

# MONETARY & CREDIT INFORMATION REVIEW

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MCIR



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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 November 2022 in the world of money and credit. MCIR can be accessed at <https://mcir.rbi.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@rbi.org.in](mailto:mcir@rbi.org.in)

**Yogesh Dayal**  
Editor

## I. Monetary Policy

### Meeting of the Monetary Policy Committee

A separate meeting of the Monetary Policy Committee (MPC) was held on November 3, 2022 to discuss and draft the report to be sent to the Government by the Reserve Bank under the provisions of Section 45ZN of the RBI Act, 1934 and Regulation 7 of RBI MPC and Monetary Policy Process Regulations, 2016.

The meeting was chaired by Shri Shaktikanta Das, Governor and attended by all MPC members, Dr. Michael Debabrata Patra, Dr. Rajiv Ranjan, Dr. Shashanka Bhide, Dr. Ashima Goyal and Prof. Jayanth R. Varma. To read more, please click [here](#).

### Central Board of Reserve Bank of India

The Central Government has nominated Shri Vivek Joshi, Secretary, Department of Financial Services, Ministry of Finance, Government of India as a Director on the Central Board of Reserve Bank of India vice Shri Sanjay Malhotra. The nomination of Shri Vivek Joshi is effective from November 15, 2022 and until further orders.

## II. Regulation

### Internet Banking Facility

The Reserve Bank, being satisfied that it is necessary and expedient in the public interest to do so, on November 1, 2022 revised the eligibility criteria applicable to Regional Rural Banks for offering internet banking with transactional facilities to their customers in the exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949. To read more, please click [here](#).

### Governor meets MD and CEOs Banks

The Governor, Reserve Bank of India on November 16, 2022 held meetings with the MD & CEOs of public sector banks and certain private sector banks. The meetings were also attended by Deputy Governor Shri M. K. Jain along with a few senior officials of the Reserve Bank.

The Governor in his introductory remarks acknowledged the crucial role played by the commercial banks in supporting economic growth throughout the turbulent times since the outbreak of the pandemic and the ongoing financial market turmoil. He further stated that despite challenges, the Indian banking sector has remained resilient and continued to improve in various performance parameters. To read more, please click [here](#).

### Standing Deposit Facility

The Reserve Bank on November 23, 2022 advised banks regarding the treatment of SDF under Liquidity Risk Management Framework that the overnight balances held by banks with the Reserve Bank under SDF shall be eligible as

'Level 1 High Quality Liquid Assets' for computation of Liquidity Coverage Ratio. To read more, please click [here](#).

## Certificate of Registration of NBFCs

The Reserve Bank on November 10, 2022 cancelled the certificate of registration (CoR) of two non-banking financial companies (NBFC). To read more, please click [here](#). Further, five NBFCs, on November 10, 2022, surrendered the CoR granted to them by the Reserve Bank. The Reserve Bank, in the exercise of powers conferred on it under Section 45-IA (6) of the Reserve Bank of India Act, 1934, has cancelled their CoR. To read more, please click [here](#).

## Account Aggregator Framework

The Reserve Bank on November 23, 2022 decided to include goods and services tax network (GSTN) as a financial information provider (FIP) under the Account Aggregator (AA) framework. Department of Revenue shall be the regulator of GSTN for this specific purpose and goods and services tax returns. To read more, please click [here](#).

## Letter of Cooperation

The Reserve Bank on November 30, 2022 exchanged letters of cooperation in the field of central counter parties with the objective of improving mutual cooperation with the Financial Services Agency, Japan. The letters confirm the interest of both jurisdictions in enhancing cooperation in line with their respective laws and regulations. To read more, please click [here](#).

## III. Banker to Banks

### Direct Tax collection

The Reserve Bank on November 14, 2022 decided to modify paragraph 21 of the Master Circular on Conduct of Government Business by Agency Banks - Payment of Agency Commission dated April 1, 2022. The modified paragraph 21 indicates that agency banks are required to submit their claims for agency commission in the prescribed format to CAS Nagpur in respect of Central Government transactions and the respective regional offices of the Reserve Bank for State Government transactions. However, agency commission claims with respect to GST receipt transactions and transactions related to direct tax collection under TIN 2.0 regime will be settled at the Mumbai office only and accordingly all agency banks, authorised to collect GST and direct tax collection under TIN 2.0, are advised to submit their agency commission claims pertaining to the respective receipt transactions at Mumbai office only. To read more, please click [here](#).

## IV. Financial Stability Analysis

### Financial Stability and Development Council

The Reserve Bank on November 15, 2022 conducted the 29<sup>th</sup> meeting of the Sub-Committee of the Financial Stability and Development Council. Shri Shaktikanta Das, Governor chaired the meeting. The Sub-Committee reviewed the major developments in the global and domestic economy as well as in various segments of the financial system. The Sub-Committee also reviewed the activities of various technical groups under its purview and the functioning of State Level Coordination Committees in various States/UTs. Deputy Governors of the Reserve Bank, Shri Mahesh Kumar Jain, Dr. Michael Debabrata Patra and Shri T. Rabi Sankar; and Executive Directors, Dr. O. P. Mall and Shri Saurav Sinha were present for the meeting. To read more, please click [here](#).

