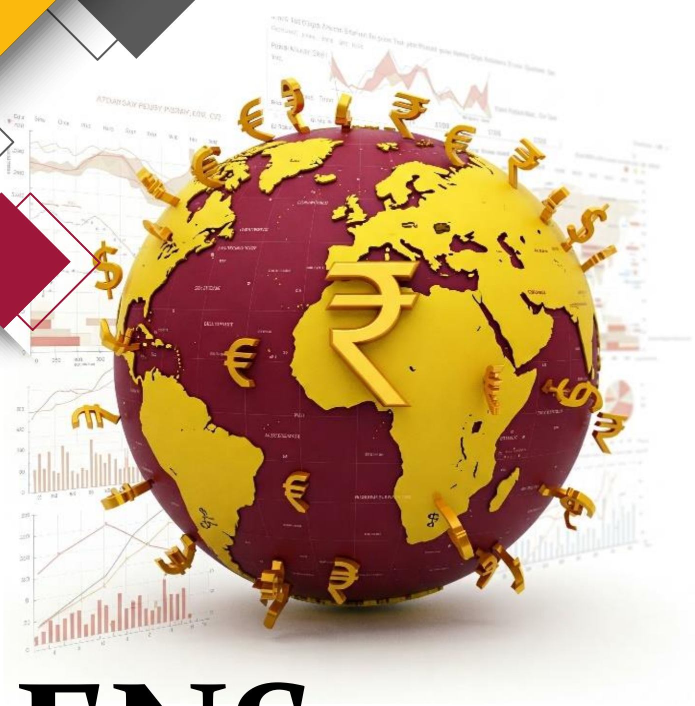

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May 2025

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STRATEGIC MANAGEMENT AND ECONOMIC ADVISORY DIVISION

कार्यनीति प्रबंधन एवं आर्थिक परामर्श प्रभाग

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1. EDITORIAL

A New Dawn for Digital Lending

The digital lending landscape in India has witnessed explosive growth, offering unparalleled convenience and accessibility to credit for millions. However, this rapid expansion also brought forth challenges, including concerns about predatory practices, data privacy breaches, and lack of transparency. Recognizing the need for a robust regulatory framework, the Reserve Bank of India (RBI) has proactively stepped in with a comprehensive guideline, culminating in the RBI (Digital Lending) Directions, 2025. These directions mark a significant turning point, aiming to foster a transparent, fair, and borrower-centric ecosystem. At its core, the RBI's objective is to balance innovation with consumer protection. The guidelines meticulously address various facets of the digital lending process, from customer acquisition to loan recovery, ensuring that both borrowers and lenders operate within a well-defined and ethical framework.

- **Noteworthy Points of the RBI's Digital Lending Directions**

The directions expand the definition of "Digital Lending" to encompass a wider array of activities and participants, including "Lending Service Providers (LSPs)" and "Digital Lending Apps (DLAs)." However, Regulated Entities (REs), Banks and NBFCs have to bear the ultimate responsibility for the actions of their LSPs, compelling them to conduct thorough due diligence and monitor their partners closely.

A critical new mandate requires REs to report all DLAs (whether their own or those of LSPs) to the RBI's Centralized Information Management System (CIMS) portal. This will create a public directory of legitimate DLAs, allowing borrowers to verify the authenticity of platforms and helping curb fraudulent apps.

Further, in a significant move to empower borrowers, LSPs facilitating loans from multiple lenders must now provide a clear, digital view of all loan offers that match a borrower's request. A direct link to the Key Fact Statement (KFS) for each RE is also mandatory. To ensure Borrower-Centric Financial Flow intermediaries are eliminated and all loan disbursals must go directly to the borrower's bank account, and repayments must be made directly to the RE's account.

A standardized Key Fact Statement (KFS) is now a non-negotiable requirement. Before the loan agreement is executed, REs must provide borrowers with this document, outlining all key terms, costs, and conditions in a simple, easy-to-understand language. This proactive disclosure aims to prevent hidden charges and foster informed decision-making. Further, borrowers are granted a crucial "cooling-off" or "look-up" period, allowing them to exit a digital loan without penalty by paying only the principal and proportionate interest. The guidelines also impose stringent rules on data collection, usage, and storage and borrower data can only be collected on a "need-basis" with explicit consent.

To ensure efficient resolution of borrower complaints, LSPs are mandated to appoint a Grievance Redressal Officer. Furthermore, REs must prominently display links to the RBI's Complaint Management System (CMS) on their websites, providing clear avenues for borrowers to seek recourse.

