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RBI CIRCULARS

MAY 2024

RBI Circulars May 2024

1. RBI paper: Equity Markets and Monetary Policy Surprises

- **RBI Working Paper Title:** "Equity Markets and Monetary Policy Surprises"
- **Release by:** Reserve Bank of India
- **Authors:** Mayank Gupta, Amit Pawar, Satyam Kumar, Abhinandan Borad, Subrat Kumar Seet
  - All authors are from the Department of Economic and Policy Research at the RBI.
- **Coverage Period:** From January 2014, marking the implicit start of India's Flexible Inflation Targeting regime, to July 2022.
- **Introduction of Series:** The RBI Working Papers series was introduced in March 2011.
- **Purpose of the Paper:**
  - To analyze the impact of monetary policy announcements on the returns and volatility of the BSE Sensex.
  - Examines changes in Overnight Indexed Swap (OIS) rates on policy announcement days.
  - Breaks down these changes into two factors:
    - **Target Factor:** Represents surprises in RBI policy rate actions.
    - **Path Factor:** Reflects the influence of RBI communication on market expectations about future monetary policy directions.
- **Understanding OIS:**
  - An Overnight Indexed Swap (OIS) is a financial agreement where two parties exchange interest payments based on an overnight interest rate index (e.g., MIBOR for India).
  - In an OIS, one party typically pays a fixed rate and receives a floating rate based on the overnight index, which is compounded daily.
- **Key Findings:**
  - Regulatory and developmental measures announced alongside monetary policy impact stock markets.
  - Stock market volatility on policy announcement days is influenced by both the target and path factors.
  - Equity markets respond more to changes in expectations of future monetary policy (path factor) than to immediate policy rate surprises (target factor).
  - Analysis considers short-duration windows to control for other potential drivers of equity prices and acknowledges the influence of sparse trading in OIS markets and other domestic and global events on the findings.

2. Bank credit growth to NBFCs, personal loans moderate in March: RBI data

- **Recent RBI Release:** Data on bank credit growth for March 2024.
- **Credit Growth to NBFCs:**
  - Slowed to 15.3% year-on-year in March 2024, compared to 29.9% in March 2023.
- **Background Context:**
  - In November 2023, the RBI increased the risk weights:
    - For unsecured loans from 100% to 125%.
    - For bank exposure to NBFCs by 25 basis points where the risk weight was below 100%.
- **Retail Loans Data:**
  - Overall growth in retail loans decelerated, mainly due to slower growth in vehicle loans and other personal loans (mostly unsecured).
  - Yearly growth percentages:
    - FY24: 17.7%
    - FY23: 21.0%
- **Credit Growth to Industries:**
  - Increased to 8.5% in March 2024 from 5.6% in March 2023.
  - Notable growth sectors in March 2024 included:
    - Paper, paper products, and printing (PPT and PDF)
    - Chemicals & chemical products
    - Food processing
    - Infrastructure
  - Compared to the previous year's major growth in 'basic metal & metal products', which has now moderated.
- **Service Sector Credit Growth:**
  - Improved credit growth, driven by increased lending to transport operators and commercial real estate.
  - Rose to 20.2% in March 2024 from 19.6% in March 2023.
- **Agriculture and Allied Activities:**
  - Credit growth remained robust, reaching 20.1% year-on-year in March 2024, up from 15.4% a year earlier.
- **Relevance to Studies:**
  - The data provides insights into shifts in the distribution of bank credit, highlighting a reduction in personal loans and redistribution towards key economic sectors like services and agriculture.
  - Useful for understanding dynamics in the Indian banking and risk management systems, and can be incorporated into exam questions or descriptive answers about recent trends in banking.

