

MONETARY & CREDIT INFORMATION REVIEW

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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 March 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

Yogesh Dayal
Editor

I. Regulation

Integrated Ombudsman Scheme 2021

The Reserve Bank noticed misinformation being spread through certain sections of social media about the Reserve Bank - Integrated Ombudsman Scheme 2021 (RB-IOS). These messages are conveying to public at large to lodge their complaints against entities regulated by the Bank through third parties for a charge/fee or otherwise for early redress of grievances.

The Reserve Bank on March 9, 2022, clarified that the Bank does not have any such arrangement with any entity for redress of grievances against the regulated entities (REs). The Bank has laid down a cost-free grievance redress mechanism under RB-IOS which does not involve payment of fees or charges in any form or manner. Customers having grievances against REs for deficiency in services, which is not redressed satisfactorily or in a timely manner by the REs, can directly lodge their complaint on the complaint management system (CMS) portal (<https://cms.rbi.org.in>) or by e-mail at crpc@rbi.org.in or in physical mode at the centralised receipt and processing centre set up at the Reserve Bank, 4th Floor, Sector 17, Chandigarh - 160017. To read more, please click [here](#).

Regulation of Share Capital and Securities

The Reserve Bank on March 8, 2022, reviewed the provisions of Section 12 read with Section 56 of the amended Banking Regulation Act, 1949. Accordingly, Primary (Urban) Co-operative Banks (UCBs) are permitted to raise share capital, by way of (i) issue of shares to persons within their area of operation, in accordance with the provisions of their bye-laws, and (ii) issue of additional shares to the existing members. To read more, please click [here](#).

Master Directions/Circulars

The Reserve Bank of India released the following master circulars and master directions in the month of March 2022:

Sr No.	Particulars	Release Date
1)	Interest Equalization Scheme on Pre and Post Shipment Rupee Export Credit - Extension	March 08, 2022
2)	Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022	March 14, 2022
3)	Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2021 - Amendment	March 23, 2022
4)	Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2021 - Amendment	March 31, 2022
5)	Bilateral Netting of Qualified Financial Contracts	March 31, 2022

II. Payment and Settlement Systems

Reserve Bank Innovation Hub

Shri Shaktikanta Das, Governor inaugurated the Reserve Bank Innovation Hub (RBIH) on March 24, 2022, in Bengaluru. The Reserve Bank set up the RBIH as a Section 8 company under the Companies Act, 2013, with an initial capital contribution of ₹100 crore to encourage and nurture financial innovation in a sustainable manner through an institutional set-up.

The Hub has an independent Board with Shri Senapathy (Kris) Gopalakrishnan as the Chairman and other eminent persons from industry and academia as members. RBIH aims to create an ecosystem that focuses on promoting access to financial services and products for the low-income population in the country. This is in line with the objective behind the establishment of RBIH to bring world-class innovation to the financial sector in India, coupled with the underlying theme of financial inclusion. To read more, please click [here](#).

Digital Payments (DigiSaathi)

To address the queries of digital payment users, the Reserve Bank on March 8, 2022, launched two key initiatives namely,

- (1) UPI123Pay – Option to make Unified Payments Interface (UPI) payments for feature phone users, and
- (2) DigiSaathi - a 24x7 Helpline.

Shri Shaktikanta Das, Governor, while launching the two initiatives highlighted the importance of these initiatives and stated that the Reserve Bank stands committed to providing an enabling environment for digital innovations in the country. To read more, please click [here](#).

Geo-Tagging of Payment System

The Reserve Bank on March 25, 2022, released the framework for geo-tagging of payment system touchpoints to deepen digital payments and provide inclusive access to all citizens of the country. Geo-tagging of payment system touchpoints will enable proper monitoring of availability of payment acceptance infrastructure like points of sale (PoS) terminals, quick response (QR) codes, and such monitoring will support policy intervention to optimise the distribution of payment infrastructure. To read more, please click [here](#).

Payment and Settlement Systems Regulations, 2008 - Amendment

The Reserve Bank, on March 17, 2022, in the exercise of the powers conferred by sub-section (1) read with clauses (b) to (f) of sub-section (2) of section 38 of the payment and settlement systems act, 2007 (51 of 2007), carried out amendments to regulation 5, regulation 6 (2) and the 'schedule' to regulation 5 of the payment and settlement systems regulations, 2008 (PSS Regulations). The amendments are carried out with the objective of reducing the compliance burden on Regulated Entities (REs) by rationalising certain returns prescribed in the PSS Regulations. To read more, please click [here](#).

III. Currency Management

Learning and Development Centre

Shri Shaktikanta Das, Governor laid foundation stone for the establishment of a Learning and Development Centre of the Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL), a wholly-owned subsidiary of the Reserve Bank on March 28, 2022, in Mysuru. Governor, in his address, highlighted the importance of setting up such centre, which will facilitate human resource capacity building in the currency production ecosystem of the country and emerge as a global centre of excellence. To read more, please click [here](#).

