

MONETARY & CREDIT INFORMATION REVIEW

Volume XIX Issue 2 May 2023



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Note from the Editor

Welcome to another edition of the Monetary and Credit Information Review (MCIR). This monthly periodical of the Reserve Bank helps keep abreast with new developments and important policy initiatives taken by the Reserve Bank during the month of May 2023 in the world of money and credit. MCIR can be accessed at <https://mcir.Reserve.Bank.org.in> as well as by scanning the QR code.

Through this communication tool, we aim to share information, educate and stay in touch while ensuring factual accuracy and consistency in disseminating the information.

We welcome your feedback at mcir@Reserve.Bank.org.in
Yogesh Dayal
Editor

I. Currency Management

₹2000 Denomination Banknotes – Withdrawal from Circulation

The Reserve Bank on May 19, 2023 announced the withdrawal of ₹2000 denomination banknotes from circulation. However, the notes will continue to remain as legal tender. Banks were advised to stop issuing ₹2000 denomination banknotes with immediate effect.

₹2000 denomination banknote was introduced in November 2016 under Section 24(1) of Reserve Bank Act, 1934 primarily to meet the immediate currency requirement of the economy after withdrawal of the legal tender status of all ₹500 and ₹1000 banknotes in circulation at that time. With fulfilment of the objective of introduction of ₹2000 denomination and availability of banknotes in other denominations in adequate quantity, printing of ₹2000 banknotes was stopped in 2018-19. Further, majority of the ₹2000 denomination notes that were issued prior to March 2017, have completed their estimated lifespan and are not observed to be commonly used for transactions anymore.

Further, Reserve Bank said that the members of the public may deposit ₹2000 banknotes into their bank accounts and/or exchange them into banknotes of other denominations at any bank branch. Deposit into bank accounts can be made in the usual manner, that is, without restrictions and subject to extant instructions and other applicable statutory provisions. In order to ensure operational convenience and to avoid disruption of regular activities of bank branches, exchange of ₹2000 banknotes into banknotes of other denominations can be made up to a limit of ₹20,000 at a time at any bank starting from May 23, 2023. To complete the exercise in a time-bound manner and to provide adequate time to the members of the public, all banks shall provide deposit and/or exchange facilities for ₹2000 banknotes until September 30, 2023. To read more, please click [here](#).

II. Regulation

Governor's meet with UCBs of States and Primary UCBs

Shri Shaktikanta Das, Governor, Reserve Bank of India on May 12, 2023 held a meeting with the National Federation of Urban Co-operative Banks and Credit Societies Limited (NAFCUB), select Federations of UCBs from various States and the CEOs of select UCBs. The meeting was also attended by Shri M. Rajeshwar Rao, Deputy Governor, Executive Directors Shri S. C. Murmu, Shri Saurav Sinha, Shri Jayant Kumar Dash, Shri Neeraj Nigam along with a few senior officials of the Reserve Bank.

The Governor, in his introductory remarks acknowledged the important role played by UCBs in furthering financial inclusion and supporting economic growth by providing banking services at the grassroot level. He further stated that Reserve Bank is committed to have a strong, robust and resilient UCB sector and for that there is a need of all the stakeholders to work together in the spirit of cooperation. He advised UCBs and their Federations to strengthen governance and risk management, adopt appropriate business strategies and explore suitable technology solutions to enable them to sustain and grow their business and serve their customers, keeping in mind the interest of the depositors. To read more, please click [here](#).

Conferences for the Directors of Public and Private Sector Banks

The Reserve Bank on May 22, 2023 and May 29, 2023 held conferences for the Directors on the Boards of Public Sector Banks (PSBs) in New Delhi and the Directors on the Boards of Private Sector Banks in Mumbai, respectively. Both the conferences were inaugurated by Shri Shaktikanta Das, Governor, Reserve Bank of India. The theme of the conferences was 'Governance in Banks - Driving Sustainable Growth and Stability'.

The Governor in his speech in the conferences acknowledged the role played by the banks in supporting the economy and maintaining resilience along with improved financial performance in the face of several adverse shocks in recent times. He exhorted the Directors of banks to further strengthen the governance and assurance functions (risk management, compliance and internal audit) so that the banks are able to identify and mitigate risks at an early stage. To read more, please click [here](#).

Meeting of Central Board

The 602nd meeting of the Central Board of Directors of Reserve Bank of India was held on May 19, 2023 at Mumbai under the Chairmanship of Shri Shaktikanta Das, Governor. The Board in its meeting reviewed the global and domestic economic situation and associated challenges including the impact of current global geopolitical developments. The Board also discussed the working of the Reserve Bank during the year April 2022 – March 2023 and approved the Annual Report and accounts of the Reserve Bank for the accounting year 2022-23. The Board approved the transfer of ₹87,416 crore as surplus to the Central Government for the accounting year 2022-23, while deciding to keep the Contingency Risk Buffer at 6 per cent.