3. RBI cautions banks on gold loan disbursals through fintech startups

- **RBI Data on Gold Loans:**
  - Indians borrowed over Rs 1 lakh crore by mortgaging their gold jewelry in the fiscal year 2023-24.
  - This amount represents a fivefold increase compared to the borrowing figure in 2018-19.
  - The rapid growth in gold loans is the fastest observed in recent years, leading the RBI to issue warnings to banks and financial institutions.
- **Increase in Proportion of Gold Loans:**
  - The share of gold loans as a proportion of total personal loans increased from 1% in March 2019 to approximately 2.5% in March 2021, during the COVID-19 pandemic.
  - By February 2024, gold loans constituted 2% of total personal loans.
- **Cultural and Social Significance:**
  - In India, mortgaging family gold jewelry is often considered a last resort, culturally and socially significant, akin to "selling the family silver."
  - Families typically turn to pawnbrokers to borrow money against their gold during financial hardships.
- **Pawnbroker Dynamics:**
  - The pawnbroker retains the gold as collateral until the borrower repays the loan, usually with interest, within a specified period.
  - Failure to repay the loan allows the pawnbroker to keep and possibly sell the gold to recover the loan amount.
- **Economic Context During COVID-19:**
  - The share of gold mortgages for personal loans peaked during the COVID-19 pandemic, reflecting brutal economic conditions.
  - This surge and subsequent decline in gold loans suggest economic distress factors influenced borrowing behaviors, rather than solely increased availability of formal lending options.

- **Reflection of Borrowing Trends:**
  - While RBI data captures borrowing through formal channels, the government interprets this as indicative of both a greater push by financial institutions for gold loans and a shift in borrowing preferences among families, not necessarily a sign of distress.

4. PA firms request RBI to limit offline KYC requirement to high-risk merchants

Following the Reserve Bank of India's (RBI) draft guidelines on offline payment aggregators (PAs):

- **Feedback Submission:**
  - Several fintech players and industry associations are submitting feedback to the RBI, advocating for the removal of the mandate for full Know Your Customer (KYC) details of their merchants.
  - Companies like Decentro have already submitted suggestions, while others like PhonePe, BharatPe, and Mobikwik, along with industry bodies like the Payment Council of India (PCI), are deliberating with members to draft feedback.
- **Common Pitch:**
  - The common request across the industry is to ease full KYC requirements, including physical verification for small and medium merchants due to high operational costs.
  - Vishwas Patel, Joint Managing Director of Infibeam Avenues and Chairman of PCI, highlighted the high cost of physical KYC verification for small and medium merchants as a primary concern.
- **Industry Feedback Collection:**
  - PCI is gathering feedback from its members, including PAs like Billdesk, Infibeam, Cashfree, Mswipe, Paytm, and PayU, to submit feedback by May 31.
- **RBI's New Mandate:**
  - The RBI now requires non-bank online payment gateways to secure a PA license and is extending this requirement to offline payment service providers facilitating face-to-face transactions via PoS or QR codes.
  - Two consultation papers released on April 16 address the activities of offline PAs and propose strengthening the ecosystem's safety through expanded KYC and due diligence requirements for both online and offline providers.
- **Current KYC Practices:**
  - Currently, full KYC is typically performed by banks when opening a settlement account for merchants, while PAs conduct a "light touch" KYC using e-KYC or remote video verification.
  - The proposed rules mandate full bank-grade KYC verification, including in-person visits to merchant outlets, with re-KYC suggested for existing merchant clients.

- **Industry Proposals:**
  - Some players are advocating for a complete pushback on the full KYC requirement for small and medium merchants, while others propose applying it only to "high-risk merchants."
  - High-risk merchants are typically industries with a higher risk of fraud and chargebacks, such as gaming and crypto.
  - Some PAs are requesting an extension and division of timelines to complete due diligence of existing merchants based on risk levels, proposing a phased approach over 36 months.
- **Alternative Solutions:**
  - Suggestions include "Digital CPV" using technologies like geotagging and facial recognition to reduce costs and address traditional CPV limitations.
  - Some players propose allowing PAs to continue with third-party settlements, arguing that stopping this practice could disrupt small marketplaces that rely on PAs for these services.
- **RBI's Focus:**
  - Non-bank PAs are under scrutiny for lapses in due diligence, with instances of false KYC details and merchants involved in illegal activities. There were cases of merchants registered under one business but engaged in different activities like cryptocurrency transfer and betting.

5. RBI moots a 'digital-view' of loans to ensure transparency

Purpose:

- To enhance transparency in the digital lending space and address malpractices.

Key Provisions:

- Issued draft guidelines titled 'Digital lending – transparency in the aggregation of loan products from multiple lenders.'
- The identity of potential lenders may not be known to borrowers if a lending service provider (LSP) works with multiple lenders.
- Observed many LSPs have outsourcing arrangements with multiple lenders.

Digital View Requirements:

- Provide customers with detailed information about potential lenders.
- Information to include:
  - Names of regulated entities offering the loan.
  - Loan amount and tenor.
  - Annual percentage rate (APR).
  - Other key terms and conditions.
  - Link to the key facts statement (KFS) for each lender.

