)	23	23
Ravindra H. Dholakia	8(1)(c)	41	41

Name of the Member	Position	Number of Meetings Held	Number of Meetings Attended
II. Board for Financial Supervision (BFS)			
Shaktikanta Das$	Chairman	8	7
Sanjay Malhotra%	Chairman	4	4
Swaminathan J.	Vice-Chairman	12	12
Michael Debabrata Patra@	Member	9	6
M. Rajeshwar Rao	Member	12	11
T. Rabi Sankar	Member	12	12
Satish Kashinath Marathe	Member	12	9
Sachin Chaturvedi	Member	12	10
Ravindra H. Dholakia	Member	12	9
Revathy Iyer	Member	12	9
III. Board for Regulation and Supervision of Payment and Settlement Systems (BPSS)			
Shaktikanta Das$	Chairman	1	1
Sanjay Malhotra%	Chairman	1	1
T. Rabi Sankar	Vice-Chairman	2	2
Michael Debabrata Patra@	Member	1	1
M. Rajeshwar Rao	Member	2	2
Swaminathan J.	Member	2	2
Sachin Chaturvedi	Member	2	2
Ravindra H. Dholakia	Member	2	2

$: Relinquished charge as Governor on December 10, 2024.

%: Took charge as Governor on December 11, 2024.

@: Deputy Governor till January 14, 2025.

Table XI.3: Attendance in the Meeting of the Sub-Committees of the Board during April 1, 2024 – March 31, 2025

Name of the Member	Position	Number of Meetings Held	Number of Meetings Attended
1	2	3	4
I. Audit & Risk Management Sub-Committee (ARMS)			
Revathy Iyer	Chairperson	7	7
Sachin Chaturvedi	Member	7	5
Venu Srinivasan^	Member	7	1
Pankaj Ramanbhai Patel	Member	7	0
Swaminathan J.	Member	7	7

^: Member till April 4, 2025.

II. Building Sub-Committee (BSC)			
Pankaj Ramanbhai Patel	Chairman	1	1
Anand Gopal Mahindra	Member	1	1

III. Human Resource Management Sub-Committee (HRM-SC)			
Anand Gopal Mahindra	Chairman	2	1
Pankaj Ramanbhai Patel	Member	2	2

IV. Information Technology Sub-Committee (IT-SC)			
Sachin Chaturvedi	Chairman	3	3
Satish Kashinath Marathe	Member	3	3

V. Strategy Sub-Committee (S-SC)			
Revathy Iyer	Chairperson	Nil	Nil
Anand Gopal Mahindra	Member	Nil	Nil
Michael Debabrata Patra@	Member	Nil	Nil
Swaminathan J.&	Member	Nil	Nil
Venu Srinivasan	Member	Nil	Nil

@: Member till January 14, 2025.

&: Member *w.e.f.* January 15, 2025.

Table XI.4: Attendance in the Meeting of Standing Committee of the Central Board of Directors in *lieu* of Local Board/s during April 1, 2024 – March 31, 2025*

Name of the Member	Position	Number of Meetings Held	Number of Meetings Attended
1	2	3	4
Revathy Iyer	Chairperson	8	8
Satish Kashinath Marathe	Member	8	8

*: Standing Committee of the Central Board is functioning in *lieu* of Northern, Western, Eastern and Southern Area Local Boards.

Note: Two meetings each were held for the Northern, Western, Eastern and Southern Areas.

XII THE RESERVE BANK'S ACCOUNTS FOR 2024-25

The size of the Reserve Bank's balance sheet as on March 31, 2025 increased by 8.20 per cent year on year. While income for the year increased by 22.77 per cent, expenditure increased by 7.76 per cent. The year ended with an overall surplus of ₹2,68,590.07 crore as against ₹2,10,873.99 crore in the previous year, resulting in an increase of 27.37 per cent.

XII.1 The balance sheet of the Reserve Bank reflects activities carried out in pursuance of its various functions including issuance of currency as well as monetary policy and reserve management objectives.

XII.2 Key financial results of the Reserve Bank's operations during the year 2024-25 are set out in following paragraphs.

XII.3 The size of the balance sheet increased by ₹5,77,718.72 crore, *i.e.,* 8.20 per cent from ₹70,47,703.21 crore as on March 31, 2024 to ₹76,25,421.93 crore as on March 31, 2025. Increase on assets side was due to rise in gold, domestic investments and foreign investments by 52.09 per cent, 14.32 per cent and 1.70 per cent, respectively. On liabilities side, expansion was due to increase in notes issued, revaluation accounts, and other liabilities by 6.03 per cent, 17.32 per cent and 23.31 per cent, respectively. Domestic assets constituted 25.73 per cent while foreign currency assets, gold (including gold deposit and gold held in India) and loans and advances to financial institutions outside India constituted 74.27 per cent of total assets as on March 31, 2025 as against 23.31 per cent and 76.69 per cent, respectively, as on March 31, 2024.

XII.4 A provision of ₹44,861.70 crore was made and transferred to Contingency Fund (CF). No provision was made towards Asset Development Fund (ADF). Trends in income, expenditure, net income and surplus transferred to the Central Government are given in Table XII.1.

XII.5 Independent Auditors' Report, Balance Sheet and Income Statement for the year ended March 31, 2025 along with schedules, statement of Significant Accounting Policies and supporting Notes to Accounts are given in ensuing paragraphs.

Table XII.1: Trends in Income, Expenditure, Net Income and Surplus Transferred to the Central Government

(Amount in ₹ crore)

Item	2020-21	2021-22	2022-23	2023-24	2024-25
1	2	3	4	5	6
a) Income	1,33,272.75	1,60,112.13	2,35,457.26	2,75,572.32	3,38,308.09
b) Total Expenditure[1]	34,146.75[2]	1,29,800.68[3]	1,48,037.04[4]	64,694.33[5]	69,714.02[6]
c) Net Income (a-b)	99,126.00	30,311.45	87,420.22	2,10,877.99	2,68,594.07
d) Transfer to funds[7]	4.00	4.00	4.00	4.00	4.00
e) Surplus transferred to the Central Government (c-d)	99,122.00	30,307.45	87,416.22	2,10,873.99	2,68,590.07

Note:
1. Include provisions towards CF and ADF.
2. Includes a provision of ₹20,710.12 crore towards transfer to CF.
3. Include provisions of ₹1,14,567.01 crore and ₹100 crore towards transfer to CF and ADF, respectively.
4. Includes a provision of ₹1,30,875.75 crore towards transfer to CF.
5. Includes a provision of ₹42,819.91 crore towards transfer to CF.
6. Includes a provision of ₹44,861.70 crore towards transfer to CF.
7. An amount of ₹1 crore each has been transferred to the National Industrial Credit (Long Term Operations) Fund, the National Housing Credit (Long Term Operations) Fund, the National Rural Credit (Long Term Operations) Fund and the National Rural Credit (Stabilisation) Fund during each of the five years.

INDEPENDENT AUDITORS' REPORT

To,

The President of India

Report on Audit of Financial Statements of the Reserve Bank of India

Opinion

We, the undersigned auditors of the Reserve Bank of India (hereinafter referred to as the "Bank"), do hereby report to the Central Government upon the Balance Sheet of the Bank as on March 31, 2025, the Income Statement read with Schedules and Significant Accounting Policies as at and for the year ended on that date (hereinafter referred to as "Financial Statements"), which have been audited by us.

In our opinion and to the best of our information and according to explanations given to us and as shown by the books of accounts of the Bank, the Balance Sheet read with Schedules and Significant Accounting Policies is a full and fair Balance Sheet containing all necessary particulars and is properly drawn up in accordance with the requirements of the provisions of the Reserve Bank of India Act, 1934 ("the RBI Act, 1934") and Regulations framed there under, as amended, so as to exhibit true and correct view of the state of affairs of the Bank as on March 31, 2025 and its results of operations for the year ended on that date.

Basis for Opinion

We conducted our audit of the aforesaid Financial Statements in accordance with the Standards on Auditing ("SAs") issued by the Institute of Chartered Accountants of India ("ICAI"). Our responsibilities under those Standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the *Code of Ethics* issued by the ICAI together with the ethical requirements that are relevant to our audit of the Financial Statements under the provisions of the Reserve Bank of India Act, 1934 and Regulations framed thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Financial Statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The Management is responsible for the other information. The other information comprises the information included in the Notes to Accounts but does not include the Financial Statements and our auditors' report thereon.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Bank's Management and Those Charged with Governance for the Financial Statements are responsible for the preparation of the Financial Statements that give a true and correct view of the state of affairs and results of operations of the Bank in accordance with the requirements of the provisions of the RBI Act, 1934 and Regulations framed thereunder and the accounting policies and practices followed by the Bank. This responsibility also includes maintenance of adequate accounting records for safeguarding of the assets of the Bank and preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of internal control relevant to the preparation and presentation of the Financial Statements that give a true and correct view and are free from material misstatement, whether due to fraud or error.

The Management is also responsible for assessing the Bank's ability to continue as a 'Going Concern' and using the 'Going Concern' basis of accounting. As per the RBI Act, 1934, the Bank can be liquidated only by the Central Government by order and in any other manner as it may direct.

Those Charged with Governance are also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements. Reasonable assurance includes aforesaid concepts of materiality and use of test-checks in line with the Standards on Auditing.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal financial control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of Management's use of the Going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a Going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report.
- Evaluate the overall presentation, structure and content of the Financial Statements, are drawn up in accordance with the requirements of the provisions of the RBI Act, 1934 and Regulations framed there under and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matters

The audit of the Financial Statements of the Bank for the year ended March 31, 2024, was carried out and reported jointly by M/s Chandabhoy & Jassoobhoy, Chartered Accountants and M/s Ford Rhodes Parks & Co. LLP, Chartered Accountants, who have expressed an unmodified opinion vide their audit report dated May 22, 2024, which has been furnished to us by the Management and has been relied upon by us for the purpose of our audit of the Financial Statements.

We report that we have called for information and explanations from the Bank considered necessary for the purpose of our audit and such information and explanations have been given to our satisfaction.

We also report that the Financial Statements include the accounts of twenty-five accounting units of the Bank which have been audited by Statutory Branch Auditors, and we have relied on their report in this regard.

Our opinion is not modified in respect of these matters.

For Sorab S. Engineer & Co. Chartered Accountants (ICAI Firm Registration No. 110417W)	For Kalyaniwalla & Mistry LLP Chartered Accountants (ICAI Firm Registration No. 104607W/W100166)
Naushir D. Anklesaria Partner Membership No. 010250 UDIN: 25010250BMOKKD2705	Daraius Z. Fraser Partner Membership No. 042454 UDIN: 25042454BMOETV3890

Place: Mumbai
Date: May 23, 2025

RESERVE BANK OF INDIA
BALANCE SHEET AS ON MARCH 31, 2025

(Amount in ₹ crore)

Liabilities	Schedule	2023-24	2024-25	Assets	Schedule	2023-24	2024-25
Capital		5.00	5.00	**Assets of Banking Department (BD)**			
Reserve Fund		6,500.00	6,500.00	Notes, Rupee Coin, Small Coin	6	10.13	11.26
Other Reserves	1	240.00	242.00	Gold-BD	7	2,74,714.27	4,31,624.80
Deposits	2	17,19,838.56	17,17,404.03	Investments-Foreign-BD	8	14,89,081.42	14,32,572.10
Risk Provisions				Investments-Domestic-BD	9	13,63,368.97	15,58,573.83
Contingency Fund		4,28,621.03	5,42,426.96	Bills Purchased and Discounted		0.00	0.00
Asset Development Fund		22,974.68	22,974.68	Loans and Advances	10	3,75,593.49	4,34,710.24
Revaluation Accounts	3	11,30,963.71	13,26,793.43	Investment in Subsidiaries	11	2,063.60	2,063.60
Other Liabilities	4	2,60,520.73	3,21,248.79	Other Assets	12	64,831.83	78,039.06
Liabilities of Issue Department				**Assets of Issue Department (ID) (As backing for Notes Issued)**			
Notes Issued	5	34,78,039.50	36,87,827.04	Gold-ID	7	1,64,604.91	2,36,537.54
				Rupee Coin		458.54	328.76
				Investments-Foreign-ID	8	33,12,976.05	34,50,960.74
				Investments-Domestic-ID	9	0.00	0.00
				Domestic Bills of Exchange and other Commercial Papers		0.00	0.00
						34,78,039.50	**36,87,827.04**
Total Liabilities		**70,47,703.21**	**76,25,421.93**	**Total Assets**		**70,47,703.21**	**76,25,421.93**

Sangeeta Lalwani	Poonam Gupta	Swaminathan J	T. Rabi Sankar	M. Rajeshwar Rao	Sanjay Malhotra
Chief General Manager-In-Charge	Deputy Governor	Deputy Governor	Deputy Governor	Deputy Governor	Governor

RESERVE BANK OF INDIA

INCOME STATEMENT FOR THE YEAR ENDED MARCH 31, 2025

(Amount in ₹ crore)

INCOME	Schedule	2023-24	2024-25
Interest	13	1,88,605.73	2,10,687.64
Other Income	14	86,966.59	1,27,620.45
Total		**2,75,572.32**	**3,38,308.09**
EXPENDITURE			
Printing of Notes		5,101.40	6,372.82
Expenditure on Remittance of Currency		128.39	151.02
Agency Charges	15	3,976.31	3,669.56
Employee Cost		7,890.11	9,146.71
Interest		2.19	2.44
Postage and Telecommunication Charges		242.75	106.43
Printing and Stationery		29.53	24.24
Rent, Taxes, Insurance, Lighting, *etc.*		254.14	274.65
Repairs and Maintenance		173.07	177.55
Directors' and Local Board Members' Fees and Expenses		5.75	4.80
Auditors' Fees and Expenses		7.37	7.24
Law Charges		18.06	17.67
Depreciation		370.62	623.63
Miscellaneous Expenses		3,674.73	4,273.56
Provisions		42,819.91	44,861.70
Total		**64,694.33**	**69,714.02**
Available Balance		**2,10,877.99**	**2,68,594.07**
Less:			
(a) Contribution to:			
(i) National Industrial Credit (Long Term Operations) Fund		1.00	1.00
(ii) National Housing Credit (Long Term Operations) Fund		1.00	1.00
(b) Transferable to NABARD:			
(i) National Rural Credit (Long Term Operations) Fund[1]		1.00	1.00
(ii) National Rural Credit (Stabilisation) Fund[1]		1.00	1.00
(c) Others			
Surplus payable to the Central Government		**2,10,873.99**	**2,68,590.07**

1. These funds are maintained by the National Bank for Agriculture and Rural Development (NABARD).

Sangeeta Lalwani	Poonam Gupta	Swaminathan J	T. Rabi Sankar	M. Rajeshwar Rao	Sanjay Malhotra
Chief General Manager-In-Charge	Deputy Governor	Deputy Governor	Deputy Governor	Deputy Governor	Governor

SCHEDULES FORMING PART OF BALANCE SHEET AND INCOME STATEMENT

(Amount in ₹ crore)

		2023-24	2024-25
Schedule 1:	**Other Reserves**		
	(i) National Industrial Credit (Long Term Operations) Fund	33.00	34.00
	(ii) National Housing Credit (Long Term Operations) Fund	207.00	208.00
	Total	**240.00**	**242.00**
Schedule 2:	**Deposits**		
	(a) Government		
	(i) Central Government	5,000.30	5,000.85
	(ii) State Governments	42.46	42.48
	Sub total	***5,042.76***	***5,043.33***
	(b) Banks		
	(i) Scheduled Commercial Banks	9,56,010.64	9,26,001.43
	(ii) Scheduled State Co-operative Banks	10,934.25	8,439.50
	(iii) Other Scheduled Co-operative Banks	12,272.97	11,606.14
	(iv) Non-Scheduled State Co-operative Banks	6,515.91	6,569.07
	(v) Other Banks	39,714.96	38,872.35
	Sub total	***10,25,448.73***	***9,91,488.49***
	(c) Financial Institutions outside India		
	(i) Repo Borrowing-Foreign	1,61,402.27	1,11,579.53
	(ii) Reverse Repo Margin-Foreign	2,146.54	1,092.49
	Sub total	***1,63,548.81***	***1,12,672.02***
	(d) Others		
	(i) Administrators of RBI Employee PF A/c	4,778.94	4,902.84
	(ii) Depositor Education and Awareness Fund	78,212.53	97,545.12
	(iii) Balances of Foreign Central Banks	1,702.86	348.37
	(iv) Balances of Indian Financial Institutions	7,727.18	10,159.58
	(v) Balances of International Financial Institutions	501.00	501.14
	(vi) Mutual Funds	1.33	1.32
	(vii) Others	4,32,874.42	4,94,741.82
	Sub total	***5,25,798.26***	***6,08,200.19***
	Total	**17,19,838.56**	**17,17,404.03**
Schedule 3:	**Revaluation accounts**		
	(i) Currency and Gold Revaluation Account (CGRA)	11,30,793.34	13,02,964.89
	(ii) Investment Revaluation Account-Foreign Securities (IRA-FS)	0.00	0.00
	(iii) Investment Revaluation Account-Rupee Securities (IRA-RS)	0.00	16,843.35
	(iv) Foreign Exchange Forward Contracts Valuation Account (FCVA)	170.37	6,985.19
	Total	**11,30,963.71**	**13,26,793.43**
Schedule 4:	**Other Liabilities**		
	(i) Provision for Forward Contracts Valuation Account (PFCVA)	0.00	0.00
	(ii) Provision for payables	4,827.02	4,088.31
	(iii) Gratuity and Superannuation Fund	33,321.37	36,470.57
	(iv) Surplus payable to the Central Government	2,10,873.99	2,68,590.07
	(v) Bills Payable	11.35	0.09
	(vi) Miscellaneous	11,487.00	12,099.75
	Total	**2,60,520.73**	**3,21,248.79**
Schedule 5:	**Notes Issued**		
	(i) Notes held in the Banking Department	10.06	11.19
	(ii) Notes in circulation	34,77,795.32	36,86,799.39
	(iii) CBDC-W	0.08	0.00
	(iv) CBDC-R	234.04	1,016.46
	Total	**34,78,039.50**	**36,87,827.04**

		2023-24	2024-25
Schedule 6:	**Notes, Rupee Coin, Small Coin**		
	(i) Notes	10.06	11.19
	(ii) Rupee Coin	0.06	0.06
	(iii) Small Coin	0.01	0.01
	Total	**10.13**	**11.26**
Schedule 7:	**Gold**		
	(a) Banking Department		
	(i) Gold	2,60,537.16	4,17,205.49
	(ii) Gold deposit	14,177.11	14,419.31
	Sub Total	***2,74,714.27***	***4,31,624.80***
	(b) Issue Department	1,64,604.91	2,36,537.54
	Total	**4,39,319.18**	**6,68,162.34**
Schedule 8:	**Investments-Foreign**		
	(i) Investments-Foreign-BD	14,89,081.42	14,32,572.10
	(ii) Investments-Foreign-ID	33,12,976.05	34,50,960.74
	Total	**48,02,057.47**	**48,83,532.84**
Schedule 9:	**Investments-Domestic**		
	(i) Investments-Domestic-BD	13,63,368.97	15,58,573.83
	(ii) Investments-Domestic-ID	0.00	0.00
	Total	**13,63,368.97**	**15,58,573.83**
Schedule 10:	**Loans and Advances**		
	(a) Loans and Advances to:		
	(i) Central Government	0.00	0.00
	(ii) State Governments	6,599.94	32,688.09
	Sub total	***6,599.94***	***32,688.09***
	(b) Loans and Advances to:		
	(i) Scheduled Commercial Banks	1,93,341.00	2,53,663.00
	(ii) Scheduled State Co-operative Banks	0.00	0.00
	(iii) Other Scheduled Co-operative Banks	0.00	0.00
	(iv) Non-Scheduled State Co-operative Banks	0.00	0.00
	(v) NABARD	0.00	0.00
	(vi) Others	12,397.51	36,426.09
	Sub total	***2,05,738.51***	***2,90,089.09***
	(c) Loans and Advances to Financial Institutions outside India		
	(i) Reverse Repo Lending-Foreign	1,62,822.88	1,11,579.53
	(ii) Repo Margin-Foreign	432.16	353.53
	Sub total	***1,63,255.04***	***1,11,933.06***
	Total	**3,75,593.49**	**4,34,710.24**
Schedule 11:	**Investment in Subsidiaries/Associates**		
	(i) Deposit Insurance and Credit Guarantee Corporation (DICGC)	50.00	50.00
	(ii) Bharatiya Reserve Bank Note Mudran (P) Ltd. (BRBNMPL)	1,800.00	1,800.00
	(iii) Reserve Bank Information Technology (P) Ltd. (ReBIT)	50.00	50.00
	(iv) National Centre for Financial Education (NCFE)	30.00	30.00
	(v) Indian Financial Technology & Allied Services (IFTAS)	33.60	33.60
	(vi) Reserve Bank Innovation Hub (RBIH)	100.00	100.00
	Total	**2,063.60**	**2,063.60**

		2023-24	2024-25
Schedule 12:	**Other Assets**		
	(i) Fixed Assets (net of accumulated depreciation)	2,042.64	2,512.81
	(ii) **Accrued income (a + b)**	**58,878.51**	**64,001.01**
	a. on loans to employees	*421.47*	*479.85*
	b. on other items	*58,457.04*	*63,521.16*
	(iii) Swap Amortisation Account (SAA)	0.00	0.00
	(iv) Revaluation of Forward Contracts Account (RFCA)	170.37	6,985.19
	(v) Miscellaneous	3,740.31	4,540.05
	Total	**64,831.83**	**78,039.06**
Schedule 13:	**Interest**		
	(a) Domestic Sources		
	(i) Interest on holding of Rupee Securities	92,589.51	85,524.67
	(ii) Net Interest on LAF Operations	-7,052.08	-4,739.82
	(iii) Interest on SDF	-5,616.80	-5,844.65
	(iv) Interest on MSF Operations	3,413.37	464.22
	(v) Interest on Loans and Advances	2,094.09	1,922.77
	Sub total	***85,428.09***	***77,327.19***
	(b) Foreign Sources		
	(i) Interest Income from Foreign Securities	65,327.93	97,006.66
	(ii) Net Interest on Repo/ Reverse Repo transactions	228.64	158.59
	(iii) Interest on Deposits	37,621.07	36,195.20
	Sub total	***1,03,177.64***	***1,33,360.45***
	Total	**1,88,605.73**	**2,10,687.64**
Schedule 14:	**Other Income**		
	(a) Domestic Sources		
	(i) Exchange	0.00	0.00
	(ii) Discount	0.00	0.00
	(iii) Commission	3,886.95	4,131.64
	(iv) Rent Realised	9.19	9.00
	(v) Profit/ Loss on sale and redemption of Rupee Securities	859.32	1,105.16
	(vi) Depreciation on Rupee Securities inter portfolio transfer	-68.74	-69.50
	(vii) Amortisation of premium/ discount on Rupee Securities	-2,394.71	-2,681.71
	(viii) Profit/ Loss on sale of Bank's property	1.73	2.16
	(ix) Provision no longer required and Miscellaneous Income	379.29	-353.40
	Sub total	***2,673.03***	***2,143.35***
	(b) Foreign Sources		
	(i) Amortisation of premium/ discount on Foreign Securities	2,235.86	13,686.63
	(ii) Profit/ Loss on sale and redemption of Foreign Securities	-630.56	661.64
	(iii) Exchange gain/ loss from Foreign Exchange transactions	83,615.86	1,11,143.38
	(iv) Miscellaneous Income	-927.60	-14.55
	Sub total	***84,293.56***	***1,25,477.10***
	Total	**86,966.59**	**1,27,620.45**
Schedule 15:	**Agency Charges**		
	(i) Agency Commission on Government Transactions	3,806.71	3,531.76
	(ii) Underwriting Commission paid to the Primary Dealers	48.47	15.78
	(iii) Sundries (Handling charges and turnover commission paid to banks for Relief/ Savings Bonds subscriptions; SBLA, *etc.*)	28.12	6.47
	(iv) Fees paid to the External Asset Managers, Custodians, Brokers, *etc.*	93.01	115.55
	Total	**3,976.31**	**3,669.56**

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED MARCH 31, 2025

(a) General

1.1 Among other things, the Reserve Bank was established under the Reserve Bank of India Act, 1934 (RBI Act, 1934) "to regulate the issue of banknotes and the keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage".

1.2 The main functions of the Reserve Bank are:-

a) Issue of banknotes and circulation of coins;

b) Acts as monetary authority and formulates, implements and monitors the monetary policy, including acting as the Lender of Last Resort;

c) Regulation and supervision of the financial system;

d) Regulation and supervision of the payment and settlement systems;

e) Acts as manager of foreign exchange;

f) Maintaining and managing the country's foreign exchange reserves;

g) Acting as the banker to banks and the governments;

h) Acting as the debt manager of the governments;

i) Developmental functions to support national objectives.

