

MONETARY & CREDIT INFORMATION REVIEW



MCIR



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I. Monetary Policy

Governor's Monetary Policy Statement on February 7, 2025

Shri Sanjay Malhotra, Governor on February 7, 2025 delivered the Monetary Policy Statement. In his opening remarks, Governor highlighted the impact of the flexible inflation targeting (FIT) framework, introduced in 2016 and reviewed in 2021, which has contributed to lower average inflation and better alignment with the target. The Reserve Bank aims to continue improving macroeconomic outcomes using this framework while refining forecasting and nowcasting methods. On the regulatory front, the focus will be on enhancing financial stability and consumer protection, while balancing efficiency and ensuring a consultative process in regulation-making. The global economic environment remains challenging, with slow growth and high inflation, leading to capital outflows and financial volatility, which have impacted emerging markets like India. Despite these challenges, India's economy remains resilient, with the Reserve Bank deploying all available tools to address these pressures.

Decisions and Deliberations of the Monetary Policy Committee (MPC)

The MPC decided to reduce the policy repo rate by 25 bps from 6.50 percent to 6.25 percent, continuing its stance as 'neutral' to align inflation with the target while supporting growth. Consequently, the standing deposit facility (SDF) rate remains at 6.00 percent and the marginal standing facility (MSF) rate and the Bank Rate at 6.50 percent.

Commenting on the Assessment of Growth and Inflation, Governor mentioned that India's real GDP growth for the current year is estimated at 6.4%, down from 8.2% last year, with expectations of improvement next year. Agriculture remains strong and manufacturing, mining and electricity sectors are recovering. Rural demand is rising, while urban consumption remains subdued. Inflation has moderated following a peak in October, with food inflation expected to soften due to good crop prospects, though core inflation may rise moderately. Headline inflation for this year is projected at 4.8%, with a forecast of 4.2% for 2025-26. The risks to both growth and inflation projections are balanced, though global uncertainties pose potential challenges.

Liquidity and Financial Market Conditions

Speaking about the condition of liquidity and financial market, Governor mentioned that system liquidity shifted to a deficit in December 2024 and January 2025, mainly due to advance tax payments, capital outflows, forex operations and an increase in currency circulation. Some banks have been hesitant to actively engage in the uncollateralized call money market, preferring to park funds with the Reserve Bank. The Reserve Bank urges banks to trade more actively in the market to enhance its depth and vibrancy. It remains committed to ensuring sufficient liquidity and will continue to monitor and take proactive measures to maintain orderly liquidity conditions.

Financial Stability

Governor stated that the financial health of Scheduled Commercial Banks (SCBs) remains strong, with a Credit Deposit Ratio (CD ratio) of 80.8% at the end of January 2025, stable compared to September 2024. Bank liquidity buffers are adequate and while net interest margin (NIM) has moderated, return on assets (RoA) and return on equity (RoE) remain robust. Similarly, system-level parameters for Non-Banking Financial Companies (NBFCs) are healthy.

External Sector

Governor mentioned India's current account deficit (CAD) moderated slightly from 1.3% of GDP in Q2 of last year to 1.2% in Q2 of this year and the CAD for this year is expected to remain within sustainable levels. India continues to be the largest recipient of global remittances, with an estimated inflow of 129.1 billion US dollars in 2024. As of January 31st, India's foreign exchange reserves stood at 630.6 billion US dollars, providing over 10 months of import cover. The Reserve Bank's exchange rate policy focuses on maintaining stability and efficiency, intervening in the forex market to smooth excessive volatility rather than targeting specific exchange rate levels, with the Indian Rupee's exchange rate determined by market forces. To read the full statement, please click [here](#).



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Note from the Editor

Welcome to the February 2025 edition of the Monetary and Credit Information Review (MCIR), highlighting the first rate cut in nearly five years as inflation shows signs of easing. Additionally, measures were announced to bolster cybersecurity, including the introduction of an exclusive 'bank.in' domain for Indian banks.

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

Puneet Pancholy
Editor

Resolution of MPC

On the basis of an assessment of the current and evolving macroeconomic situation, the MPC at its meeting on February 7, 2025 reduced the policy repo rate under the liquidity adjustment facility (LAF) by 25 basis points to 6.25 per cent with immediate effect; consequently, the standing deposit facility (SDF) rate shall stand adjusted to 6.00 per cent and the marginal standing facility (MSF) rate and the Bank Rate to 6.50 per cent;

The MPC also decided to continue with the neutral monetary policy stance and remain unambiguously focussed on a durable alignment of inflation with the target, while supporting growth. These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 percent within a band of +/- 2 percent, while supporting growth. To read more, please click [here](#).