Content Guidelines:

- LSPs must display unbiased content and not promote products of a particular lender.
- Prohibit deceptive practices like dark patterns that mislead borrowers.

Feedback and Industry Response:

- RBI has invited public and industry comments on the draft guidelines by May 31, 2024.
- Digital lenders have welcomed the guidelines, emphasizing improved practices and faster growth.
  - Akshay Mehrotra, CEO of Fibe, highlighted the benefits of a digital view for informed decision-making and responsible borrowing.
  - Ankit Ratan, CEO of Signzy, emphasized the elimination of dark patterns for responsible lending.

Regulatory Commitment:

- RBI's guidelines aim to build a digital lending ecosystem based on trust and transparency.
- Strengthening the system with clear expectations and unbiased presentation.

Industry Impact:

- Promotes better practices and ensures responsible lending.
- Empowers customers to make informed decisions.
- Supports a collaborative approach in the digital lending industry.

<u>About LSPs (Lending Service Providers)</u>

1. **Role and Function:**
   - LSPs are third-party agents that collaborate with Regulated Entities (REs), such as banks and NBFCs, to facilitate various stages of the lending process.
2. **Regulatory Framework:**
   - LSPs in India, and in many other countries, operate under regulations set by the RBI. These regulations ensure transparency, fair practices, and consumer protection.
3. **Digital Operations:**
   - They often operate via digital platforms like apps, making loans more accessible.
4. **Examples:**
   - Paisabazaar, BankBazaar, CreditMantri, etc.
5. **Services Offered by LSPs:**
   - **Customer Acquisition:** Marketing products and analyzing customer data.
   - **Underwriting Support:** Verifying and assessing borrower creditworthiness.
   - **Pricing Support:** Helping REs determine appropriate interest rates and fees.
   - **Loan Disbursement:** Facilitating the loan disbursement process.
   - **Servicing:** Processing payments and addressing borrower queries.

    - **Monitoring:** Tracking loan performance.
    - **Collection and Recovery:** Managing collections and recovery strategies for overdue accounts.

6. RBI directs Talkcharge to stop PPI, wallet issuance; refund balances

- **Action Taken:**
    - The Reserve Bank of India (RBI) has instructed Talkcharge Technologies to stop issuing and operating its Prepaid Payment Instruments (PPIs) or wallets.
    - The company must refund the balances held in these wallets to customers by May 17, 2024.
- **Reason for Directive:**
    - The RBI observed that Talkcharge Technologies was issuing wallets without its permission.
- **Refund Order:**
    - The RBI directed the Gurugram-based firm to refund the prepaid amounts in the wallets to the customers in an order dated April 2, 2024.
- **Legal Notice to Customers:**
    - The company issued a legal notice to its customers, demanding the return of cashback and threatening to report non-compliance to the RBI.
- **Services Offered by Talkcharge:**
    - The fintech firm offers services such as cashbacks, coupons, and wallets to customers.
- **RBI Clarification:**
    - The RBI clarified that it only directed Talkcharge Technologies to refund the prepaid amount lying in the wallets to customers.
    - The regulator emphasized that the demand for repayment of cashback was not directed by the RBI.
- **Customer Advisory:**
    - The RBI urged customers to exercise caution when using websites or applications and loading money with unauthorized entities.
    - Customers should verify and ensure that the website/application or entity they are dealing with is authorized to carry out the activity it performs.

7. RBI directs all lenders to review their lending practices

- **Review and Corrective Actions:**
    - The Reserve Bank of India (RBI) has directed all lenders to review their practices related to the mode of loan disbursal, application of interest, and other charges.
    - Lenders must take corrective actions, including necessary system-level changes, to ensure fairness and transparency in customer dealings.
- **Reason for Directive:**
    - The directive follows instances of unfair practices in charging interest, identified during the RBI's onsite examination of lenders (regulated entities/REs) for the period ending March 31, 2023.
- **Types of Regulated Entities (REs):**
    - Commercial banks (including small finance banks, local area banks, and regional rural banks), excluding payments banks.
    - Co-operative banks.
    - Non-banking financial companies (including microfinance institutions and housing finance companies).
- **Unfair Practices Identified:**
    - Charging interest from the date of loan sanction or agreement execution, instead of the actual disbursement date.
    - Charging interest from the date of cheque issuance, even when the cheque is handed over to the customer days later.
    - Charging interest for the entire month instead of for the period the loan was outstanding, in cases of mid-month disbursal or repayment.
    - Collecting one or more installments in advance but charging interest on the full loan amount.
- **RBI's Emphasis:**
    - The RBI emphasized that these practices are inconsistent with fairness and transparency principles.
    - The central bank has advised REs to refund any excess interest and other charges to customers where such practices were found.
- **Encouragement for Online Transfers:**
    - The RBI encourages REs to use online account transfers instead of issuing cheques for loan disbursal.
- **RBI's Concern:**
    - The RBI considers these unfair practices to be serious concerns and is taking measures to address them through its supervisory teams.