1.3 The RBI Act, 1934 requires that the issue of banknotes should be conducted by the Reserve Bank in an Issue Department which shall be separated and kept wholly distinct from the Banking Department, and the assets of the Issue Department shall not be subject to any liability other than the liabilities of the Issue Department. The RBI Act, 1934 requires that the assets of the Issue Department shall consist of gold coins, gold bullion, foreign securities, rupee coins and rupee securities to such aggregate amount as is not less than the total of the liabilities of the Issue Department. The RBI Act, 1934 requires that the liabilities of the Issue Department shall be an amount equal to the total of the amount of the currency notes of the Government of India and banknotes for the time being in circulation.

(b) Significant Accounting Policies

2.1 Convention

The Financial Statements are prepared in accordance with the RBI Act, 1934 and notifications issued thereunder and, in the form, prescribed by the Reserve Bank of India General Regulations, 1949. These are based on historical cost except where it is modified to reflect revaluation and/or amortisation. The accounting policies followed in preparing financial statements are consistent with those followed in the previous year unless otherwise stated.

2.2 Revenue Recognition

a) Income and expenditure are recognised on accrual basis except penal interest charged from banks which is accounted for only when there is certainty of realisation. Dividend income on shares is recognised on accrual basis when the right to receive the same is established.

b) Balances unclaimed and outstanding for more than three clear consecutive accounting years in certain transit accounts including Drafts Payable Account, Payment

Orders Account, Sundry Deposit Account-Miscellaneous-BD, Remittance Clearance Account, Earnest Money Deposit Account and Security Deposit Account are reviewed and written back to income. Claims, if any, are considered and charged against income in the year of payment.

c) Income and expenditure in foreign currency are recorded at exchange rates prevailing on the day.

d) Exchange gains/losses on sale of foreign currencies and gold are accounted for using the weighted average cost method for arriving at the cost.

2.3 Gold & Foreign Currency Assets and Liabilities

Transactions in gold & foreign currency assets and liabilities are accounted for on settlement date basis.

a) Gold

Gold (including gold deposit) is revalued on a daily basis at ninety (90) per cent of the London Bullion Market Association (LBMA) gold price in US dollar and Rupee-US dollar market exchange rate. Unrealised valuation gains/losses are accounted for in Currency and Gold Revaluation Account (CGRA).

b) Foreign Currency Assets and Liabilities

All foreign currency assets and liabilities (excluding foreign currency received under swaps that are in the nature of repos and contracts where the rates are fixed contractually) are translated on a daily basis at market exchange rates prevailing on the day. Unrealised gains/losses arising from such translation of foreign currency assets and liabilities are accounted for in CGRA.

Foreign securities, other than Treasury Bills (T-Bills), Commercial Papers and certain 'Held to Maturity' securities [such as investments in notes issued by the International Monetary Fund and bonds issued by India Infrastructure Finance Company (IIFC), UK which are valued at cost] are marked-to-market on a daily basis. Unrealised gains/losses on revaluation are recorded in 'Investment Revaluation Account-Foreign Securities' (IRA-FS). Credit balance in IRA-FS is carried forward to subsequent accounting year. Debit balance in IRA-FS, if any, on the balance sheet date, is charged to Contingency Fund (CF) and the same is reversed on the first working day of the following accounting year.

Foreign T-Bills and Commercial Papers are carried at cost as adjusted by daily amortisation of discount/premium. Premium or discount on foreign securities is amortised daily. Profit/ loss on sale of foreign securities is recognised with respect to the amortised book value.

c) Forward/ Swap Contracts

Forward contracts entered into by the Reserve Bank are revalued on a half-yearly basis. While mark-to-market net gain is credited to 'Foreign Exchange Forward Contracts Valuation Account' (FCVA) with contra debit to 'Revaluation of Forward Contracts Account' (RFCA), mark-to-market net loss is debited to FCVA with contra credit to 'Provision for Forward Contracts Valuation Account' (PFCVA). On maturity of the contract, actual gain or loss is recognised in the income account and unrealised gains/ losses previously recorded in FCVA, RFCA and PFCVA are reversed. At the time of half-yearly revaluation, balance in FCVA and RFCA or PFCVA as on that day is reversed and fresh revaluation is done for all outstanding forward contracts.

Debit balance in FCVA, if any, on the balance sheet date, is charged to CF and reversed on the first working day of the following accounting year. The balance in RFCA and PFCVA represents net unrealised gains and losses, respectively, on valuation of forward contracts.

In case of swaps at off-market rates that are in the nature of repo, the difference between future contract rate and the rate at which the contract is entered into is amortised over the period of the contract and recorded in income account with contra entry in 'Swap Amortisation Account' (SAA). Amounts recorded in SAA are reversed on maturity of underlying contracts. Further, amounts received under these swaps are not subject to periodic revaluation.

While FCVA forms part of 'Revaluation Accounts', PFCVA forms part of 'Other Liabilities' and RFCA and SAA form part of 'Other Assets'.

d) Repurchase Transactions

The Reserve Bank participates in foreign Repurchase transactions (Repo and Reverse Repo) as part of Reserve Management operations. Repo transactions are treated as borrowing of foreign currencies and are shown under 'Deposits', whereas Reverse Repo transactions are treated as lending of foreign currencies and are shown under 'Loans and Advances'.

e) Transactions in Derivatives

Transactions in derivatives like Interest Rate Futures, Currency Futures, Interest Rate Swaps and Overnight Indexed Swaps undertaken as part of Reserve Management operations are marked-to-market periodically and resultant gain/loss is booked in income account.

f) Security Lending Transactions

The Reserve Bank participates in Security Lending transactions as part of Reserve Management operations. The securities lent remain a part of the Reserve Bank's Investments and continue to be amortised, accrue interest and are marked-to-market.

2.4 Transactions in Exchange Traded Currency Derivatives (ETCD)

ETCD transactions undertaken by the Reserve Bank, as part of its intervention operations, are marked-to-market on a daily basis and resultant gain/ loss is booked in income account.

2.5 Domestic Investments

a) Rupee Securities and Oil Bonds, except T-Bills and those mentioned in (d), are marked-to-market as on the last business day of each week ending Friday and the last business day of each month. Unrealised gains/losses on revaluation are recorded in 'Investment Revaluation Account-Rupee Securities' (IRA-RS). Credit balance in IRA-RS is carried forward to subsequent accounting year. Debit balance in IRA-RS, if any, on the balance sheet date, is charged to CF and the same is reversed on the first working day of the following accounting year. On sale/redemption of Rupee Securities/

Oil Bonds, valuation gain/ loss thereof, lying in IRA-RS, is transferred to income account. Rupee Securities and Oil Bonds are also subjected to daily amortisation.

b) T-Bills are carried at cost as adjusted by daily amortisation of discount/premium.

c) Investments in shares of subsidiaries are valued at cost.

d) Rupee Securities and Oil Bonds earmarked for various staff funds [like Gratuity and Superannuation Fund, Provident Fund, Leave Encashment Fund, Medical Assistance Fund (MAF)], Depositor Education and Awareness (DEA) Fund and Payments Infrastructure Development Fund (PIDF) are treated as 'Held to Maturity' and are held at amortised cost.

e) Transactions in domestic investment are accounted for on settlement date basis.

2.6 Liquidity Adjustment Facility (LAF) Repo/ Reverse Repo, Marginal Standing Facility (MSF) and Standing Deposit Facility (SDF)

Repo transactions under LAF and MSF are treated as lending and are accordingly being shown under 'Loans and Advances' whereas Reverse Repo transactions under LAF and SDF are being treated as deposits and shown under 'Deposits-Others'.

2.7 Fixed Assets

Fixed Assets are stated at cost less depreciation except art and paintings and freehold land which are held at cost.

2.7.1 Fixed Assets other than Land and Buildings

a) Fixed Assets, costing up to ₹1 lakh (except easily portable electronic assets like laptop/e-book reader) are charged to income in the year of acquisition. Easily portable electronic assets, such as laptops, *etc.* costing more than ₹10,000 are capitalised and depreciation is calculated on monthly *pro-rata* basis at the applicable rate.

b) Individual items of computer software costing more than ₹1 lakh are capitalised, and depreciation is calculated on monthly *pro-rata* basis at applicable rates.

c) Depreciation on fixed assets acquired and capitalised during the accounting year would be reckoned on a monthly *pro-rata* basis from the month of capitalisation and effected on a half-yearly basis at prescribed rates depending upon the useful life of assets applied.

d) Depreciation on fixed assets is provided on a straight-line basis depending on the useful life of an asset in the following manner:

Asset Category	Useful life (Rate of Depreciation)
1	2
Electrical installations, UPS, Motor Vehicles, Furniture, Fixtures, CVPS/ SBS Machines, *etc.*	5 years (20 per cent)
Computers, Servers, Micro-processors, Printers, Software, Laptops, e-book reader/i-Pad, *etc.*	3 years (33.33 per cent)

e) Depreciation is provided on half-year end balances of fixed assets on monthly *pro-rata* basis. In case of additions/deletions of assets, depreciation is calculated on monthly *pro-rata* basis including the month of addition/deletion of such assets.

f) Depreciation on subsequent expenditure:

i. Subsequent expenditure incurred on an existing fixed asset which has not been fully depreciated in the books of accounts, is depreciated over remaining useful life of the principal asset.

ii. Subsequent expenditure incurred on modernisation/addition/overhauling of an existing fixed asset, which has already been fully depreciated in the books of accounts, is first capitalised and thereafter, depreciated fully in the year in which the expenditure is incurred.

2.7.2 Land and Buildings: Accounting treatment in respect of land and buildings is as follows:

a) Land

i. Land acquired on leasehold basis for a period of more than 99 years is treated as on perpetual lease basis. Such leases are considered as freehold properties and accordingly not subjected to amortisation.

ii. Land acquired on lease up to 99 years is amortised over the period of lease.

iii. Land acquired on a freehold basis is not subject to any amortisation.

b) Buildings

i. The life of all buildings is assumed as 30 years and depreciation is charged on a 'straight-line' basis over a period of 30 years. In respect of buildings constructed on lease hold land (where the lease period is less than 30 years) depreciation is charged on 'straight-line' basis over the lease period of the land.

ii. Impairment of buildings: For assessment of impairment, buildings are classified into two categories, as under:

- *Buildings which are in use but have been identified for demolition in future or will be discarded in future*: The value in use of such buildings is the aggregate of depreciation for the future period up to the date it is expected to be discarded/demolished. The difference between the book value and aggregate of depreciation so arrived at, is charged as depreciation.

- *Buildings which have been discarded/vacated*: These buildings are shown at realisable value (net selling price if the asset is likely to be sold in future) or scrap value less demolition cost (if it is to be demolished). If the resultant amount is negative, then the carrying value of such buildings is shown at ₹1. The difference between book value and realisable value (net selling price)/scrap value less demolition cost is charged as depreciation.

2.8 Employee Benefits

a) The Reserve Bank contributes monthly at a determined rate to Provident Fund for eligible employees and these contributions are charged to income in the year to which it relates.

b) Other liability on account of long-term employee benefits is provided based on an actuarial valuation under 'Projected Unit Credit' method.

NOTES TO ACCOUNTS

XII.6 LIABILITIES OF THE RESERVE BANK

XII.6.1 Capital

The Reserve Bank was constituted as a private shareholders' bank in 1935 with an initial paid-up capital of ₹5 crore. The Reserve Bank was nationalised with effect from January 1, 1949 and its entire ownership remains vested with the Government of India. The paid-up capital continues to be ₹5 crore in terms of Section 4 of the RBI Act, 1934.

XII.6.2 Reserve Fund

The original Reserve Fund of ₹5 crore was created in terms of Section 46 of the RBI Act, 1934 as contribution from the Central Government for currency liability of the then sovereign government taken over by the Reserve Bank. Thereafter, an amount of ₹6,495 crore was credited to this fund from out of gains on periodic revaluation of gold up to October 1990, taking it to ₹6,500 crore. The fund has been static since then as unrealised gain/loss on account of valuation of gold and foreign currency is since being booked in Currency and Gold Revaluation Account (CGRA) which appears under the head 'Revaluation Accounts'.

XII.6.3 Other Reserves

This includes National Industrial Credit (Long Term Operations) Fund and National Housing Credit (Long Term Operations) Fund.

a) *National Industrial Credit (Long Term Operations) Fund*

This fund was created in July 1964, in terms of Section 46C of the RBI Act, 1934 with an initial corpus of ₹10 crore. The fund witnessed annual contributions from the Reserve Bank for financial assistance to eligible financial institutions. Since 1992-93, a token amount of ₹1 crore is being contributed each year to the Fund. The balance in the Fund stood at ₹34 crore as on March 31, 2025.

b) *National Housing Credit (Long Term Operations) Fund*

This Fund was set up in January 1989, in terms of Section 46D of the RBI Act, 1934 for extending financial accommodation to the National Housing Bank (NHB). The initial corpus of ₹50 crore has been enhanced by annual contributions from the Reserve Bank thereafter. Since 1992-93, a token amount of ₹1 crore is being contributed each year to the Fund. The balance in the Fund stood at ₹208 crore as on March 31, 2025.

Note: Contribution to other Funds

There are two other Funds constituted in terms of Section 46A of the RBI Act, 1934, *viz.*, National Rural Credit (Long Term Operations) Fund and National Rural Credit (Stabilisation) Fund which are maintained by the National Bank for Agriculture and Rural Development (NABARD) for which a token amount of ₹1 crore each is set aside and transferred to NABARD every year.

XII.6.4 Deposits

These represent balances maintained with the Reserve Bank by banks, the Central and State Governments, All India Financial Institutions, such as, Export Import Bank (EXIM Bank), NABARD, *etc.*, Foreign Central Banks, International Financial Institutions, balances in Administrators of RBI Employee Provident Fund, DEA Fund, amount outstanding against Reverse Repo, SDF, MAF, PIDF, *etc*. Total deposits decreased by 0.14 per cent from ₹17,19,838.56 crore as on March 31, 2024 to ₹17,17,404.03 crore as on March 31, 2025.

a. *Deposits-Government*

The Reserve Bank acts as the banker to the Central Government in terms of Sections 20 and 21, and as banker to State Governments by mutual agreement in terms of Section 21A of the RBI Act, 1934. Accordingly, the Central and State Governments maintain deposits with the Reserve Bank. The balances held by the Central and State Governments were ₹5,000.85 crore and ₹42.48 crore, respectively, as on March 31, 2025 as compared to ₹5,000.30 crore and ₹42.46 crore, respectively, as on March 31, 2024.

b. *Deposits-Banks*

Banks maintain balance in their current accounts with the Reserve Bank to provide for the Cash Reserve Ratio (CRR) requirements and for working funds to meet payment and settlement obligations. Deposits held by banks decreased by 3.31 per cent from ₹10,25,448.73 crore as on March 31, 2024, to ₹9,91,488.49 crore as on March 31, 2025. The decrease in this head is mainly on account of reduction in CRR in December 2024, with the banks required to maintain CRR at 4 per cent of Net Demand and Time Liabilities (NDTL) as on March 31, 2025, as compared to CRR requirement of 4.5 per cent of NDTL as on March 31, 2024.

c. *Deposits-Financial Institutions Outside India*

The balance under the head decreased by 31.11 per cent from ₹1,63,548.81 crore as on March 31, 2024 to ₹1,12,672.02 crore as on March 31, 2025, reflecting the outstanding repo transactions.

d. *Deposits-Others*

'Deposits-Others' consist of balances of Administrators of RBI Employee Provident Fund, DEA Fund, Foreign Central Banks, Indian and International Financial Institutions, MAF, PIDF, amount outstanding under Reverse Repo, SDF, *etc*. 'Deposits-Others' increased by 15.67 per cent from ₹5,25,798.26 crore as on March 31, 2024 to ₹6,08,200.19 crore as on March 31, 2025 primarily due to increase in deposits under SDF.

XII.6.5 Risk Provisions

The extant Economic Capital Framework (ECF) was adopted by the Reserve Bank in August 2019, subsequent to the approval and acceptance of the recommendations of the 'Expert Committee to Review the Extant Economic Capital Framework of the Reserve Bank of India' (Chairman: Dr. Bimal Jalan) by the Central Board in its meeting held in August 2019. In line with the recommendation of the Expert Committee, the Reserve Bank undertook an internal review of the framework. The outcome of the review was considered by the Central Board in its meeting held on May 15, 2025, and a revised framework was approved.

Risk provisions maintained by the Reserve Bank comprise Contingency Fund (CF) and Asset Development Fund (ADF). These risk provisions, along with Capital and Reserve Fund, are components of the Reserve Bank's Available Realised Equity (ARE) under the Economic Capital Framework (ECF) adopted by the Reserve Bank. Details of Capital and Reserve Fund have been given in earlier paragraphs.

a. *Contingency Fund (CF)*

This is a specific provision meant for meeting unexpected and unforeseen contingencies, including depreciation in value of securities, risks arising out of monetary/exchange rate policy operations, systemic risks and any risk arising on account of special responsibilities enjoined upon the Reserve Bank. As on March 31, 2025, an amount of ₹81,366.87 crore was charged to CF on account of debit balance in IRA-FS. The charge to CF is reversed on first working day of the following accounting year. Further, an amount of ₹44,861.70 crore was also provided towards CF to maintain the Available Realised Equity at the level of 7.50 per cent of the size of the balance sheet. Accordingly, balance in CF as on March 31, 2025 was ₹5,42,426.96 crore as compared to ₹4,28,621.03 crore as on March 31, 2024.

b. *Asset Development Fund (ADF)*

Asset Development Fund was created in 1997-98 and the balance therein represents provision specifically made till date towards investments in subsidiaries and associate institutions and to meet internal capital expenditure. No provision was made towards ADF in the year 2024-25. As on March 31, 2025, the balance in ADF at ₹22,974.68 crore remains the same as on March 31, 2024 (Table XII.2).

XII.6.6 Revaluation Accounts

Unrealised mark-to-market gains/losses are recorded in revaluation heads, *viz.*, Currency and Gold Revaluation Account (CGRA), Investment Revaluation Accounts (IRA) and Foreign Exchange Forward Contracts Valuation Account (FCVA). Details of the same are given here:

Table XII.2: Balances in Capital, Reserve Fund and Risk Provisions [Available Realised Equity (ARE)]

(₹ crore)

As on	Capital	Reserve Fund	CF	ADF	ARE	ARE as a per cent of balance sheet
1	2	3	4	5	6 = (2+3+4+5)	7
March 31, 2021	5.00	6,500.00	2,84,542.12@	22,874.68	3,13,921.80	5.50
March 31, 2022	5.00	6,500.00	3,10,986.94$	22,974.68$$	3,40,466.62	5.50
March 31, 2023	5.00	6,500.00	3,51,205.69*	22,974.68	3,80,685.37	6.00
March 31, 2024	5.00	6,500.00	4,28,621.03^	22,974.68	4,58,100.71	6.50
March 31, 2025	5.00	6,500.00	5,42,426.96^^	22,974.68	5,71,906.64	7.50

@: Increase in CF is the net impact of provision of ₹20,710.12 crore and charging of the debit balance in FCVA amounting to ₹6,127.35 crore.
$: Increase in CF is the net impact of provision of ₹1,14,567.01 crore and charging of the debit balance in IRA-FS amounting to ₹94,249.54 crore.
$$: Increase in ADF is due to provision of ₹100 crore on account of investment in RBIH.
*: Increase in CF is the net impact of provision of ₹1,30,875.75 crore and charging of debit balances in IRA-FS and IRA-RS amounting to ₹1,65,488.93 crore and ₹19,417.61 crore, respectively.
^: Increase in CF is the net impact of provision of ₹42,819.91 crore and charging of debit balances in IRA-FS and IRA-RS amounting to ₹1,43,220.82 crore and ₹7,090.29 crore, respectively.
^^: Increase in CF is the net impact of provision of ₹44,861.70 crore and charging of debit balance in IRA-FS amounting to ₹81,366.87 crore.

a. *Currency and Gold Revaluation Account (CGRA)*

Major sources of market risk faced by the Reserve Bank are currency risk, interest rate risk and movement in gold prices. Unrealised gains/losses on valuation of Foreign Currency Assets (FCA) and gold are not taken to income account but instead accounted for in CGRA. Net balance in CGRA, therefore, varies with size of the asset base, its valuation and movement in exchange rate and price of gold. CGRA provides a buffer against exchange rate/gold price fluctuations. It can come under pressure if there is an appreciation of rupee *vis-à-vis* major currencies or a fall in price of gold. When CGRA is not sufficient to fully meet exchange losses, it is replenished from CF. The balance in CGRA increased from ₹11,30,793.34 crore as on March 31, 2024 to ₹13,02,964.89 crore as on March 31, 2025 mainly due to depreciation of rupee against major currencies and increase in price of gold.

b. *Investment Revaluation Account-Foreign Securities (IRA-FS)*

Foreign dated securities are marked-to-market on a daily basis and unrealised gains/losses arising therefrom are accounted for in IRA-FS. The balance in IRA-FS increased from ₹(-)1,43,220.82 crore as on March 31, 2024 to ₹(-)81,366.87 crore as on March 31, 2025 because of softening of yields across the yield curve in major currencies. As per the extant policy, debit balance of ₹81,366.87 crore in IRA-FS was adjusted against CF on March 31, 2025 which was reversed on the first working day of the following accounting year. Accordingly, balance in IRA-FS as on March 31, 2025 was Nil.

c. *Investment Revaluation Account-Rupee Securities (IRA-RS)*

Rupee Securities and Oil Bonds (with exception as mentioned under Significant Accounting Policies) held as assets of the Banking Department are marked-to-market as on the last business day of each week ending Friday and the last business day of each month and unrealised gains/losses arising therefrom are accounted for in IRA-RS. The balance in IRA-RS increased from ₹(-)7,090.29 crore as on March 31, 2024 to ₹16,843.35 crore as on March 31, 2025 due to softening of yields across the curve. As per the extant policy, credit balance of ₹16,843.35 crore in IRA-RS is carried forward to the next financial year.

d. *Foreign Exchange Forward Contracts Valuation Account (FCVA)*

Marking to market of outstanding forward contracts as on March 31, 2025 resulted in net unrealised gain of ₹6,985.19 crore, which was credited to FCVA with contra debit to Revaluation of Forward Contracts Account (RFCA) as compared to net unrealised gain of ₹170.37 crore as on March 31, 2024.

XII.6.7 Other Liabilities

'Other Liabilities' increased by 23.31 per cent from ₹2,60,520.73 crore as on March 31, 2024 to ₹3,21,248.79 crore as on March 31, 2025, primarily due to increase in surplus payable to the Central Government.

Table XII.3: Balances in Currency and Gold Revaluation Account (CGRA), Investment Revaluation Account-Foreign Securities (IRA-FS), Investment Revaluation Account-Rupee Securities (IRA-RS), Foreign Exchange Forward Contracts Valuation Account (FCVA) and Provision for Forward Contracts Valuation Account (PFCVA)

(₹ crore)

As on	CGRA	IRA-FS	IRA-RS	FCVA	PFCVA
1	2	3	4	5	6
March 31, 2021	8,58,877.53	8,853.67	56,723.79	0.00	6,127.35
March 31, 2022	9,13,389.29	0.00	18,577.81	2,576.90	0.00
March 31, 2023	11,24,733.16	0.00	0.00	1,354.96	0.00
March 31, 2024	11,30,793.34	0.00	0.00	170.37	0.00
March 31, 2025	13,02,964.89	0.00	16,843.35	6,985.19	0.00

i. *Provision for Forward Contracts Valuation Account (PFCVA)*

The balance was Nil in this account as on March 31, 2025 as well as on March 31, 2024.

Balances in Revaluation Accounts and PFCVA for the last five years are given in Table XII.3.

ii. *Provision for Payables*

This represents year-end provisions made for expenditure incurred but not defrayed and income received in advance/payable, if any. The balance under this head decreased by 15.30 per cent from ₹4,827.02 crore as on March 31, 2024 to ₹4,088.31 crore as on March 31, 2025.

iii. *Surplus Payable to the Central Government*

Under Section 47 of the RBI Act, 1934, after making provisions for bad and doubtful debts, depreciation in assets, contribution to staff and superannuation funds and for all matters for which provisions are to be made by or under the Act or that are usually provided by bankers, the balance of the profits of the Reserve Bank is required to be paid to the Central Government. Under Section 48 of the RBI Act, 1934, the Reserve Bank is not liable to pay income tax or super tax on any of its income, profits or gains. Accordingly, after adjusting the expenditure including provision for CF and contribution of ₹4 crore to four statutory funds, the surplus payable to the Central Government for the year 2024-25 amounted to ₹2,68,590.07 crore (including ₹228.62 crore as against ₹291.42 crore in the previous year payable towards the difference in interest expenditure borne by the Government, consequent on conversion of special securities into marketable securities).

iv. *Bills Payable*

The Reserve Bank provides remittance facilities for its constituents through issue of Demand Drafts (DDs) and Payment Orders (POs) [besides electronic payment mechanism]. The balance under this head represents unclaimed DDs/ POs. The amount outstanding under this head decreased from ₹11.35 crore as on March 31, 2024 to ₹0.09 crore as on March 31, 2025.

v. *Miscellaneous*

This is a residual head representing items such as interest earned on earmarked securities, amounts payable on account of leave encashment, medical provisions for employees, global provision, *etc*. The balance under this head increased from ₹11,487.00 crore as on March 31, 2024 to ₹12,099.75 crore as on March 31, 2025.