- **Benefits for Borrowers: Empowering the Consumer**

The RBI's digital lending guidelines are a game-changer for borrowers, offering unprecedented levels of protection and transparency. The mandatory KFS and unbiased presentation of loan offers ensure borrowers have a crystal-clear understanding of all costs, terms, and conditions upfront. This eliminates hidden charges and allows for meaningful comparison shopping, empowering borrowers to make informed financial decisions.

The guidelines directly address concerns about coercive recovery tactics and mis-selling. The clear communication of recovery agent details and the prohibition of unethical practices provide a shield against harassment. Further, strict norms on data collection and storage, particularly the restriction on accessing phone resources and the repatriation of offshore data, significantly enhance borrower data privacy and security. This builds trust in digital platforms.

The cooling-off period is a crucial consumer right, allowing borrowers to rethink their loan decision without penalty, fostering a more equitable lending relationship. Dedicated grievance officers and clear channels to the RBI's CMS helps ensure that borrowers have effective avenues to address their concerns and seek prompt resolution. The creation of public directory of legitimate Digital Lending Apps, along with the onus on REs for their LSPs' conduct, will help borrowers identify and avoid fraud lending apps.

- **Benefits for Lenders: Fostering Responsible Growth**

While the guidelines introduce new compliance requirements, they also offer significant benefits for legitimate lenders, promoting a more stable and sustainable digital lending ecosystem. A well-regulated environment builds public trust in digital lending, encouraging more borrowers to engage with legitimate platforms. This can lead to a larger and more stable customer base.

By enforcing uniform standards, the guidelines create a more equitable competitive environment, curbing unethical practices that might have given unscrupulous players an unfair advantage. Clear guidelines and standardized processes can, in the long run, streamline operations and reduce ambiguities, leading to greater efficiency.

A robust regulatory framework signals maturity and stability in the digital lending sector, making it more attractive to domestic and international investors. Further, by addressing systemic risks and promoting responsible lending, the guidelines lay the foundation for long-term, sustainable growth in the digital lending sector, preventing the boom-and-bust cycles seen in unregulated markets.

Thus, the RBI's digital lending guidelines represent a forward-thinking and comprehensive approach to regulating a dynamic sector. By prioritizing borrower protection, fostering transparency, and ensuring accountability, the RBI is not just reining in potential excesses but actively nurturing a digital lending ecosystem that is fair, secure, and ultimately, beneficial for both the millions of borrowers seeking accessible credit and the innovative lenders driving financial inclusion. This framework is poised to transform India's digital lending landscape into a model of responsible innovation.

Ajay Kumar Singh
General Manager

2. GLOBAL COMMERCE IN A RESHAPING GEOPOLITICAL WORLD

The global trading system, once the bedrock of economic globalization and multilateral cooperation, is currently navigating through turbulent waters. Over the past decade, but with particular intensity since the COVID-19 pandemic, global trade has experienced a shift from liberalization and integration to fragmentation and securitization. Global economic environment has been marked with supply chain vulnerabilities, geo-economic rivalries, rising protectionism, and a decline in the authority of multilateral institutions such as the WTO.

The WTO's latest Global Trade Outlook (April 2025) lowered projections for merchandise trade volume growth to just 2.4% for 2025, compared to a pre-pandemic average of over 4%. This slowdown reflects not merely cyclical factors, but a structural reorientation. Countries are rethinking the risks of overdependence on specific trade partners, especially in strategic sectors such as semiconductors, pharmaceuticals, and rare earths.

Geopolitical tensions—whether between the US and China, the EU and Russia, or growing instability in West Asia—have intensified the push towards "economic security" over economic efficiency. This has resulted in growing regionalism, bilateralism, and even inward-looking industrial policies.

One of the most prominent trends reshaping trade patterns is *friendshoring*, where countries seek to relocate supply chains to allied or politically aligned nations. The US, for instance, has incentivized semiconductor production in friendly countries like South Korea and Japan while limiting technology exports to China through CHIPS and Science Act provisions. The European Union has taken a similar approach under its Economic Security Strategy, encouraging diversification away from authoritarian regimes.

Friendshoring is driven by both security considerations and industrial policy ambitions. While it may help reduce supply chain risks in certain critical sectors, it can also raise costs, disrupt existing networks, and disadvantage developing economies that are not part of such "friend" blocs.