8. RBI directs NBFCs to adhere to cash disbursal limit of Rs 20,000 for loans: Reports

- **Warning to Non-Bank Lenders:**
  - India's central bank has warned some non-bank lenders against disbursing cash loans exceeding the permissible limit of 20,000 rupees ($240).
  - This move aims to curb large cash payouts for loans against gold.
- **Regulatory Action:**
  - The advisory follows regulatory action against IIFL Finance, India's second-largest gold loan provider, for violating cash disbursal norms.
- **Growth in Retail Credit:**
  - Retail credit in India has been growing rapidly, with loans against gold tripling over the last four years.
  - A significant portion of these loans is being disbursed in cash.
- **Income Tax Rules:**
  - India prohibits lenders from disbursing cash loans exceeding 20,000 rupees, as per income tax rules.
  - Non-bank finance companies (NBFCs) have been circumventing this rule by having customers sign an indemnity for accepting liability against income-tax actions.
- **RBI's Response:**
  - The RBI is increasing vigilance against non-complying lenders to protect customer interests and avoid systemic risks.
  - The central bank reminded lenders of Section 269SS of the Income Tax Act, 1961, which prohibits cash loans over 20,000 rupees.
  - The RBI reiterated that no NBFC should disburse loans exceeding 20,000 rupees in cash.
- **Market Impact:**
  - Shares of gold-loan financiers Muthoot Finance and Manappuram Finance fell by up to 2.4% and 4.3%, respectively, following the advisory.
  - The RBI aims to limit the creation of 'black money' and close loopholes related to existing income tax rules.
- **Industry Pressure:**
  - Non-bank lenders offering gold loans face intense competition from smaller players, pushing them to take excessive risks, such as exceeding the cash disbursement limit.

9. Climate change can stoke inflation, stunt growth: RBI

- **Definition:**
  - An adjustment of the money supply in the economy by the Reserve Bank of India (RBI) to achieve a balance of inflation and output stabilization.

Climate Change Effects on Monetary Policy:

- **Impact on Inflation:**
  - Directly affects inflation through adverse weather events that disrupt agricultural production and global supply chains.
- **Impact on Natural Rate of Interest (NRI):**
  - Increasing temperatures and extreme weather events undermine productivity and lower potential output.
  - NRI is a real short-term interest rate that aligns with potential output and stable inflation.
  - It helps define the monetary policy stance (accommodative, neutral, or restrictive).
- **Impact on Financial Health:**
  - Affects the financial health of banks and other financial institutions, the value of assets, and the economic expectations of individuals and businesses.

Way Forward:

- **Green Taxonomy:**
  - Adopting a green taxonomy, a framework to assess sustainability credentials and rank economic activities.
- **Incorporating Climate Risk:**
  - Integrating climate risk into the modeling frameworks used for monetary policy.

10. RBI appoints Shri R. Lakshmi Kanth Rao as new Executive Director

- **Effective Date:**
  May 09, 2024
- **Previous Role:**
  Chief General Manager-in-Charge, Department of Regulation
- **Experience:**
  Over three decades at the Reserve Bank of India (RBI)
- **Areas of expertise:**
  - Regulation of Banks and NBFCs
  - Supervision of Banks
  - Consumer Protection
- **Roles held:**
  - Banking Ombudsman at RBI Chennai
  - Regional Director of Uttar Pradesh at Lucknow
  - Member of several Committees and Working Groups contributing to policy formulation
- **Responsibilities as Executive Director:**
  - Deposit Insurance and Credit Guarantee Corporation
  - Right to Information Act (First Appellate Authority)
  - Department of Communication
- **Educational Background:**
  - Bachelor's degree in Commerce
  - Master's degree in Business Administration (Finance) from Sri Venkateswara University, Tirupati
  - Diploma in TIRM (IIBF)
  - Certified Associate of IIBF

11. Launch of PRAVAAH, RBI Retail Direct Mobile Application and FinTech Repository

The Reserve Bank of India (RBI) launched three major initiatives

- Pravaah portal
- Retail Direct mobile app
- Fintech Repository

These initiatives are aimed at enhancing regulatory processes, facilitating retail investment, and providing comprehensive data on the fintech sector.