XII.6.8 Liabilities of Issue Department-Notes Issued

Liabilities of Issue Department reflect quantum of currency notes in circulation. Section 34(1) of the RBI Act, 1934 requires that all banknotes issued by the Reserve Bank since April 1, 1935 and currency notes issued by the Government of India before the commencement of operations of the Reserve Bank, be part of the liabilities of the Issue Department. 'Notes Issued'[1] increased by 6.03 per cent from ₹34,78,039.50 crore as on March 31, 2024 to ₹36,87,827.04 crore as on March 31, 2025. The value of banknotes in circulation in digital form e₹-Retail (e₹-R) stood at ₹1,016.46 crore as on March 31, 2025 as compared to ₹234.04 crore as on March 31, 2024.

Earlier, an amount of ₹10,719.37 crore, representing the value of Specified Bank Notes (SBNs) not paid was transferred to 'Other Liabilities' as on June 30, 2018. The Reserve Bank has made payments to the extent of ₹10.28 crore towards exchange value of SBNs to eligible tenderers during the year ended March 31, 2025 and the cumulative payment made against the head stands at ₹46.42 crore.

Table XII.4: Physical holding of Gold

	As on March 31, 2024	As on March 31, 2025
	Volume in metric tonnes	Volume in metric tonnes
1	2	3
Gold held as backing for Notes Issued (held in India)	308.03	311.38
Gold (including Gold Deposit) held as asset of Banking Department (including gold held abroad)	514.07#	568.20*
Total	**822.10**	**879.58**

#: 100.28 metric tonnes held in India and 413.79 metric tonnes held abroad.
*: 200.60 metric tonnes held in India and 367.60 metric tonnes held abroad.

XII.7 ASSETS OF THE RESERVE BANK

XII.7.1 ASSETS OF BANKING DEPARTMENT

i) Notes, Rupee Coin, Small Coin

This head represents the balances of banknotes, one-rupee notes, rupee coins of ₹1, 2, 5, 10 and 20 and small coins kept for meeting day-to-day requirements of banking functions conducted by the Reserve Bank. The balance as on March 31, 2025 was ₹11.26 crore as against ₹10.13 crore as on March 31, 2024.

ii) Gold-Banking Department (BD)

As on March 31, 2025, total gold held by the Reserve Bank was 879.58 metric tonnes as compared to 822.10 metric tonnes as on March 31, 2024 reflecting an increase of 57.48 metric tonnes of gold during the year.

Of 879.58 metric tonnes as on March 31, 2025, 311.38 metric tonnes of gold is held as an asset of the Issue Department as compared to 308.03 metric tonnes as on March 31, 2024. The remaining 568.20 metric tonnes as on March 31, 2025 is treated as asset of the

[1] Includes banknotes in physical and digital form

Banking Department as compared to 514.07 metric tonnes on March 31, 2024 (Table XII.4).

The value of gold (including gold deposit) held as asset of Banking Department increased by 57.12 per cent from ₹2,74,714.27 crore as on March 31, 2024 to ₹4,31,624.80 crore as on March 31, 2025. This increase is on account of addition of 54.13 metric tonnes of gold and also due to increase in price of gold and depreciation of INR *vis-à-vis* USD.

iii) Bills Purchased and Discounted

Though the Reserve Bank can undertake purchase and discounting of commercial bills under the RBI Act, 1934, no such activity was undertaken in the year 2024-25. Consequently, there was no such asset in the books of the Reserve Bank as on March 31, 2025.

iv) Investments-Foreign-Banking Department (BD)

Foreign Currency Assets (FCA) of the Reserve Bank include: (i) deposits with other Central Banks; (ii) deposits with the Bank for International Settlements (BIS); (iii) deposits with commercial banks overseas; (iv) investments in foreign T-Bills and securities; and (v) Special Drawing Rights (SDR) acquired from the Government of India (GoI).

Table XII.5: Details of Foreign Currency Assets (FCA)

(₹ crore)

Particulars		As on March 31	
		2024	2025
1		2	3
I	Investments-Foreign-BD*	14,89,081.42	14,32,572.10
II	Investments-Foreign-ID	33,12,976.05	34,50,960.74
Total		**48,02,057.47**	**48,83,532.84**

*: Includes Shares in BIS and Society for Worldwide Interbank Financial Telecommunications (SWIFT) and SDR transferred from GoI valued at ₹13,361.50 crore as on March 31, 2025 compared to ₹12,553.70 crore as on March 31, 2024.

Note:
1. The Reserve Bank has agreed to make resources available under the IMF's New Arrangements to Borrow (NAB). Effective January 01, 2021, India's commitment under NAB stands at SDR 8.88 billion (₹1,00,631.55 crore/US$ 11.77 billion). As on March 31, 2025, no investments are outstanding under NAB.
2. The Reserve Bank has agreed to invest up to an amount, the aggregate of which shall not exceed US$ 5 billion (₹42,734.30 crore), in the bonds issued by India Infrastructure Finance Company (UK) Limited. As on March 31, 2025, the Reserve Bank has invested US$0.40 billion (₹3,418.74 crore) in such bonds.
3. During the year 2013-14, the Reserve Bank and GoI entered into a MoU for transfer of SDR holdings from GoI to RBI in a phased manner. As on March 31, 2025, SDR 1.15 billion (₹13,024.49 crore/US$ 1.52 billion) were held by the Reserve Bank.
4. With a view to strengthening regional financial and economic cooperation, the Reserve Bank has agreed to offer an amount of US$ 2 billion both in foreign currency and Indian rupee under SAARC Swap Arrangement to SAARC member countries. As on March 31, 2025, amount lent under SAARC and ACU currency swap arrangements stood at US$1.90 billion (₹16,255.62 crore).
5. The nominal value of foreign securities posted as collateral and margin in repurchase and IRF transactions was ₹1,19,719.62 crore/ US$ 14.01 billion and the nominal value of those received under reverse repurchase transactions was ₹1,28,132.06 crore/US$14.99 billion as on March 31, 2025.
6. The nominal value of foreign securities lent under Security Lending arrangement was ₹1,04,213.03 crore/ US$ 12.19 billion as on March 31, 2025.
7. The notional amount of IRF contracts and currency futures contracts was US$ 1.99 billion and Nil, respectively. The notional amount of futures contracts is used to compute daily margin payable/receivable and does not necessarily require settlement.
8. The notional amount outstanding under cross-currency forwards/swaps (other than USD-INR deals) was US$ 3.03 billion.

FCA is reflected under two heads in the balance sheet: (a) 'Investments-Foreign-BD' shown as asset of Banking Department; and (b) 'Investments-Foreign-ID' shown as asset of Issue Department.

'Investments-Foreign-ID' are FCA, eligible as per Section 33(6) of the RBI Act, 1934, used for backing of Notes Issued. The remaining of FCA constitutes 'Investments-Foreign-BD'.

The position of FCA for the last two years has been given in Table XII.5.

v) Investments-Domestic-Banking Department (BD)

Investments comprise dated Government Rupee Securities, State Government Securities and Special Oil Bonds. The Reserve Bank's holding of domestic securities increased by 14.32 per cent, from ₹13,63,368.97 crore as on March 31, 2024 to ₹15,58,573.83 crore as on March 31, 2025. The increase was mainly on account of liquidity management operations conducted by way of net purchase, after redemption of the securities, of government securities in the portfolio.

A part of Investments-Domestic-BD is also earmarked for various staff funds, DEA Fund and PIDF as explained in para 2.5(d). As on March 31, 2025, ₹1,43,476 crore (face value) was earmarked for the said funds.

vi) Loans and Advances

a) *Central and State Governments*

These loans are extended in the form of Ways and Means Advances (WMA) and Overdraft (OD) to the Central Government and in the form of WMA, OD and Special Drawing Facility (SDF) to State Governments, in terms of Section 17(5) of the RBI Act, 1934. The WMA limit, in case of the Central Government, is fixed from time to time in consultation with the Government of India and in case of State Governments, the limit for individual State/Union Territory is fixed based on the recommendations of Advisory Committee/Group constituted for this purpose. The position of WMA for the Central Government was Nil as on March 31, 2025, similar to March 31, 2024. However, there was an increase of 395.28 per cent in the loans and advances to State Governments which rose from ₹6,599.94 crore as on March 31, 2024, to ₹32,688.09 crore as on March 31, 2025.

b) *Loans and Advances to Commercial, and Co-operative Banks, NABARD and Others*

- *Loans and advances to Commercial and Co-operative Banks:*

  These include amounts outstanding against Repo under Liquidity Adjustment Facility (LAF), Marginal Standing Facility (MSF) and special liquidity facility to banks. The amount outstanding increased by 31.20 per cent from ₹1,93,341.00 crore as on March 31, 2024 to ₹2,53,663.00 crore as on March 31, 2025 due to higher borrowings by banks under Repo Operations.

- *Loans and Advances to NABARD:*

  The Reserve Bank can extend loans to NABARD under Section 17(4E) of the RBI Act, 1934. No loans and advances were outstanding as on March 31, 2025, as well as on March 31, 2024 and accordingly, balance in this account was Nil.

- *Loans and Advances to Others:*

  The balance under this head represents loans and advances to National Housing Bank (NHB), Small Industries Development Bank of India (SIDBI) and liquidity support provided to Primary Dealers (PDs). The balance under this head increased by 193.82 per cent from ₹12,397.51 crore as on March 31, 2024 to ₹36,426.09 crore as on March 31, 2025.

c) *Loans and Advances to Financial Institutions Outside India*

Balances under the head decreased by 31.44 per cent from ₹1,63,255.04 crore as on March 31, 2024 to ₹1,11,933.06 crore as on March 31, 2025 reflecting the outstanding reverse repo transactions.

vii) Investment in Subsidiaries/Associates

The comparative position of investment in subsidiaries/associate institutions as on March 31, 2024 and March 31, 2025 has been given in Table XII.6. Total holding as on March 31, 2025 was ₹2,063.60 crore, same as on March 31, 2024.

viii) Other Assets

'Other Assets' comprise fixed assets (net of depreciation), accrued income, Swap Amortisation Account (SAA), Revaluation of Forward Contracts Account (RFCA) and miscellaneous assets. Miscellaneous assets comprise mainly loans and advances to staff, amount spent on projects pending completion, security deposit paid, *etc*. The amount outstanding under 'Other Assets' increased by 20.37 per cent from ₹64,831.83 crore as on March 31, 2024 as compared to ₹78,039.06 crore as on March 31, 2025.

a. *Swap Amortisation Account (SAA)*

As on March 31, 2025, as well as on March 31, 2024, the balance in SAA was Nil as there were no outstanding contracts of swaps which were in nature of repo at off-market rate.

Table XII.6: Holdings in Subsidiaries/Associates

(₹ crore)

		2023-24	2024-25	Per cent holding as on March 31, 2025
1		2	3	4
a)	Deposit Insurance and Credit Guarantee Corporation (DICGC)	50.00	50.00	100
b)	Bharatiya Reserve Bank Note Mudran (P) Ltd. (BRBNMPL)	1,800.00	1,800.00	100
c)	Reserve Bank Information Technology (P) Ltd. (ReBIT)	50.00	50.00	100
d)	National Centre for Financial Education (NCFE)	30.00	30.00	30
e)	Indian Financial Technology & Allied Services (IFTAS)	33.60	33.60	100
f)	Reserve Bank Innovation Hub (RBIH)	100.00	100.00	100
Total		**2,063.60**	**2,063.60**	

b. *Revaluation of Forward Contracts Account (RFCA)*

The balance in RFCA was ₹6,985.19 crore as on March 31, 2025 representing net mark-to-market gain on outstanding forward contracts as against ₹170.37 crore on March 31, 2024.

XII.7.2 Assets of Issue Department

The eligible assets of the Issue Department held as backing for Notes Issued consist of gold coins, gold bullion, foreign securities, rupee coins, rupee securities and Domestic Bills of Exchange and other Commercial Papers. The Reserve Bank holds 879.58 metric tonnes of gold, of which 311.38 metric tonnes are held as backing for Notes Issued as on March 31, 2025 (Table XII.4). The value of gold held as asset of Issue Department increased by 43.70 per cent from ₹1,64,604.91 crore as on March 31, 2024 to ₹2,36,537.54 crore as on March 31, 2025.

This increase in the value of gold during the year is on account of addition of 3.35 metric tonnes of gold, increase in price of gold and depreciation of INR *vis-à-vis* USD.

Consequent upon increase in Notes Issued, Investments-Foreign-ID held as its backing increased by 4.16 per cent from ₹33,12,976.05 crore as on March 31, 2024 to ₹34,50,960.74 crore as on March 31, 2025.

The balance of Rupee Coins held by the Issue Department decreased by 28.30 per cent from ₹458.54 crore as on March 31, 2024 to ₹328.76 crore as on March 31, 2025.

FOREIGN EXCHANGE RESERVES

XII.8 Foreign Exchange Reserves (FER) comprise Foreign Currency Assets (FCA), Gold (including gold deposit), Special Drawing Rights (SDR) holdings and Reserve Tranche Position (RTP). SDR holdings acquired from GoI form part of the Reserve Bank's balance sheet and are included under 'Investments-Foreign-BD'. SDR holdings remaining with GoI and RTP, which represents India's quota contribution to IMF in foreign currency, is not a part of the Reserve Bank's

Table XII.7(a): Foreign Exchange Reserves (Rupee)

(₹ crore)

Components	As on		Variation	
	March 31, 2024	March 31, 2025	Absolute	Per cent
1	2	3	4	5
Foreign Currency Assets (FCA)	47,61,844.48^	48,50,833.99#	88,989.51	1.87
Gold (including gold deposit)	4,39,319.18@	6,68,162.34*	2,28,843.16	52.09
Special Drawing Rights (SDR)	1,51,223.44	1,55,289.18	4,065.74	2.69
Reserve Tranche Position (RTP) in IMF	38,868.77	37,855.07	-1,013.70	-2.61
Foreign Exchange Reserves (FER)	**53,91,255.87**	**57,12,140.58**	**3,20,884.71**	**5.95**

^: Excludes (a) SDR Holdings of the Reserve Bank amounting to ₹12,225.23 crore, which is included under the SDR holdings; (b) Investment of ₹7,773.08 crore in bonds issued by IIFC (UK); and (c) ₹20,214.68 crore lent under SAARC and ACU currency arrangements.

#: Excludes (a) SDR Holdings of the Reserve Bank amounting to ₹13,024.49 crore, which is included under the SDR holdings; (b) Investment of ₹3,418.74 crore in bonds issued by IIFC (UK); and (c) ₹16,255.62 crore lent under SAARC and ACU currency arrangements.

@: Of this, Gold valued at ₹1,64,604.91 crore is held as an asset of Issue Department and Gold (including gold deposit) valued at ₹2,74,714.27 crore is held as an asset of Banking Department.

*: Of this, Gold valued at ₹2,36,537.54 crore is held as an asset of Issue Department and Gold (including gold deposit) valued at ₹4,31,624.80 crore is held as an asset of Banking Department.

Table XII.7(b): Foreign Exchange Reserves (USD)

(US$ billion)

Components	As on		Variation	
	March 31, 2024	March 31, 2025	Absolute	Per cent
Foreign Currency Assets (FCA)	570.95*	567.56**	-3.39	-0.59
Gold (including gold deposit)	52.67	78.18	25.51	48.43
Special Drawing Rights (SDR)	18.13	18.17	0.04	0.22
Reserve Tranche Position (RTP) in IMF	4.66	4.42	-0.24	-5.15
Foreign Exchange Reserves (FER)	**646.41**	**668.33**	**21.92**	**3.39**

*: Excludes (a) SDR Holdings of the Reserve Bank amounting to US$ 1.46 billion, which is included under SDR holdings; (b) US$ 0.93 billion invested in bonds of IIFC (UK); and (c) US$ 2.42 billion lent under the SAARC and ACU currency swap arrangements.

**: Excludes (a) SDR Holdings of the Reserve Bank amounting to US$ 1.52 billion, which is included under SDR holdings; (b) US$ 0.40 billion invested in bonds of IIFC (UK); and (c) US$ 1.90 billion lent under the SAARC and ACU currency swap arrangements.

balance sheet. The position of FER as on March 31, 2024 and March 31, 2025 in Indian Rupees and US dollars, which is the numéraire currency for the Reserve Bank's FER, has been furnished in Tables XII.7 (a) and (b).

ANALYSIS OF INCOME AND EXPENDITURE INCOME

XII.9 The components of Reserve Bank's income are 'Interest' and 'Other Income' including: (i) Discount (ii) Exchange (iii) Commission (iv) Amortisation of premium/discount on Foreign and Rupee Securities (v) Profit/Loss on sale and redemption of Foreign and Rupee Securities (vi) Depreciation on Rupee Securities inter portfolio transfer (vii) Rent Realised (viii) Profit/Loss on sale of Bank's property (ix) Provision no longer required and (x) Miscellaneous Income. Certain items of income such as interest on LAF repo, Repo in foreign security and exchange gain/loss from foreign exchange transactions are reported on net basis.

Earnings from Foreign Sources

XII.10 Income from foreign sources increased by 38.07 per cent from ₹1,87,471.20 crore in the year 2023-24 to ₹2,58,837.55 crore in the year 2024-25. The rate of earnings on foreign currency assets was 5.31 per cent in the year 2024-25 as compared to 4.21 per cent in the year 2023-24 (Table XII.8).

Table XII.8: Earnings from Foreign Sources

(₹ crore)

Item	2023-24	2024-25	Variation	
			Absolute	Per Cent
1	2	3	4	5
Foreign Currency Assets (FCA)	48,02,057.47	48,83,532.84	81,475.37	1.70
Average FCA	44,52,358.86	48,73,053.30	4,20,694.44	9.45
Earnings from FCA (interest, discount, exchange gain/loss, capital gain/loss on securities)	1,87,471.20	2,58,837.55	71,366.35	38.07
Earnings from FCA as per cent of average FCA	4.21	5.31	1.10	26.15

Earnings from Domestic Sources

XII.11 Net income from domestic sources decreased by 9.80 per cent from ₹88,101.12 crore in the year 2023-24 to ₹79,470.54 crore in the year 2024-25 mainly on account of decrease in Interest on holding of Rupee Securities (Table XII.9).

XII.12 *Interest on holding of Rupee Securities (including Oil Bonds)* decreased from ₹92,589.51 crore in the year 2023-24 to ₹85,524.67 crore in the year 2024-25.

XII.13 *Net Interest Income from Liquidity Adjustment Facility (LAF)/Marginal Standing Facility (MSF)/Standing Deposit Facility (SDF)* operations decreased from ₹(-)9,255.51 crore in the year 2023-24 to ₹(-)10,120.25 crore in the year 2024-25.

XII.14 *Profit on sale and redemption of Rupee Securities* increased from ₹859.32 crore in the year 2023-24 to ₹1,105.16 crore in the year 2024-25 primarily on account of higher sale of

Table XII.9: Earnings from Domestic Sources

(₹ crore)

Item	2023-24	2024-25	Variation	
			Absolute	Per cent
1	2	3	4	5
Earnings (I+II+III+IV)	**88,101.12**	**79,470.54**	**-8,630.58**	**-9.80**
I. Earnings from Rupee Securities and discounted instruments				
i) Interest on holding of Rupee Securities (including Oil Bonds)	92,589.51	85,524.67	-7,064.84	-7.63
ii) Profit/Loss on sale and redemption of Rupee Securities	859.32	1,105.16	245.84	28.61
iii) Depreciation on Rupee securities inter portfolio transfer	-68.74	-69.50	-0.76	-1.11
iv) Amortisation of premium/discount on Rupee securities (including Oil Bonds)	-2,394.71	-2,681.71	-287.00	-11.98
v) Discount	0.00	0.00	0.00	0.00
Sub Total (i+ii+iii+iv+v)	***90,985.38***	***83,878.62***	***-7,106.76***	***-7.81***
II. Interest on LAF/MSF/SDF				
i) Net Interest on LAF Operations	-7,052.08	-4,739.82	2,312.26	32.79
ii) Interest on SDF	-5,616.80	-5,844.65	-227.85	-4.06
iii) Interest on MSF operations	3,413.37	464.22	-2,949.15	-86.40
Sub Total (i+ii+iii)	***-9,255.51***	***-10,120.25***	***-864.74***	***-9.34***
III. Interest on other loans and advances				
i) Government (Central & States)	1,294.43	1,259.20	-35.23	-2.72
ii) Banks & Financial Institutions	718.92	564.32	-154.60	-21.50
iii) Employees	80.74	99.25	18.51	22.93
Sub Total (i+ii+iii)	***2,094.09***	***1,922.77***	***-171.32***	***-8.18***
IV. Other Earnings				
i) Exchange	0.00	0.00	0.00	0.00
ii) Commission	3,886.95	4,131.64	244.69	6.30
iii) Rent Realised, Profit or Loss on sale of Bank's Property, Provision no longer required and Miscellaneous Income	390.21	-342.24	-732.45	-187.71
Sub Total (i+ii+iii)	***4,277.16***	***3,789.40***	***-487.76***	***-11.40***

securities and softening of yields across the yield curve in the current year which led to higher realisation on the sale. In the year 2024-25, sale operations amounted to ₹24,090 crore (Face Value).

XII.15 *Amortisation of Premium/Discount on Rupee Securities (including Oil Bonds):* Premium/ Discount on Rupee Securities and Oil Bonds held by the Reserve Bank, are amortised on a daily basis during the period of residual maturity. Net income from premium/discount on amortisation of Rupee Securities decreased from ₹(-)2,394.71 crore in the year 2023-24 to ₹(-)2,681.71 crore in the year 2024-25.

XII.16 *Discount:* There was no income from holding of discounted instruments (T-Bills) in the year 2024-25, same as the year 2023-24.

XII.17 *Interest on loans and advances*

a. *Central and State Governments:*

Interest income on loans and advances extended to Central and State Governments taken together decreased by 2.72 per cent from ₹1,294.43 crore in the year 2023-24 to ₹1,259.20 crore in the year 2024-25. The interest income from the Central Government decreased by 94.77 per cent from ₹385.71 crore in the year 2023-24 to ₹20.16 crore in the year 2024-25. Interest income from State Governments increased by 36.35 per cent from ₹908.72 crore in the year 2023-24 to ₹1,239.04 crore in the year 2024-25. The marginal decline in overall interest income is attributed to lower interest income on funds availed by Central Government.

b. *Banks & Financial institutions*:

Interest income from loans and advances to banks and financial institutions decreased by 21.50 per cent from ₹718.92 crore in the year 2023-24 to ₹564.32 crore in the year 2024-25.

c. *Employees*:

Interest income from loans and advances to employees increased by 22.93 per cent from ₹80.74 crore in the year 2023-24 to ₹99.25 crore in the year 2024-25.

XII.18 *Commission:* Commission income increased by 6.30 per cent from ₹3,886.95 crore in the year 2023-24 to ₹4,131.64 crore in the year 2024-25, primarily on account of increase in: a) management commission received for servicing outstanding Central Government loans; and b) management commission received for servicing outstanding State Governments loans.

XII.19 *Rent Realised, Profit/Loss on sale of Bank's property, Provision no longer required and Miscellaneous Income*: Earnings from these income heads decreased from ₹390.21 crore in the year 2023-24 to ₹(-)342.24 crore in the year 2024-25.