In the first week of April, the United States announced sweeping tariff hikes on a range of Chinese goods—from electric vehicles to solar panels. These moves, justified on grounds of "economic coercion" and unfair subsidies, mark a reversion to a more confrontational trade policy. The EU, too, has introduced its Carbon Border Adjustment Mechanism (CBAM), effectively placing tariffs on carbon-intensive imports like steel and aluminium, sparking tensions with developing countries.

This resurgence of trade barriers signals a deeper structural shift: trade is no longer just about comparative advantage, but also about strategic dominance and climate accountability. For the Global South, this creates a dual challenge—complying with evolving standards while defending market access.

Emerging economies, particularly in Asia and Africa, stand at a crossroads. On one hand, the fragmentation of global trade presents risks: reduced access to markets, capital flight due to geopolitical alignment pressures, and exclusion from new trade blocs. On the other hand, it also offers opportunities. Countries like India, Vietnam, and Mexico have emerged as attractive alternatives for supply chain diversification. India, with its Production Linked Incentive (PLI) schemes and improving trade logistics, is particularly well-positioned to benefit.

India's total exports touched an all-time high of $825 billion in FY2025, aided by strong performance in electronics, engineering goods, pharmaceuticals and services. However, sustaining this momentum requires agile trade diplomacy, a focus on quality and compliance with global standards (especially ESG norms), and proactive participation in plurilateral trade platforms such as the IPEF and the Global South Summit.

The WTO faces perhaps its greatest test yet. With the Appellate Body still dysfunctional and rule-making negotiations stalled, its relevance is being questioned. New-age trade challenges—like digital services, green subsidies, and data localization—are increasingly being addressed outside the WTO framework, through regional and bilateral agreements.

While the idea of rules-based multilateralism is under strain, a complete breakdown would be costly for all. A reformed, revitalized WTO—focusing on dispute resolution, inclusivity, and digital trade—could still provide the foundation for equitable global commerce.

Global trade is no longer just an economic engine—it is now an arena for strategic competition, environmental governance, and ideological rivalry. As we move through 2025, the need of the hour is to strike a delicate balance between resilience and openness, security and cooperation.

For India, this new trade era demands adaptability, investment in capacity-building, and a bold, forward-looking trade policy that can transform current risks into long-term opportunities. While the world may be deglobalising in some dimensions, trade will continue to be a powerful vehicle for development—prsovided we navigate its changing currents with foresight and flexibility.

Smriti Behl
Officer (Economics)
SMEAD, Head Office

3. CURRENT STATE OF FOREIGN DIRECT INVESTMENT IN INDIA

Foreign Direct Investment (FDI) is a vital non-debt financial source driving India's economic growth. This is attributed to tax benefits and competitive labour costs, global firms invest strategically, fostering technological progress, job creation, and broader economic development. This inflow is fuelled by the government's policies, a dynamic business environment, rising competitiveness, and India's growing global influence.

Foreign Direct Investment (FDI) in India has seen some shifts recently. While **gross FDI inflows increased by 13.7% to $81 billion** in FY25, **net FDI plunged by a staggering 96.5%** to just **$353 million**.

Figure 1: Gross inflows/gross investments (USD Million)

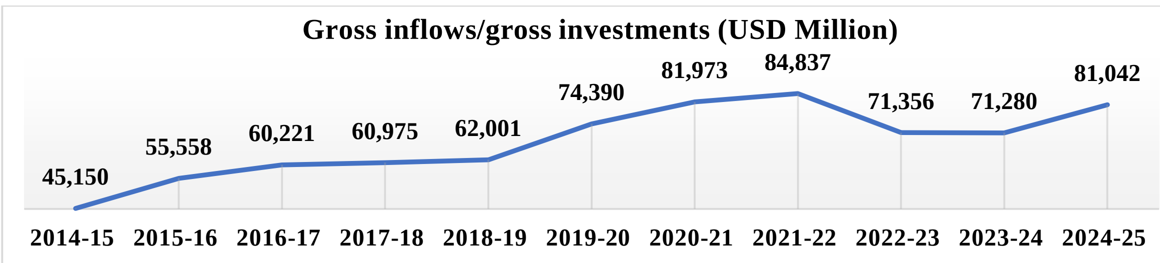
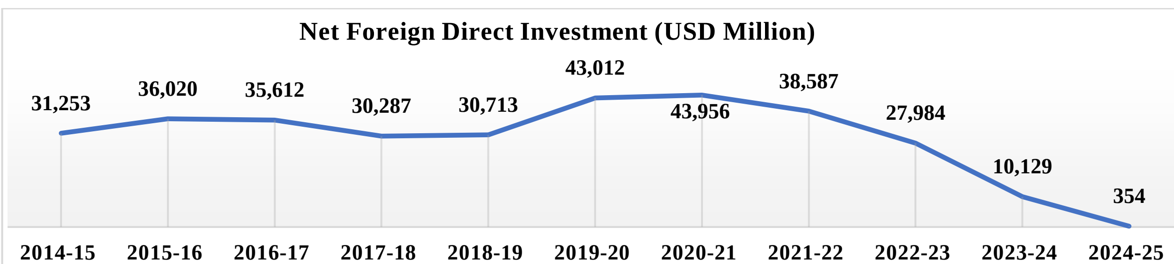