Deputy Governors Shri Mahesh Kumar Jain, Dr. Michael D. Patra, Shri M. Rajeshwar Rao, Shri T. Rabi Sankar and other Directors of the Central Board, viz., 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. Shri Ajay Seth, Secretary, Department of Economic Affairs also attended the meeting. To read more, please click [here](#).

100 Days 100 Pays

The Reserve Bank on May 12, 2023 launched a '100 Days 100 Pays' campaign for banks to trace and settle the top 100 unclaimed deposits of every bank in every district of the country within 100 days. This measure will complement the ongoing efforts and initiatives by the Reserve Bank to reduce the quantum of unclaimed deposits in the banking system and return such deposits to their rightful owners/claimants. The campaign will be commenced by the banks from June 1, 2023. To read more, please click [here](#).

Certificate of Registration

The Reserve Bank on May 12, 2023 and May 26, 2023 in exercise of powers conferred under Section 45-IA (6) of the Reserve Bank of India Act, 1934, has cancelled the Certificate of Registration (CoR) of seven and one Non-Banking Financial Company (NBFC), respectively.

Further, on May 12, 2023 and May 26, 2023, 14 and 19 NBFCs surrendered the Certificate of Registration (CoR) granted to them by the Reserve Bank of India, respectively. The Reserve Bank, 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. To read more, please click [here](#).

Nodal Officer

The Reserve Bank on May 25, 2023 designated Smt. Scenta Joy, Chief General Manager, Department of Regulation as a nodal point of contact to interface with the Urban Co-operative Banks (UCBs) and other concerned entities on sector level matters. This was indicated in the Governor's meeting with the National Federation of Urban Co-operative Banks and Credit Societies Limited (NAFCUB), Federations of UCBs from certain states and the CEOs of select UCBs on May 12, 2023. Individual bank related matters will continue to be dealt under existing mechanism.

The designated senior official will hold a formal interaction with the representatives of UCBs/federations quarterly. To read more, please click [here](#).

Amalgamation

The Reserve Bank on May 26, 2023 sanctioned the Scheme of Amalgamation of Maratha Sahakari Bank Limited, Mumbai, Maharashtra with the Cosmos Co-operative Bank Limited, 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 effective date of the Scheme was May 29, 2023. All the branches of Maratha Sahakari Bank Ltd., Mumbai, Maharashtra will function as branches of the Cosmos Co-operative Bank Limited, Pune, Maharashtra from the effective date. To read more, please click [here](#).

III. Fintech

G-20 TechSprint 2023

The Reserve Bank and the BIS Innovation Hub (BISIH) of the Bank for International Settlements on May 4, 2023 under India's G-20 Presidency, have jointly launched the 4th edition of the G-20 TechSprint, a global technology competition to promote innovative solutions aimed at improving cross-border payments. The competition is open to developers from around the world for submitting application from May 4, 2023 to June 4, 2023 and the TechSprint will conclude around August/ September 2023. TechSprint 2023 will focus on three problem statements on cross-border payments:

- i) AML/CFT/Sanctions technology solutions to reduce illicit finance risk.
- ii) FX and liquidity technology solutions to enable settlement in emerging market and developing economy (EMDE) currencies.
- iii) Technology solutions for multilateral cross-border CBDC platforms.

To read more, please click [here](#)

Greenwashing TechSprint

The Reserve Bank will be among the 13 international regulators taking part in the Global Financial Innovation Network (GFIN)'s first ever Greenwashing TechSprint. GFIN is a group of over 80 international organisations committed to supporting financial innovation in the interest of consumers and it is currently chaired by the Financial Conduct Authority.

The TechSprint will be launched on June 5, 2023 and will run for three months, ending with a showcase day in September 2023. To read more, please click [here](#).

IV. Foreign Exchange Management

Levy of Charges

The Reserve Bank on May 26, 2023 notified regarding the use of international debit cards/store value cards/charge cards/smart cards or any other instrument

that can be used to create a financial liability, as 'currency'. The Reserve Bank advised that fees/charges payable in India have to be denominated and settled in Rupees only. To read more, please click [here](#).

V. Financial Markets

LIBOR Transition

The Reserve Bank on May 12, 2023 advised the banks and regulated entities to take steps to ensure a complete transition away from the London Interbank Offered Rate (LIBOR) from July 1, 2023. Banks and financial institutions (FIs) are advised to ensure that no new transaction undertaken by them or their customers relies on or is priced using the US\$ LIBOR or the Mumbai Interbank Forward Outright Rate (MIFOR). Banks and FIs are also advised to take all necessary steps to ensure insertion of fallbacks in all remaining legacy financial contracts that reference US\$ LIBOR (including transactions that reference MIFOR). The Reserve Bank stated that the MIFOR would also cease to be published by Financial Benchmarks India Pvt. Ltd. (FBIL) after June 30, 2023. To read more, please click [here](#).