Developmental and Regulatory Policies

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

i) Financial Markets

1. Introduction of forward contracts in Government securities

Over the past few years, the Reserve Bank has been expanding the suite of interest rate derivative products available to market participants to manage their interest rate risks. In addition to Interest Rate Swaps, products such as Interest Rate Options, Interest Rate Futures, Interest Rate Swaptions, Forward Rate Agreements, etc. are available to market participants. We have been receiving feedback about the need to allow forward contracts in Government securities to enable further market development. Such forward contracts will enable long-term investors such as insurance funds to manage their interest rate risk across interest rate cycles. They will also enable efficient pricing of derivatives that use bonds as underlying instruments. Draft directions in this regard were issued in December 2023. The final directions, taking into account the public feedback, will be issued shortly.

2. Access of SEBI-registered non-bank brokers to NDS-OM

The Negotiated Dealing System – Order Matching (NDS-OM) is an electronic trading platform for secondary market transactions in government securities. Access to NDS-OM is, at present, available to regulated entities and to the clients of banks and standalone primary dealers. With a view to widening access, it has been decided that non-bank brokers registered with SEBI can directly access NDS-OM, 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. Necessary instructions are being issued separately.

3. Comprehensive review of trading and settlement timings across various market segments

Synchronized and complimentary market and settlement timings across various financial market segments can facilitate benefits of efficient price discovery and optimization of the liquidity requirements. Over the last few years, there have been several developments including increased electronification of trading, availability of forex and certain interest rate derivative markets on a 24X5 basis, increased participation of non-residents in domestic financial markets and availability of payment systems on a 24X7 basis. Accordingly, it has been decided to set up a working group with representation from various

stakeholders to undertake a comprehensive review of trading and settlement timing of financial markets regulated by the Reserve Bank. The Group is expected to submit its report by April 30, 2025.

ii) Cybersecurity

4. Enhancing Trust in the Financial Sector through 'bank.in' and 'fin.in' domains

Increased instances of fraud in digital payments are a significant concern. To combat the same, the Reserve Bank of India (RBI) is 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 actual registrations will commence from April 2025. Detailed guidelines for banks will be issued separately. Going forward, it is planned to have an exclusive domain viz., "fin.in" for other non-bank entities in the financial sector.

iii) Payment Systems

5. Enabling Additional Factor of authentication in cross-border Card Not Present transactions

Introduction of Additional Factor of Authentication (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, it is proposed to enable AFA for international card not present (online) transactions as well. This will provide an additional layer of security in cases where the overseas merchant is enabled for AFA. Draft circular will be issued shortly for feedback from stakeholders.

Minutes of MPC

The 53rd meeting of the Monetary Policy Committee constituted under section 45ZB of the Reserve Bank of India Act, 1934, was held during February 5 to 7, 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 February 21, 2025, i.e., the 14th day after meeting of the MPC.

The MPC reviewed the surveys conducted by the Reserve Bank to gauge consumer confidence, households' inflation expectations, corporate sector performance, credit conditions, the outlook for the industrial, services and infrastructure sectors and the projections of professional forecasters. To read more, please click [here](#).

II. Regulation

Action against NBFCs

The Certificate of Registration issued to The Kamdhenu Finance Company Private Limited was restored on February 14, 2025 after considering the orders passed by the Appellate Authority/Courts. This NBFC is advised to adhere to the applicable provisions of the RBI Act, 1934 and guidelines/directions issued by the RBI.

The Reserve Bank of India, in exercise of powers conferred on it under Section 45-IA (6) of the Reserve Bank of India Act, 1934 on February 14, 2025 cancelled the Certificate of Registration of the 17 NBFCs.

Governor, Reserve Bank of India meets MD & CEOs of Select NBFCs

The Governor, Reserve Bank of India on February 13, 2025 held a meeting with Managing Directors and CEOs of select NBFCs, including Housing Finance Companies, Micro-Finance Institutions and Government NBFCs, which together account for nearly 50% of the sector's total assets. Representatives from Self-Regulatory Organizations (SROs) and industry bodies also participated. The meeting was also attended by Deputy Governors Shri M. Rajeshwar Rao, Shri T. Rabi Sankar and Shri Swaminathan J., along with Executive Directors-in-Charge of Regulation, Supervision and Financial Inclusion.