About Pravaah portal

It is a centralized, secure web-based platform that allows individuals or entities to apply online for regulatory approvals, licenses, and authorizations from the RBI. The portal includes 60 application forms across various regulatory and supervisory departments of the RBI, enabling applicants to track the status of their applications and receive timely decisions.

- **Key Features:**
  - Submit applications online directly through the portal.
  - Track and monitor the status of your application or reference.
  - Respond to any clarifications or queries raised by the RBI.
  - Receive decisions from the RBI within a specified timeframe.

About Retail Direct mobile app

Retail Direct Mobile App:

- **Purpose:**
  - Provides retail investors with a seamless and convenient way to transact in government securities (G-Secs) on their smartphones.
- **How to Use:**
  - **Download the App:**
    - Visit the Google Play Store (Android) or the Apple App Store (iOS) to download the RBI Retail Direct mobile app.
  - **Create an Account:**
    - Provide details like full name, PAN, mobile number, email address, and residential address to open a Retail Direct Gilt (RDG) account with the RBI.
  - **Access the Platform:**
    - Log into the app and select the 'primary market' option beside the dashboard to start transacting in government securities (G-Secs).
  - **Place Bids:**
    - Choose a security to bid on from the 'auction watch' and enter the bid amount in the 'bid entry' window.
  - **Fund Your Bids:**
    - Fund your bids either at the time of bidding or before the closure of the bidding/subscription window using services like UPI and Net Banking.
  - **Receive allotments:**
    - Based on auction results, individual investors will receive allotments either in full or partial based on the bidding process.

About FinTech Repository:

The FinTech Repository aims to enhance the RBI's understanding of the Indian fintech sector by providing comprehensive data on both regulated and unregulated fintech firms. This repository will support policymakers and industry participants by offering valuable insights into the fintech landscape.

12. RBI releases finalised framework for Indian fintech sector's self-regulatory body

- The Reserve Bank of India has finalized the framework for recognizing Self-Regulatory Organizations (SROs) for the fintech sector, incorporating feedback from stakeholders on its draft norms released on January 15.
- These SROs, led by the industry, will be tasked with establishing and enforcing regulatory standards, promoting ethical conduct, ensuring market integrity, resolving disputes, and fostering transparency and accountability among their members.
- Governor Shaktikanta Das had urged fintechs to create a self-regulatory body to address their needs and challenges in September, with a draft framework unveiled in January. The RBI envisions this SRO to be structured in a 'representative' manner, drawing upon collective expertise to develop pragmatic, adaptive, and widely accepted standards within the fintech community.
- SROs are mandated to encourage their members to align with regulatory priorities and facilitate communication with the regulator, i.e., the RBI. The guidelines also specify that no entity should hold 10% or more of its paid-up share capital. Additionally, the SRO may include fintechs domiciled outside India as its members.
- These guidelines emerge amidst rapid growth in India's fintech industry, driven by increasing demand for digital payments and loans, raising concerns about customer protection, data privacy, cybersecurity, and internal governance.
- Applicants seeking recognition as an SRO-FT by the RBI should have a minimum net worth of Rs 2 crore within a year after recognition or before commencing operations. They should represent the fintech sector with membership across entities of all sizes, stages, and activities, with the board and key managers possessing professional competence and integrity.
- The RBI states that the number of SRO-FTs to be recognized will depend on the number and nature of applications received, reserving the right to not grant recognition to any application.