Figure 2: Net Foreign Direct Investment (USD Million)



- This sharp decline was largely driven by **high repatriation of funds** as given in figure 3 and **outward investments by Indian companies (figure 4)**, which surged to $29 billion. This reflects a growing interest among Indian businesses to tap into global supply chains and international opportunities.

Figure 3: Repatriation/disinvestment (USD Million)

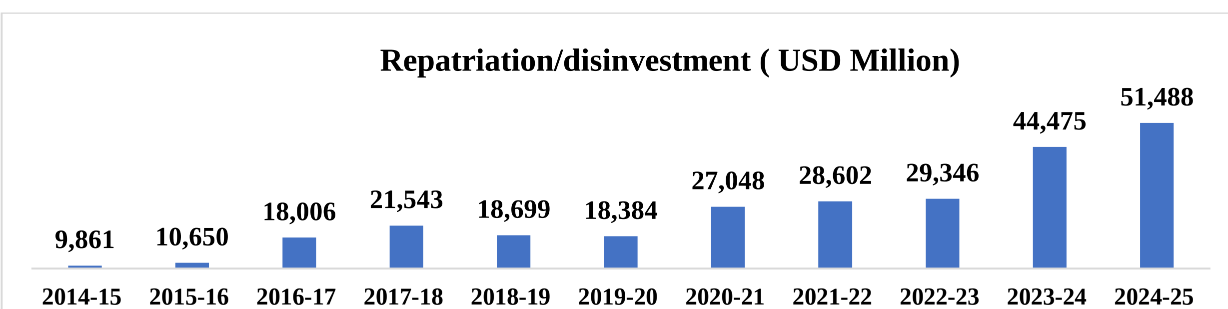
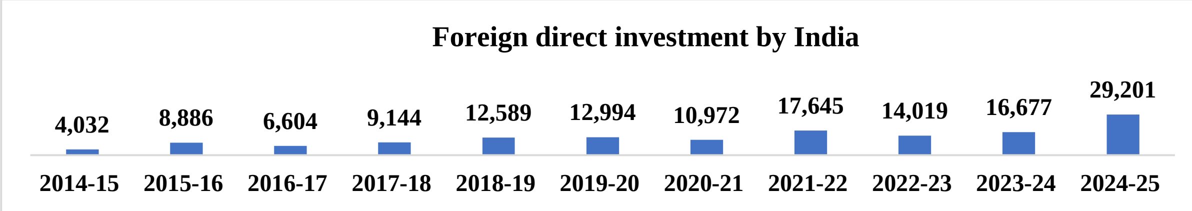


Figure 4: Foreign direct investment by India



Opportunities:

- Despite the drop in net FDI, India remains an attractive investment destination, with **over 60% of inflows concentrated in manufacturing, financial services, energy, and communication sectors**.
- The **top source countries** for FDI include **Singapore, Mauritius, the UAE, the Netherlands, and the United States**, contributing over 75% of total inflows.
- India is doubling down on infrastructure-led growth and digital transformation, making it attractive to investors.
- The government's "Atmanirbhar Bharat" initiative aims to promote self-reliance and attract foreign investment.
- India is becoming a global growth hub, attracting investment across sectors.

Government's efforts to improve FDI scenario in Union Budget 2025:

- **Union Budget 2025** increased the sectoral cap of insurance sector to 100% from 74% encouraging greater international participation while ensuring that premium investments remain within India.
- **Investment Friendliness Index of States** is to be released to foster inter-state competition and improve India's overall investment attractiveness.
- Government to introduce **Jan Vishwas 2.0** which focuses on decriminalizing obsolete regulations, simplifying compliance mechanisms, and reducing bureaucratic constraints. This initiative is designed to enhance the ease of doing business and create a more investor-friendly environment.