## V. External Investments and Operations

### Management of Foreign Exchange Reserves

The Reserve Bank on November 4, 2022 released the 39<sup>th</sup> half-yearly report on the management of foreign exchange reserves with reference to end-September 2022. The report indicates that the foreign exchange reserves cover of imports (on a balance of payments basis) declined to 10.4 months (end-June 2022) from 11.8 months (end-March 2022). During the same period, the ratio of short-term debt (original maturity) to reserves increased from 20.0% to 22.0%. The ratio of volatile capital flows to reserves increased from 66.6% at end-March 2022 to 67.6% at end-June 2022. To read more, please click [here](#).

## VI. Foreign Exchange Management

### Line of Credit to Mauritius

Export-Import Bank of India (Exim Bank) entered into an agreement dated October 17, 2022, effective from November 7, 2022, with the SBM (Mauritius) Infrastructure Development Company Ltd (SBMIDCL), for making available to the latter, Government of India supported Line of Credit (LoC) of US\$300 million for financing its participation through redeemable preference shares in public sector entities to implement the construction of Phase-IV of the Metro Express Project in Mauritius. The Reserve Bank on November 17, 2022 issued directions for the export of eligible goods and services from India for the purpose. To read more, please click [here](#).

## VII. Financial Inclusion and Development

### Assignment of Lead Bank

The Government of Nagaland has notified formation of four new districts in the State of Nagaland. The Reserve Bank on November 17, 2022 decided to designate Lead Banks of the new districts. To read more, please click [here](#).

### Interest Subvention Scheme

The Reserve Bank on November 23, 2022 advised that the Government of India has approved the continuation of the Interest Subvention Scheme, for short-term loans for agriculture and allied activities availed through Kisan Credit Card, with modification for the financial years 2022-23 and 2023-24 and also issued stipulations for the same. To read more, please click [here](#).

## VIII. Consumer Education and Protection

### Nation-wide Awareness Programme

As a part of several initiatives taken to improve customer awareness and to protect consumer interests, the Reserve Bank, in November 2022, conducted nationwide consumer financial awareness programme, in collaboration with its regulated entities, covering population in rural and semi-urban areas to customise regionally for a better connect and to percolate information on customer rights, customer protection and grievance redress framework. To read more, please click [here](#).

## IX. Bank Credit

### Sectoral Deployment of Bank Credit

Non-food bank credit registered a growth of 18.3% on a year-on-year (y-o-y) basis in October 2022 as compared with 6.9% a year ago. At the disaggregated level the bank credit growth was supported by the services sector (22.2%) primarily due to improved credit offtake to 'NBFCs', 'commercial real estate' and 'trade' sectors; the industry sector (13.6%) led by 'all engineering', 'basic metal & metal products', 'beverage & tobacco', 'cement & cement products', 'chemicals & chemical products', 'construction', 'food processing', 'glass & glassware', 'infrastructure', 'leather & leather products', 'mining and quarrying', 'petroleum, coal products & nuclear fuels', 'vehicles, vehicle parts & transport equipment' and 'wood & wood products'; and by agriculture sector (13.6%). Personal loans during the month expanded by 20.2%. To read more, please click [here](#).

## Lending and Deposit Rates of SCBs

RBI released data on lending and deposit rates of scheduled commercial banks (SCBs) for the month of November 2022. Data show that the 1-Year median marginal cost of fund-based lending rate of SCBs increased from 7.90% in October 2022 to 8.05% in November 2022.

Further, the weighted average lending rate (WALR) on fresh rupee loans of SCBs increased by 9 basis points (bps) from 8.59% in September 2022 to 8.68% in October 2022. The WALR on outstanding rupee loans of SCBs increased by 13 bps from 9.22% in September 2022 to 9.35% in October 2022. On the other hand, the weighted average domestic term deposit rate on outstanding rupee term deposits of SCBs increased by 10 bps from 5.39% in September 2022 to 5.49% in October 2022. To read more, please click [here](#).

## X. FinTech

### Central Bank Digital Currency

The Reserve Bank on November 29, 2022 announced the launch of the first pilot for retail digital Rupee (e₹-R) on December 1, 2022. The pilot would cover select locations in closed user group (CUG) comprising participating customers and merchants. The e₹-R would be in the form of a digital token that represents legal tender. It would be distributed through intermediaries, i.e., banks. Transactions can be both Person to Person (P2P) and Person to Merchant (P2M). Payments to merchants can be made using QR codes displayed at merchant locations. The e₹-R would offer features of physical cash like trust, safety and settlement finality.

