

# MONETARY & CREDIT INFORMATION REVIEW



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## I. Monetary Policy

### Governor's Monetary Policy Statement on August 6, 2025

Shri Sanjay Malhotra, Governor, RBI on August 6, 2025 began his statement by extending warm greetings on the occasion of Raksha Bandhan, Independence Day, Janmashtami, Parsi New Year and Ganesh Chaturthi. He noted that the monsoon season is progressing well, setting a positive tone for the upcoming festive period which traditionally stimulates consumer sentiment and economic activity. This favourable domestic backdrop, along with prudent fiscal and monetary policies, positions the Indian economy strongly in the short term. While global trade remains sluggish and uncertainties persist, the geopolitical environment has shown signs of improvement. Over the medium term, India stands to benefit from shifting global dynamics, drawing on its strong macroeconomic fundamentals, resilient buffers and structural reforms. Policymakers remain committed to seizing emerging opportunities through coordinated and forward-looking strategies.

The Monetary Policy Committee (MPC) met on August 4–6 and unanimously decided to keep the policy repo rate unchanged at 5.50%, with the standing deposit facility (SDF) at 5.25% and the marginal standing facility (MSF) and Bank Rate at 5.75%. The committee retained its neutral stance, highlighting that although headline inflation has moderated significantly due to declining food prices—especially vegetables—core inflation has remained stable around 4%. Growth, while robust, remains slightly below long-term aspirations.

On the growth front, the domestic economy continues to demonstrate resilience. Rural consumption remains strong, although urban discretionary spending has yet to fully recover. Investment activity is being led by buoyant government capital expenditure, while favourable monsoon conditions have supported kharif sowing and agricultural production. The services sector is showing strength, with the services PMI rising to an 11-month high of 60.5 in July. Construction activity also remains healthy. However, the industrial sector has seen uneven performance, particularly in electricity and mining.

Turning to inflation, the RBI reported that headline CPI inflation declined to a 77-month low of 2.1% in June 2025, driven largely by a sharp fall in food inflation—particularly vegetables and pulses. Core inflation rose modestly to 4.4% in June, partly due to rising gold prices. The outlook for inflation has improved, supported by the good monsoon, healthy reservoir levels, strong agricultural output and stable global commodity prices. However, inflation is expected to rise in Q4 of 2025-26 due to base effects and possible demand pressures. The RBI projects CPI inflation at 3.1% for the full year, with Q4 expected to reach 4.4% and Q1 of 2026-27 at 4.9%.

India's external sector remains stable despite a wider merchandise trade deficit. The current account deficit (CAD) for 2024-25 narrowed to 0.6% of GDP, aided by strong services exports and remittances. India's global share in services exports rose to 4.3% in 2024, up from 2% in 2005, largely driven by software and business services. On the financing side, gross FDI inflows remained robust, although net FDI moderated due to increased outbound investment. FPI flows were positive in EMEs during May and June, but India recorded a net outflow of US\$ 0.8 billion so far in 2025-26, mainly from the debt segment. External commercial borrowings and non-resident deposits provided additional support. Foreign exchange reserves stood at US\$ 688.9 billion, offering over 11 months of import cover, reinforcing the overall resilience of India's external position.

Liquidity and financial conditions remain comfortable. Average surplus liquidity under the Liquidity Adjustment Facility (LAF) was ₹3.0 lakh crore per day since the last policy review, up from ₹1.6 lakh crore previously. The earlier announced CRR cut, which will be implemented in phases starting September, is expected to further ease liquidity. The banking system has seen strong transmission of rate cuts, with lending and deposit rates declining across the board. From February to June 2025, the weighted average lending rate (WALR) on fresh rupee loans fell by 71 basis points, while term deposit rates dropped by 87 basis points.

On financial stability, the Governor noted that banks and NBFCs continue to exhibit sound fundamentals in terms of capital adequacy, asset quality and profitability. As of June 2025, the Credit-Deposit ratio stood at 78.9%, broadly unchanged from the previous year. Bank credit grew at 12.1% in 2024-25, slower than the previous year but higher than the ten-year

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## Note from the Editor

This edition of the Monetary and Credit Information Review covers the RBI's decision to maintain the policy repo rate at 5.50%, aiming to balance inflation control with economic growth. It highlights key regulatory updates, including steps to ease claim settlements for deceased depositors, promote rupee trade and enhance financial inclusion. Insights from recent surveys and fintech initiatives reflect the evolving financial landscape. We trust readers will find this issue informative and relevant.

We remain committed to our goal of sharing accurate information, fostering deeper understanding and to stay in touch. MCIR can be accessed at <https://mcir.rbi.org.in> as well as by scanning the QR code.

We welcome your feedback at [mcir@rbi.org.in](mailto:mcir@rbi.org.in).