Challenges:

- The Reserve Bank of India (RBI) suggests that the moderation in net FDI reflects a **mature market where foreign investors can enter and exit smoothly**, signalling confidence in India's economic resilience. However, analysts caution that the **erosion in net FDI raises concerns about long-term sustainability**, particularly in job creation and infrastructure development.
- While India has improved its **ease of doing business**, challenges like **high logistics costs, inconsistent power supply** still pose risks for foreign investors. These factors can slow down project execution and increase operational costs.

Outlook:

Looking ahead, India's FDI policies continue to evolve, with the government focusing on **streamlining regulations and offering strategic incentives** to attract investors. The **Make in India initiative**, liberalized sectoral policies, and tax incentives are expected to bolster FDI inflows further. Also the measures announced by the Government of India from time to time demonstrate the government's commitment to fostering a robust economic framework and positioning India as a favourable destination for global and domestic investments.

Data Source: CMIE

4th

4. PRODUCT INNOVATION AND CUSTOMER SATISFACTION

Product innovation and Customer satisfaction are important catalysts to thrive and prosper in the contemporary business world. Product innovation can significantly impact customer satisfaction which can be defined as how consumers feel when they compare a product's perceived performance in violation to their own expectations. Satisfied customers are assets of any company and can make it more profitable. Customer's reaction to the product determines whether an idea is an innovative one or not, and their satisfaction has an effect on the further development of the innovation. It has been recognized as a crucial part of marketing strategy and a key factor of long-term profitability and sustainable growth amidst the increasing competition and environmental uncertainty.

A customer is not just someone who repeatedly buys a company's product but one who also recommends its services to others. Word-of-mouth from content consumers can amplify the company's overall reputation, while that of dissatisfied consumers inevitably has the opposite effect. In the last few years, the consumer landscape evolved dramatically. Technological advancements, use of Artificial Intelligence and various modern tools enable users to garner data about consumer's preference and likings. The companies are working relentlessly to meet those expectations with their innovative ideas and things. The method of product innovation involves various factors, including design, usefulness, and consumer experience. Even before-sales and post-purchase processes like ratings, feedback, return facility influence customer satisfaction with the received product or services.

Product innovation can be primarily classified into two types: incremental innovation, which focuses on improving the existing products or services instead of making something completely new, and radical innovation, which, on the other hand, means major breakthroughs that profoundly influence the way of life. A common example of the former is the continuous updation and improvement of the smartphone as we see in the case of Samsung. It makes small but significant changes regularly to make it more convenient for the customer. Companies usually use customer feedback and societal demands to better their products and services. Radical innovation can be exemplified by the invention of the internet which revolutionizes our daily life in the true sense of the term. The introduction of the home delivery system is another pivotal instrument that becomes a part and parcel of our day to day life.

We should name Jeff Bezos, the founder of Amazon, in this regard. His customer-obsessed methods altered the retail industry. The company makes use of customer feedback and data analytics to improve its existing products as well as create new offerings. Amazon's customer-friendly features like one-tap purchasing and personalized recommendations not only smoothen consumer experience but also build trust and contentment among them. Steve Jobs has also contributed tremendously in this regard. His incessant endeavour led to the invention of greatly satisfying products like iPhone and iPad.

These institutions have a clear notion that they cannot attain everlasting success by achieving technical superiorities or rapid transformation unless they understand the needs of the consumer while designing their products or services.

Product innovation plays a noticeable role in increasing customer satisfaction within the banking sector too. There are significant inclusions of various novel tools like digital banking applications, personalized financial solutions, exceptional payment systems, and automated customer services in the banking sector in recent years. The introduction of ATMs, UPIs become historic achievements which transform the way a customer interacts with the bank.

The relationship between product innovation and customer satisfaction can also be discussed in the context of sustainability. As we are facing a deadly environmental crisis, business firms are bound to make products that not only cater to profitability but also address environmental issues. These innovations target to reduce Carbon footprint while enhancing customer welfare. For this, companies like Tesla or BYD are making electric vehicles that not only replace the conventional automotive system but also address the issue of environmental pollution.

As we scrutinize numerous perspectives, it is important to acknowledge that not all innovations lead to positive customer satisfaction. Companies must consider challenges that involve rapid innovation and variable customer expectations. The introduction of intricate technology without sufficient consumer education can result in discontentment. We can point to Google Glass, which, in spite of its cutting-edge technology, can't impress the customer due to its privacy issues and impractical usability. This scenario points out the significance of aligning product innovation with actual consumer needs.