Eight banks have been identified for phase-wise participation in this pilot. The first phase will begin with four banks, viz., State Bank of India, ICICI Bank, Yes Bank and IDFC First Bank in four cities across the country. Four more banks, viz., Bank of Baroda, Union Bank of India, HDFC Bank and Kotak Mahindra Bank will join this pilot subsequently. The pilot would initially cover four cities, viz., Mumbai, New Delhi, Bengaluru and Bhubaneswar and later extend to Ahmedabad, Gangtok, Guwahati, Hyderabad, Indore, Kochi, Lucknow, Patna and Shimla. To read more, please click [here](#).

## XI. RBI Publications

### Report on Municipal Finances

The Reserve Bank on November 10, 2022 released its first edition of the Report on Municipal Finances. Compiling and analysing budgetary data for 201 Municipal Corporations (MCs) across all States, the Report explores 'Alternative Sources of Financing for Municipal Corporations' as its theme.

### **Highlights:**

- a) The rapid growth of urbanisation in India has not been accompanied by a corresponding increase in urban infrastructure.
- i) The size of the municipal budgets in India is small and the revenues are dominated by property tax collections and devolution of taxes and grants from upper tiers of Government, resulting in lack of financial autonomy.
- ii) MCs' capital expenditure is minimal whereas establishment expenses, administrative costs and interest and finance charges is rising.
- iii) MCs rely on borrowings from banks, financial institutions, Centre/State governments to finance their resource gaps in the absence of a well-developed market for municipal bonds.
- b) MCs need to adopt sound and transparent accounting practices with proper monitoring and documentation and explore different innovative bond and land based financing mechanisms to augment their resources. To read more, please click [here](#).

### **RBI Bulletin – November 2022**

The Reserve Bank on November 18, 2022, released the November 2022 issue of its monthly bulletin. The Bulletin includes eight speeches, five articles and current statistics.

The five articles are: I. State of the Economy; II. When a News Story is More Than Just Text: Evidence from Indian Economy; III. Green Data Centres: Pathway to Sustainable Digitalisation; IV. Payment Flows as Economic Indicators: Nowcasting Using a Hybrid Machine Learning Framework; and V. Transmission of Financial Conditions to Fixed Investment in India: An Empirical Investigation.

#### **I. State of the Economy**

The outlook in the global economy remains clouded with downside risks. In India, supply responses in the economy are gaining strength. The inflation is showing signs of easing. Urban demand appears robust. Rural demand is picking up traction.

#### **II. When a News Story is More Than Just Text: Evidence from the Indian Economy**

This article constructs sentiment indices on a range of macroeconomic variables and examines their utility for economic analysis in the Indian context. The article highlights that the COVID-19 pandemic depressed sentiment however, with the gradual resumption of economic activities and return to normalcy, sentiments recovered.

#### **III. Green Data Centres: Pathway to Sustainable Digitalisation**

This article discusses the importance of data centres for banks and financial institutions, their impact on the environment and the benefits of green data centres. Further, the article offers suggestions that can help banks and financial institutions in

greening their data centres.

#### **IV. Payment Flows as Economic Indicators: Nowcasting Using a Hybrid Machine Learning Framework**

The study regarding efficient payments and settlement system examines the use of payments data to nowcast growth in gross value added.

#### **V. Transmission of Financial Conditions to Fixed Investment in India: An Empirical Investigation**

In this article, dynamic factor model and vector autoregression approaches are used to construct financial condition indices. Further, the impact of financial conditions on investment growth in India and asymmetry in the relationship is empirically examined to gauge the risks to investment. To read more, please click [here](#).

### **Handbook of Statistics on Indian States**

The Reserve Bank on November 19, 2022 released the 7<sup>th</sup> edition of its statistical publication titled 'Handbook of Statistics on Indian States 2021-22'. Through this publication, the Reserve Bank has been disseminating wide-ranging data on the regional economies of India. In the current edition of the Handbook, two new sections namely, Health and Environment are introduced. In addition to the updation of the existing data series, 9 new tables have been included. To read more, please click [here](#).

### **Award scheme for writing books**

Under the award scheme for writing books originally in Hindi on Economics/Banking/Financial subjects the Reserve Bank awards three prizes of ₹1.25 lakh to working/retired professors of Indian universities. The Reserve Bank on November 15, 2022 specified the last date of submission of nomination under the said scheme as January 31, 2023. For details of the scheme, please click [here](#).

### **XII. Data Releases**

Important data releases by the Reserve Bank during November 2022 are as follows:

Sr. No.	Title
1.	<a href="#">International Trade in Services: September 2022</a>
2.	<a href="#">Statistics on Deposits and Credit of SCBs: September 2022</a>
3.	<a href="#">ECB/FCCB/RDB: October 2022</a>
4.	<a href="#">Overseas Direct Investment: October 2022</a>
5.	<a href="#">India's Invisibles: April - June 2022-23</a>
6.	<a href="#">Sectoral Deployment of Bank Credit: October 2022</a>
7.	<a href="#">Lending and Deposit Rates of Scheduled Commercial Banks: November 2022</a>