Varnika Ink Manufacturing Unit

Shri Shaktikanta Das, Governor, on March 28, 2022, dedicated Varnika, the Ink Manufacturing Unit of BRBNMPL, to the nation in Mysuru. Governor, in his address, recognised the substantial progress made towards achieving self-reliance in banknote production ecosystem in India. He emphasised the importance of continuously building capacity in terms people, process, and technology; research and development and innovation to achieve 100 per cent self-sufficiency in banknote manufacturing in the near future. This is in line with India's march towards achieving complete self-reliance in printing banknotes. To read more, please click [here](#).

IV. Financial Stability

NaBFID – All India Financial Institution

The Reserve Bank on March 9, 2022, announced that the National Bank for Financing Infrastructure and Development (NaBFID) has been set up as a Development Financial Institution to support the development of long-term infrastructure financing in India. NaBFID shall be regulated and supervised as an AIFI by the Reserve Bank under Sections 45L and 45N of the Reserve Bank of India Act, 1934. To read more, please click [here](#).

V. Supervision

Paytm Payments Bank Ltd

The Reserve Bank on March 11, 2022, in the exercise of its powers, *inter alia*, under section 35A of the Banking Regulation Act, 1949, directed Paytm Payments Bank Ltd. to stop the onboarding of new customers with immediate effect. The bank has also been directed to appoint an IT audit firm to conduct a comprehensive system audit of its IT system. Onboarding of new customers by Paytm Payments Bank Ltd. will be subject to specific permission to be granted by the Reserve Bank after reviewing a report of the IT auditors. To read more, please click [here](#).

VI. Consumer Education and Protection

BE(A)WARE – A Booklet

The Reserve Bank on March 7, 2022, released a booklet, "BE(A)WARE" on the common modus operandi used by fraudsters and precautions to be taken while carrying out various financial transactions. The booklet aims to enhance public awareness about various types of financial fraud while carrying out digital payments. To read more, please click [here](#).

VII. Foreign Exchange Management

Financial Action Task Force (FATF)

As a part of the ongoing efforts to identify and work with jurisdictions with strategic Anti-Money Laundering (AML)/Combating of Financing of Terrorism (CFT) deficiencies, FATF plenary on March 16, 2022, released documents titled “High-Risk jurisdictions subject to a Call for Action” and “Jurisdictions under Increased Monitoring” with respect to jurisdictions that have strategic AML/CFT deficiencies. The detailed information is available in the updated public statements and document released by FATF on March 04, 2022. To read more, please click [here](#).

Line of Credit to Sri Lanka and Guyana

The Reserve Bank on March 9, 2022, issued directions to all Category-I authorised dealer banks that Export-Import Bank of India (Exim Bank) has entered into an agreement with the Government of the Democratic Socialist Republic of Sri Lanka, for making available to the latter, Government of India supported Line of Credit (LoC) of USD 500 million for the purpose of financing purchase of petroleum products from India. Exim Bank has also entered into an agreement with the Government of Cooperative Republic of Guyana, for making available to the latter, Government of India supported LoC of USD 7.29 million for the purpose of procuring and installing 30,000 Solar Home Lighting Systems in the Hinterland Communities in Guyana. To read more, please click [here](#) and [here](#).

VIII. RBI Publications

RBI Working Paper

The Reserve Bank published two publications under its working paper series in the month of March 2022.

i) The first working paper titled, “[Saving Banks from a Black Swan: Options and Trade-offs](#)” is authored by Saurabh Ghosh, Pawan Gopalakrishnan, and Abhishek Ranjan. This paper looks at the role of capital infusions as they provide a cushion to banks against adverse shocks that could result in large defaults. It evaluates the efficacy of capital infusions under different scenarios that include sticky or flexible deposit rates. To read the full working paper, please click [here](#)

ii) The second working paper titled “[Concentration, Competition and Soundness of the Banking System in India](#)” is authored by Pradip Bhuyan. This paper examines certain important aspects of market concentration, competition and soundness of banks in India during the period 1994-95 to 2019-20. The paper finds that the banking system in India was not characterized by a high degree of market concentration during the period under study. The paper upholds both the competition-stability as well as competition-fragility views for banks in India depending upon how the given bank is placed with respect to the estimated threshold. To read the full working paper, please click [here](#)

RBI Occasional Papers

The Reserve Bank on March 29, 2022 Vol. 42, No.1, 2021 published occasional papers (OP) having articles on;

i) *Green Swans and their Economic Impact on Indian Coastal States*

Saurabh Ghosh, Sujata Kundu and Archana Dilip examined the impact of green swan events (climate-related risk events like cyclones, floods and droughts) on an array of macroeconomic indicators, such as output growth, agricultural productivity, inflation, tourism, fiscal parameters, and cost of borrowing. The study highlights that the green swan events could be an important source of risk to price stability, growth, and financial stability, and thus, suggests strengthening disaster management capabilities, incentivising green projects and green finance, and undertaking scenario analyses for effective policy preparedness.

ii) *Alternative Inflation Forecasting Models for India –What Performs Better in Practice?*