In conclusion, product innovation is intrinsically related to consumer satisfaction and directly impacts overall business behaviour. Researchers report that the acquisition of new customers costs four times more than the cost needed for maintaining the existing ones. It has also been indicated that a 1% deduction in customer satisfaction leads to a 5% setback on the finances of any company. By comprehending consumer choices, constantly improving product quality, becoming different from competitors, cooperating across various departments, paying heed to consumer feedback, taking measured risks, embracing sustainable procedures, and rendering post-purchase support, firms can produce innovative products that please customers and create perennial success. Thus, companies can overcome all the adversities they face and make loyal customers who will back their success in years to come. In this dynamic environment, those who will successfully bring innovation to skyrocket their customer satisfaction will distinguish themselves in the market.

Ankit Sen
Customer Service Associate
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5th

5. PNB's OPPORTUNITY TO LEAD INDIA'S GREEN FUTURE ESG AND SUSTAINABLE BANKING

As Environmental, Social, and Governance (ESG) principles reshape global finance, Punjab National Bank (PNB) stands at a critical juncture. With over 10,000 branches and a legacy of trust, PNB is uniquely equipped to drive sustainable banking in India, aligning economic growth with environmental and social responsibility. The Indian banking sector's ESG journey offers valuable lessons, and by evaluating peers' initiatives while leveraging its own strengths, PNB can emerge as a leader in this transformative domain, enhancing customer trust, profitability, and societal impact.

Evaluating ESG in Indian Banking with PNB in Mind

PNB operates in a competitive landscape where banks like HDFC Bank, ICICI Bank, Axis Bank, and State Bank of India (SBI) have pioneered ESG initiatives. Analysing these efforts reveals opportunities for PNB to innovate and excel.

HDFC Bank's Sustainable Livelihood Initiative (SLI) has empowered over 2.5 million rural households—mostly women—with microfinance and skills training, addressing the "S" (Social) pillar. Its green home loans offer lower rates for energy-efficient properties, appealing to urban customers. On X, rural beneficiaries praise SLI's impact, but urban borrowers demand more green options. For PNB, with its strong rural presence (over 60% of branches in semi-urban/rural areas), HDFC's model suggests a microfinance-driven social strategy could resonate with its base, though PNB could extend this to green projects like solar farming.

ICICI Bank's Green Fixed Deposits fund renewable energy, disbursing over ₹10,000 crore by 2024, per its sustainability reports. Urban depositors value the transparency—carbon savings are detailed annually—but rural outreach is weak. A 2023 Deloitte survey pegged urban satisfaction at 72%, yet accessibility limits broader impact. PNB, unlike ICICI's urban skew, could adapt this concept into a mass-market green savings product, leveraging its 180 million+ customer base to channel funds into sustainability while ensuring rural inclusion.

Axis Bank's Sustainable Financing Framework includes electric vehicle (EV) loans, targeting eco-conscious urban youth with competitive rates via partnerships like Tata Motors. X feedback highlights satisfaction with lower EMIs, though strict eligibility frustrates some. Axis's urban focus contrasts with PNB's rural-urban mix, offering a lesson: PNB could tailor EV or green equipment loans for farmers (e.g., electric tractors), blending environmental goals with its agrarian customer strengths, avoiding Axis's exclusivity pitfalls.

SBI's Green Banking Policy and Green Rupee Term Deposit showcase public sector scale, funding 23,679 MW of renewable projects with ₹36,243 crore sanctioned. Its energy-efficient branches and CSR efforts—like planting 8.34 lakh trees in FY 2023—align with ESG's three pillars. Urban customers (65% satisfaction, per McKinsey 2022) appreciate digital features, but rural connectivity issues persist. PNB, with a comparable branch network (10,141 vs. SBI's 22,000+), can learn from SBI's ambition but prioritize execution consistency, ensuring rural customers—core to PNB's identity—aren't left behind.

ESG Lessons for PNB

The ESG landscape reveals a dichotomy: private banks (HDFC, ICICI, Axis) excel in urban innovation but neglect rural India, where PNB thrives, while SBI's scale mirrors PNB's reach but falters in service quality. Transparency (ICICI's reports), social impact (HDFC's SLI), and environmental focus (Axis's EV loans) drive customer satisfaction, yet gaps in inclusivity and awareness persist. PNB's challenge—and opportunity—lies in marrying its rural-urban footprint with ESG innovation, surpassing peers in reach and reliability.