EXPENDITURE

XII.20 The Reserve Bank incurs expenditure in the course of performing its statutory functions by way of agency charges/commission, printing of notes, expenditure on remittance of currency, besides employee related and other expenses. The Bank has taken a policy decision to avail and utilise Input Tax Credit (ITC) as per section 17(4) of the Central Goods and Services Tax (CGST)

Table XII.10: Expenditure

(₹ crore)

Item	2020-21	2021-22	2022-23	2023-24	2024-25
1	2	3	4	5	6
i. Interest	1.10	1.77	1.92	2.19	2.44
ii. Employee Cost	4,788.03	3,869.43	6,003.93	7,890.11	9,146.71
iii. Agency Charges/Commission	3,280.06	4,400.62	4,068.62	3,976.31	3,669.56
iv. Printing of Notes	4,012.09	4,984.80	4,682.80	5,101.40	6,372.82
v. Provisions	20,710.12	1,14,667.01	1,30,875.75	42,819.91	44,861.70
vi. Others	1,355.35	1,877.05	2,404.02	4,904.41	5,660.79
Total (i+ii+iii+iv+v+vi)	**34,146.75**	**1,29,800.68**	**1,48,037.04**	**64,694.33**	**69,714.02**

Act, 2017, *i.e.*, fifty per cent of eligible ITC, with effect from April 1, 2024. Total expenditure of the Reserve Bank increased by 7.76 per cent from ₹64,694.33 crore in the year 2023-24 to ₹69,714.02 crore in the year 2024-25 (Table XII.10).

i) Interest

During the year 2024-25, an amount of ₹2.44 crore was paid as interest to Dr. B. R. Ambedkar Birth Centenary Year Fund and RBI Employees' Benevolent Fund. In the previous year, *i.e.*, 2023-24, the interest payment in these Funds was ₹2.19 crore. Increase in interest expenditure by ₹25 lakh is due to increase in Fund balances as on March 31, 2025.

ii) Employee Cost

Employee cost increased by 15.93 per cent from ₹7,890.11 crore in the year 2023-24 to ₹9,146.71 crore in the year 2024-25. The increase was due to increase in the Reserve Bank's provision towards accrued liabilities of various superannuation funds in the year 2024-25.

iii) Agency Charges/Commission

a. *Agency Commission on Government Transactions*

The Reserve Bank discharges the function of banker to governments through a large network of agency bank branches that serve as retail outlets for governments' receipts and payments. The Reserve Bank pays commission to these agency banks at prescribed rates. Net agency commission paid on account of government business decreased by 7.22 per cent from ₹3,806.71 crore in the year 2023-24 to ₹3,531.76 crore in the year 2024-25.

b. *Underwriting Commission paid to Primary Dealers*

The expenditure on account of underwriting commission paid to Primary Dealers (PDs) decreased from ₹48.47 crore in the year 2023-24 to ₹15.78 crore in the year 2024-25. The reduction in underwriting commission during the current year may be attributed to the orderly market conditions and strong demand from investors.

c. *Sundries*

This includes expenses incurred on handling charges, turnover commission paid to banks for Relief/Savings Bonds subscriptions and Commission paid on Securities Borrowing and Lending Arrangement (SBLA), *etc*. The commission paid under this head decreased from ₹28.12 crore in the year 2023-24 to ₹6.47 crore in the year 2024-25.

d. *Fees paid to the External Asset Managers, Custodians, Brokers, etc*.

Expenditure under the head increased from ₹93.01 crore in the year 2023-24 to ₹115.55 crore in the year 2024-25.

iv) Printing of Notes

The supply of notes increased by 24.69 per cent from 2,43,000 lakh pieces during the year 2023-24 to 3,03,000 lakh pieces during the year 2024-25. Expenditure incurred on printing of banknotes increased from ₹5,101.40 crore in the year 2023-24 to ₹6,372.82 crore in the year 2024-25.

v) Provisions

The ECF requires Contingent Risk Buffer (CRB) to be maintained in the range of 4.50 per cent to 7.50 per cent of the size of the balance sheet. The Central Board approved that CRB may be maintained at 7.50 per cent of the size of the balance sheet of the Reserve Bank for the year 2024-25. Accordingly, a provision of ₹44,861.70 crore was made and transferred to CF during the year (Table XII.2).

vi) Others

Other expenses comprise expenditure on remittance of currency, printing and stationery, audit fees and related expenses, miscellaneous expenses, *etc*. which increased by 15.42 per cent from ₹4,904.41 crore in the year 2023-24 to ₹5,660.79 crore in the year 2024-25.

Contingent Liabilities

XII.21 Total contingent liabilities of the Reserve Bank amounted to ₹1,031.64 crore, the main component of this being partly paid shares, denominated in SDR, of the Bank for International Settlements (BIS) held by the Reserve Bank. The uncalled liability on partly paid shares of the BIS as on March 31, 2025 was ₹1,010.99 crore. The balances are callable at three months' notice by a decision of the BIS Board of Directors.

Prior Period Transactions

XII.22 For the purpose of disclosure, prior period transactions of ₹1 lakh and above only have been considered. The prior period transactions under expenditure and income amounted to ₹15.88 crore and ₹0.01 crore, respectively.

Payment to Micro and Small Enterprises under the Micro, Small & Medium Enterprises Development Act, 2006

XII.23 The following table sets forth the cases of delayed payments of the principal amount or interest due thereon to Micro and Small Enterprises:

(₹ crore)

Particulars	2023-24		2024-25	
	Principal	Interest	Principal	Interest
1	2	3	4	5
i. the principal amount and the interest due thereon remaining unpaid to any supplier as at March 31;	-	-	-	-
ii. the amount of interest paid by the buyer in terms of section 16, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year;	-	-	0.0057	0.0004
iii. the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Act;	-	-	-	-
iv. the amount of interest accrued and remaining unpaid at the end of the accounting year;	-	-	-	-
v. the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.	NA	NA	NA	NA

-: Nil. NA: Not Applicable.

Previous Year's Figures

XII.24 Figures for the previous year have been rearranged, wherever necessary to make them comparable with the current year.

Auditors

XII.25 The statutory auditors of the Reserve Bank are appointed by the Central Government in terms of Section 50 of the RBI Act, 1934. The accounts of the Reserve Bank for the year 2024-25 were audited by M/s Sorab S. Engineer & Co., Mumbai and M/s Kalyaniwalla & Mistry LLP, Mumbai, as the Statutory Central Auditors and M/s Lodha & Co. LLP, Kolkata, M/s S. Viswanathan LLP, Chennai and M/s Walker Chandiok & Co. LLP, New Delhi as Statutory Branch Auditors.

ANNEX I

CHRONOLOGY OF MAJOR POLICY ANNOUNCEMENTS: APRIL 2024 TO MARCH 2025[1]

Date of Announcement	Policy Initiative
Monetary Policy Department	
April 5, 2024	The monetary policy committee (MPC) decided to keep the policy repo rate unchanged at 6.50 per cent. The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns to the target, while supporting growth. The policy repo rate and stance remained unchanged till August 2024 policy.
October 9, 2024	The MPC decided to keep the policy repo rate unchanged at 6.50 per cent. The MPC decided to change the stance to neutral and to remain unambiguously focused on a durable alignment of inflation with target, while supporting growth.
December 6, 2024	• The MPC decided to keep the policy repo rate unchanged at 6.50 per cent. The MPC also decided to continue with neutral policy stance to ensure that inflation aligns with target, while supporting growth. • Cash reserve ratio (CRR) was reduced by 50 basis points (bps) to 4.0 per cent in two equal tranches of 25 bps each with effect from the fortnight beginning December 14, 2024, and December 28, 2024.
February 7, 2025	The MPC decided to reduce the policy repo rate by 25 bps from 6.50 per cent to 6.25 per cent. Consequently, the standing deposit facility (SDF) rate was adjusted to 6.00 per cent and marginal standing facility (MSF) rate and Bank rate to 6.50 per cent. The MPC decided to continue with the neutral stance and remain unambiguously focused on aligning inflation with the target, while supporting growth.
Financial Inclusion and Development Department	
April 16, 2024	The Master Circular on *Deendayal Antyodaya Yojana* - National Rural Livelihoods Mission (DAY-NRLM) was updated. The major modification was the introduction of 'Women Enterprise Acceleration Fund' (WEAF), set up by the Ministry of Rural Development, Government of India (GoI), to make available medium to long term debt financing to women entrepreneurs under DAY-NRLM, to enable them to invest in viable enterprises, by providing interest subvention for prompt repayment and reimbursement of credit guarantee fee to banks.
June 11, 2024	The 'Master Direction on Lending to the Micro, Small and Medium Enterprise (MSME) Sector' was updated on June 11, 2024, to incorporate the following provisions: • Scheduled commercial banks (SCBs) have been advised to have a uniform turnaround time (TAT) of 14 days for loans up to ₹25 lakh for micro and small enterprise (MSE) borrowers to ensure faster disposal of such loan applications, and clearly display all credit related information under a separate tab on their websites; • It was reiterated to banks to implement a credit proposal tracking system (CPTS) and inform the MSME borrowers in writing, the main reason(s) of rejection of loan applications; • Banks have also been advised to furnish MSME borrowers with an indicative checklist of documents required for processing the loan application at the time of applying for the loan, display the pendency position on their websites and monitor the pendency beyond sanction timeline norms at appropriate levels on a quarterly basis; and • MSE clusters have been defined as those identified by the Ministry of MSME, GoI and state governments. Further, lead banks have been advised to promote credit linkage in all clusters in their districts directly or facilitating their linkage with other banks, create awareness among the MSE units and incorporate the credit needs of clusters in the branch/block level credit plans so that the same can be aggregated to prepare the annual credit plan (ACP).

[1] The list is indicative in nature and details are available on the Reserve Bank's website.

Date of Announcement	Policy Initiative
August 6, 2024	GoI approved the continuation of the modified interest subvention scheme (MISS) for short term loans for agriculture and allied activities availed through *kisan* credit card (KCC) during 2024-25.
December 6, 2024	Keeping in view the overall inflation and rise in agricultural input cost over the years, the limit for collateral free agricultural loans was raised from the existing limit of ₹1.6 lakh to ₹2 lakh per borrower, effective January 1, 2025.
March 24, 2025	Master Directions on priority sector lending (PSL) targets and their classification were issued after a comprehensive review of the existing guidelines. The revised guidelines came into effect on April 1, 2025.
Financial Markets Regulation Department	
April 15, 2024	In order to provide more flexibility and easier access to derivative products in hedging their exposure to gold prices, resident entities were permitted to hedge price risk of gold using over-the-counter (OTC) derivatives in the international financial services centre (IFSC), in addition to the derivatives on the exchanges in the IFSC.
May 3, 2024	Directions on risk management and inter-bank dealings were amended to reflect the applicability of the provisions to the standalone primary dealers (SPDs) authorised as Authorised Dealer (AD) Category-III.
May 8, 2024	'Master Direction – Reserve Bank of India (Margining for Non-Centrally Cleared OTC Derivatives) Directions, 2024' were issued, mandating covered entities to exchange initial and variation margin for non-centrally cleared derivative (foreign exchange, interest rate and credit) transactions. Amendments were also made to the directions on margin for derivative contracts issued under Foreign Exchange Management Act (FEMA), 1999, to enable, *inter alia*, exchange of margin with non-residents.
August 19, 2024	In view of the potential role of self-regulatory organisations (SROs) in strengthening compliance culture among their members and also providing a consultative platform for policy making, the framework for recognition of SROs in financial markets was issued.
August 29, 2024	A scheme for trading and settlement of sovereign green bonds (SGrBs) in the IFSC in India by eligible foreign investors was issued, with a view to facilitating wider non-resident participation in SGrBs.
October 18, 2024	Directions on access criteria for negotiated dealing system-order matching (NDS-OM) electronic trading platform were reviewed and the revised access criteria for NDS-OM platform were notified.
November 7, 2024	The list of specified securities under the fully accessible route (FAR) was augmented by including the SGrBs of 10-year tenor issued by the government in the second half of the year 2024-25 under the FAR.
November 8, 2024	ADs were mandated to report transactions in foreign exchange cash, tom and spot - both inter-bank and those executed with clients - to the trade repository (TR) of Clearing Corporation of India Limited (CCIL).
December 27, 2024	AD Category-I banks were mandated to report transactions in gold derivatives undertaken by them and their customers/constituents to the TR of CCIL.
January 7, 2025	To improve ease of doing business, operational instructions contained in all the relevant circulars pertaining to investments by non-residents in debt instruments (63 circulars issued during 2008-2024) were consolidated under a single Master Direction.

Date of Announcement	Policy Initiative
February 7, 2025	As a further measure of facilitating retail participation in government securities (G-secs), a new facility, *viz.,* 'stock broker connect' was introduced in the NDS-OM platform - an electronic trading for secondary market transactions in G-secs. Under this facility, Securities and Exchange Board of India (SEBI)-registered stock brokers have been permitted to directly access NDS-OM on behalf of their individual constituents/clients.
February 17, 2025	To bring uniformity in the trading and settlement norms for all transactions in G-secs, matching of primary member (PM) - gilt account holder (GAH) and GAH-GAH trades of the same PM on NDS-OM was permitted, along with guaranteed settlement of such trades. An option to settle reported PM-GAH and GAH-GAH trades of same PM through CCIL was also enabled.
February 21, 2025	To enable long-term investors such as insurance funds to manage their interest rate risk across interest rate cycles, forward contracts in G-secs were introduced. Introduction of these forward contracts will also facilitate efficient pricing of derivatives that use bonds as underlying instruments.
Financial Markets Operations Department	
January 15, 2025	It was decided to conduct daily variable rate repo (VRR) auctions on all working days in Mumbai with reversal taking place on the next working day, until further notice. The auction amount is decided by the Reserve Bank, based on assessment of the liquidity conditions, and is announced separately *via* a press release on the Reserve Bank's website. SPDs were allowed to participate in these auctions, along with all other eligible participants.
March 26, 2025	It was decided to allow SPDs to participate in all repo operations conducted by the Reserve Bank, irrespective of the tenor.
Foreign Exchange Department	
April 23, 2024	Amendments to Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 were made for mode of payment and reporting applicable for the transactions pertaining to the listing of Indian companies on international exchanges. Further, the Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) Regulations, 2015, was amended to permit such Indian companies to open foreign currency accounts with banks outside India for keeping the funds raised through listing of equity shares on international exchanges, pending their utilisation or repatriation to India.
May 6, 2024	The Foreign Exchange Management (Deposit) Regulations, 2016 were amended by allowing a person resident outside India (PROI) to open, hold and maintain an interest-bearing account in Indian Rupees (INR) and/or foreign currency for the purpose of posting and collecting margin in India for a permitted derivative contract entered into by such person in terms of extant regulations.
May 21, 2024	The Department of Economic Affairs, Ministry of Finance (MoF) notified an amendment to the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 dated March 14, 2024, to enable the issuance of partly paid units to PROIs by investment vehicles in India. In this regard, the Reserve Bank, in consultation with the Government of India, decided to regularise the issuances of partly paid units by Alternative Investment Funds to PROIs prior to the said amendment through compounding under Foreign Exchange Management Act, 1999.
May 27, 2024	To ensure the reach and prevent potential misuse of permitted money changing activities, it was advised that from July 1, 2024, value of foreign currency notes sold by full-fledged money changers (FFMCs)/ non-bank AD Category-II to the public for permitted purposes should not be less than 75 per cent of the value of foreign currency notes purchased from other FFMCs/ADs, on a quarterly basis.

Date of Announcement	Policy Initiative
June 11, 2024	To provide operational flexibility, the facility of opening an additional special current account by the AD Category-I banks for its constituents has been extended for settlement of their export as well as import transactions.
July 3, 2024	To improve ease of doing business, ADs were permitted to facilitate remittances on the basis of online/ physical submission of Form A2 and other related documents, subject to Section 10(5) of FEMA 1999. Accordingly, the limit on the amount being remitted on the basis of 'online' Form A2 was removed. Further, ADs were permitted to obtain Form A2 in physical or digital form for all cross-border remittances irrespective of the value of transaction.
July 10, 2024	Authorised Persons (APs) were permitted to facilitate remittances for all permissible purposes under liberalised remittances scheme (LRS) to IFSCs for availing financial services or financial products as per the International Financial Services Centres Authority (IFSCA) Act, 2019 within IFSCs. Additionally, they were allowed to facilitate all permissible current or capital account transactions under LRS in any other foreign jurisdiction (other than IFSCs) through a foreign currency account (FCA) held in IFSCs.
September 6, 2024	With a view to streamline the reporting framework for AD Category-I banks, the submission of 'LRS monthly return' has been discontinued.
October 1, 2024	The Foreign Exchange (Compounding Proceedings) Rules, 2024 ('new Rules') were notified by the GoI, in consultation with the Reserve Bank, on September 12, 2024. Accordingly, the Directions issued under earlier circulars were reviewed and new guidelines for compounding were issued for the APs.
November 11, 2024	The Reserve Bank, in consultation with the GoI and SEBI, finalised an operational framework for reclassification of foreign portfolio investment (FPI) as foreign direct investment (FDI) under Foreign Exchange Management (Non-Debt Instruments) Rules, 2019. As per the framework, in case of any breach of the investment limit (10 per cent of the total paid-up capital on a fully diluted basis) by any FPI concerned, would be having the option of reclassifying such holdings as FDI in addition to the earlier option of divesting their holdings.
November 19, 2024	The definition of 'Startup' was amended in Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) Regulations, 2015, upon receipt of concurrence from the Department of Economic Affairs, MoF, GoI.
January 14, 2025	• The Foreign Exchange Management (Deposit) Regulations, 2016 were amended to allow PROIs (other than banks) to open INR accounts with the overseas branches of AD banks. As per the amendment, all permissible current and capital account transactions with persons resident in India (PRIs) and all transactions with other PROIs were allowed to be settled through special non-resident rupee (SNRR) accounts. Further, transfers between repatriable INR accounts [SNRR/ special rupee vostro account (SRVA)/non-resident external (NRE) Account /vostro account] were also allowed. • The Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019, were amended to enable balances in SRVA and SNRR accounts to be used for making foreign investment in India. • Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) Regulations, 2015 were amended to permit all resident exporters to open foreign currency accounts overseas for settling trade transactions, subject to ensuring the applicable realisation and repatriation provisions. It was clarified that exporters receiving payments in local currencies can use these currencies to pay for imports from that territory.

Date of Announcement	Policy Initiative
February 10, 2025	To facilitate alignment of the external trade and payment/receipt regulations with the Asian Clearing Union (ACU) agreement, the Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2023 were amended so that the trade related payments/receipts are routed through the ACU mechanism only if they were between two residents in the territory of ACU member countries.
March 17, 2025	In the wake of signing of Memorandum of Understanding (MoU) between the Reserve Bank and Maldives Monetary Authority in November 2024 for establishing a framework to promote the use of local currencies, *i.e.*, INR and Maldivian Rufiyaa (MVR) for bilateral transactions, the settlement of bilateral trade transactions with the Maldives was allowed in local currencies, in addition to the ACU mechanism, as hitherto.
Department of Regulation	
April 1, 2024	• *Master Circular on Board of Directors - Primary (Urban) Co-operative Banks (UCBs)*: The Master Circular consolidated and updated all the governance related instructions/guidelines issued till March 31, 2024. • *Master Circular - Guarantees and Co-acceptances*: The Master Circular consolidated the instructions issued by the Reserve Bank relating to the conduct of guarantee business by banks. • *Master Circular - Guarantees, Co-Acceptances and Letters of Credit - UCBs*: In view of the risks involved in the business of issuance of guarantees, the UCBs should extend guarantees within restricted limits so that their financial position is not impaired. The banks should follow certain broad guidelines in respect of their guarantee business as indicated in the circular. • *Master Circular - Basel III Capital Regulations*: The instructions contained in the Master Circular have been suitably updated/amended by incorporating relevant guidelines, issued as on date. Small finance banks (SFBs) and payments banks (PBs) have been advised to refer to their respective licensing guidelines and operating guidelines issued by Reserve Bank, for prudential guidelines on capital adequacy. • *Master Circular - Prudential Norms on Capital Adequacy - UCBs*: The Master Circular consolidated and updated all the instructions/guidelines on the subject issued up to March 31, 2024.
April 2, 2024	• *Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances*: In line with the international practices and as per the recommendations made by the Committee on the Financial System (Chairman: Shri M. Narasimham), the Reserve Bank introduced, in a phased manner, prudential norms for income recognition, asset classification and provisioning for the advances portfolio of the banks so as to move towards greater consistency and transparency in the published accounts. • *Master Circular - Income Recognition, Asset Classification, Provisioning and Other Related Matters - UCBs*: In order to reflect a bank's actual financial health in its balance sheet and as per the recommendations made by the Committee on Financial System (Chairman: Shri M. Narasimham), the Reserve Bank introduced, in a phased manner, prudential norms for income recognition, asset classification and provisioning for the advances portfolio of the banks.
April 15, 2024	• *CIMS Project Implementation - Submission of Statutory Returns (Form A, Form VIII and Form IX) on CIMS Portal*: Following the launch of CIMS on June 30, 2023, banks have been advised to shift the submission of Form A, Form VIII and Form IX Returns from the eXtensible Business Reporting Language (XBRL) portal to the Centralised Information Management System (CIMS) portal.

Date of Announcement	Policy Initiative
April 15, 2024	• *Key Facts Statement (KFS) for Loans and Advances*: In order to enhance transparency and reduce information asymmetry on financial products being offered by regulated entities (REs) and empower borrowers in making an informed financial decision, a harmonised circular has been issued on April 15, 2024, advising REs to provide a KFS to prospective borrowers in respect of all retail, and micro, small and medium enterprise (MSME) term loans.
April 23, 2024	• *Review of Requirement of Counter-Cyclical Capital Buffer (CCyB)*: Based on the review and empirical analysis of CCyB indicators as per the guidelines issued by Reserve Bank on February 5, 2015, it was decided not to activate CCyB. • *Dealing in Rupee Interest Rate Derivative Products - SFBs*: With a view to provide SFBs greater flexibility in managing their interest rate risks due to some issues, SFBs have been permitted to participate in rupee interest derivative products for hedging their interest rate risk in terms of Rupee Interest Rate Derivatives (Reserve Bank) Directions, 2019 dated June 26, 2019.
April 30, 2024	*Guidance Note on Operational Risk Management and Operational Resilience*: Aligns the Reserve Bank's regulatory guidance with the Basel Committee on Banking Supervision (BCBS) Principles, *viz.*, (a) 'Revisions to the Principles for the Sound Management of Operational Risk'; and (b) 'Principles for Operational Resilience' (both issued in March 2021), while adopting the global best practices including those on operational resilience. The erstwhile 'Guidance Note on Management of Operational Risk' dated October 14, 2005 has been repealed.
May 3, 2024	*Banks' Exposure to Capital Markets - Issue of Irrevocable Payment Commitments (IPCs)*: The risk mitigation measures prescribed in the earlier guidelines for issuance of IPCs by custodian banks were based on T+2 rolling settlement for equities (T being the trade day). With introduction of T+1 rolling settlement, it was advised that intraday exposures shall be reckoned as capital market exposure at 30 per cent of the settlement amount. This exposure to the counterparty shall also be subject to large exposure limits. The exposure can, however, be offset by margin paid in cash or permitted securities, subject to haircuts prescribed by the exchange.
June 7, 2024	*Amendment to Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2016*: Banks have discretion to offer differential rate of interest on the bulk deposits as per their requirements and asset-liability management (ALM) projections. The bulk deposits limit was enhanced in 2019 for scheduled commercial banks (SCBs) [excluding regional rural banks (RRBs)] and SFBs as 'Single Rupee Term Deposits of ₹2 Crore and Above'. On a review, these instructions have been revised and bulk deposits are now defined as 'Single Rupee Term Deposits of ₹3 Crore and Above' for SCBs (excluding RRBs) and SFBs. Further, bulk deposit limit for local area banks (LABs) is defined as 'Single Rupee Term Deposits of ₹1 Crore and Above' as applicable in case of RRBs.
June 19, 2024	*Invitation of Applications for Recognition of Self-regulatory Organisations (SROs) for NBFCs*: A press release inviting applications from interested applicants seeking recognition as an SRO for the non-banking financial company (NBFC) sector has been issued under the aegis of the 'Omnibus SRO Framework' dated March 21, 2024.
July 10, 2024	*Basel III Capital Regulations - Eligible Credit Rating Agencies (ECAI)*: Based on various regulatory concerns, Securities and Exchange Board of India (SEBI) had directed Brickwork Ratings India Pvt. Ltd. (BRIPL) to wind down its operations. Consequently, the Reserve Bank had advised its REs/market participants not to obtain any fresh ratings/evaluations from the credit rating agency (CRA). On review, banks have now been permitted, *vide* the circular, to use the bank loan ratings of the CRA, subject to certain conditions.