Jibin Jose, Himani Shekhar, Sujata Kundu, Vimal Kishore and Binod B. Bhoi developed a suite of inflation forecasting models – autoregressive integrated moving average (ARIMA), structural vector autoregression (SVAR) and Phillips Curve (PC) models – at the aggregate and disaggregated levels on quarterly consumer price index (CPI) data for India from 1996-97:Q1 to 2019-20:Q4. Based on out of sample forecast performance, the authors find that seasonal ARIMA models outperform others for one-quarter ahead horizon. PC based models, however, outperform others in four quarters ahead horizon at disaggregated levels, validating the utility of disaggregated level analysis of inflation in India. While SVAR models do not score well on forecasting performance, they provide useful insights for evaluating the impact of different shocks on inflation.

iii) *Monetary Policy Transmission Through the Lens of Monetary Conditions Index (MCI) for India*

Manu Sharma, Arvind Kumar Jha, Anoop K. Suresh and Bikash Maji attempted to broaden the conventional concept of the Monetary Conditions Index by including bank credit and stock prices, apart from the usual short-term interest rate and exchange rate, to approximate all four major channels of monetary policy transmission. Their MCI tends to broadly capture the expansionary/contractionary phases of monetary policy in India during the past two decades, including episodes of crisis. The constructed MCI works not only as a suitable coincident indicator for assessing the stance of monetary policy but also as a leading indicator for forecasting inflation.

iv) *OTC Derivatives in Emerging Market and Developing Economies: The Role of Global Liquidity and Regulatory Reforms*

Rajib Das, Narayan Chandra Pradhan and Rajat Malik examined the impact of the post-Global Financial Crisis liquidity conditions and the implementation of financial sector regulatory reforms on the ‘over-the-counter’ (OTC) derivatives on market activity in select emerging market and developing economies (EMDEs). They found that the liquidity glut, especially of USD liquidity, provided an impetus to trading volumes in the OTC derivatives markets of the EMDEs; regulatory reforms had a generally favorable impact on the OTC trading volumes, particularly on the impact on the OTC trading volumes, particularly on the

OTC foreign exchange derivatives contracts; though some of the individual elements of reforms increased compliance burden.

The OP also comprises of two book reviews on;

- i) The Deficit Myth: Modern Monetary Theory and How to Build a Better Economy by Stephanie Kelton
- ii) Quantitative Social Sciences: An Introduction by Kosuke Imai. To read more, please click [here](#).

IX. Data Releases

Important data released by the Reserve Bank in the month of March 2022 are as follows:

Sr. No.	Title
1)	Data on India's International Trade in Services for the month of January 2022
2)	Data on ECB/FCCB/RDB for January 2022
3)	Overseas Direct Investment for February 2022
4)	Lending and Deposit Rates of Scheduled Commercial Banks for the month of March 2022
5)	India's International Investment Position (IIP), December 2021
6)	India's Balance of Payments during October-December 2021

X. RBI Bulletin

The Reserve Bank released its monthly Bulletin on March 17, 2022. The Bulletin includes two speeches, five articles, and current statistics. The five articles are:

i) *State of the Economy*

The ongoing geopolitical crisis has heightened the uncertainty clouding the global macroeconomic and financial landscape even as the world economy struggles to recover from the pandemic. As the conflict escalates, oil and other commodity prices are blazing to multi-year highs, and financial markets are on edge, driven by massive sell-offs. Amidst these testing times, the Indian economy is experiencing spillovers as it recovers from the third wave of the pandemic. Consumer and business confidence are rising alongside improvement in demand conditions. On the supply side, a resilient farm sector and a sustained retrieval in both industrial and services sectors are broadening the recovery.

ii) *Union Budget 2022-23: Some Pleasant Fiscal Arithmetic*

This article presents an assessment of the Union Budget 2022-23, which calibrates the thrust to growth with feasible fiscal rectitude.

iii) *Green Transition Risks to Indian Banks*

This article examines how the banking sector may be impacted by the transition to a net-zero carbon emission target. It examines banks' exposure to industries that are likely to face high adjustment costs because of this transition and the associated spillover risks.

iv) *Decoding Fair Value Hierarchy in Ind AS Financial Statements of NBFCs*

This article examines a couple of financial statements of NBFCs with a view to understanding how assets/liabilities are recognised, measured and disclosed at their fair values. In the process, the article attempts to delineate the precise differences between various fair value hierarchies on one hand and possible overlaps among them, on the other.

v) *Herd Behaviour - Does it exist in Indian Stock Market*

This article examines the herd behaviour in the Indian stock market for the period January 2019 to March 2020. Most widely used methodology namely, cross-sectional absolute deviation is used for testing the herding behaviour. To read the Bulletin, please click [here](#).

XI. Meetings of Monetary Policy Committee

The Reserve Bank on March 30, 2022, announced the dates of meetings of the Monetary Policy Committee for 2022-23 which are as below:

Schedule of Meetings of Monetary Policy Committee for 2022-23

April 6 - 8, 2022

June 6 - 8, 2022

August 2 - 4, 2022

September 28 - 30, 2022

December 5 - 7, 2022

February 6 - 8, 2023

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I, Yogesh Dayal, hereby declare that the particulars given above are true to the best of my knowledge and belief.

Sd/-
Yogesh Dayal
Signature of Publisher
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