PNB's ESG Blueprint: Innovate, Include, Excel

PNB can lead sustainable banking with a three-pronged strategy rooted in its strengths: widespread branches, a diverse customer base, and a public sector ethos.

1. **PNB Green Savings Account**: Launch a flagship product directing deposits to renewable energy and afforestation, inspired by ICICI's Green FD but tailored for PNB's scale. Offer tiered interest rates (e.g., 4% for ₹5,000+, 4.5% for ₹50,000+) to attract small and large savers. A PNB app feature— "Your ₹10,000 planted 5 trees"—would engage urbanites, while SMS updates in regional languages ensure rural inclusion, addressing SBI's digital divide. This positions PNB as a bank where every customer fuel sustainability.

2. **PNB Agri-Green Loans**: Building on HDFC's SLI, PNB should offer micro-loans for solar pumps, organic farming, and electric farm equipment, targeting its 70 million+ rural accounts. Partner with cooperatives and use Aadhaar-linked disbursals for transparency, avoiding Axis's restrictive criteria. Training programs on sustainable practices would empower farmers, enhancing social impact—a core PNB value. Unlike SBI's broad but uneven approach, PNB's focused execution would maximize rural trust and uptake.

3. **PNB Sustainable Branch Network:** Retrofit 5,000 branches with solar panels and rainwater harvesting by 2030, surpassing SBI's green banking efforts. Digitize services with USSD (*99#) access for rural basic-phone users, ensuring inclusivity where SBI stumbles. Annual ESG reports—shared via PNB's website and SMS—would detail carbon savings and social outcomes, mirroring ICICI's transparency but with PNB's mass-market reach. Embedding ESG into loan approvals (e.g., prioritizing green businesses) aligns with RBI's 2022 guidelines, reinforcing governance.

PNB's Impact and Edge

This strategy would deliver measurable results. The Green Savings Account and Agri-Green Loans could mobilize ₹50,000 crore for sustainable projects by 2030, supporting India's net-zero 2070 target. Customer satisfaction—currently lagging private peers—could rise from an NPS of 60 to 75, driven by inclusive access and visible impact. Sustainable branches would cut energy costs by 15% (global ESG benchmarks), boosting profitability. PNB's ESG leadership would attract ethical investors, strengthening its ₹1.5 lakh crore market cap (as of March 2025).

Conclusion: PNB as India's ESG Champion

India's banking sector is evolving, with HDFC, ICICI, Axis, and SBI offering ESG lessons in innovation, scale, and intent. Yet, PNB's unique blend of rural reach, customer diversity, and public trust sets it apart. By launching the PNB Green Savings Account, Agri-Green Loans, and Sustainable Branch Network, PNB can outpace peers, addressing their urban bias and execution gaps. This isn't just about sustainability—it's about PNB leading a movement that empowers customers, protects the planet, and builds a Viksit Bharat. With ESG as its compass, PNB can redefine banking for the future.

Prateek Arora
Manager
Circle Office, Rajkot
Zone: Ahemdabad

6. GIST OF RBI SPEECHES

Address by Shri Sanjay Malhotra at the US-India Economic forum organized by the Confederation of Indian Industry (CII) and the US-India Strategic Partnership Forum (USISPF) on "India: A Partner in Progress and Prosperity" in Washington, D.C on April 25, 2025

- Governor Shri Sanjay Malhotra highlighted India's remarkable economic resilience, noting an average annual growth rate of 8.2% from 2021-22 to 2024-25. He framed India not merely as a market, but as a reliable, forward-looking partner in the global economy.
- Despite global uncertainties, India is projected to achieve a 6.5% growth rate in the current fiscal year, maintaining its position as the fastest –growing major economy.
- Shri Malhotra emphasized India's stable monetary, financial, and political environment, coupled with policy consistency and certainty.
- The transparent, rule-based, and forward looking policy ecosystem makes India an attractive designation for long-term investments.
- Fiscal discipline, political stability, and regulatory reforms have enhanced investor confidence.
- Shri Sanjay Malhotra extended an invitation to US business to invest in India, describing the country as a "partner in shared prosperity". He encouraged collaboration in sectors such as semiconductors, renewable energy, electric mobility, space technology, and generative AI.
- India's financial institutions, including banks and non-banking financial companies(NBFCs), are well-capitalized and resilient, with strong profitability and manageable non-performing assets (NPAs).
- Bank credit growth remains robust at approximately 12%, surpassing the decade's average of 10.5%.
- Looking ahead, Governor Shri Malhotra articulated India's aspiration to become a developed nation, ''Viksit Bharat'' by 2047, marking the centenary of its independence. He underscored India's trajectory from the world's 10^{th} to the 5^{th} largest economy over the past decade, with projections to reach the 3^{rd} position by nominal GDP in the near future.
- Unlike many export-reliant economies, India's domestic consumption accounts for nearly 90% of GDP, providing insulation from external shocks and long term growth assurance. This demand is fueled by a growing middle class, youthful demographics, and rising urbanization.
- In conclusion, Governor Shri Malhotra positioned India as a beacon of stability and growth amid global economic headwinds, inviting international investors to participate in India's journey towards sustained prosperity.