VI. Financial Inclusion and Development

Informal Micro Enterprises

The Reserve Bank on May 9, 2023 stated that Informal Micro Enterprises (IMEs) with an Udyam Assist Certificate (UAC) will be treated as micro-enterprises under MSME for the purposes of priority sector lending classification. The Reserve Bank conveyed that the Government has specified that the certificate issued on the Udyam Assist Platform (UAP) to IMEs should be treated at par with Udyam Registration Certificate for the purpose of availing priority sector lending (PSL) benefits.

An interface has been created between the UAP and Udyam Registration Portal (URP) to enable the transition and migration of the IMEs from UAP to URP, once IMEs obtain the mandatorily required documents. To read more, please click [here](#).

VII. Publications

Report on Currency and Finance

The Reserve Bank on May 3, 2023 released the Report on Currency and Finance (RCF) for the year 2022-23 today. The theme of the Report is 'Towards a Greener Cleaner India'. The report reflects the views of the contributors and not of the Reserve Bank.

Highlights

- i) The Report covers four major dimensions of climate change to assess future challenges to sustainable high growth in India, namely, the unprecedented scale and pace of climate change; its macroeconomic effects; implications for financial stability; and policy options to mitigate climate risks.
- ii) India has embarked on a targeted and time-bound climate action plan to reduce carbon emissions and currently ranks the best amongst G-20 countries as per the Climate Change Performance Index, 2023.

iii) India's goal of achieving the net zero target by 2070 would require an accelerated reduction in the energy intensity of GDP by around 5 per cent annually and a significant improvement in its energy-mix in favour of renewables to around 80 per cent by 2070-71.

iv) India's green financing requirement is estimated to be at least 2.5 per cent of GDP annually till 2030.

v) A balanced policy intervention with progress ensured across all policy levers will enable India to achieve its green transition targets by 2030, making the net zero goal by 2070 attainable. To read more, please click [here](#).

Report on Management of Forex

The Reserve Bank on May 8, 2023 released the 40th half-yearly report on management of foreign exchange reserves with reference to end-March 2023. The position of foreign exchange reserves as on April 28, 2023 is USD 588.78 billion. To read more, please click [here](#).

Reserve Bank Bulletin- May 2023

The Reserve Bank on May 22, 2023 released the May 2023 issue of its monthly Bulletin. The Bulletin includes two speeches, five articles and current statistics. The five articles published are:

i) **State of the Economy:** The global economy is transfixed in the cross-currents of slowing growth and high inflation, and an uneasy calm prevails in the global financial markets as they await clearer signals from policy authorities on banking regulation and supervision, and contours of deposit insurance. In April and the first half of May 2023, domestic economic conditions have sustained the quickening of momentum seen in the last quarter of 2022-23. Headline inflation eased below 5 per cent in April 2023, for the first time since November 2021. Corporate earnings are beating consensus expectations, with banking and financial sectors posting strong revenue performance, aided by robust credit growth. In the first quarter of 2023-24, growth is expected to be driven by private consumption, supported by reviving rural demand, and renewed buoyancy in manufacturing on easing of input cost pressures.

ii) **'Exploring India's Export Potential through the Lens of Export Similarity Indices'** by Deba Prasad Rath, Abhilasha, Monika Sethi and Rashika Arora. This article deploys the export similarity index (ESI) to examine India's export potential across key geographies and large markets.

iii) **'India's Steady State Equilibrium Inflation: A Revisit'** by R. K. Sinha. This article studies the steady state level for inflation over the period 2014-22 using stochastic transitions at the micro-level. Using disaggregated (product-group) level data on inflation, it estimates the steady state level of inflation for India both for the pre-pandemic period and the full sample.

iv) **'India and COP-26 Commitments: Challenges for the Mining sector'** by V. Dhanya, Gautam and Arit Shivhare. In COP26-Glasgow, India made a commitment to meet 50 per cent of its energy requirement with renewable energy by 2030 and to achieve net-zero emission by 2070. In this context, this paper examines India's future path to energy security and its impact on the mining sector.

v) 'Basic and Digital Financial Literacy in the Last Mile: A Snapshot from Rural West Bengal' by Sakshi Awasthy, Rakhe Balachandran, Barkha Gupta, Rajas Saroy, Ashish Khobragade, Gunveer Singh, Rekha Misra, Sarat Chandra Dhal. Financial literacy plays a crucial role in ensuring that financial inclusion enhances economic well-being, especially in remote villages. This article documents the existing level of financial literacy in eight randomly selected villages of West Bengal. The article empirically identifies key socioeconomic drivers of financial literacy in rural areas and proposes targeted policy interventions. To read more, please click [here](#).