Date of Announcement	Policy Initiative
July 25, 2024	• *Small Value Loans - UCBs*: The timeline to achieve the target of 50 per cent for small value loans have been extended by two more years (*i.e.*, till March 2026) and an intermediate target of 40 per cent for March 2025 was also prescribed. • *Bank Finance Against Shares and Debentures*: The overall ceiling of 20 per cent for loans given by UCBs against the security of shares and debentures has been linked with Tier-I capital, instead of owned funds, with effect from January 1, 2025.
July 30, 2024	• Guidelines on 'Treatment of Dividend Equalisation Fund (DEF) - UCBs' was issued. • *Master Direction on Treatment of Wilful Defaulters and Large Defaulters*: The existing instructions on wilful defaulters were reviewed taking into consideration various judgments/orders from the Hon'ble Supreme Court and Hon'ble High Courts, as well as representations/suggestions received from banks and other stakeholders and the draft Master Direction on 'Treatment of Wilful Defaulters and Large Defaulters' was issued for public comments on September 21, 2023. Based on the feedback received, the final Master Direction was issued.
August 2, 2024	*Prudential Treatment of Bad and Doubtful Debt Reserve (BDDR) by Co-operative Banks*: With a view to bring uniformity in the treatment of BDDR for prudential purposes, a circular was issued.
August 8, 2024	*Frequency of Reporting Credit Information by Credit Institutions (CIs) to Credit Information Companies (CICs)*: In order to ensure that credit information reports provided by CICs reflect a more recent information, the frequency of reporting of credit information by CIs to CICs has now been increased from monthly to fortnightly intervals or at such shorter intervals as mutually agreed upon between the CI and the CIC.
August 12, 2024	• *Review of Risk Weights for Housing Finance Companies (HFCs)*: In order to avoid anomalies observed on application of risk weights for undisbursed housing loans and commercial real estate-residential building, certain revisions have been made in the HFC regulations. • *Review of Regulatory Framework for HFCs and Harmonisation of Regulations Applicable to HFCs and NBFCs*: The extant regulations applicable to HFCs have been revised with an objective of harmonising the same, duly considering their specialised nature. Further, certain regulations applicable to NBFCs have also been reviewed.
August 16, 2024	*Review of Master Direction - Non-Banking Financial Company - Peer to Peer Lending Platform (Reserve Bank) Directions, 2017*: To ensure proper implementation of the regulatory guidelines, a circular was issued elaborating and clarifying certain existing provisions.
August 29, 2024	*Interest Equalisation Scheme (IES) on Pre and Post Shipment Rupee Export Credit*: Director General of Foreign Trade (DGFT), which administers the scheme, allowed for the extension of the scheme from July 1, 2024 to August 31, 2024, with some modifications. On September 20, 2024, DGFT allowed for a further extension of the scheme from September 1, 2024 to September 30, 2024, with some modifications. On October 9, 2024, DGFT allowed for another extension of the scheme for three months from October 1, 2024, to December 31, 2024, with some modifications.
October 9, 2024	*Creation of Reserve Bank Climate Risk Information System (RB-CRIS)*: In order to bridge data related gaps for enabling comprehensive climate risk assessments by REs, RB-CRIS is being formulated which will comprise: (i) a web-based directory, listing various data sources, and will be publicly accessible on the Reserve Bank's website; and (ii) a data portal comprising datasets (processed data in standardised formats) that will be only accessible to REs in a phased manner. The datasets in RB-CRIS are envisaged to pertain to data inputs for physical risk assessment such as hazard data, loss data, vulnerability data, damage functions, transition risk assessment such as India specific scenarios, sectoral transition pathways, and carbon emission factor database.

Date of Announcement	Policy Initiative
October 10, 2024	• *Submission of Information to CICs by Asset Reconstruction Companies (ARCs)*: The revised guidelines, *inter alia*, require ARCs to become members of all four CICs, submit data to CICs on a fortnightly basis or shorter intervals as mutually agreed and rectify rejected data within seven days of receipt of such data from CICs. • *Implementation of Credit Information Reporting Mechanism Subsequent to Cancellation of License or Certificate of Registration*: As per Credit Information Companies (Regulation) Act, 2005 (CICRA) only CIs can submit credit information to CICs. When RE's license or Certificate of Registration (CoR) is cancelled by the Reserve Bank, it is no longer deemed as CI and thus is unable to submit credit information of its borrowers to CICs, leading to gaps in borrowers' repayment history. To address the hardship faced by borrowers of such entities, a credit information reporting mechanism subsequent to the cancellation of the license/CoR has been prescribed.
November 6, 2024	• The know your customer (KYC) identifier issued by central KYC records registry (CKYCR) has been made the first resort for KYC and re-KYC purposes, thus, making the KYC process simpler, convenient and paperless. • *Amendment to the Master Direction - KYC Direction, 2016*: Certain provisions of the Master Direction have been amended.
November 13, 2024	*Domestic Systemically Important Banks (D-SIBs) List of 2024*: The list of D-SIBs was published in 2024. State Bank of India (SBI), HDFC Bank and ICICI Bank continue to be identified as D-SIBs. SBI remains in Bucket-4, HDFC in Bucket-2 and ICICI Bank in Bucket-1, entailing additional common equity tier 1 (CET1) capital requirement of 0.8 per cent, 0.4 per cent and 0.2 per cent of risk-weighted assets (RWAs), respectively.
December 6, 2024	• *Interest Rates on Foreign Currency (Non-resident) Accounts (Banks) [FCNR(B)] Deposits*: The interest rates ceiling on fresh FCNR(B) deposits raised by the banks was increased with effect from December 6, 2024. For period of deposit 1 year to less than 3 years, the ceiling rate will be overnight alternative reference rate for the respective currency/swap plus 400 bps, and for period of deposit 3 years and above up to and including 5 years, the ceiling rate will be overnight alternative reference rate for the respective currency/swap plus 500 bps. However, such relaxation is available till March 31, 2025. • *Maintenance of CRR*: As announced in the Statement on Developmental and Regulatory Policies dated December 6, 2024, it has been decided to reduce the CRR of all banks by 50 bps in two equal tranches of 25 bps each to 4 per cent of net demand and time liabilities (NDTL). Accordingly, banks are required to maintain the CRR at 4.25 per cent of their NDTL, effective the reporting fortnight beginning December 14, 2024, and 4 per cent of their NDTL, effective the fortnight beginning December 28, 2024.
December 31, 2024	*Government Debt Relief Schemes (DRS)*: The circular contains, *inter alia*, the prudential treatment to be followed by REs while implementing DRS. It also contains model operating procedure (MOP) which was also sent to state governments for their consideration while designing and implementing such DRS through a consultative approach, to avoid any non-alignment of expectations of the stakeholders involved, including the government, lenders and borrowers.
January 6, 2025	*Master Direction - Reserve Bank of India (Credit Information Reporting) Directions, 2025*: The Master Direction consolidates the existing instructions on credit information reporting and related aspects issued to the REs.

Date of Announcement	Policy Initiative
January 16, 2025	A list of 15 NBFCs in the Upper Layer, identified as per the methodology specified under scale-based regulation for NBFCs, was released.
January 20, 2025	*Guidelines on Settlement of Dues of Borrowers by ARCs*: The revised guidelines, *inter alia*, require settlement of accounts having aggregate outstanding value of more than ₹1 crore and of all accounts classified as fraud or wilful defaulter to be done after the proposal is examined by an independent Advisory Committee followed by a review by the Board of Directors comprising at least two independent Directors. Further, settlement of accounts having aggregate outstanding value of up to ₹1 crore shall be done as per Board approved policy, subject to the conditions.
January 29, 2025	*Private Placement of Non-convertible Debentures (NCDs) with Maturity Period of More than One Year by HFCs - Review of Guidelines*: As regulatory expectations associated with private placement of NCDs are similar across all categories of NBFCs, subsequent to review of the HFC guidelines, it has been decided that regulations on private placement of NCDs prescribed for HFCs shall be completely aligned with those prescribed for NBFCs.
February 7, 2025	*Change in Bank Rate*: As announced in the Monetary Policy Statement 2024-25 dated February 7, 2025, the Bank Rate was revised downwards by 25 bps from 6.75 per cent to 6.50 per cent with effect from February 7, 2025. All penal interest rates on shortfall in reserve requirements, which are specifically linked to the Bank Rate, also stand revised.
February 24, 2025	*Review and Rationalisation of Prudential Norms - UCBs*: (a) The definition of small value loans has been revised as loans of value not more than ₹25 lakh or 0.4 per cent of their Tier I capital, whichever is higher, subject to a ceiling of ₹3 crore per borrower. The timelines and the intermediate targets have been kept unchanged; (b) The ceilings on amount of housing loans to be extended by Tier- 3 and Tier-4 UCBs to individuals have been increased to ₹2 crore and ₹3 crore, respectively, from the extant limit of ₹1.4 crore, subject to extant single borrower exposure limits; (c) The ceiling on UCBs' aggregate exposure to real estate sector was rationalised. Accordingly, aggregate exposure of a UCB to residential mortgages (housing loans to individuals), other than those eligible to be classified as priority sector, shall not exceed 25 per cent of its total loans and advances, and aggregate exposure of a UCB to real estate sector, excluding housing loans to individuals, shall not exceed five per cent of its total loans and advances; and (d) The existing glide path (till 2025-26) prescribed for provisioning requirement due to valuation differential on the Security Receipts (SRs) held against the assets transferred by UCBs to ARCs, has been extended by another two years till 2027-28.
February 25, 2025	• *Review of Risk Weights on Microfinance Loans*: SCBs' microfinance loans that are in the nature of consumer credit shall be subject to a risk weight of 100 per cent. Such loans qualifying as regulatory retail in terms of Master Circular on 'Basel III Capital Regulations' shall continue to attract a risk weight of 75 per cent. Further, all microfinance loans extended by RRBs and local area banks (LABs) shall attract a risk weight of 100 per cent.
February 25, 2025	• *Exposures of SCBs to NBFCs*: To address the concerns on post-COVID risk build-up in certain segments of consumer credit and NBFCs' growing reliance on SCBs for funding, a circular was issued on November 16, 2023 which, *inter alia*, increased the risk weights by 25 percentage points for certain consumer credit exposures of SCBs and NBFCs. Additionally, risk weight on SCB's exposure to NBFCs was increased by 25 percentage points in cases where the existing risk weight based on external ratings was below 100 per cent. On a review, *vide* a circular dated February 25, 2025, it has been decided to restore the risk weight on SCBs exposure to NBFCs to the risk weight associated with the given external rating of NBFCs.

Date of Announcement	Policy Initiative
March 12, 2025	*Framework for Recognising SROs for the Account Aggregator Ecosystem (SRO-AA)*: A Framework for SROs for the AA Ecosystem was issued. The framework provides a comprehensive outline of characteristics, functions, responsibilities, eligibility criteria, governance requirements, *etc.,* addressing the needs of the AA ecosystem. Applications for recognition as an SRO for AA ecosystem have been invited, with a submission deadline of June 15, 2025.
March 20, 2025	• *Guidelines on Amortisation of Additional Pension Liability by RRBs*: RRBs were earlier permitted to amortise their pension liability on account of RRB (Employee) Pension Scheme 2018 over a period of five years, beginning with financial year ending March 31, 2019. RRBs are now required to implement the pension scheme with effect from November 1, 1993. However, in view of the difficulties expressed in absorbing the increased liability in a single year, RRBs were advised that the expenditure, on account of revision in the pension, may, if not fully charged to the profit and loss account during 2024-25, be amortised over a period not exceeding five years beginning with the financial year ending March 31, 2025, subject to a minimum of 20 per cent of the total pension liability involved being expensed every year. Pension related unamortised expenditure would not be reduced from Tier 1 capital of the RRBs. • *Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021 - Clarifications*: Clarifications were issued on instructions for compilation of balance sheet and disclosure requirements for lien marked deposits, advances covered by Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH) and individual schemes under National Credit Guarantee Trustee Company Ltd. (NCGTC), which are backed by explicit central government guarantee and repo/ reverse repo transactions.
March 21, 2025	*Treatment of Right-of-Use (ROU) Asset for Regulatory Capital Purposes*: The circular exempts ROU assets linked to tangible assets from deduction from owned fund/CET1/Tier 1 capital and instead mandating a 100 per cent risk weight thereof.
March 24, 2025	*Review of Priority Sector Lending (PSL) Target - UCBs*: From 2024-25 onwards, the overall PSL target for UCBs has been revised to 60 per cent of adjusted net bank credit or credit equivalent amount of off-balance sheet exposure, whichever is higher.
March 25, 2025	• *Master Direction - Reserve Bank of India (Prudential Norms on Capital Adequacy for RRBs) Directions, 2025*: The existing guidelines have been consolidated, harmonised and rationalised, wherever deemed fit. • Government of India, *vide* its press release, decided to discontinue the Medium Term and Long Term Government Deposit (MLTGD) components of Gold Monetisation Scheme with effect from March 26, 2025. In consultation with the Government, the Master Direction on Gold Monetisation Scheme, 2015 was suitably amended to discontinue mobilisation/renewal of existing MLTGD and updated frequently asked questions (FAQs) were issued on the subject.
FinTech Department	
April 5, 2024	To make central bank digital currency-Retail (CBDC-R) accessible to a broader segment of users in a sustained manner, non-bank payment system operators were made eligible to offer CBDC wallets in the retail segment.

Date of Announcement	Policy Initiative
May 28, 2024	The 'FinTech Repository' was launched on May 28, 2024, which aims to capture essential information about FinTech entities, their activities, technology uses, *etc*. Simultaneously, a related repository for only regulated entities (REs) of the Reserve Bank on their adoption of emerging technologies [like artificial intelligence (AI), machine learning (ML), cloud computing, distributed ledger technology (DLT), quantum computing, *etc.*] called 'EmTech Repository' was also launched. The repositories would enable the availability of aggregate sectoral level data, trends, analytics, *etc.*, that would be useful for both policymakers and participating industry members.
May 30, 2024	The Reserve Bank published the 'Framework for Recognising Self-Regulatory Organisation(s) for FinTech Sector' (SRO-FT framework). The framework was finalised based on the examination of the comments and feedback received from stakeholders on the 'Draft Framework for Recognising Self-Regulatory Organisations (SRO) for FinTech Sector' released on January 15, 2024.
August 28, 2024	Fintech Association for Consumer Empowerment (FACE) was recognised as an SRO in the FinTech sector under the SRO-FT framework.
December 6, 2024	The Reserve Bank encouraged banks to collaborate with Reserve Bank Innovation Hub (RBIH) to further develop the 'MuleHunter.AI™' initiative to deal with the issue of mule bank accounts being used for committing financial frauds.
December 26, 2024	The Reserve Bank announced the setting up of a committee to develop a Framework for Responsible and Ethical Enablement of Artificial Intelligence (FREE-AI) in the Financial Sector.
Department of Supervision	
April 29, 2024	To improve fairness and transparency in charging of interest by the lenders, while providing adequate freedom to REs as regards their loan pricing policy, the Reserve Bank issued guidelines on 'Fair Practices Code for Lenders – Charging of Interest'.
July 15, 2024	The Reserve Bank of India had issued three revised 'Master Directions on Fraud Risk Management' for the REs, *viz.*, (i) Commercial banks (including regional rural banks) and all-India financial institutions (AIFIs); (ii) cooperative banks [urban cooperative banks (UCBs)/state cooperative banks/central cooperative banks]; and (iii) non-banking financial companies (NBFCs) [including housing finance companies (HFCs)].
July 26, 2024	The Reserve Bank introduced a prompt corrective action (PCA) framework for UCBs, replacing the extant supervisory action framework (SAF). The framework, effective from April 1, 2025, is applicable to all UCBs under Tier 2, Tier 3 and Tier 4 categories, except UCBs under all-inclusive Directions. Tier 1 UCBs, though not covered under the PCA framework, will be subjected to enhanced monitoring under the extant supervisory framework.
September 30, 2024	In view of several irregularities observed in grant of loans against gold ornaments and jewellery, including top-up loans, the Reserve Bank advised the supervised entities (SEs) to comprehensively review their policies, processes, and practices on gold loans to identify gaps and initiate appropriate remedial measures in a time-bound manner.
December 2, 2024	The banks have been advised to take necessary steps urgently to bring down the number of inoperative/frozen accounts and make the process of activation of such accounts smoother and hassle free, including by enabling seamless updation of know your customer (KYC) through mobile/internet banking, non-home branches, video customer identification process, *etc*.

Date of Announcement	Policy Initiative
January 17, 2025	To avoid inconvenience and undue hardship to survivors/family members of deceased depositors, the Reserve Bank has advised the supervised entities' customer service committees (CSC) of the Board/Board of Directors to review the progress in nomination coverage on a periodic basis.
Enforcement Department	
January 30, 2025	In view of the amendments to the provisions of the Payment and Settlement Systems Act, 2007 (PSS Act), and with the objective of rationalising and consolidating enforcement action by the Reserve Bank, the framework for imposing monetary penalty and compounding of offences under the PSS Act was issued.
Consumer Education and Protection Department	
January 17, 2025	A circular on 'Prevention of Financial Frauds Perpetrated Using Voice Calls and Short Message Service (SMS) – Regulatory Prescriptions and Institutional Safeguards' was issued to all REs of the Reserve Bank to put in place a mechanism to mitigate the potential misuse of mobile numbers by fraudsters.
Internal Debt Management Department	
March 27, 2024	• The ways and means advances (WMA) limit for the GoI for H1:2024-25 (April to September 2024) was fixed at ₹1,50,000 crore. • Based on market feedback and in line with global market practices, the Reserve Bank, in consultation with the GoI, introduced a new dated government security (G-sec) of 15-year tenor, replacing the existing 14-year G-sec.
June 28, 2024	• Based on the recommendations made by the Group comprising of select Finance Secretaries the WMA limits of the state governments/union territories (UTs) were revised to ₹60,118 crore from ₹47,010 crore, with effect from July 1, 2024. • Based on the recommendations made by the Working Group on Consolidated Sinking Fund (CSF) and Guarantee Redemption Fund (GRF), the methodology to determine the special drawing facility (SDF) limits of the state governments against their investments in CSF/GRF/Auction Treasury Bills (ATBs) has also been revised since July 1, 2024.
September 26, 2024	The WMA limit for the GoI for H2:2024-25 (October 2024 to March 2025) was fixed at ₹50,000 crore.
Department of Currency Management	
June 4, 2024	With a view to encourage banks to further fine-tune their systems and processes for detection, reporting and monitoring of counterfeit notes, the penal provisions in respect of counterfeit notes have been revised with provision of graded penalties in certain cases.
October 30, 2024	To further strengthen the banknote sorting infrastructure across the country, the Bureau of Indian Standards (BIS) in consultation with the Reserve Bank of India published standards IS 18663:2024 titled 'Note Sorting Machines - Specifications'. Accordingly, the Reserve Bank advised banks to deploy only such note sorting machines models that conform to the published Indian Standards and are duly certified by BIS.
Department of Payment and Settlement Systems	
April 5, 2024	The Reserve Bank announced operationalisation of cash deposit facility through use of unified payments interface (UPI).

Date of Announcement	Policy Initiative
June 7, 2024	• The Reserve Bank proposed to set up Digital Payments Intelligence Platform which will harness advanced technologies to mitigate payment fraud risks. • The Reserve Bank brought UPI Lite facility within the ambit of the e-mandate framework by introducing an auto-replenishment facility for loading the UPI Lite wallet if the balance goes below a threshold amount set by the customer.
July 24, 2024	The framework for domestic money transfer (DMT) was revised to enhance the safety of cash-based remittances by mandating various due diligence processes.
July 30, 2024	The Reserve Bank issued 'Master Directions on Cyber Resilience and Digital Payment Security Controls for Non-bank Payment System Operators (PSOs)', which cover robust governance mechanisms for identification, analysis, monitoring and management of cyber security risks and vulnerabilities by providing a framework for overall information security preparedness, with an emphasis on cyber resilience.
August 8, 2024	• The Reserve Bank announced introduction of 'Delegated Payments' in UPI which will enable individuals (primary user) to allow another individual (secondary user) to make UPI transactions up to a limit from the primary user's bank account without the need for the secondary user to have a separate bank account linked to UPI. • The Reserve Bank enhanced the transaction limits for tax payments through UPI from ₹ 1 lakh to ₹ 5 lakh per transaction. • The Reserve Bank announced continuous clearing of cheques under cheque truncation system (CTS) to improve the efficiency of cheque clearing, reduce settlement risk for participants and enhance customer experience.
August 22, 2024	The Reserve Bank permitted auto-replenishment of FASTag and national common mobility card (NCMC) as and when the balance falls below a threshold set by the customer under the e-mandate framework. These payments for auto-replenishment will be exempt from the requirement of pre-debit notification.
October 9, 2024	Limits were enhanced for the following products of UPI: • UPI123Pay: In consultation with the stakeholders, the per-transaction limit was increased to ₹10,000 from ₹5,000. • UPI Lite: UPI Lite wallet limit of ₹500 per transaction and an overall limit of ₹2,000 per UPI Lite wallet were increased to ₹1,000 and ₹5,000, respectively.
October 11, 2024	The Reserve Bank issued guidelines for facilitating accessibility to digital payment systems for persons with disabilities (PwD).
October 25, 2024	The Reserve Bank revised the real time gross settlement (RTGS) regulations and the national electronic funds transfer (NEFT) procedural guidelines on October 25, 2024, which include instructions on access criteria for membership to centralised payment systems (CPS), periodic review of membership, adherence to cyber security guidelines by CPS members on an ongoing basis and instructions from extant circulars concerning RTGS and NEFT.
October 28, 2024	The Reserve Bank revised the directions for central counterparties (CCPs) to strengthen corporate governance in CCPs with measures like increased representation of independent directors in Board meetings as well as in important committees such as Nomination and Remuneration Committee, Risk Management Committee and Audit Committee.

Date of Announcement	Policy Initiative
December 4, 2024	The Reserve Bank amended 'Framework for Facilitating Small Value Digital Payments in Offline Mode' to enhance the limits for UPI Lite to ₹1,000 per transaction, with ₹5,000 being the total limit at any point in time.
December 27, 2024	The Reserve Bank permitted linking of prepaid payment instruments (PPIs) through third-party UPI applications. This will enable PPI holders to make/receive UPI payments through third-party UPI applications.
December 30, 2024	The Reserve Bank issued a circular on introduction of beneficiary bank account name look-up facility for RTGS and NEFT systems, which shall enable the remitters using RTGS and NEFT systems to verify the name of the bank account to which money is being transferred before initiating the fund transfer and thereby avoid mistakes and prevent frauds.
February 7, 2025	To provide a similar level of safety for online international transactions using cards issued in India, the Reserve Bank proposed to enable additional factor of authentication (AFA) for international card not present (online) transactions as well.
February 12, 2025	The Reserve Bank permitted small finance banks to extend pre-sanctioned credit lines through the UPI.
March 28, 2025	The Reserve Bank issued revised instructions on interchange fee structure for ATM transactions wherein it has been prescribed that the ATM interchange fee will be as decided by the ATM networks. Further, with effect from May 1, 2025, banks may charge customers a maximum fee of ₹23 per ATM transaction, beyond the mandatory free number of free transactions.

ANNEX II

Regulatory Measures[1] Undertaken Post Public Consultations: April 2022 to March 2025

Year	Date	Topic
Financial Markets Regulation Department		
2022-23	June 1, 2022	Master Direction - Reserve Bank of India (Variation Margin) Directions, 2022, were issued, mandating covered entities to exchange variation margin for non-centrally cleared derivative (foreign exchange, interest rate and credit) transactions.
	June 16, 2022	Draft directions prescribing guidelines for exchange of initial margin for non-centrally cleared derivatives (NCCDs) were issued.
	February 17, 2023	Draft directions to permit lending and borrowing of G-secs were issued. Final directions were issued on December 27, 2023.
2023-24	December 28, 2023	Draft directions to introduce bond forwards on G-secs were issued.
	January 3, 2024	Directions on commercial paper (CP) and non-convertible debentures (NCDs) of original maturity up to one year were reviewed and revised directions were issued to bring consistency across products in terms of issuers, investors and other participants in these markets.
	January 5, 2024	The regulatory framework for hedging of foreign exchange (FX) risks was reviewed and revised directions were issued, consolidating the previous rules and notifications in respect of all types of transactions - OTC and exchange traded - under a single Master Direction, expanding the suite of permitted FX derivative products and refining the user classification framework to enable a larger set of users with the necessary risk management capabilities to efficiently manage their risks.
2024-25	April 29, 2024	Draft Master Direction – Reserve Bank of India (Electronic Trading Platforms) Directions, 2024, were issued to review the regulatory framework for electronic trading platforms.
	May 8, 2024	Master Direction – Reserve Bank of India (Margining for Non-Centrally Cleared OTC Derivatives) Directions, 2024 were issued, mandating covered entities to exchange initial and variation margin for non-centrally cleared derivative (foreign exchange, interest rate and credit) transactions.
	February 21, 2025	Reserve Bank of India (Forward Contracts in Government Securities) Directions, 2025 were issued to enable long-term investors such as insurance funds to manage their interest rate risk across interest rate cycles. Introduction of these forward contracts will also facilitate efficient pricing of derivatives that use bonds as underlying instruments.
Foreign Exchange Department		
2022-23	August 22, 2022	Rationalisation of overseas investment framework under Foreign Exchange Management Act (FEMA), 1999 was undertaken. Based on feedback/comments from all stakeholders, rationalised 'Overseas Investment Regulations' were issued.
2023-24	December 26, 2023	Draft Licensing Framework for Authorised Persons (APs) under FEMA, 1999 was issued.
2024-25	July 2, 2024	To liberalise policies governing foreign exchange transactions under FEMA, 1999, the 'Draft Regulations and Directions on Foreign Trade' were issued.

