



# IBS VIGYAN

## VISIONING BANKERS



### Evangelistically Speaking

**Dear Stakeholders,**

As the RBI Governor announced a 50 basis points cut in Policy repo rate on 6<sup>th</sup> June and followed up with a surprise cut in CRR by 100 bps that would infuse about ₹ 2.50 lakh crores of liquidity in stages by December 2025, my heart went out to compliment Dr Soumya Kanti Ghosh, Group Chief Economic Advisor at SBI for having made the correct prognosis through his newsletter "Ecowrap" and following up with a beautiful explanation, post policy, recalling economist Lucas's unanticipated surprise theory.

Robert Lucas's Unanticipated Surprise Theory, developed in the 1970s, revolutionized macroeconomic thought by emphasizing the role of expectations in economic outcomes. Lucas argued that people form expectations rationally, using all available information, which challenged traditional Keynesian models that assumed static or adaptive expectations.

Central to Lucas's theory is the idea that only unanticipated changes in monetary policy can influence real economic variables like output and employment. If policymakers attempt to exploit the Phillips Curve trade-off between inflation and unemployment through expansionary policies, but people anticipate this, their expectations adjust. Wages and prices rise accordingly, neutralizing the real effects of the policy. Thus, anticipated inflation does not reduce unemployment.

Lucas introduced the concept within a "Lucas supply function," where output depends on the difference

between actual and expected price levels. If prices rise unexpectedly, firms misinterpret this as a relative increase in demand for their goods, temporarily increasing production and employment. Once expectations catch up, output returns to its natural level.

This theory laid the foundation for the New Classical school of thought and had profound implications for policy, suggesting that systematic monetary policy is ineffective in influencing real variables—only surprises matter. It marked a pivotal shift toward rules-based economic policy.

Let me also compliment the RBI Governor for relying on such surprise actions to steer monetary policy in a complementary fashion to fiscal policy and anticipate responses from the government to be aligning with growth objectives.

The certification examinations of IIBF are under way. The initial responses from candidates reflect that the Institute has set high standards in professional upskilling and demands extremely diligent preparation from the career aspirants. Let me compliment the successful candidates too.

Looking forward to a sustaining engagement with all.

**Sincerely yours**

**Satheesh Kumar. S**  
**Managing Director**

## Curated Cube

On May 8, 2025, the Reserve Bank of India (RBI) issued the Reserve Bank of India (Digital Lending) Directions, 2025, a comprehensive framework aimed at consolidating and enhancing the regulatory landscape for digital lending in India. The Directions apply to all digital lending activities conducted by Regulated Entities (REs), encompassing commercial banks, co-operative banks, Non-Banking Financial Companies (NBFCs), including Housing Finance Companies, and All-India Financial Institutions. They also extend to Lending Service Providers (LSPs) engaged by REs for digital lending functions.

### Key Provisions

**1. Transparency in Multi-Lender Platforms:** The Directions introduce guidelines to enhance transparency in loan aggregation platforms involving multiple lenders. Borrowers must be clearly informed about the involvement of each lender, the terms of their respective loans, and the role of the LSPs facilitating these arrangements.

**2. Public Directory of Digital Lending Apps (DLAs):** To combat the proliferation of unauthorized lending apps, the RBI mandates REs to report details of their DLAs through the Centralised Information Management System (CIMS) portal. This information will populate a public directory, enabling consumers to verify the legitimacy of DLAs.

**3. Default Loss Guarantee (DLG) Framework:** The Directions reaffirm the cap on DLG arrangements at 5% of the underlying loan portfolio. Such arrangements must be backed by legally enforceable contracts and should not influence the classification of Non-Performing Assets (NPAs) or capital adequacy calculations.

**4. Enhanced Consumer Protection:** REs and their LSPs are required to provide borrowers with comprehensive disclosures, including Key Fact Statements (KFS), Annual Percentage Rates (APR), and detailed grievance redressal mechanisms. LSPs must appoint dedicated Grievance Redressal Officers to address consumer complaints effectively.

**5. Data Privacy and Governance:** The Directions emphasize stringent data governance practices. REs must ensure that LSPs adhere to robust data privacy standards, safeguarding borrower information against misuse.

### Conclusion

The RBI's Digital Lending Directions, 2025, signify a pivotal step towards fostering a transparent, secure, and consumer-centric digital lending ecosystem in India. By consolidating existing regulations and introducing targeted enhancements, the Directions aim to balance innovation in digital finance with robust consumer protection and systemic integrity.

*(Cube gives a third dimension in geometry. Curated Cube endeavors to conflate events in the market over the past month.)*

### JAIB/CAIB NEW BATCH NOV/DEC 2025 - COMMENCING SOON

**DATE OF COMMENCEMENT - JAIB - 23 JUNE 2025, CAIB - 09 JULY 2025**

Zoom platform live classes, Recorded sessions, Online Mock Tests, Whatsapp interaction, Telegram support & Study materials

## FOURTH PILLAR

**OPERATION TWIST:** Operation Twist is a monetary policy tool used by central banks to influence interest rates by simultaneously buying and selling government bonds. Specifically, it involves selling short-term bonds and buying long-term bonds, aiming to lower long-term interest rates and stimulate borrowing and investment. This action "twists" the yield curve, hence the name. The primary goal is to flatten the yield curve, making it less steep, and to influence the overall interest rate environment. This can encourage borrowing and investment, potentially stimulating economic growth.