13. RBI announces 8% interest on Floating Rate Bond 2034: All you need to know

- The Reserve Bank of India (RBI) has introduced a Floating Rate Savings Bond (FRSB) 2034 with an interest rate of 8%.
- Unlike traditional bonds with fixed interest rates, the interest rate on the FRSB 2034 will be adjusted every six months, based on the average yield of recent auctions for short-term government debt.
- The current interest rate for the next six months, from April 30, 2024, to October 29, 2024, is set at 8%.
- The 8% rate is determined by averaging the interest rates from the previous three auctions of short-term government debt, along with a small additional fixed amount of 0.98%.
- These bonds offer flexibility to investors, reflecting current market interest rates. They are considered suitable for conservative investors seeking assured returns.
- FRBs have a maturity period of seven years, with a minimum investment amount of Rs 1,000 and no maximum limit, backed by the government of India.
- Interest on FRBs is paid semi-annually on January 1 and July 1 each year, with no provision for cumulative interest payments.
- While FRBs offer capital protection, they lack inflation protection. Investors cannot trade or take loans against them, and premature encashment is subject to penalties for senior citizens after a minimum lock-in period.
- Conservative investors seeking assured returns may consider alternatives such as balanced mutual funds, bank fixed deposits, or company deposits.

14. RBI Annual Report 2023-24

- The Reserve Bank of India's (RBI) Annual Report 2023-24 has been released and presented to the Central Government under Section 53 (2) of the Reserve Bank of India Act, 1934.
- The Annual Report is a statutory report by RBI's central board of directors, detailing the working and functions of the Reserve Bank of India for the April 2023-March 2024 period.

- The main aim of the RBI's Annual Report is to inform the public about the goals RBI projected to achieve during the past year and what was actually accomplished.
- The report outlines the proposals planned for the coming year.
- It focuses on:
  - Sustainability of investment revival
  - Stable inflation
  - Global economic growth
  - Financial conditions
  - Policy measures
  - Regulatory developments
  - Important aspects of the economy

<u>**Key highlights of the report presented in bullet points:**</u>

RBI forecasts the Real GDP growth at 7% for the current fiscal year 2024-25:

- RBI in its Annual Report has shown that the Indian economy is likely to grow at 7 percent for 2024-25. This will be the third successive year of 7 percent or above growth.
- The economy's real GDP growth increased to 7.6 percent from 7.0 percent in 2023-24.
- The Gross Fixed Capital Formation (GFCF) increased to 10.2 percent in 2023-24 from 6.6 percent in 2022-23, showing investment as the major contributor of domestic demand backed by government spending on infrastructure.
- Headline inflation softened to 5.4 percent during 2023-24 from 6.7 percent in the previous year.

Global Economic Environment:

- The global economy demonstrated resilience despite facing challenges such as elevated inflation, tight monetary conditions, geopolitical tensions, and financial stability risks.
- Global growth is expected to weaken below its historical average in 2024, with varied outcomes across different geographies and sectors.
- Inflation decreased but remained above target levels in major economies, with persistent core and services inflation and tight labor markets hindering further disinflation.
- Emerging market economies (EMEs) started rate-cutting cycles, while major advanced economies (AEs) began pivoting towards rate cuts amidst inflationary pressures.

RBI's FY24 Income Rises 17% to Rs. 2.75 Lakh Crore; Expenditure Declines by 56%:

- The RBI Annual Report indicated a 17% increase in FY24 income, reaching Rs. 2,75,572.32 crore. Conversely, expenditure decreased by 56.3% to Rs. 64,694.33 crore from Rs. 1,48,037.04 crore in FY2023.
- The size of the RBI's balance sheet grew by 11%, rising to Rs. 70.47 lakh crore from Rs. 63.44 lakh crore in FY23.

- The increase in assets was driven by a rise in foreign investments, gold, and loans and advances, while the expansion on the liabilities side was due to an increase in notes issued, deposits, and other liabilities.

Net Income Increases to ₹2.11 Lakh Crore Due to Higher Interest from Foreign Securities:

- RBI's Annual Report indicated a rise in net income to ₹2.11 lakh crore (17%) for the financial year 2024, up from ₹87,420 crore in FY23.
- The Reserve Bank of India earned ₹83,616 crores from foreign exchange transactions, while interest income from foreign securities increased to ₹65,328 crore.
- The RBI allocated ₹42,800 crore to the contingency fund for FY24, with no provisions made for the Asset Development Fund (ADF).
- The increase in assets was attributed to rises in foreign investments, gold, and loans and advances by 13.90%, 18.26%, and 30.05%, respectively.
- As of March 31, 2024, the central bank's domestic assets comprised 23.31%, while foreign currency assets, gold (including gold deposits and gold held in India), and loans and advances to financial institutions outside India accounted for 76.69% of total assets. This is compared to 26.08% and 73.92%, respectively, as of March 31, 2023.