The Governor highlighted the need for balancing growth with financial stability, ensuring customer protection and enhancing grievance redress mechanisms. He urged NBFCs to support financial inclusion and integrate with the Unified Lending Interface (ULI). Participants shared sector feedback, industry initiatives and expectations from the RBI. To read more, please click [here](#).

Twenty Non-Banking Financial Companies (NBFC) have surrendered the Certificate of Registration (CoR) granted to them by the Reserve Bank of India (RBI). The RBI, in exercise of powers conferred on it under Section 45-IA (6) of the Reserve Bank of India Act, 1934, has therefore cancelled their CoR.

Amalgamation Scheme

The Reserve Bank of India on February 7, 2025 sanctioned the Scheme of Amalgamation of The Citizen Cooperative Bank Limited, Vasco-Da-Gama, Goa with TJSB Sahakari Bank Ltd. The Scheme has been sanctioned in exercise of the powers conferred under sub-section (4) of Section 44A read with Section 56 of the Banking Regulation Act, 1949. The Scheme will come into force with effect from February 10, 2025 (Monday). To read more, please click [here](#).

The Reserve Bank of India on February 7, 2025 sanctioned the Scheme of Amalgamation of Pune Commercial Co-operative Bank Ltd., Satara (Maharashtra) with Pimpri Chinchwad Sahakari Bank Maryadit, Pune (Maharashtra). The Scheme has been sanctioned in exercise of the powers conferred under Sub-Section (4) of Section 44A read with Section 56 of the Banking Regulation Act, 1949. The Scheme will come into force with effect from February 10, 2025 (Monday). To read more, please click [here](#).

Review and rationalization of prudential norms - UCBs

The Reserve Bank on February 24, 2025 revised prudential norms for Urban Co-operative Banks (UCBs) to enhance financial resilience while providing greater operational flexibility. The definition of small value loans has been updated, raising the ceiling to ₹3 crore per borrower while maintaining existing timelines and targets. Real estate exposure norms have been modified, allowing UCBs to have up to 25% of their loans in residential mortgages and 5% in other real estate sectors, with increased individual housing loan limits based on UCB tiers. To read more, please click [here](#).

Review of Risk Weights

The Reserve Bank on February 25, 2025 revoked the additional 25 percentage point risk weight on Scheduled Commercial Banks' (SCBs) exposures to NBFCs, introduced in the circular dated November 16, 2023. Effective April 1, 2025, the risk weights for such exposures will align with the external ratings as specified in Paragraph 5.8.1 of the 'Master Circular – Basel III Capital Regulations' dated April 1, 2024. All other instructions in the previous circulars remain unchanged. To read more, please click [here](#).

III. Financial Market

Working Group

The Reserve Bank as part of the 'Statement on Developmental and Regulatory Policies' dated February 07, 2025, announced the setting up of a Working Group to undertake a comprehensive review of trading and settlement timings of markets regulated by the Reserve Bank. To read more, please click [here](#).

Access of SEBI-registered non-bank brokers to NDS-OM

The Reserve Bank on February 7, 2025, announced that non-bank brokers registered with SEBI can access the NDS-OM platform to facilitate retail investor trades. This follows the Reserve Bank of India (Access Criteria for NDS-OM) Directions, 2024 issued on October 18, 2024. Necessary revisions have been made and the updated criteria are consolidated under the Master Direction - Reserve Bank of India (Access Criteria for NDS-OM) Directions, 2025, superseding the 2024 directions. Issued under sections 45W and 45U of the RBI Act, 1934, these Directions are effective immediately. To read more, please click [here](#).

IV. Payment and Settlement Systems

Additional Factor of Authentication (AFA) – Draft Directions

The Reserve Bank on February 7, 2025 released draft directions on Additional Factor of Authentication (AFA) for cross-border Card Not Present (CNP) transactions for public comments. The draft mandates card issuers to validate AFA for non-recurring cross-border CNP transactions when requested by an overseas merchant or acquirer. Comments can be submitted via email or post to the Chief General Manager-in-Charge, Department of Payment and Settlement Systems, RBI, by March 10, 2025. To read more, please click [here](#).