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Editor

average. Interestingly, market-based sources of funding—such as commercial papers and bonds—compensated for the moderation in bank credit, resulting in an overall increase in the flow of financial resources to the commercial sector.

In closing, the Governor announced three consumer-centric measures: (1) banks will organise re-KYC and financial inclusion camps across rural India as the Jan-Dhan Yojana completes 10 years; (2) the RBI will standardise procedures for claim settlement of deceased customers' accounts, lockers and safe custody items to make the process faster and more transparent; and (3) retail investors using the RBI Retail-Direct platform will soon be able to invest in treasury bills through systematic investment plans (SIPs). To read more, please click [here](#).

## Resolution of MPC

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting on August 6, 2025 decided to keep the policy repo rate unchanged at 5.50 per cent. Accordingly, the Standing Deposit Facility (SDF) rate remains at 5.25 per cent and both the Marginal Standing Facility (MSF) rate and the Bank Rate stay at 5.75 per cent. This decision aligns with the MPC's mandate to maintain consumer price index (CPI) inflation at 4 per cent, within a tolerance band of  $\pm 2$  per cent, while also supporting the broader objective of fostering economic growth. The MPC further resolved to maintain a close vigil on the incoming data and the evolving domestic growth-inflation dynamics to chart out the appropriate monetary policy path. Accordingly, all members decided to continue with the neutral stance. To read more, please click [here](#).

## Developmental and Regulatory Policies

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

### I. Regulation

1. Standardisation of procedure for settlement of claims in respect of deposit accounts of deceased customers of banks

Under the provisions of Banking Regulation Act, 1949, nomination facility is available in respect of deposit accounts, articles kept in safe custody or safe deposit lockers. This is intended to facilitate expeditious settlement of claims or return of articles or release of contents of safe deposit locker upon death of a customer and to minimise hardship caused to family members. The extant instructions require banks to adopt a simplified procedure to facilitate expeditious and hassle-free settlement of claims made by survivors/nominees/legal heirs, the procedures vary across banks. With a view to enhance customer service standards, it has been decided to streamline the procedures and standardise the documentation to be submitted to the banks. A draft circular in this regard shall be issued shortly for public consultation.

### II. Financial Markets

2. Introduction of Auto-bidding facilities in RBI Retail Direct for Investment and Re-investment in T-bills

The Retail Direct portal was launched in November 2021 to facilitate retail investors to open their Gilt accounts with the Reserve Bank under the Retail Direct Scheme. The scheme allows retail investors to buy Government Securities (G-Secs) in primary auctions as well as buy and sell G-Secs in the secondary market. Since the launch of the Scheme, various new features, in terms of product as well as payment options, have been introduced, including launch of a mobile app in May 2024. To read more, please click [here](#).

## Minutes of MPC

The 56<sup>th</sup> meeting of the Monetary Policy Committee constituted under section 45ZB of the Reserve Bank of India Act, 1934, was held during August 4 to 6, 2025.

Accordingly, under Section 45ZL of the Reserve Bank of India Act, 1934, the Reserve Bank published the minutes of the proceedings of the meeting on August 20, 2025, i.e., the 14<sup>th</sup> day after meeting of the MPC.

The MPC reviewed the surveys conducted by the Reserve Bank to gauge consumer confidence, households' inflation expectations, corporate sector performance, credit conditions, the outlook for the industrial, services and infrastructure sectors and the projections of professional forecasters. The MPC also reviewed in detail the staff's macroeconomic projections and alternative scenarios around various risks to the outlook. Drawing on the above and after extensive discussions on the stance of monetary policy, the MPC adopted the resolution that is set out below. To read more, please click [here](#).

## II. Regulation

### Visits by Governor and Deputy Governors to Re-KYC Camps conducted by banks

The Reserve Bank on August 11, 2025, announced that over 1.41 lakh camps have been conducted across Gram Panchayats under a nationwide Financial Inclusion (FI) campaign running from July 1 to September 30, 2025, with over 35 lakh re-KYC updates completed. During a visit to a camp at Gozaria Gram Panchayat, Mehsana, Gujarat, Governor Shri Sanjay Malhotra emphasised collaboration among banks, RBI and communities to enhance access to banking and coverage of FI schemes. Similar visits by Deputy Governors Shri M. Rajeshwar Rao and Shri Swaminathan J. were made to camps in Jharkhand and Tamil Nadu, highlighting the importance of timely KYC updates, enrolment in social security schemes and grievance redress. Customers are encouraged to fully utilize the services offered during the ongoing camps. To read more, please click [here](#).