Regulatory and Supervisory Developments:

- Issued several guidelines to enhance governance, risk management practices, and capital buffers.
- Guidelines included:
  - Default loss guarantee in digital lending.
  - Framework for compromise settlements and technical write-offs.
  - Prudential norms for investment portfolios of commercial banks.
- Actively engaged with supervised entities to ensure compliance with governance and assurance functions.
- Conducted comprehensive onsite cyber risk assessments.

₹27,031 Crore of Sovereign Gold Bonds Purchased in FY24:

- Investors purchased a total of ₹27,031 crore worth of Sovereign Gold Bonds in 2023-24, which is four times the amount purchased in 2022-23.
- The bonds bought by investors in 2023-24 represented 44.34 tonnes of gold, compared to 12.26 tonnes in 2022-23.
- Since the inception of the Sovereign Gold Bond (SGB) scheme in November 2015, a total of ₹72,274 crore (146.96 tonnes) has been raised through 67 tranches.
- SGBs are issued in denominations of one gram of gold and multiples thereof. The minimum investment is one gram, with a subscription limit of 4 kg for individuals, 4 kg for Hindu Undivided Families (HUFs), and 20 kg for trusts and similar entities, as notified by the government from time to time per fiscal year (April – March).

Financial Inclusion and Digitalisation:

- The Financial Inclusion Index (FI-Index) improved from 56.4 in March 2022 to 60.1 in March 2023, indicating increased financial inclusion.
- Growth in online retail and e-commerce boosted overall card transactions, with notable expansion in the Bharat Bill Payment System (BBPS).
- The UPI platform achieved a significant milestone, exceeding 13 billion transactions in a single month in March 2024.
- Enhancements in various payment systems included:
  - Introduction of near field communication (NFC) technology in UPI-Lite.
  - Launch of 'Conversational Payments' on UPI to facilitate user access and convenience.

Monetary Penalties Imposed by RBI Doubled to ₹86.11 Crore in FY24:

- The monetary penalties imposed by the RBI on regulated entities (REs) doubled to ₹86.11 crore in FY24, up from ₹40.39 crore in FY23, due to non-compliance with provisions and directives issued by the RBI.
- In FY24, the central bank imposed monetary penalties on 281 REs, including public sector banks, private sector banks, foreign banks, payments banks, small finance banks, regional rural banks, co-operative banks, Non-Banking Financial Companies (NBFCs), Credit Information Companies (CICs), and Housing Finance Companies (HFCs), compared to 211 in FY23.

Counterfeit Notes Detected at RBI Increased in the Financial Year 2023-24:

- The number of counterfeit notes detected at RBI rose to 17,613 pieces in FY 2023-24, compared to 10,465 pieces detected in FY23.
- The total number of counterfeit notes detected stood at 2,22,639 pieces, with 2,05,026 pieces detected at other banks and 17,613 pieces detected at the RBI.
- Of the total Fake Indian Currency Notes (FICNs) detected, 7.9% were detected at the RBI. These were found in denominations of Rs 10, Rs 20, Rs 50, Rs 100, and Rs 500, which saw a decline during 2023-24, while the detection of Rs 200 denomination notes increased marginally.

A Total of 36,075 Cases of Bank Frauds Reported in FY24:

- The report indicated that the number of bank fraud cases increased by 166%, rising to 36,075 from the 13,564 cases reported in FY23.
- The amount involved in bank frauds decreased by 46.7% year-on-year to Rs 13,930 crore in FY24.
- The majority of fraud cases occurred in the digital payments category, while fraud cases in the loan portfolio (under the advances category) were the primary source of financial loss.

- The RBI announced plans to establish a cyber range in FY25 to enhance the cyber incident response capabilities of banks. Additionally, supervisory capabilities will be augmented through a suite of supervisory technology data tools focused on micro-data analytics and other use cases involving artificial intelligence and machine learning under the Utkarsh 2.0 platform.

Prospects for 2024-25:

- The outlook for the Indian economy remains positive, supported by strong macroeconomic fundamentals, robust financial and corporate sectors, and a resilient external sector.
- The government's continued focus on capital expenditure and fiscal consolidation, combined with consumer and business optimism, is expected to boost investment and consumption demand.
- The prospects for agriculture and rural activity are favorable, driven by the expected above-normal southwest monsoon and government initiatives to support the agriculture sector.
- Emerging sectors such as renewable energy and semiconductors are expected to progress rapidly, backed by government initiatives and budget allocations.