



RBI's Monetary Policy

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In its third bi-monthly policy statement of the current financial year (FY- 2019-20), the Reserve Bank of India's **Monetary Policy Committee (MPC)** has cut the repo rate for the fourth time in a row.

- The MPC slashed repo rate by 35 basis points to 5.40%, the lowest in over nine years.
- The MPC also revised downwards the GDP growth for FY20 from 7% in the **June policy** to 6.9% in August in the range of 5.8-6.6% for the first half of FY20 and 7.3-7.5% for the second half—with risks somewhat tilted to the downside.
- All this has been done to **support the sluggish economic growth and to stimulate aggregate demand.**

Other Decisions taken by the RBI

- The **RBI** has decided to allow **round-the-clock fund transfers through NEFT** from December 2019 in order to promote digital transactions.
 - Currently, the National Electronic Funds Transfer (NEFT) operated by the RBI as a retail payment system is available for customers from 8 a.m. to 7 p.m. on all working days with the exception of the second and fourth Saturdays of the month.
 - The NEFT system is used for fund transfers up to ₹2 lakh.
 - Earlier in its June Monetary Policy, **the RBI had done away with charges on fund transfers through RTGS and NEFT** routes to boost digital transactions and asked banks to pass on the benefits to customers.
 - The Real Time Gross Settlement System (RTGS) is meant for large-value instantaneous fund transfers.

- It has allowed the **National Payments Corporation of India (NPCI)** operated **Bharat Bill Payment Service (BBPS)** hub to **enable payments for all recurrent billers** (except prepaid recharges). At present, it is available only for DTH services, electricity, gas, telecom and water bills. Allowing all billers to plug into BBPS would mean that all payment providers will be able to offer customers anytime, anywhere payment services for every biller from their own sites or locations.
 - The Bharat bill payment system is a Reserve Bank of India (RBI) conceptualised system driven by National Payments Corporation of India (NPCI). It is a **one-stop ecosystem for payment of all bills** providing an interoperable and accessible “Anytime Anywhere” bill payment service to all customers across India with certainty, reliability and safety of transactions.
 - It has multiple modes of payment and provides instant confirmation of payment via an SMS or receipt.
- The RBI also proposed **creation of a central payment fraud registry** that will track banking fraud. At present, there is a **Central Fraud Monitoring Cell** of the central bank.
 - Currently, RBI has a mechanism in place for banks to report all banking frauds to the Central Fraud Monitoring Cell of the Reserve Bank. The **proposed registry extend the platform to all payments operators**.
 - **Payment system companies will be provided access to the registry for near-real time fraud monitoring** and the aggregated fraud data will be published to educate customers on emerging risks. A detailed framework in this regard will be put in place by the end of October.
 - Risk monitoring and management involving **fraudulent activities in digital payments** is imperative, considering the massive growth of the industry, including infrastructure, volume and value of transactions.
- **For Non Banking Financial Companies (NBFCs):** The central bank has decided to raise a bank’s exposure limit to a single **NBFC** to 20% of its Tier-I capital from 15% earlier. The hike will enable banks to increase the credit flow to big NBFCs.

This measure is pertinent at a time when lending activity by many NBFCs have declined significantly, resulting in demand slowdown for a range of items including cars, tractors, white goods among others.

Source: Tol