[1] Include new/major regulatory policies as well as incremental changes and comprehensive reviews of the existing guidelines, post consultations through draft circulars, reports, discussion papers and stakeholder engagements. Public consultations for some draft circulars/draft guidelines/discussion papers included in this Annex are still in progress.

Year	Date	Topic
Department of Regulation		
2022-23	July 27, 2022	Discussion paper on climate risk and sustainable finance.
	September 2, 2022	Guidelines on digital lending.
	October 11, 2022	Review of regulatory framework for asset reconstruction companies (ARCs).
	January 16, 2023	Discussion paper on expected loss (EL) - based approach for loan loss provisioning by banks.
	January 25, 2023	Discussion paper on securitisation of stressed assets framework (SSAF).
	February 17, 2023	Draft guidelines on minimum capital requirements for market risk under Basel III.
2023-24	April 28, 2023	Amendment to the Master Direction on KYC to align with Prevention of Money Laundering (PML) Rules, 2005 (amended from time to time) and Financial Action Task Force (FATF) recommendations.
	May 4, 2023	Amendment to Master Direction on KYC - instructions on wire transfer.
	June 8, 2023	Guidelines on default loss guarantee (DLG) in digital lending.
	June 26, 2023	Master Direction on minimum capital requirements for operational risk.
	August 18, 2023	• Reset of floating interest rate on equated monthly instalment (EMI) based personal loans. • Fair Lending Practice - Penal Charges in Loan Accounts.
	September 12, 2023	Master Direction on classification, valuation and operation of investment portfolio of commercial banks.
	September 13, 2023	Circular on 'Responsible Lending Conduct - Release of Movable/Immovable Property Documents on Repayment/Settlement of Personal Loans'.
	September 21, 2023	• Draft Master Direction on treatment of wilful defaulters and large defaulters. • Master Direction - Reserve Bank of India (Prudential Regulations on Basel III Capital Framework, Exposure Norms, Significant Investments, Classification, Valuation and Operation of Investment Portfolio Norms and Resource Raising Norms for All India Financial Institutions) Directions, 2023.
	October 17, 2023	Amendment to Master Direction on KYC to align with PML Rules, 2005 (amended from time to time) and FATF recommendations.
	October 26, 2023	• Draft Master Direction on managing risks and code of conduct in outsourcing of financial services. • Review of instructions on bulk deposits for Regional Rural Banks (RRBs).
	January 1, 2024	Circular on inoperative accounts/unclaimed deposits in banks – revised instructions.
	January 2, 2024	Draft circular on declaration of dividend by banks and remittance of profits to head office by foreign bank branches in India.
	January 15, 2024	• Draft circular on credit/investment concentration norms – government owned non-banking financial companies (NBFCs). • Draft circular on review of regulatory framework for housing finance companies (HFCs) and harmonisation of regulations applicable to HFCs and NBFCs.

Year	Date	Topic
2023-24	February 9, 2024	Circular on participation of Indian banks on India International Bullion Exchange IFSC Ltd. (IIBX).
	February 28, 2024	Draft disclosure framework on climate-related financial risks, 2024.
	March 7, 2024	Amendments to Master Direction – Credit Card and Debit Card – Issuance and Conduct Directions, 2022 – updated guidelines, along with related frequently asked questions (FAQs), were issued as Appendix to the above Master Direction and also placed on the Reserve Bank's website.
	March 21, 2024	Omnibus framework for recognition of self-regulatory organisations (SROs) for REs of the Reserve Bank.
2024-25	August 5, 2024	Draft circular on regulatory principles for management of model risks in credit.
	October 4, 2024	Draft circular on 'Forms of Business and Prudential Regulation for Investments' was released seeking public feedback till November 20, 2024. Paragraphs 4 and 5 of the Master Direction-Reserve Bank of India (Financial Services provided by Banks) Directions, 2016 dated May 26, 2016, consolidate the regulations on forms of business and prudential regulation for investments by banks. The draft circular reviews these regulations with an objective to ringfence the banks' core business from other risk bearing non-core businesses as well as to provide operational freedom to banks for making investments in financial services/non-financial services companies and Alternative Investment Funds.
FinTech Department		
2023-24	January 15, 2024	Draft framework for recognising SROs for FinTech sector was issued.
2024-25	May 30, 2024	'Framework for Recognising Self-Regulatory Organisation(s) for FinTech Sector' (SRO-FT framework) was announced on May 30, 2024, based on comments and feedback received from stakeholders on the draft released for the purpose on January 15, 2024.
Department of Supervision		
2022-23	March 6, 2023	Revised guidelines for appointment/re-appointment of statutory branch auditors (SBAs) of public sector banks (PSBs)/norms on business coverage under statutory branch audit of PSBs were issued.
2023-24	April 10, 2023	Master Direction on outsourcing of information technology services was issued.
	October 13, 2023	General approval to PSBs was granted for deciding remuneration payable to their SBAs for audit of non-performing asset (NPA) recovery branches and branches with zero advances.
	November 7, 2023	Master Direction on information technology governance, risk, controls and assurance practices was issued.
	January 15, 2024	Guidelines on appointment/re-appointment of statutory auditors of state co-operative banks and central co-operative banks were issued.

Year	Date	Topic
Department of Payment and Settlement Systems		
2022-23	May 19, 2022	Interoperable card-less cash withdrawal (ICCW) at ATMs was enabled.
	May 26, 2022	Guidelines on *Bharat* Bill Payment System were amended.
	June 16, 2022	On a review of implementation of the e-mandate framework and the protection available to customers, the limit for relaxation of additional factor of authentication (AFA) was increased from ₹5,000 to ₹15,000 per transaction.
	July 28, 2022	Regulation of Payment Aggregators – timeline for submission of applications for authorisation was reviewed.
	August 17, 2022	Discussion paper on charges in payment systems was issued.
2023-24	June 2, 2023	Draft Master Directions on cyber resilience and digital payment security controls for payment system operators (PSOs) were issued.
	June 7, 2023	The scope of trade receivables discounting system was expanded.
	July 5, 2023	Draft circular on arrangements with card networks for issue of debit, credit, and prepaid cards was issued.
	August 24, 2023	Transaction limits for small value digital payments in offline mode were enhanced.
	October 31, 2023	Circular on 'Regulation of Payment Aggregator – Cross Border' was issued.
	December 12, 2023	Limits for subsequent recurring transactions undertaken without AFA under the e-mandate framework were enhanced for specified categories.
	December 20, 2023	Card-on-File Tokenisation (CoFT) – tokenisation through card issuing banks was enabled.
	December 29, 2023	Payments Infrastructure Development Fund (PIDF) scheme was enhanced and extended by a further period of two years, *i.e.*, up to December 31, 2025.
	February 23, 2024	Master Direction on Prepaid Payment Instruments (PPIs) was amended.
	February 29, 2024	Master Direction on *Bharat* Bill Payment System was issued.
	March 6, 2024	Circular on 'Arrangements with Card Networks for Issue of Credit Cards' was issued.
2024-25	April 16, 2024	Draft directions on regulation of Payment Aggregators were issued. This covers new draft directions on regulation of Payment Aggregators, encompassing physical point of sale as well as amendments to the existing directions on Payment Aggregators.
	July 30, 2024	'Master Directions on Cyber Resilience and Digital Payment Security Controls for Non-bank PSOs' was issued.
	July 31, 2024	• Draft Framework on Alternative Authentication Mechanisms for Digital Payment Transactions was issued. • Draft Directions on Due Diligence of *Aadhaar* Enabled Payment System (AePS) Touchpoint Operators were issued.
	December 27, 2024	Unified payments interface (UPI) payments from / to full-KYC PPIs through third-party UPI applications were enabled.
	February 7, 2025	Draft Directions on AFA for Cross-border Card Not Present (CNP) Transactions were issued.
	March 28, 2025	ATM networks were permitted to decide the ATM interchange fee. Further, maximum permissible customer charges for ATM transactions, beyond the mandatory number of free transactions, were revised.

ANNEX III

Customer Centric Measures[1]: April 2022 to March 2025

Year	Date	Topic
Financial Inclusion and Development Department		
2022-23	-	Scaling-up Centres for Financial Literacy (CFL) project - additional 362 CFLs were established.
	-	60 town hall meetings were conducted by the Reserve Bank across India which benefitted approximately 5,784 entrepreneurs.
2023-24	-	Scaling-up CFL project - additional 952 CFLs were established.
	-	60 town hall meetings were conducted by the Reserve Bank across India which benefitted approximately 6,352 entrepreneurs.
2024-25	-	63 town hall meetings were conducted by the Reserve Bank across India which benefitted approximately 6,073 entrepreneurs.
	June 11, 2024	Directions were issued to scheduled commercial banks (SCBs) stipulating a uniform turnaround time (TAT) of 14 days for loans up to ₹25 lakh for micro and small enterprise borrowers.
	December 6, 2024	The limit of collateral free agricultural loans was increased from ₹1.6 lakh to ₹2 lakh per borrower.
Financial Markets Regulation Department		
2022-23	September 7, 2022	• An 'Alert List' of entities which are neither authorised to deal in forex under the Foreign Exchange Management Act (FEMA), 1999 nor authorised to operate electronic trading platforms for forex transactions was issued. • FAQs on foreign exchange transactions were updated to provide information regarding the 'Alert List'.
	February 10, 2023	The 'Alert List' of entities which are neither authorised to deal in forex under the FEMA, 1999 nor authorised to operate electronic trading platforms for forex transactions was issued.
2023-24	June 7, 2023	The 'Alert List' of entities which are neither authorised to deal in forex under the FEMA, 1999 nor authorised to operate electronic trading platforms for forex transactions was updated.
	November 24, 2023	The 'Alert List' of entities which are neither authorised to deal in forex under the FEMA, 1999 nor authorised to operate electronic trading platforms for forex transactions was updated.
	January 3, 2024	The regulatory framework for hedging foreign exchange risks was reviewed and revised Directions were issued, consolidating the previous rules and notifications in respect of all types of transactions.
2024-25	April 24, 2024	Authorised Dealers (AD) Category-I banks were advised to be more vigilant and exercise greater caution to prevent the misuse of banking channels in facilitating unauthorised forex trading and to bring to their customers' notice, the advisories and the 'Alert List' issued by the Reserve Bank.
	October 22, 2024	The 'Alert List' of entities which are neither authorised to deal in forex under the FEMA, 1999 nor authorised to operate electronic trading platforms for forex transactions was updated.

[1] Include new measures as well as revisions/modifications in the existing guidelines.

Year	Date	Topic
2024-25	February 7, 2025	As a further measure of facilitating retail participation in government securities (G-secs), a new facility, *viz.*, 'stock broker connect' was introduced in the negotiated dealing systems - order matching (NDS-OM) platform - an electronic trading for secondary market transactions in G-secs. Under the facility, Securities and Exchange Board of India (SEBI)-registered stock brokers have been permitted to directly access NDS-OM on behalf of their individual constituents/clients.
Foreign Exchange Department		
2022-23	May 19, 2022	In view of the difficulties being experienced by exporters in receipt of export proceeds from Sri Lanka, it was decided that trade transactions with Sri Lanka may be settled in Indian Rupee (INR) outside the Asian Clearing Union (ACU) mechanism.
	May 25, 2022	Qualified jewellers [as notified by International Financial Services Centres Authority (IFSCA)] were permitted to import gold through India International Bullion Exchange (IIBX) and allowed to remit advance payment through Authorised Dealer (AD) banks for the same.
	July 6, 2022	Under the measures to liberalise forex flows to India, the borrowing limit under the external commercial borrowings (ECB) automatic route was raised from US$ 750 million per financial year to US$ 1.5 billion. Further, the all-in-cost ceiling under the ECB framework was also raised by 100 bps, provided the borrower was of investment grade rating. These measures were effective till December 31, 2022.
	July 8, 2022	AD Category-I banks were advised that all eligible current account transactions including trade transactions with Sri Lanka shall be settled in any permitted currency outside the ACU mechanism until further notice.
	July 11, 2022	To facilitate global trade with emphasis on promoting exports from India and to encourage the use of INR for cross-border transactions, an additional arrangement for invoicing, payment, and settlement of exports/imports in INR was provided through the use of Special Rupee Vostro Accounts of overseas correspondent bank/s maintained with AD banks.
	August 22, 2022	In order to foster ease of doing business and reduce turnaround time (TAT), concept of Late Submission Fee (LSF) was introduced for regularisation of reporting delays of overseas investment transactions.
	September 15, 2022	Foreign inward remittances received by the AD Category-I bank having Rupee Drawing Agreement (RDA) with Non-Resident Exchange Houses were allowed to be directly credited to any bank account of the beneficiary through the *Bharat* Bill Payment System (BBPS).
	September 30, 2022	For ease of doing business, it was decided to have a simple and uniform computation matrix for determining LSF for reporting delays involving all transactions.
	January 5, 2023	Foreign Investment Reporting and Management System (FIRMS), the application for reporting foreign investment in India, was revamped. The new version of FIRMS enabled seamless reporting of foreign investment by allowing simultaneous filing of transactions by multiple stakeholders, reduced TAT for approval process and automated calculation of LSF.
2023-24	April 6, 2023	A software application called 'APConnect' was developed and rolled out for processing of application for licensing of full-fledged money changers (FFMCs), non-bank AD Category-II, authorisation as Money Transfer Service Scheme (MTSS) agent, renewal of existing licence/ authorisation, for seeking approval as per the extant instructions; and for submission of various statements/returns by FFMCs and non-bank AD Category-II.

Year	Date	Topic
2023-24	April 12, 2023	The facility of online submission of 'Form A2' was extended to AD Category-II entities to accept online submission of 'Form A2' for transactions with an upper limit of US$ 25,000 (or its equivalent) for individuals and US$ 100,000 (or its equivalent) for corporates.
	April 26, 2023	The condition of repatriating any funds lying idle in the Foreign Currency Account (FCA) of resident individuals in IFSCs for Liberalised Remittance Scheme (LRS) for a period up to 15 days from the date of its receipt was changed and made in line with the provisions of the scheme as contained in the Master Direction on LRS for all jurisdictions in general.
	May 9, 2023	Instructions were issued by advising Authorised Persons (APs) that fees/changes payable in India on forex prepaid cards, store value cards, *etc.*, must be denominated and settled in INR only, as these transaction between AP and the residents were essentially domestic transactions between two residents.
	May 12, 2023	In order to foster ease of doing business, payment of LSF, for reporting delays related to foreign investments, was enabled through online payment modes such as National Electronic Funds Transfer (NEFT)/Real Time Gross Settlement (RTGS) in addition to demand draft mode. Similarly for overseas investment transactions the online payment modes such as NEFT/RTGS for payments of LSF was enabled with effect from June 19, 2023.
	June 22, 2023	LRS remittances to IFSCs were permitted only for making investments in securities. Government of India *vide* gazette notification dated May 23, 2022 had notified courses in financial management, FinTech, science, technology, engineering and mathematics offered by foreign universities/institutions in IFSC, as financial services. Accordingly, with effect from June 22, 2023, remittances by resident individuals for payment of course fees to foreign universities/institutions in IFSCs was enabled under LRS for the defined purpose 'studies abroad'.
	November 10, 2023	Based on a Directorate General of Foreign Trade (DGFT) notification, it was decided that AD Category-I banks may allow qualified jewellers to remit advance payment for 11 days for import of silver through IIBX.
	November 17, 2023	In terms of the Para 4.1 of circular DOR.CRE.REC.23/21.08.008/2022-23 dated April 19, 2022 on opening of current accounts and cash credit (CC)/overdraft (OD) accounts by banks and in order to provide greater operational flexibility to the exporters, AD Category-I banks maintaining Special Rupee Vostro Account were permitted to open an additional special current account for its exporter constituent exclusively for settlement of their export transactions.
	January 31, 2024	Guidelines including for allowing advance payment for 11 days were issued for import of gold by Tariff Rate Quota (TRQ) holders under the India-UAE Comprehensive Economic Partnership Agreement (CEPA) as notified by the International Financial Services Centres Authority (IFSCA).
2024-25	April 24, 2024	To avoid instances of unauthorised entities offering foreign exchange (forex) trading facilities to Indian residents with promises of disproportionate/exorbitant returns, AD Category-I banks were advised to be more vigilant and exercise greater caution in this regard and bring such transactions to the notice of Directorate of Enforcement, Government of India (GoI), for further action, as deemed fit.
	May 6, 2024	The Foreign Exchange Management (Deposit) Regulations, 2016 were amended by allowing a person resident outside India (PROI) to open, hold and maintain an interest-bearing account in Indian Rupees and/or foreign currency for the purpose of posting and collecting margin in India, for a permitted derivative contract entered into by such person in terms of extant regulations.

Year	Date	Topic
2024-25	May 27, 2024	To ensure the reach and prevent potential misuse of permitted money changing activities, it was advised that from July 1, 2024, value of foreign currency notes sold by FFMCs/non-bank ADs Category-II to the public for permitted purposes should not be less than 75 per cent of the value of foreign currency notes purchased from other FFMCs/ADs, on a quarterly basis.
	June 11, 2024	To provide operational flexibility, the facility of opening an additional special current account by the AD Category-I banks (for its constituents) has been extended for settlement of their export as well as import transactions.
	July 3, 2024	To improve ease of doing business, ADs were permitted to facilitate remittances on the basis of online/physical submission of Form A2 and other related documents, subject to Section 10(5) of FEMA, 1999. Accordingly, the limit on the amount being remitted on the basis of 'online' Form A2 was removed. Further, ADs were permitted to obtain Form A2 in physical or digital form for all cross-border remittances irrespective of the value of transaction.
	July 10, 2024	Authorised Persons (APs) were permitted to facilitate remittances for all permissible purposes under LRS to IFSCs for availing financial services or financial products as per the IFSCA Act, 2019 within IFSCs. Additionally, they were allowed to facilitate all permissible current or capital account transactions under LRS in any other foreign jurisdiction through a foreign currency account (FCA) held in IFSCs.
	October 1, 2024	The Foreign Exchange (Compounding Proceedings) Rules, 2024 ('new Rules') was notified by the GoI, in consultation with the Reserve Bank, on September 12, 2024. Accordingly, the Directions issued under earlier circulars were reviewed and new guidelines for compounding were issued for the APs.
	November 11, 2024	The Reserve Bank (in consultation with the GoI and SEBI) finalised an operational framework for reclassification of foreign portfolio investment (FPI) as foreign direct investment (FDI) under Foreign Exchange Management (Non-Debt Instruments) Rules, 2019. As per the framework, in case of any breach of the investment limit (10 per cent of the total paid-up capital on a fully diluted basis) by any FPI concerned, would be having the option of reclassifying such holdings as FDI in addition to the earlier option of divesting their holdings.
	January 14, 2025	• The Foreign Exchange Management (Deposit) Regulations, 2016 was amended to allow PROIs (other than banks) to open Indian Rupee (INR) accounts with the overseas branches of AD banks. As per the amendment, all permissible current and capital account transactions with persons resident in India (PRIs) and all transactions with other PROIs were allowed to be settled through special non-resident rupee (SNRR) accounts. Further, transfers between repatriable INR accounts [SNRR/special rupee vostro account (SRVA)/non-resident external (NRE) Account /vostro account] were also allowed. • The Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019, were amended to enable balances in SRVA and SNRR accounts to be used for making foreign investment in India. • Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2015, were amended to permit all resident exporters to open foreign currency accounts overseas for settling trade transactions subject to ensuring the applicable realisation and repatriation provisions. It was clarified that exporters receiving payments in local currencies can use these currencies to pay for imports from that territory.

Year	Date	Topic
2024-25	February 10, 2025	To facilitate alignment of the external trade and payment/receipt regulations with the ACU agreement, the Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2023 were amended so that the trade related payments/receipts are routed through the ACU mechanism only if they were between two residents in the territory of ACU member countries.
	March 17, 2025	In the wake of signing of Memorandum of Understanding (MoU) between the Reserve Bank and Maldives Monetary Authority in November 2024 for establishing a framework to promote the use of local currencies, *i.e.*, INR and Maldivian Rufiyaa (MVR) for bilateral transactions, the settlement of bilateral trade transactions with the Maldives was allowed in local currencies, in addition to the ACU mechanism, as hitherto.
Department of Regulation		
2022-23	April 7, 2022	As a part of continued efforts to improve availability of digital infrastructure for banking services and deepen digital financial inclusion and education, the concept of 'Digital Banking Units' (DBUs) was introduced by the Reserve Bank.
	April 21, 2022	Master Direction on 'Credit Card and Debit Card - Issuance and Conduct' was released (effective July 1, 2022).
	June 8, 2022	The Reserve Bank permitted eligible urban cooperative banks (UCBs) to offer 'Doorstep Banking' services to their customers by issuing circular on 'Section 23 of the Banking Regulation Act, 1949 - Doorstep Banking'.
	August 12, 2022	In view of concerns arising from the activities of agents employed by Regulated Entities (REs), the Reserve Bank advised that the REs shall strictly ensure that they or their agents do not resort to intimidation or harassment of any kind including calling the borrower before 8:00 a.m. and after 7:00 p.m. for recovery of overdue loans.
	September 2, 2022	The Reserve Bank issued the guidelines on digital lending to ensure that the benefits of technology are effectively leveraged in a sustainable and orderly manner.
	January 5, 2023	A press release was issued to sensitise the public about the different options available with them regarding periodic updation of know your customer (KYC) [re-KYC].
2023-24	April 28, 2023	• Updation/periodic updation - *Aadhaar* OTP based e-KYC in non-face to face mode has been permitted to be used for periodic updation of KYC by customer. • Customer due diligence (CDD) procedure of sole proprietorship firm - *Udyam* registration certificate (URC) has been included in the list of documents for proof of activity in case of sole proprietorship firm for CDD process *vide* an amendment to Master Direction on KYC.
	August 17, 2023	To facilitate the depositors to search the unclaimed deposits across multiple banks easily and at one place and in pursuance of the Directions of the Depositor Education and Awareness (DEA) Fund Committee, the Reserve Bank developed a centralised web portal UDGAM - Unclaimed Deposits Gateway to Access inforMation.
	August 18, 2023	• Circular on 'Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) based Personal Loans' was issued with the objective to ensure a proper conduct framework and implementation across REs.

Year	Date	Topic
2023-24	August 18, 2023	• Circular on 'Fair Lending Practice - Penal Charges in Loan Accounts' was issued which mandates a clear conduct framework with regard to levy of penal charges in a reasonable and transparent manner.
	September 13, 2023	Circular on 'Responsible Lending Conduct - Release of Movable/Immovable Property Documents on Repayment/ Settlement of Personal Loans' was issued to promote responsible lending conduct among the REs.
	October 26, 2023	• Framework for compensation to customers for delayed updation/rectification of credit information was introduced wherein complainants shall be entitled to a compensation of ₹100 per calendar day in case their complaint is not resolved within a period of 30 calendar days from the date of the initial filing of the complaint. • To improve the efficacy of grievance redress mechanism and strengthen the customer service provided by credit information companies (CICs) and credit institutions (CIs), various measures were introduced, which, *inter alia*, include compensation mechanism for delayed updation/rectification of credit information and notifying customers *via* SMS/ email regarding access of their credit information reports (CIRs) or reporting of default information by CIs to CICs.
	January 1, 2024	Revised instructions on the circular 'Inoperative Accounts/Unclaimed Deposits in Banks' were issued.
	February 2, 2024	A press release was issued to sensitise the public about the frauds committed in the name of KYC updation.
	March 7, 2024	Master Direction on 'Credit Card and Debit Card - Issuance and Conduct Directions, 2022', was amended, further strengthening the consumer protection measures. FAQs on the subject were also issued based on feedback received from all stakeholders.
	-	With an objective to create awareness about account aggregator (AA) to general public, public awareness campaigns for AA facility were organised through a media mix.
	-	Public awareness campaigns through television mode were launched to educate the public about: (i) the use of the KYC identifier issued by the central know your customer record registry (CKYCR) for paperless onboarding process; (ii) different options available for re-KYC; and (iii) preventing customers' accounts from being misused as mule account.
2024-25	April 15, 2024	*Key Facts Statement (KFS) for Loans and Advances*: In order to enhance transparency and reduce information asymmetry on financial products being offered by REs and empower borrowers in making an informed financial decision, a harmonised circular has been issued on April 15, 2024, advising REs to provide a KFS to prospective borrowers in respect of all retail and micro, small and medium enterprise (MSME) term loans.
	August 8, 2024	In order to enable credit information reports provided by Credit Information Companies (CICs) to reflect the more current information, the frequency of reporting of credit information by Credit Institutions (CIs) to CICs has been increased from monthly to fortnightly or shorter intervals with effect from January 1, 2025.
	October 10, 2024	As per Credit Information Companies (Regulation) Act, 2005 (CICRA) only CIs can submit credit information to CICs. When a regulated entity's license or certificate of registration (CoR) is cancelled by the Reserve Bank, it is no longer deemed as CI and thus unable to submit credit information of its borrowers to CICs, leading to gaps in borrowers' repayment history. To address the hardship faced by borrowers of such entities, a credit information reporting mechanism subsequent to the cancellation of the license/CoR has been prescribed.