Annual Report

The Reserve Bank on May 30, 2023 under section 53 (2) of Reserve Bank of India Act, 1934 released its Annual Report for the year 2022-23. The report is a statutory report of its Central Board of Directors. It covers the working and functions of Reserve Bank for the period April 2022 - March 2023.

Major Highlights of the Annual Report are:

- i) Monetary Policy Committee (MPC) would be guided by Consumer Price Index (CPI) target while supporting growth. The actions of the MPC will continue to be guided by the objective of achieving the medium-term target for CPI inflation of 4 per cent plus or minus 2 per cent while supporting growth.
- ii) Huge surplus in FY23 on surge in foreign sources income. The Reserve Bank transferred a higher surplus to the Centre in FY23. On May 19, 2023 the Reserve Bank's board approved the transfer of ₹87,416 crore as surplus to the central government in 2022-23, sharply higher than the central bank's surplus transfer of ₹30,307 crore for the previous financial ended March 2022.
- iii) Gilt yields hardened on domestic inflation, global factors FY23. Domestic inflation and global factors drove the hardening of gilts yields throughout 2022-23. Yields saw a significant rise in April-June, propelled by the off-cycle interest rate hike and changes in the monetary policy stance, along with higher retail inflation prints for April and May.
- iv) The Reserve Bank aims to ensure that the operating framework of the Foreign Exchange Management Act is in sync with the needs of the country's evolving macroeconomic environment in 2023-24 (April-March).
- v) The Reserve Bank's Risk Management Department will review the existing Vulnerability Assessment and Penetration Testing Policy, 2019. The central bank aims to strengthen its risk management in 2023-24 by firming up various lines of "defence".
- vi) The Reserve Bank aims to develop in the current financial year a mobile application under its 'Retail Direct Scheme' that will enable retail investors to trade in government bonds.
- vii) The Reserve Bank plans to expand digital rupee pilot projects in wholesale and retail segments in the current financial year. The first pilot project in the digital rupee - wholesale segment started on November 1, 2022 and the first pilot project in retail segment began on December 1, 2022.
- viii) The Reserve Bank plans to introduce in the current financial year its final norms on securitisation of stressed assets and strengthen the country's ecosystem to resolve insolvency.

ix) India's current account deficit remained within a 'sustainable level' after peaking in July to September, 2022.

x) India maintained economic stability in FY23 in the face of global uncertainties such as the war in Ukraine. The report said the domestic economy managed to fortify itself against recurring global setbacks owing to a sound macroeconomic policy environment.

xi) For the current fiscal year, the government has pegged fiscal deficit at 5.9 per cent as a percentage of GDP, down from 6.4 per cent in the previous financial year.

xii) Total amount involved in frauds in the banking system declined 49.4 per cent on year to ₹30,252 crore in the year ended March.

xiii) The Reserve Bank's gold holdings rose by 34.21 tonne in the year ended March to 794.63 tonne. Of the holdings, 301.09 tonne or 37.9 per cent was held as backing for notes issued, while the rest was held as assets.

xiv) The total value of banknotes in circulation rose to ₹33,48,228 crore in 2022-23 (Apr-Mar), up 7.8 per cent as compared with 9.9 per cent rise during 2021-22. In volume terms, banknotes in circulation increased to 13,62,137 lakh, up 4.4 per cent in the year ended March, compared with 5 per cent in 2021-22.

xv) The Department of Supervision will focus on initiating supervisory action against non-compliant non-banking financial companies and examine licensing requirements in the current financial year started April.

xvi) The priorities of the Group of 20 during India's presidency would range from the global debt crisis, multilateral development bank reforms and a global approach on cryptocurrency to digital public infrastructure and taxation.

xvii) The Reserve Bank said there is a need to sustain structural reforms to improve India's growth potential because of multiple factors that can pose downside risks to growth. India's growth momentum is likely to continue this financial year, helped by easing inflationary pressures, sound macroeconomic policies, and robust financial and corporate sectors. To read more, please click [here](#).

VIII. Data Release

Important data released by the Reserve Bank during the month of May 2023 are as follows:

S/N	Title
1	Reserve Bank – Liabilities and Assets
2	Lending and Deposit Rates of Scheduled Commercial Banks - May 2023
3	Sectoral Deployment of Bank Credit – April 2023
4	Sale/Purchase of U.S. Dollar by the RBI
5	RBI's Standing Facilities
6	Reserve Bank of India Survey
7	Consumer Price Index (Base: 2012=100)
8	Wholesale Price Index
9	External Commercial Borrowings (ECBs) - Registrations