**FACTORING TRANSACTIONS ELIGIBILITY UNDER PRIORITY SECTOR:** 'With Recourse' factoring transactions carried out by banks (not applicable to RRBs & UCBs), where the assignor is a MSME unit, are now eligible for classification under MSME category under Priority Sector. Factoring transactions pertaining to MSMEs carried out through the Trade Receivables Discounting System (TReDS) shall also to be classified under Priority Sector Advance.

**DISPENSATION OF ₹100 & ₹200 CURRENCY NOTES THROUGH ATMs:** These two denomination notes are most frequently used by Indian public, so as a part of enhancing public access to such notes, RBI has decided that all banks as well as White Label ATM operators shall ensure that their ATMs dispense ₹100 & ₹200 notes on a regular basis which should be achieved by them in a phased manner as; (i) 75% of all ATMs shall dispense either ₹100 or ₹200 notes from at least one cassette by 30<sup>th</sup> Sept. 2025, and (ii) 90% of all ATMs shall dispense either ₹100 or ₹200 notes from at least one cassette by 31<sup>st</sup> Mar. 2026.

**NOW 8% INTEREST PAYABLE BY BANKS ON DELAYED PAYMENT OF CENTRAL GOVT. PENSION TO PENSIONERS:** RBI has mandated that the Agency Banks who are responsible for disbursing pensions to Central Govt. retired persons must have to compensate the pensioners for any delay in payment of pension to them @8% p.a. rate. The circular has been issued to ensure that the agency banks credit the pensions in a timely manner. The pensions include - superannuation pensions, family pensions and also other retirement benefits to the pensioners.

### SHARP RISE IN CREDIT CARD NPA IN INDIA:

Credit card is one of the most popular payment systems over the globe which offers convenience, flexibility as well as reward points to the users. The rapid popularity in India is now showing trouble as the NPA in credit card dues is soaring up like never before. The Credit card NPA has increased by 28.42% in a year from December 2023 (₹5250 Crore) to December 2024 (₹6742 Crore) which shows an incremental NPA amount of ₹1492 crore. The total outstanding dues as on Dec 2024 is ₹2.92 Lakh Crore of which 2.3% constitute NPA. The sudden rise of NPA in credit cards is alarming as there is an overall decline in the NPAs of the banks as whole during the period in contrast to NPA in Credit cards.

### COMMON MANDATORY GUIDELINES FOR BANKS

**- PRIORITY SECTOR ADVANCE:** Every bank in India should comply the following common guidelines for all categories of advances under Priority Sector. (i) Rate of Interest - All rate of interest should be guided by the directives issued by Department of Regulations of RBI from time to time; (ii) Service Charges - No loan related and/or ad hoc service charges should be levied on loans up to ₹50000 (earlier limit was ₹25000) under priority sector; (iii) Receipt of Sanction/Disbursement/Rejection Register: A register/electronic record should be maintained by the banks where the details of receipt of application, sanction, disbursement or rejection with reasons thereof which should be made available to all inspecting agencies; (iv) Issuance of acknowledgement of loan applications: All banks should provide acknowledgement for loan applications received under priority sector loans. Each bank's board should prescribe a time limit within which the bank communicates its decision in writing to each applicant.

*(Fourth Pillar strives to position beyond the three pillars of Basel and is culled from the Four Estates)*

## INQUISITIVELY SPEAKING

1. In the draft guidelines of amended Liquidity Coverage Ratio framework, RBI has proposed a .... % additional run-off factor for Retail deposits with digital banking facilities such as Internet Banking, Mobile Phone Banking and UPI, to enhance banks' liquidity resilience by accounting for the increased risk of rapid withdrawals associated with digital banking channel.

- a) 1.5                      b) 2.0                      c) 2.5                      d) 5.0

2. RBI has authorized the National Payments Corporation of India to revise transaction limits for UPI Person-to-Merchant (P2M) payments, with some categories capped at ₹... Lakh and others at ₹.... Lakh, thereby providing greater flexibility to accommodate evolving user needs and merchant use cases.

- a) 1, 2                      b) 2, 3                      c) 2, 4                      d) 2, 5

3. The Reserve Bank of India has revised the Priority Sector Lending (PSL) targets for Urban Co-operative Banks (UCBs), effective from April 1, 2025. The overall PSL target for UCBs has been adjusted to \_\_\_\_% of their Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off-Balance Sheet Exposures (CEOBE), whichever is higher.

- a) 40                      b) 50                      c) 60                      d) 75

4. On April 9, 2025, RBI launched the \_\_\_\_\_ initiative, aimed at enhancing public and stakeholder participation in policy formulation. This initiative represents a proactive step toward fostering a more

consultative regulatory environment. It invites members of the public, academia, and other stakeholders to contribute ideas, feedback, and suggestions - through various formats such as case studies, concept notes, and more.

- a) PRAVAAH                      b) Connect2Regulate  
c) Digital India for Empowerment  
d) Empowerment through Digital India

5. All cross-border wire transfers of more than ₹.... Lakh or its equivalent in foreign currency either originating or received by Indian Banks should be reported to Financial Intelligence Unit of India.

- a) 5                      b) 7.50                      c) 10                      d) 20

6. Banks in India are required to allocate at least .... % of their average net profits from the preceding 3 years for the purpose of Corporate Social Responsibility.

- a) 10                      b) 5                      c) 2.5                      d) 2

### ANSWER KEY

- 1.c      2.d      3.c      4.b      5.a      6.d**

## Stretch n Speak

**EASE:** Enhanced Access and Service Excellence

**GMS:** Gold Monetization Scheme

**SSAF:** Securitization of Stressed Assets Framework

**SORR:** Secured Overnight Rupee Rate

**SCF:** Supply Chain Finance

**IEPFA:** Investor Education and Protection Fund Authority