Year	Date	Topic
2024-25	November 6, 2024	The know your customer (KYC) identifier issued by central KYC records registry (CKYCR) has been made the first resort for KYC and re-KYC purposes, thus, making the KYC process simpler, convenient and paperless.
FinTech Department		
2022-23	June 6, 2022	Opening of application window for fourth cohort under the Regulatory Sandbox (RS) with the theme 'Prevention and Mitigation of Financial Frauds' was announced.
	September 2, 2022	Digitalisation of rural finance in India - pilot for *kisan* credit card (KCC) lending developed in association with the Reserve Bank Innovation Hub commenced.
	October 7, 2022	'Concept Note on Central Bank Digital Currency (CBDC)' was issued.
	November 29, 2022	Operationalisation of CBDC - Pilot for CBDC - retail (e₹-R) was launched on December 1, 2022.
	February 14, 2023	Second global hackathon - HaRBInger 2023 - with the theme 'Inclusive Digital Services' was launched.
2023-24	August 14, 2023	Pilot project for Public Tech Platform for Frictionless Credit was launched on August 17, 2023.
	October 27, 2023	Opening of application window for Fifth cohort under RS which was theme neutral was announced.
	February 28, 2024	Revision in enabling framework for RS was undertaken.
2024-25	May 28, 2024	The 'FinTech Repository' and 'EmTech Repository' were launched. The repositories would enable availability of aggregate sectoral level data, trends, analytics, *etc.*, that would be useful for both policymakers and participating industry members.
	May 30, 2024	The Reserve Bank published the 'Framework for Recognising Self-Regulatory Organisation(s) for FinTech Sector' (SRO-FT framework).
	June 7, 2024	Third global hackathon - HaRBInger 2024 - with the themes 'Zero Financial Frauds' and 'Being Divyang Friendly' was launched.
	August 28, 2024	Fintech Association for Consumer Empowerment (FACE) was recognised as SRO in the FinTech sector.
	December 26, 2024	Announced setting up of a committee to develop a 'Framework for Responsible and Ethical Enablement of Artificial Intelligence (FREE-AI)' in the financial sector.
Department of Supervision		
2023-24	April 10, 2023	Master Direction on 'Outsourcing of Information Technology Services' was issued to ensure that outsourcing arrangements shall not diminish RE's ability to fulfil its obligations towards customers while ensuring security of customer data.
	November 7, 2023	Master Direction on 'Information Technology Governance, Risk, Controls and Assurance Practices' was released. The Master Direction requires adequate oversight across an organisation in order to ensure availability of digital services to the customers in a safe and secure manner.
2024-25	April 29, 2024	To improve fairness and transparency in charging of interest by the lenders, while providing adequate freedom to REs as regards their loan pricing policy, the Reserve Bank issued guidelines on 'Fair Practices Code for Lenders – Charging of Interest'.

Year	Date	Topic
2024-25	October 24, 2024	Seminars for principal officers of banks were held to sensitise on the need for effective measures to thwart cyber-enabled frauds and money mules and also protect customer interests through ongoing awareness campaigns educating them on the fraud typologies, cyber safety and cyber hygiene practices.
	December 2, 2024	A circular was issued to the commercial banks (excluding RRBs) advising, *inter alia*, to take necessary steps urgently to bring down the number of inoperative/frozen accounts, make the process of activation of such accounts smoother and hassle free and organise special campaigns for facilitating activation of inoperative/frozen accounts.
	January 17, 2025	A circular was issued to the deposit taking supervised entities reiterating the need to obtain nomination in case of all existing and new customers having deposit accounts, safe custody articles and safety lockers, as the case may be. Apart from directly notifying the customers, they were also advised to publicise the benefits of using the nomination facility through various media, including launching of periodical drives towards achieving a full coverage of all eligible customer accounts.
Consumer Education and Protection Department		
2022-23	-	Satisfaction survey was conducted to assess the satisfaction levels of complainants who approached the Office of RBI Ombudsman (ORBIOs).
	October 6, 2022	To strengthen and improve the efficiency of the internal grievance redress (IGR) mechanism of CICs, the Internal Ombudsman (IO) mechanism was extended to CICs.
	-	The information provided on the interactive voice response system (IVRS) of the contact centre was improved, with 24x7 support. Expanded language support was provided at the contact centre by adding call support in Punjabi (with effect from January 6, 2022) and Assamese (with effect from June 21, 2022), thereby increasing availability of call support to 10 regional languages in addition to Hindi and English.
	-	A pan-India awareness campaign was launched to ensure deeper percolation of the financial consumer awareness on safe banking practices, the Reserve Bank's alternate grievance redress (AGR) mechanism and extant regulations for protection of consumer interests. The campaign was run as a multi- phased, multi-pronged financial awareness campaign in the wake of the '*Azadi ka Amrit Mahotsav*' and covered three phases, *viz.*, Ombudsman speak events; talkathon by Top Management; and a month long nationwide intensive awareness programme (NIAP).
	-	A booklet, namely, 'Raju and the Forty Thieves' in Hindi and English was released to provide glimpses of the *modus operandi* on financial frauds and simple tips about do's and don'ts as safeguards against such incidents. The booklet is also available in multiple regional languages.
	March 15, 2023	The second edition of the 'Ombudsman Speak' programme was conducted.
2023-24	April 1, 2023	A new office of RBI Ombudsman was set up in Shimla to expand the presence of the offices of RBI Ombudsman in more states of the country.
	April 24, 2023	Committee to review the customer service standards in regulated entities, chaired by Shri B. P. Kanungo, former Deputy Governor, RBI, submitted its report.
	-	Considering the volume of complaints received from Tamil Nadu and West Bengal, two new offices of RBI Ombudsman were set up in Chennai (with effect from April 17, 2023) and Kolkata (with effect from June 1, 2023).

Year	Date	Topic
2023-24	December 29, 2023	Master Direction - Reserve Bank of India (Internal Ombudsman for Regulated Entities) Directions, 2023 was issued to harmonise the instructions applicable to the various REs on the IO mechanism.
	February 5, 2024	State-of-the-art contact centres at two more locations, *viz.*, Bhubaneswar and Kochi to address queries from the customers of the REs on alternate grievance redressal (AGR) of the Reserve Bank were operationalised. The new centres also facilitate business continuity and disaster recovery. The existing contact centre at Chandigarh was upgraded.
	March 15, 2024	The third awareness booklet 'The Alert Family' was launched in March 2024. The booklet provides guidance to the members of the public on financial frauds and dispels common misconceptions regarding various banking services and facilities.
	-	CMS platform was enhanced with additional audio captcha functionality specifically designed for visually impaired consumers.
	-	The readability of the communication templates residing in CMS was significantly improved leading to better comprehension and a more positive user experience.
2024-25	January 17, 2025	A circular on 'Prevention of Financial Frauds Perpetrated Using Voice Calls and SMS – Regulatory Prescriptions and Institutional Safeguards' was issued to all regulated entities of the Reserve Bank to put in place a mechanism to mitigate the potential misuse of mobile numbers by fraudsters.
Internal Debt Management Department		
2024-25	May 28, 2024	The 'RBI Retail Direct' mobile application was launched with an objective to improve the ease of access and convenience of investing in G-secs for the retail investors. The mobile application offers a single sign-on facility for seamless navigation between primary market and secondary market modules of the application.
	February 28, 2025	Unified payments interface (UPI) single-block-and-single-debit payment mode (UPI mandate) was launched to enable the investors to pre-authorise transactions and block the funds in their accounts for debits to be initiated as per the scheduled timeline for placement of bids in primary auctions.
Department of Currency Management		
2022-23	September 21, 2022	The accessibility of the Mobile Aided Note Identifier (MANI) app, launched on January 1, 2020, was enhanced for identification of banknote denominations through audio notification by inclusion of 11 more languages, in addition to Hindi and English that were available earlier. The app was also enabled for use by partially-sighted persons.
	-	To create awareness on customer services, a campaign was undertaken on 'Exchange of Banknotes' through SMS, FM radio and digital media (website).
	-	A campaign was undertaken for dispelling misconceptions and allaying fears on coins of different designs of the same denomination in circulation through a media mix of print and radio.
2023-24	April 1, 2023	To facilitate ease of transaction for public, the Reserve Bank introduced value-based, *viz.*, ₹50, ₹100, ₹150, *etc.*, packets of coins in various denominations.

Year	Date	Topic
2023-24	February 1, 2024	Mobile coin vans (MCVs) scheme, launched on October 1, 2022, has been extended across the country since February 2024. Additionally, the scope of services has been broadened to facilitate the exchange of lower denomination notes, which are unfit for circulation.
	-	Pan-India radio campaign through *Akashwani*/*Vividh Bharti*/private FM radio channels was conducted to promote awareness about the MANI app, which facilitates visually impaired persons to identify denomination of Indian banknotes.
	-	Surveys were conducted with a view to understand the perception among the members of public on quality of notes in circulation. The first one conducted during 2022-23 covered select states of the country, followed by another pan-India survey during 2023-24.
2024-25	-	With a view to seek ground-level feedback for aligned policy making, workshops were held for nodal officers and vertical heads of currency chest (CC) holding banks which facilitated two-way exchange of perspectives with the stakeholders that benefitted the currency management domain and customer service provided by banks.
	-	Monitoring meetings with major CC holding banks were conducted to discuss issues/ concerns, adherence to the Reserve Bank guidelines and to address operational and compliance issues.
	-	Awareness campaigns were conducted through digital media, social media and All India Radio (AIR) to dispel misinformation about coins among members of the public. The Reserve Bank also conducted awareness campaign on MANI App through AIR. Further, print, digital and social media campaigns were organised for creating awareness on exchange facility for soiled notes.
Department of Payment and Settlement Systems		
2022-23	April 2, 2022	Acceptance of RuPay cards was launched in Nepal.
	May 19, 2022	Interoperable card-less cash withdrawal (ICCW) at ATMs was enabled.
	June 16, 2022	On a review of implementation of the e-mandate framework and the protection available to customers, the limit for relaxation of additional factor of authentication (AFA) was increased from ₹5,000 to ₹15,000 per transaction.
	February 10, 2023	Issuance of Prepaid Payment Instruments (PPIs) to access UPI was allowed to foreign nationals from G20 countries visiting India.
	February 21, 2023	The Reserve Bank and the Monetary Authority of Singapore (MAS) operationalised linkage of their respective fast payment system (FPS), UPI and PayNow, enabling users of the two systems to make instant and low-cost cross-border peer-to-peer (P2P) payments on a reciprocal basis.
	March 6, 2023	Mission '*Har* Payment Digital' was launched.
2023-24	June 7, 2023	The scope of trade receivables discounting system was expanded.
	August 24, 2023	Transaction limits for small value digital payments in offline mode were enhanced.
	October 31, 2023	Circular on 'Regulation of Payment Aggregator - Cross Border' was issued.

Year	Date	Topic
2023-24	December 12, 2023	Limits for subsequent recurring transactions undertaken without additional factor of authentication under the e-mandate framework were enhanced for specified categories.
	December 20, 2023	Card-on-File Tokenisation (CoFT) through card issuing banks was enabled.
	February 1, 2024	Acceptance of UPI through QR codes for merchant payments in France (e-commerce) was launched.
	February 12, 2024	RuPay cards and UPI connectivity between India and Mauritius, and UPI connectivity between India and Sri Lanka was launched.
	February 23, 2024	Master Direction on PPIs was amended.
	February 29, 2024	Master Direction on *Bharat* Bill Payment System was issued.
	March 6, 2024	Guidelines on 'Arrangements with Card Networks for issue of Credit Cards' were issued.
	March 8, 2024	Acceptance of UPI through QR codes for merchant payments in Nepal went live.
2024-25	August 22, 2024	Processing of e-mandates for recurring transactions - introduced auto-replenishment of FASTag and national common mobility card (NCMC) and dispensed the pre-debit notification for such auto-replenishments through e-mandates.
	October 11, 2024	Guidelines for facilitating accessibility to digital payment systems for persons with disabilities were issued.
	December 4, 2024	Amendment was made to 'Framework for Facilitating Small Value Digital Payments in Offline Mode' to provide enhanced limits for UPI Lite transactions.
	December 27, 2024	UPI access for PPIs through third-party applications was enabled.
	December 30, 2024	Beneficiary bank account name look-up facility for real time gross settlement (RTGS) and national electronic funds transfer (NEFT) systems was introduced.

-: Not applicable (ongoing in nature).

APPENDIX TABLE 1: MACROECONOMIC AND FINANCIAL INDICATORS

Item	Average 2003-04 to 2007-08 (5 years)	Average 2009-10 to 2013-14 (5 years)	Average 2014-15 to 2018-19 (5 years)	2022-23	2023-24	2024-25
1	2	3	4	5	6	7
I. Real Economy						
I.1 Real GDP at Market Prices (% change)*	7.9	6.7	7.4	7.6	9.2	6.5
I.2 Real GVA at Basic Prices (% change)*	7.7	6.3	7.0	7.2	8.6	6.4
I.3 Foodgrains Production (Million Tonnes)**	213.6	248.8	269.8	329.7	332.3	330.9
I.4 a) Food Stocks (Million Tonnes)***	18.6	50.1	44.6	51.7	60.7	74.9
b) Procurement (Million Tonnes)	39.3	61.3	66.5	73.1	78.7	77.9
c) Off-take (Million Tonnes)	41.5	57.0	61.5	93.1	67.7	64.9
I.5 Index of Industrial Production (% change)	11.2	4.6	4.0	5.2	5.9	4.0
I.6 Index of Eight Core Industries (% change)	5.9	4.9	4.3	7.8	7.6	4.5
I.7 Gross Domestic Saving Rate (% of GNDI at Current Prices)*	33.6	33.9	31.2	30.2	30.3	-
I.8 Gross Domestic Investment Rate (% of GDP at Current Prices)*	35.2	38.0	33.1	32.6	31.4	-
II. Prices						
II.1 Consumer Price Index (CPI) Combined (average % change)	-	-	4.5	6.7	5.4	4.6
II.2 CPI-Industrial Workers (IW) [average % change]	5.0	10.3	4.9	6.1	5.2	3.4
II.3 Wholesale Price Index (WPI) [average % change]#	5.5	7.1	1.3	9.4	-0.7	2.3
III. Money and Credit##						
III.1 Reserve Money (% change)	20.4	12.1	10.7	7.8	5.6	3.3
III.2 Broad Money (M_3) [% change]	18.6	14.7	9.5	9.0	11.1	9.6
III.3 a) Aggregate Deposits of Scheduled Commercial Banks (% change)	20.2	15.0	9.5	9.6	12.9	10.6
b) Bank Credit of Scheduled Commercial Banks (% change)	26.7	16.7	9.6	15.0	16.3	12.1
IV. Financial Markets						
IV.1 Interest rates (%)						
a) Call/Notice Money rate	5.6	7.2	6.7	5.4	6.6	6.5
b) 10-year G-sec yield	7.0	8.0	7.6	7.3	7.2	6.9
c) 91-Days T-bill yield	5.8	7.1	7.0	5.6	6.8	6.6
d) Weighted Average cost of Central Government Borrowings	7.2	8.1	7.7	7.3	7.2	7.0
e) Commercial Paper	7.7	8.4	7.8	6.3	7.4	7.4
f) Certificates of Deposit	8.9†	8.2	7.5	6.4	7.2	7.2
IV.2 Liquidity (₹ lakh crore)						
a) LAF Outstanding~	-	-	-	1.3	0.6	1.3
b) MSS Outstanding~~	-	-	-	-	-	-
c) Average Daily Call Money Market Turnover	0.2	0.3	0.3	0.2	0.2	0.2
d) Average Daily G-sec Market Turnover	0.1	0.4	0.8	0.7	0.9	1.1
e) Variable Rate Repo~	-	-	-	0.0	1.0	2.7
f) Variable Rate Reverse Repo~	-	-	-	0.0	0.0	0.0
g) MSF~	-	-	-	0.3	0.9	0.1
h) SDF~	-	-	-	2.3	2.5	4.1
V. Government Finances						
V.1 Central Government Finances (% of GDP)$						
a) Revenue Receipts	10.0	9.2	8.6	8.9	9.1	9.3
b) Capital Outlay	1.6	1.6	1.5	2.3	2.6	2.6
c) Total Expenditure	14.9	15.0	12.8	15.6	14.8	14.2
d) Gross Fiscal Deficit	3.7	5.4	3.7	6.5	5.5	4.7
V.2 State Government Finances$$						
a) Revenue Deficit (% of GDP)	0.3	-0.1	0.1	0.2	0.3	0.6
b) Gross Fiscal Deficit (% of GDP)	2.7	2.3	2.8	2.7	3.0	3.6
c) Primary Deficit (% of GDP)	0.3	0.6	1.2	1.0	1.3	1.8

APPENDIX TABLE 1: MACROECONOMIC AND FINANCIAL INDICATORS *(Concld.)*

Item	Average 2003-04 to 2007-08 (5 years)	Average 2009-10 to 2013-14 (5 years)	Average 2014-15 to 2018-19 (5 years)	2022-23	2023-24	2024-25
1	2	3	4	5	6	7
VI. External Sector						
VI.1 Balance of Payments@						
a) Merchandise Exports (% change)	25.3	12.2	1.6	6.3	-3.2	1.8
b) Merchandise Imports (% change)	32.3	9.7	2.7	16.6	-4.9	7.8
c) Trade Balance/GDP (%)	-5.5	-9.1	-6.2	-7.9	-6.7	-7.9
d) Invisible Balance/GDP (%)	5.2	5.8	4.8	5.9	6.0	6.6
e) Current Account Balance/GDP (%)	-0.3	-3.3	-1.4	-2.0	-0.7	-1.3
f) Net Capital Flows/GDP (%)	4.7	3.8	2.7	1.8	2.5	0.8
g) Reserve Changes (BoP basis) [US $ billion] [Increase (-)/Decrease (+)]	-40.3	-6.6	-28.2	9.1	-63.7	13.8
VI.2 External Debt Indicators@@						
a) External Debt Stock (US$ billion)	156.5	359.0	500.6	623.9	668.8	717.9
b) Debt-GDP Ratio (%)	17.8	20.9	21.4	19.1	18.5	19.1
c) Import Cover of Reserves (in Months)	14.0	8.5	10.3	9.6	11.3	10.5
d) Short-term Debt to Total Debt (%)	13.6	21.3	18.6	20.6	19.1	19.4
e) Debt Service Ratio (%)	8.3	5.6	7.7	5.3	6.7	6.6
f) Reserves to Debt (%)	113.7	84.8	76.2	92.7	96.7	88.6
VI.3 Openness Indicators (%)@						
a) Export plus Imports of Goods/GDP	30.7	41.0	32.0	35.2	31.0	30.4
b) Export plus Imports of Goods & Services/GDP	41.3	53.2	43.7	50.4	45.3	45.5
c) Current Receipts plus Current Payments/GDP	47.1	59.4	49.4	57.1	52.5	53.5
d) Gross Capital Inflows plus Outflows/GDP	37.3	50.4	45.2	38.4	44.4	58.9
e) Current Receipts & Payments plus Capital Receipts & Payments/GDP	84.4	109.8	94.6	95.5	96.9	112.3
VI.4 Exchange Rate Indicators						
a) Exchange Rate (Rupee/US Dollar)						
End of Period	43.1	51.1	65.6	82.2	83.4	85.6
Average	44.1	51.2	65.6	80.4	82.8	84.6
b) 40-Currency REER (% change)	3.1^	0.8	1.8	-1.8	0.9	1.5
c) 40-Currency NEER (% change)	1.7^	-4.9	0.2	-2.1	-0.5	0.3
d) 6-Currency REER (% change)	5.7^	2.3	2.0	-0.4	-0.1	1.1
e) 6-Currency NEER (% change)	2.6^	-5.1	-1.1	-1.3	-2.7	-1.5

- : Not Available/Not Applicable.
* : Data are at 2011-12 base year series.
** : Data for 2024-25 are for *kharif* and *rabi* crops only (excluding summer crops) as per second advance estimates for agriculture production.
*** : Data pertain to stocks of rice and wheat as on March 31 for all years.
# : Data for 2024-25 are provisional.
: Data for 2024-25 for Reserve Money pertain to March 28, 2025, while that of Money Supply relate to March 21, 2025.
† : Data in column 2 pertains to April 13, 2007 to March 28, 2008.
~ : Outstanding as on March 31.
~~ : Outstanding as on last Friday of the financial year.
$: Data for 2024-25 are revised estimates. Ratios may vary from those published in the Union Budget due to revision in GDP numbers.
$$: Data pertains to 28 states and 3 union territories (UTs). Data for 2023-24 and 2024-25 are accounts data and revised estimates, respectively.
@ : Data for 2024-25 are provisional and pertain to April-December 2024.
@@ : Data for 2024-25 are provisional and pertain to end-December 2024.
^ : Data in column 2 is average of period 2005-06 to 2007-08.

Note :
1. For Index of Industrial Production and Index of Eight Core Industries, data in columns 2, 3 and 4 are at 2011-12 base year.
2. Base year for CPI (All India) is 2012=100; base year for WPI is 2011-12=100 for annual data and 2004-05=100 for average of 5 years inflation; base for CPI-IW is 2001=100 till August 2020 and 2016=100 from September 2020 onwards.
3. For Average Daily G-sec Market Turnover, outright trading turnover is in central government dated securities (based on trading days).
4. LAF positive value means absorption.
5. Base year for 6- and 40-currency NEER/REER indices is 2015-16=100. REER figures are based on CPI.

Source : RBI, National Statistical Office (NSO), Ministry of Agriculture & Farmers Welfare, Ministry of Commerce and Industry, Food Corporation of India (FCI), Labour Bureau and Budget documents of the central and state governments.

APPENDIX TABLE 2: GROWTH RATES AND COMPOSITION OF REAL GROSS DOMESTIC PRODUCT

(At 2011-12 Prices)

(Per cent)

Sector	Growth Rate				Share		
	Average 2017-18 to 2024-25	2022-23	2023-24	2024-25*	2022-23	2023-24	2024-25*
1	2	3	4	5	6	7	8
GDP at Market Prices (Expenditure Side)							
1. Private Final Consumption Expenditure	5.7	7.5	5.6	7.6	58.1	56.1	56.7
2. Government Final Consumption Expenditure	4.8	4.3	8.1	3.8	9.6	9.5	9.2
3. Gross Fixed Capital Formation	6.7	8.4	8.8	6.1	33.6	33.5	33.4
4. Change in Stocks	71.0	24.3	53.4	4.3	1.2	1.7	1.7
5. Valuables	9.6	-16.9	14.4	1.0	1.5	1.5	1.4
6. Net Exports	-60.0	22.6	-384.8	56.9	-0.7	-3.2	-1.3
a) Exports	6.9	10.3	2.2	7.1	23.2	21.7	21.8
b) Less Imports	7.1	8.9	13.8	-1.1	23.9	24.9	23.1
7. Discrepancies	13.5	-4.3	128.7	250.5	-3.2	0.8	-1.2
8. GDP	**5.5**	**7.6**	**9.2**	**6.5**	**100.0**	**100.0**	**100.0**
GVA at Basic Prices (Supply Side)							
1. Agriculture, Forestry and Fishing	**4.6**	**6.3**	**2.7**	**4.6**	**15.5**	**14.7**	**14.4**
2. Industry	**4.3**	**0.0**	**11.0**	**4.3**	**21.4**	**21.9**	**21.5**
of which:							
a) Mining and Quarrying	-0.3	3.4	3.2	2.8	2.1	2.0	2.0
b) Manufacturing	4.7	-1.7	12.3	4.3	16.9	17.5	17.2
c) Electricity, Gas, Water Supply and Other Utility Services	6.5	10.8	8.6	6.0	2.4	2.4	2.4
3. Services	**6.1**	**10.2**	**9.2**	**7.5**	**63.1**	**63.4**	**64.1**
of which:							
a) Construction	7.1	9.1	10.4	8.6	8.8	8.9	9.1
b) Trade, Hotels, Transport, Communication and Services Related to Broadcasting	5.6	12.3	7.5	6.4	18.7	18.5	18.5
c) Financial, Real Estate and Professional Services	6.4	10.8	10.3	7.2	23.3	23.6	23.8
d) Public Administration, Defence and Other Services	5.8	6.7	8.8	8.8	12.3	12.4	12.7
4. GVA at Basic Prices	**5.4**	**7.2**	**8.6**	**6.4**	**100.0**	**100.0**	**100.0**

*****: Second advance estimates of national income for 2024-25.
Source: NSO and RBI staff estimates.

APPENDIX TABLE 3: GROSS SAVINGS

(Per cent of GNDI)

Item	2020-21	2021-22	2022-23	2023-24
1	2	3	4	5
I. Gross Savings	**28.7**	**30.8**	**30.2**	**30.3**
I.1 Non-financial Corporations	10.4	11.4	10.9	10.9
I.1.1 Public Non-financial Corporations	1.2	1.3	1.2	1.5
I.1.2 Private Non-financial Corporations	9.2	10.1	9.7	9.4
I.2 Financial Corporations	**2.6**	**2.5**	**2.8**	**2.5**
I.2.1 Public Financial Corporations	1.4	1.5	1.7	1.4
I.2.2 Private Financial Corporations	1.2	1.0	1.1	1.1
I.3 General Government	**-6.6**	**-2.9**	**-1.9**	**-0.9**
I.4 Household Sector	**22.4**	**19.8**	**18.3**	**17.9**
I.4.1 Net Financial Saving	11.6	7.2	4.9	5.1
Memo: Gross Financial Saving	15.2	10.9	10.7	11.2
I.4.2 Saving in Physical Assets	10.6	12.4	13.2	12.6
I.4.3 Saving in the Form of Valuables	0.2	0.3	0.2	0.2

GNDI: Gross national disposable income.