V. Supervision

Action against UCB

The Reserve Bank, exercising its powers under Section 36AAA read with Section 56 of the Banking Regulation Act, 1949 (as applicable to co-operative societies) on February 14, 2025 superseded the Board of Directors of New India Cooperative Bank Ltd., Mumbai, for 12 months due to governance concerns. Shri Shreekant, former Chief General Manager of SBI, has been appointed as Administrator, assisted by a Committee of Advisors

613th Meeting of Central Board of the Reserve Bank of India

The 613th meeting of the Central Board of Directors of the Reserve Bank of India held on February 8, 2025 at New Delhi under the Chairmanship of Shri Sanjay Malhotra, Governor. The Board reviewed the global and domestic economic situation and outlook, including the challenges posed by geopolitical developments and global financial market volatility. The Board also passed a condolence resolution in memory of Dr. Manmohan Singh, former Prime Minister, former Union Finance Minister and former Governor of the Bank.

Smt. Nirmala Sitharaman, Hon'ble Union Minister of Finance and Corporate Affairs, addressed and interacted with the Directors of the Central Board, after the Board meeting. The Hon'ble Finance Minister in her address outlined the vision of the Union Budget 2025-26, its key focus areas and the expectations from the financial sector. To read more, please click [here](#).

comprising Shri Ravindra Sapra and Shri Abhijeet Deshmukh. To read more, please click [here](#).

VI. Financial Inclusion

Financial Literacy Week 2025

The Reserve Bank launched the tenth edition of Financial Literacy Week (FLW) 2025, themed "*Financial Literacy: Women's Prosperity*" to be observed from February 24 to 28, 2025. Governor Shri Sanjay Malhotra emphasized the importance of women's financial empowerment for inclusive economic growth and urged banks to actively promote financial literacy. The event was attended by RBI's top management, NABARD officials and bank representatives. To read more, please click [here](#).

VII. Issuer of Currency

₹50 Denomination Banknotes in Mahatma Gandhi (New) Series

The Reserve Bank of India will shortly issue ₹50 denomination Banknotes in Mahatma Gandhi (New) Series bearing the signature of Shri Sanjay Malhotra, Governor. The design of these notes is similar in all respects to ₹50 banknotes in Mahatma Gandhi (New) Series. All banknotes in the denomination of ₹50 issued by the Reserve Bank in the past will continue to be legal tender.

VIII. Publication

RBI Bulletin

The Reserve Bank on February 19, 2025 released the February 2025 issue of its monthly Bulletin. The Bulletin includes bi-monthly monetary policy statement (February 07, 2025), one speech, four articles and current statistics. The four articles are:

- State of the Economy
- Union Budget 2025-26: An Assessment;
- Quality of Public Expenditure and its Socio-economic Impact in India; and
- Dynamics of Agriculture Supply Chain: Insights from Pan India Survey during Rabi Marketing Season. To read more, please click [here](#).

Handbook on "Regulations at a Glance"

The Reserve Bank on February 27, 2025 launched a handbook titled Regulations at a Glance, based on the recommendations of the Regulations Review Authority 2.0 (RRA 2.0) report, to simplify regulatory access for Regulated Entities (REs). This handbook provides a tabular summary of major regulations across various activities and entities,

serving as a quick reference guide. While it offers a high-level overview, readers are advised to refer to official circulars, Master Circulars and Master Directions for specific regulatory details. The handbook will be periodically updated. To read more, please click [here](#).

IX. Data Release

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

S/N	Title
1	Finances of Non-Government Non-Financial Public Limited Companies, 2023-24
2	Finances of Non-Government Non-Financial Private Limited Companies, 2023-24
3	Overseas Direct Investment for January 2025
4	Consumer Confidence Survey
5	Households' Inflation Expectations Survey
6	Survey of Professional Forecasters on Macroeconomic Indicators– Results of the 92nd Round
7	Quarterly BSR-1: Outstanding Credit of Scheduled Commercial Banks – December 2024
8	Quarterly BSR-2: Deposits with Scheduled Commercial Banks - December 2024
9	Scheduled Banks' Statement of Position in India as on Friday, February 07, 2025
10	Order Books, Inventories and Capacity Utilisation Survey on the Manufacturing sector for Q2:2024-25
11	Bank Lending Survey for Q3:2024-25
12	Industrial Outlook Survey of the Manufacturing Sector for Q3:2024-25
13	Performance of Private Corporate Business Sector during Q3:2024-25
14	Services and Infrastructure Outlook Survey for Q3:2024-25