### RBI approves the voluntary amalgamation of New India Co-operative Bank Ltd., Mumbai with Saraswat Co-operative Bank Ltd., Mumbai

The Reserve Bank on August 1, 2025, sanctioned the Scheme of Amalgamation of New India Co-operative Bank Ltd., Mumbai with Saraswat Co-operative Bank Ltd., Mumbai, under the powers conferred by the Banking Regulation Act, 1949. The scheme came into

## 618<sup>th</sup> Meeting of Central Board of the Reserve Bank of India

The 618<sup>th</sup> meeting of the Central Board of Directors of Reserve Bank of India was held today in Lucknow under the Chairmanship of Shri Sanjay Malhotra, Governor. The Board assessed the emerging global and domestic economic landscape, including the geopolitical and financial market developments and associated challenges. The Board reviewed the functioning of select Central Office Departments of the Bank and also of Committees of Central Board and the Ombudsman Scheme. The Board approved the nomination of Shri Indranil Bhattacharyya, Executive Director as an ex-officio member of the Monetary Policy Committee.

Deputy Governors Shri M. Rajeshwar Rao, Shri T. Rabi Sankar, Shri Swaminathan J., Dr. Poonam Gupta and other Directors of the Central Board – Shri Nagaraju Maddirala, Secretary, Department of Financial Services, Ms. Anuradha Thakur, Secretary, Department of Economic Affairs, Shri Satish K. Marathe, Smt. Revathy Iyer, Prof. Sachin Chaturvedi, Shri Anand Gopal Mahindra, Shri Pankaj Ramanbhai Patel and Dr. Ravindra H. Dholakia – attended the meeting.

effect on August 4, 2025 and all branches of New India Co-operative Bank are now functioning as branches of Saraswat Co-operative Bank. To read more, please click [here](#).

### RBI grants 'In-principle' Approval to AU Small Finance Bank Limited for transition into a Universal Bank

The Reserve Bank on August 7, 2025, granted 'in-principle' approval to AU Small Finance Bank Limited (AUSFB) to transition from a Small Finance Bank to a Universal Bank. This is in line with the guidelines dated November 27, 2014, which provided a transition path for eligible SFBs and the detailed eligibility criteria outlined in the circular on "Voluntary Transition of Small Finance Banks to Universal Banks" issued on April 26, 2024. To read more, please click [here](#).

### RBI invites public comments on the draft circular on 'Counterparty Credit Risk: Add-on factors for computation of Potential Future Exposure – Revised Instructions'

The Reserve Bank on August 20, 2025, released a draft circular titled "Counterparty Credit Risk: Add-on Factors for Computation of Potential Future Exposure – Revised Instructions", modifying the guidelines in paragraph 5.15.3 of the Master Circular on Basel III Capital Regulations dated April 1, 2025. Comments on the draft are invited from banks, market participants and other stakeholders until September 10, 2025. Feedback may be submitted via the 'Connect 2 Regulate' section on the RBI website or sent to the Chief General Manager-in-Charge, Market Risk Group, Department of Regulation, Reserve Bank of India, Mumbai. To read more, please click [here](#).

## III. Financial Market

### Investment in Government Securities by Persons Resident Outside India through Special Rupee Vostro account

The Reserve Bank on August 12, 2025, permitted persons resident outside India maintaining Special Rupee Vostro Accounts (SRVA) for international trade settlement in Indian Rupees to invest their rupee surplus balances in Central Government Securities, including Treasury Bills. The necessary operational instructions have been incorporated into the updated Master Direction on Non-resident Investment in Debt Instruments dated January 7, 2025. To read more, please click [here](#).

## IV. Foreign Exchange

### International Trade Settlement in Indian Rupees (INR)

The Reserve Bank on August 5, 2025, revised its instructions regarding Special Rupee Vostro Accounts (SRVAs) for overseas correspondent banks, allowing Authorised Dealer (AD) Category - I banks to open SRVAs without seeking prior approval from the Reserve Bank. This instruction is effective immediately. AD banks are advised to inform their constituents and customers accordingly. These directions are issued under the Foreign Exchange Management Act (FEMA), 1999 and do not affect any other legal permissions or approvals required. To read more, please click [here](#).

### Guarantee regulations under Foreign Exchange Management Act (FEMA), 1999 – Draft for feedback

The Reserve Bank on August 14, 2025, announced the draft regulations for rationalising guarantee provisions under the Foreign Exchange Management Act (FEMA), 1999, aimed at promoting ease of doing business. The proposed regulations include a principle-based approach, allowing guarantees involving cross-border transactions under the automatic route, provided they comply with FEMA. The scope of guarantees under the automatic route is being expanded and a comprehensive reporting mechanism for all issued and invoked guarantees is proposed. Comments and feedback on the draft regulations can be submitted via the 'Connect 2 Regulate' section on the RBI website or through email by September 4, 2025. To read more, please click [here](#).