Note: Net financial saving of the household sector is obtained as the difference between gross financial savings and financial liabilities during the year.

Source: NSO.

APPENDIX TABLE 4: INFLATION, MONEY AND CREDIT

(Per cent)

Inflation									
Consumer Price Index (CPI) [All India]	Rural			Urban			Combined		
	2022-23	2023-24	2024-25	2022-23	2023-24	2024-25	2022-23	2023-24	2024-25
1	2	3	4	5	6	7	8	9	10
General Index (All Groups)	**6.8**	**5.6**	**5.0**	**6.4**	**5.1**	**4.1**	**6.7**	**5.4**	**4.6**
Food and Beverages	6.8	6.9	6.9	6.5	7.3	6.5	6.7	7.0	6.7
Housing	…	…	…	4.3	3.9	2.8	4.3	3.9	2.8
Fuel and Light	9.6	1.8	-0.9	11.6	0.3	-5.1	10.3	1.2	-2.5
Miscellaneous	5.9	4.6	4.2	6.6	4.4	4.0	6.3	4.5	4.1
Excluding Food and Fuel	6.3	4.5	3.7	5.9	4.2	3.4	6.1	4.3	3.5
Other Price Indices	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
1. Wholesale Price Index (2011-12=100)#									
All Commodities	**1.7**	**2.9**	**4.3**	**1.7**	**1.3**	**13.0**	**9.4**	**-0.7**	**2.3**
Primary Articles	3.4	1.4	2.7	6.8	1.7	10.2	10.0	3.5	5.1
of which : Food Articles	4.0	2.1	0.3	8.4	3.2	4.1	7.3	6.6	7.3
Fuel and Power	-0.3	8.2	11.5	-1.8	-8.0	32.5	28.1	-4.7	-1.3
Manufactured Products	1.3	2.7	3.7	0.3	2.8	11.1	5.6	-1.7	1.7
Non-food Manufactured Products	-0.1	3.0	4.2	-0.4	2.2	11.0	5.8	-1.4	0.7
2. CPI- Industrial Workers (IW) [2001=100]	**4.1**	**3.1**	**5.4**	**7.5**	**5.0**	**5.1**	**6.1**	**5.2**	**3.4**
of which : CPI- IW Food	4.4	1.5	0.6	7.4	5.8	4.7	6.1	7.3	6.0
3. CPI- Agricultural Labourers (1986-87=100)	**4.2**	**2.2**	**2.1**	**8.0**	**5.5**	**4.0**	**6.8**	**7.1**	**5.7**
4. CPI- Rural Labourers (1986-87=100)	**4.2**	**2.3**	**2.2**	**7.7**	**5.5**	**4.2**	**7.0**	**6.9**	**5.7**
Money and Credit									
	2016-17^	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25^^
Reserve Money (RM)	**-12.9**	**27.3**	**14.5**	**9.4**	**18.8**	**13.0**	**7.8**	**5.6**	**3.3**
Currency in Circulation	-19.7	37.0	16.8	14.5	16.6	9.8	7.8	3.9	5.8
Bankers' Deposits with RBI	8.4	3.9	6.4	-9.6	28.5	25.4	6.1	10.2	-6.5
Currency-GDP Ratio$	8.7	10.7	11.3	12.2	14.4	13.3	12.6	11.7	11.2
Narrow Money (M_1)	**-3.9**	**21.8**	**13.6**	**11.2**	**16.2**	**10.7**	**6.9**	**7.3**	**7.9**
Broad Money (M_3)	**6.9**	**9.2**	**10.5**	**8.9**	**12.2**	**8.8**	**9.0**	**11.1**	**9.6**
Currency-Deposit Ratio	11.0	14.4	15.4	16.3	17.2	17.4	17.3	16.0	15.4
Money Multiplier*	6.7	5.8	5.6	5.5	5.2	5.0	5.1	5.4	5.7
GDP-M_3 Ratio$*	1.2	1.2	1.2	1.2	1.1	1.2	1.2	1.2	1.2
Scheduled Commercial Banks									
Aggregate Deposits	11.3	6.2	10.0	7.9	11.4	8.9	9.6	12.9	10.6
Bank Credit	4.5	10.0	13.3	6.1	5.6	9.6	15.0	16.3	12.1
Non-food Credit	5.2	10.2	13.4	6.1	5.5	9.7	15.4	16.3	12.0
Credit-Deposit Ratio	72.9	75.5	77.7	76.4	72.4	72.2	75.8	78.1	79.1
Credit-GDP Ratio$	50.9	50.5	51.7	51.6	55.1	50.4	50.9	52.8	53.8

\# : Data for 2024-25 are provisional.
… : CPI Rural for Housing is not compiled.
^ : March 31, 2017, over April 1, 2016, barring RM and its components.
^^ : Data for Reserve Money pertain to March 28, 2025, while that of Money Supply relate to March 21, 2025.
$: GDP data from 2011-12 onwards are based on new series *i.e.*, base: 2011-12. GDP refers to GDP at Current Market Prices.
* : Not expressed in per cent.

Note: 1. Data refers to y-o-y change in per cent unless specified otherwise.
2. Base for CPI (All India) is 2012=100 whereas base for CPI-IW is 2001=100 till August 2020 and 2016=100 from September 2020 onwards.

Source: RBI, NSO, Labour Bureau and Ministry of Commerce and Industry.

APPENDIX TABLE 5: CAPITAL MARKET - PRIMARY AND SECONDARY

(Amount in ₹ crore)

Item	2023-24		2024-25 (P)	
	Number	Amount	Number	Amount
1	2	3	4	5
I. PRIMARY MARKET				
A. Public and Rights Issues				
1. Private Sector (a+b)	**383**	**97,284.2**	**505**	**218,120.1**
a) Financial	61	29,133.1	81	27,351.3
b) Non-financial	322	68,151.1	424	190,768.8
2. Public Sector (a+b)	**2**	**4,974.7**	**…**	**…**
a) Financial	2	4,974.7	…	…
b) Non-financial	…	…	…	…
3. Total (1+2, i+ii)	**385**	**102,258.8**	**505**	**218,120.1**
Instrument Type				
(i) Equity	340	83,092.5	464	210,189.8
of which:				
a) Initial Public Offers	272	67,955.3	320	172,328.1
b) Follow-on Public Offers	1	27.0	2	18,150.0
c) Rights	67	15,110.2	142	19,711.7
(ii) Debt	45	19,166.3	41	7,930.3
B. Euro Issues (ADRs and GDRs)	…	…	…	…
C. Private Placement				
1. Private Sector (a+b)	**7,300**	**771,393.0**	**7,865**	**936,710.6**
a) Financial	3,952	367,052.9	3,547	348,354.1
b) Non-financial	3,348	404,340.0	4,318	588,356.5
2. Public Sector (a+b)	**500**	**393,035.6**	**573**	**529,155.7**
a) Financial	131	237,997.9	149	303,326.0
b) Non-financial	369	155,037.7	424	225,829.7
3. Total (1+2, i+ii)	**7,800**	**1,164,428.6**	**8,438**	**1,465,866.3**
(i) Equity	750	114,126.6	1079	219,681.1
of which:				
a) Qualified Institutional Placement	61	68,971.5	91	135,597.2
b) Preferential Allotment	689	45,155.2	988	84,083.9
(ii) Debt	7,050	1,050,301.9	7,359	1,246,185.2
D. Mutual Funds Mobilisation (Net)#				
1. Private Sector		308,898.0		719,126.8
2. Public Sector		45,803.3		95,988.6
II SECONDARY MARKET				
BSE				
Sensex: End-Period	73,651.4		77,414.9	
Period Average	66,822.7		78,211.9	
Price Earnings Ratio@	25.2		21.6	
Market Capitalisation to GDP ratio (%)$	128.5		124.7	
Turnover Cash Segment		1,629,038.4		1,933,907.4
Turnover Equity Derivatives Segment		802,835,384.3		2,755,653,330.0
NSE				
Nifty 50: End-Period	22,326.9		23,519.4	
Period Average	19,978.3		23,776.7	
Price Earnings Ratio@	22.9		21.4	
Market Capitalisation to GDP ratio (%)$	127.5		124.1	
Turnover Cash Segment		20,103,439.4		28,127,848.2
Turnover Equity Derivatives Segment		7,992,767,152.4		7,835,961,740.0

… : Nil. P: Provisional. #: Net of redemptions. @: As at the end of the period.
$: GDP for 2024-25 is as per second advance estimates.
Note: Figures in the columns might not add up to the total due to rounding off of numbers.
Source: SEBI, NSE, BSE, NSDL,CDSL and RBI staff estimates.

APPENDIX TABLE 6: KEY FISCAL INDICATORS

(As per cent of GDP)

Year	Primary Deficit	Revenue Deficit	Primary Revenue Deficit	Gross Fiscal Deficit	Outstanding Liabilities[@]	Outstanding Liabilities[$]
1	2	3	4	5	6	7
Centre						
1990-91	4.0	3.2	-0.5	7.6	54.6	60.6
1995-96	0.8	2.4	-1.7	4.9	50.3	58.3
2000-01	0.9	3.9	-0.7	5.5	54.6	60.4
2009-10	3.2	5.2	1.9	6.5	55.4	57.3
2010-11	1.8	3.2	0.2	4.8	51.6	53.2
2011-12	2.8	4.5	1.4	5.9	51.7	53.5
2012-13	1.8	3.7	0.5	4.9	51.0	52.5
2013-14	1.1	3.2	-0.2	4.5	50.5	52.2
2014-15	0.9	2.9	-0.3	4.1	50.1	51.4
2015-16	0.7	2.5	-0.7	3.9	50.1	51.5
2016-17	0.4	2.1	-1.1	3.5	48.4	49.5
2017-18	0.4	2.6	-0.5	3.5	48.3	49.5
2018-19	0.4	2.4	-0.7	3.4	48.5	49.6
2019-20	1.6	3.3	0.3	4.6	51.3	52.5
2020-21	5.7	7.3	3.9	9.2	61.4	62.6
2021-22	3.3	4.4	1.0	6.7	58.0	58.9
2022-23	3.0	4.0	0.5	6.5	57.1	58.1
2023-24	2.0	2.5	-1.0	5.5	56.8	57.6
2024-25 (RE)#	1.3	1.8	-1.6	4.7	55.3	56.0
2025-26 (BE)	0.8	1.5	-2.1	4.4	55.5	56.0
States*						
1990-91	1.8	0.9	-0.6	3.3	22.2	22.2
1995-96	0.8	0.7	-1.1	2.6	20.8	20.8
2000-01	1.8	2.5	0.1	4.2	28.1	28.1
2009-10	1.2	0.4	-1.4	3.0	26.4	26.4
2010-11	0.4	-0.2	-1.8	2.1	24.4	24.4
2011-12	0.4	-0.3	-1.9	2.0	23.2	23.2
2012-13	0.4	-0.3	-1.8	2.0	22.6	22.6
2013-14	0.7	0.0	-1.5	2.2	22.3	22.3
2014-15	1.1	0.3	-1.2	2.6	22.0	22.0
2015-16	1.5	0.0	-1.6	3.0	23.7	23.7
2016-17	1.8	0.2	-1.4	3.5	25.1	25.1
2017-18	0.7	0.1	-1.6	2.4	25.1	25.1
2018-19	0.8	0.1	-1.6	2.4	25.3	25.3
2019-20	0.9	0.6	-1.1	2.6	26.6	26.6
2020-21	2.1	1.9	-0.1	4.1	31.0	31.0
2021-22	1.0	0.4	-1.4	2.8	29.1	29.1
2022-23	1.0	0.2	-1.5	2.7	28.2	28.2
2023-24	1.3	0.3	-1.4	3.0	…	…
2024-25 (RE)	1.8	0.6	-1.2	3.6	…	…
2025-26 (BE)	1.5	0.2	-1.5	3.3		

... : Not Available. RE: Revised Estimates. BE: Budget Estimates.

@ : Includes external liabilities of the centre calculated at historical exchange rates.

$: Includes external liabilities of the centre calculated at current exchange rates.

: Going by the principle of using latest GDP data for any year, GDP used for 2024-25 (RE) is the latest available which is the second advance estimates. In view of this, the fiscal indicators as per cent of GDP given in this table may at times marginally vary from those reported in the Union Budget documents.

* : Data for 2023-24, 2024-25 and 2025-26 are accounts, revised estimates and budget estimates, respectively for 28 states and 3 UTs which have presented their budgets.

Note: 1. Negative sign (-) indicates surplus in deficit indicators.
2. GDP figures used in this table are on 2011-12 base, which are the latest available estimates.
3. Columns 6 and 7 are outstanding figures as at end-March of respective years.

Source: Budget documents of central and state governments, Status paper on government debt and Quarterly report on public debt management.

APPENDIX TABLE 7: COMBINED RECEIPTS AND DISBURSEMENTS OF THE CENTRAL AND STATE GOVERNMENTS

(Amount in ₹ thousand crore)

Item	2019-20	2020-21	2021-22	2022-23	2023-24 RE	2024-25 BE
1	2	3	4	5	6	7
1 Total Disbursements	**5,411**	**6,353**	**7,098**	**7,881**	**9,111**	**9,801**
1.1 Developmental	3,074	3,823	4,189	4,702	5,515	5,863
1.1.1 Revenue	2,447	3,150	3,255	3,575	3,965	4,195
1.1.2 Capital	588	550	862	1,042	1,454	1,527
1.1.3 Loans	40	123	72	85	95	141
1.2 Non-Developmental	2,253	2,443	2,810	3,070	3,467	3,800
1.2.1 Revenue	2,110	2,272	2,603	2,896	3,267	3,537
1.2.1.1 Interest Payments	956	1,061	1,227	1,378	1,563	1,712
1.2.2 Capital	141	169	176	171	196	259
1.2.3 Loans	2	2	32	3	5	4
1.3 Others	83	87	99	109	129	137
2 Total Receipts	**5,734**	**6,397**	**7,156**	**7,855**	**9,055**	**9,650**
2.1 Revenue Receipts	3,852	3,688	4,824	5,448	6,379	7,210
2.1.1 Tax Receipts	3,232	3,193	4,160	4,809	5,457	6,142
2.1.1.1 Taxes on Commodities and Services	2,013	2,076	2,627	2,866	3,248	3,632
2.1.1.2 Taxes on Income and Property	1,216	1,115	1,531	1,940	2,204	2,506
2.1.1.3 Taxes of Union Territories (Without Legislature)	3	3	3	4	4	5
2.1.2 Non-tax Receipts	620	495	663	639	922	1,067
2.1.2.1 Interest Receipts	31	33	35	43	50	57
2.2 Non-debt Capital Receipts	110	65	44	63	87	118
2.2.1 Recovery of Loans & Advances	60	17	28	16	56	45
2.2.2 Disinvestment Proceeds	51	48	16	47	31	73
3 Gross Fiscal Deficit [1 - (2.1 + 2.2)]	**1,449**	**2,600**	**2,231**	**2,370**	**2,645**	**2,473**
3A Sources of Financing: Institution-wise						
3A.1 Domestic Financing	1,441	2,530	2,194	2,333	2,620	2,457
3A.1.1 Net Bank Credit to Government	572	890	627	688	346	…
3A.1.1.1 Net RBI Credit to Government	190	107	351	1	-258	…
3A.1.2 Non-Bank Credit to Government	869	1,640	1,567	1,645	2,273	…
3A.2 External Financing	9	70	36	37	25	16
3B Sources of Financing: Instrument-wise						
3B.1 Domestic Financing	1,441	2,530	2,194	2,333	2,620	2,457
3B.1.1 Market Borrowings (net)	971	1,696	1,213	1,651	1,963	1,984
3B.1.2 Small Savings (net)	209	459	527	359	434	448
3B.1.3 State Provident Funds (net)	38	41	28	14	21	20
3B.1.4 Reserve Funds	10	5	42	69	52	-34
3B.1.5 Deposits and Advances	-14	26	42	52	36	-10
3B.1.6 Cash Balances	-323	-44	-58	25	56	150
3B.1.7 Others	549	348	400	163	57	-101
3B.2 External Financing	9	70	36	37	25	16
4 Total Disbursements as per cent of GDP	*26.9*	*32.0*	*30.1*	*29.3*	*30.2*	*30.0*
5 Total Receipts as per cent of GDP	*28.5*	*32.2*	*30.3*	*29.2*	*30.1*	*29.6*
6 Revenue Receipts as per cent of GDP	*19.2*	*18.6*	*20.4*	*20.3*	*21.2*	*22.1*
7 Tax Receipts as per cent of GDP	*16.1*	*16.1*	*17.6*	*17.9*	*18.1*	*18.8*
8 Gross Fiscal Deficit as per cent of GDP	*7.2*	*13.1*	*9.5*	*8.8*	*8.8*	*7.6*

…: Not Available. RE: Revised Estimates. BE: Budget Estimates.

Note: 1. GDP data are as per 2011-12 base. GDP for 2024-25 (BE) is from Union Budget 2024-25.

2. The revision of general government fiscal data will be undertaken after all states present their final budget and they are tabulated, consolidated and disseminated by the Reserve Bank through its annual publication - 'State Finances: A Study of Budgets'.

3. Figures in the columns might not add up to the total due to rounding of numbers.

Source: Budget Documents of the central and state governments.

APPENDIX TABLE 8: INDIA'S OVERALL BALANCE OF PAYMENTS

(US$ million)

	2020-21	2021-22	2022-23	2023-24	2024-25 (P)
1	2	3	4	5	6
A. CURRENT ACCOUNT					
1 Exports, f.o.b.	296,300	429,164	456,073	4,41,443	3,25,540
2 Imports, c.i.f.	398,452	618,623	721,364	6,86,338	5,52,767
3 Trade Balance	-102,152	-189,459	-265,291	-2,44,896	-2,27,227
4 Invisibles, Net	126,065	150,694	198,236	2,18,780	1,90,127
a) 'Non-factor' Services *of which* :	88,565	107,516	143,283	1,62,752	1,35,518
Software Services	89,741	109,540	131,284	1,42,074	1,18,129
b) Income	-35,960	-37,269	-45,923	-49,757	-37,278
c) Private Transfers	74,439	81,230	101,776	1,06,631	92,708
5 Current Account Balance	23,912	-38,766	-67,055	-26,116	-37,100
B. CAPITAL ACCOUNT					
1 Foreign Investment, Net (a+b)	80,092	21,809	22,834	54,210	10,980
a) Direct Investment	43,955	38,587	27,986	10,129	1,557
b) Portfolio Investment	36,137	-16,777	-5,152	44,081	9,423
2 External Assistance, Net	11,167	5,366	5,521	7,460	4,187
3 Commercial Borrowings, Net	-134	8,135	-3,790	-12	7,922
4 Short Term Credit, Net	-4,130	20,105	6,539	-833	11,086
5 Banking Capital *of which* :	-21,067	6,669	20,980	40,543	-817
NRI Deposits, Net	7,364	3,234	8,989	14,702	13,333
6 Rupee Debt Service	-64	-71	-68	-72	-63
7 Other Capital, Net[&]	-2,143	23,794	6,928	-11,786	-10,595
8 Total Capital Account	63,721	85,807	58,943	89,509	22,701
C. Errors & Omissions	-347	459	-1,024	308	578
D. Overall Balance [A(5)+B(8)+C]	87,286	47,501	-9,135	63,702	-13,821
E. Monetary Movements (F+G)	-87,286	-47,501	9,135	-63,702	13,821
F. IMF, Net	0	0	0	0	0
G. Reserves and Monetary Gold (Increase -, Decrease +)	-87,286	-47,501	9,135	-63,702	13,821
of which : **SDR Allocation**	0	-17,862	0	0	0
Memo: As a ratio to GDP					
1 Trade Balance	-3.8	-6.0	-7.9	-6.7	-7.9
2 Net Services	3.3	3.4	4.3	4.5	4.7
3 Net Income	-1.3	-1.2	-1.4	-1.4	-1.3
4 Current Account Balance	0.9	-1.2	-2.0	-0.7	-1.3
5 Capital Account, Net	2.4	2.7	1.8	2.5	0.8
6 Foreign Investment, Net	3.0	0.7	0.7	1.5	0.4

P : Data are provisional and pertain to April-December 2024.
& : Includes delayed export receipts, advance payments against imports, net funds held abroad, and advances received pending issue of shares under FDI.

Note: 1. Gold and silver brought by returning Indians have been included under imports, with a contra entry in private transfer receipts.
2. Data on exports and imports differ from those given by DGCI&S on account of differences in coverage, valuation, and timing.

Source: RBI.

APPENDIX TABLE 9: FOREIGN DIRECT INVESTMENT FLOWS TO INDIA: COUNTRY-WISE AND INDUSTRY-WISE

(US$ billion)

Source/Industry	2020-21	2021-22	2022-23	2023-24	2024-25 (P)
1	2	3	4	5	6
Total FDI	59.6	58.8	46.0	44.4	50.0
Country-wise Inflows					
Singapore	17.4	15.9	17.2	11.8	15.0
Mauritius	5.6	9.4	6.1	8.0	8.3
US	13.8	10.5	6.0	5.0	5.5
Netherlands	2.8	4.6	2.5	4.9	4.6
UAE	4.2	1.0	3.4	2.9	4.4
Japan	1.9	1.5	1.8	3.2	2.5
Cyprus	0.4	0.2	1.3	0.8	1.2
Belgium	0.4	0.2	0.2	0.1	1.1
Switzerland	0.2	4.3	0.4	0.2	0.9
South Korea	0.4	0.3	0.3	0.4	0.8
France	1.3	0.3	0.4	0.4	0.8
UK	2.0	1.6	1.7	1.2	0.8
Germany	0.7	0.7	0.5	0.5	0.5
Cayman Islands	2.8	3.8	0.8	0.3	0.4
Luxembourg	0.3	0.5	0.5	0.4	0.4
Others	5.4	3.7	2.9	4.3	3.0
Sector-wise Inflows					
Manufacturing	9.3	16.3	11.3	9.3	12.1
Financial Services	3.5	4.7	6.8	4.4	7.8
Electricity and Other Energy Generation, Distribution & Transmission	1.3	2.2	3.3	5.5	5.5
Communication Services	2.9	6.4	4.5	3.7	5.0
Retail & Wholesale Trade	3.9	5.1	5.3	4.1	4.4
Computer Services	23.8	9.0	5.6	4.9	4.0
Business Services	1.8	2.5	2.0	2.6	2.5
Transport	7.9	3.3	1.7	3.8	2.2
Construction	1.8	3.2	1.4	2.2	2.2
Miscellaneous Services	0.9	1.0	1.2	1.9	1.8
Restaurants and Hotels	0.3	0.7	0.2	0.4	1.3
Education, Research & Development	1.3	3.6	1.9	0.6	0.7
Real Estate Activities	0.4	0.1	0.1	0.3	0.5
Mining	0.2	0.4	0.2	0.1	0.0
Trading	0.0	0.0	0.0	0.0	0.0
Others	0.2	0.4	0.5	0.7	0.1

P: Data are provisional.
Note: Includes FDI through approval, automatic and acquisition of existing shares routes.
Source: RBI.

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