## V. Fintech

### Regulatory Sandbox: Fifth Cohort on Theme 'Neutral' — Exit

The Reserve Bank on August 14, 2025, announced that Indian Banks' Digital Infrastructure Company (IBDIC) Private Limited has exited the Fifth Cohort of the Regulatory Sandbox (RS) under the 'Theme Neutral' track. The company tested a blockchain-based deep-tier financing solution, which was found to be viable within the defined boundary conditions. This solution aims to provide affordable financing to MSMEs by tokenizing supplier invoices. With the successful completion of the testing phase, the product can now be considered for adoption by regulated entities, subject to adherence to regulatory guidelines. To read more, please click [here](#).

## VI. Payment and Settlement Systems

### Introduction of Continuous Clearing and Settlement on Realisation in Cheque Truncation System

The Reserve Bank on August 13, 2025, announced the transition of the Cheque Truncation System (CTS) from batch processing to continuous clearing with settlement on realisation, as outlined in the Statement on Developmental and Regulatory Policies dated August 8, 2024. The shift will be implemented in two phases—Phase 1 on October 4, 2025 and Phase 2 on January 3, 2026. Banks have been advised to prepare for the transition and to inform their customers about the revised cheque clearing process. The directive is issued under the Payment and Settlement Systems Act, 2007. To read more, please click [here](#).

## VII. Surveys

### Urban Consumer Confidence Survey

The Reserve Bank on August 25, 2025, launched the September 2025 round of the Urban Consumer Confidence Survey (UCCS), which gathers qualitative responses from households on the general economic situation, employment, price levels, income and spending. To read more, please click [here](#).

### Rural Consumer Confidence Survey

The Reserve Bank on August 25, 2025, launched the September 2025 round of the Rural Consumer Confidence Survey (RCCS), which captures current perceptions and one-year-ahead expectations of households on the economic situation, employment, prices, income and spending across rural and semi-urban areas in 31 states/UTs. To read more, please click [here](#).

### Inflation Expectations Survey of Households

The Reserve Bank on August 25, 2025, launched the September 2025 round of the Inflation Expectations Survey of Households (IESH), which captures households' subjective assessments on price movements and inflation based on their consumption patterns. To read more, please click [here](#).

## VIII. Publication

### Report of the Internal Working Group to Review the Liquidity Management Framework

The Reserve Bank on August 6, 2025, published the report of its Internal Working Group (IWG), which had been reviewing the Liquidity Management Framework (LMF) in place since February 2020, placing it on its website for public consultation. It has invited stakeholders and members of the public to submit comments via email by August 29, 2025 and stated that these comments will be considered before a final decision is taken on the IWG's recommendations. To read more, please click [here](#).

### Report of the Committee to develop a Framework for Responsible and Ethical Enablement of Artificial Intelligence (FREE-AI) in the Financial Sector

The Reserve Bank, on August 13, 2025, released the report of the Committee on Framework for Responsible and Ethical Enablement of Artificial Intelligence (FREE-AI) in the Financial Sector, which was set up on December 26, 2024, following the announcement in the Monetary Policy Statement of December 6, 2024. The report outlines a comprehensive framework to guide the adoption of AI in the financial sector, balancing innovation with risk mitigation. To read more, please click [here](#).

### Discussion Paper on Review of Monetary Policy Framework

The Reserve Bank on August 21, 2025, published a Discussion Paper regarding the review of the inflation target under the flexible inflation targeting (FIT) framework, as mandated by Section 45ZA of the RBI Act, 1934. Following the initial target set in August 2016 and its review in March 2021, a second review is due by March 2026. Comments on the questions raised in the Discussion Paper are invited from stakeholders and the public by September 18, 2025, through email. To read more, please click [here](#).

### RBI Bulletin

The Reserve Bank on August 28, 2025 released the August 2025 issue of its monthly Bulletin. The Bulletin includes monetary policy statement, three speeches, five articles and current statistics.

The five articles are: [I. State of the Economy](#); [II. Private Corporate Investment: Growth in 2024-25 and Outlook for 2025-26](#); [III. Equity Mutual Funds: Transforming India's Savings Landscape](#); [IV. EV Policies and Two-Wheeler EV Adoption: Evidence from Indian States](#); and [V. Horticultural Diversification: A Pathway to Agricultural Resilience](#). To read more, please click [here](#).

## IX. Data Release

Important data released by the Reserve Bank during the month of August 2025 are as follows:

S/N	Title
1	<a href="#">RBI releases the results of Forward-Looking Surveys</a>
2	<a href="#">Monthly Data on India's International Trade in Services for the Month of July 2025</a>
3	<a href="#">Overseas Direct Investment for July 2025</a>
4	<a href="#">Sectoral Deployment of Bank Credit – July 2025</a>
5	<a href="#">Lending and Deposit Rates of Scheduled Commercial Banks – August 2025</a>
6	<a href="#">Handbook of Statistics on Indian Economy</a>