Address by Shri M. Rajeshwar Rao at the Credit Summit organized by Bharat Climate Forum on "Building a Robust Ecosystem for Green and Sustainable Finance in India" in New Delhi on April 17,2025

- A national level taxonomy is under development in India, as announced in the Union budget 2024-25. This taxonomy aims to provide a standardized classification of green activities, aligning stakeholders and ensuring clarity in green finance initiatives.
- Climate change poses significant risks to the financial system, particularly increasing credit risks due to higher operational costs and asset loss for borrowers.
- Green and sustainable finance involves inherent risks, leading to skewed risk –reward considerations and higher credit costs. This necessitates de-risking mechanisms such as grant, guarantees, and financial incentives to attract private sector investment.
- The RBI underscores the importance of building technical expertise within financial institutions to effectively assess and manage climate-related risks. This includes training in climate risk assessment, scenario analysis and integrating climate considerations into governance and strategy.
- To combat greenwashing and ensure accountability, the RBI has issued a draft disclosure framework for climate-related financial risks. This framework enhance transparency and provide assurance on the end-use of funds in green finance.
- A significant hurdle in assessing climate related financial risks is the lack of standardized and comprehensive data. The RBI notes the absence of uniform methodologies and historical data on climate related losses, which hampers effective risk modelling.
- The RBI advocates for coherent regulatory frameworks across sectors to address interdependence and ensure an efficient response to climate risks. This includes coordinated efforts among regulators to facilitate a just and orderly transition to a low carbon economy.
- While the need for the world to transition to a greener tomorrow is given, there are several challenges on the way, and they need to be addressed in a holistic manner.
- Deputy governor Shri Rajeshwar Rao emphasized that while India has initiated steps towards integrating climate considerations into its financial system, concerted efforts are required to build a resilient and inclusive green finance ecosystem. This includes developing robust taxonomies, enhancing risk management capabilities, ensuring transparency, and fostering collaboration among stakeholders. Key points included developing clear policies, creating green taxonomies, increasing awareness, and promoting innovative financial instruments like green bonds.

7. CLASSROOM : EXCHANGE TRADED FUNDS (ETFS)

Exchange Traded Funds are popular investment instruments. Like common stocks, ETFs are traded on the stock exchange at market prices. These are fund of funds of an underlying single asset. ETF investors are also holder of the portfolio of the underlying asset, they get dividend or interests on the profit incurred in the stock. They also receive annual reports.

Unlike, mutual funds, we can sell and buy ETFs multiple times a day while the share market is open.

History & What comprises an ETF -

- **First ETF was issued in 1993 as a passive index fund** with slow response from the market and after 20 years, the ETF market has grown enormously
- **ETFs covers wide range of array of financial assets** such as financial assets such as stocks, bonds, currencies, debts, futures contracts, and/or commodities such as gold bars
- **ETF can be either passive index fund or active index fund**

Various types of ETFs -

There are multiple types of ETFs i.e. layering of the asset to diversify one's market portfolio as well as lower the investment risk:

- **Index ETF**: These ETFs are the most popular type of ETF. They monitor the market index like Nifty, Sensex, Nifty 100 etc. The returns on this depend upon the return on the indices.\
- **Debt ETF**: The investments are on the fixed-return instruments like govt. securities, commercial papers and the like. These are considered safe investments and offer steady returns
- **Commodity ETF**: The funds invest in precious metals like gold etc. , agricultural products or hydrocarbons. These are fixed portfolio investments. The returns fluctuate as per the demand and supply of the commodity invested in
- **Liquid ETF**: These instruments are designed to invest in the money market instruments or govt. securities with short term maturity tenures.

Advantages & Disadvantages of ETFs-

- While the ETFs offers a wide array of investment portfolio to diversify the associated risk, the underlying asset restricts the investment
- It requires less management hence, the annual fees less compared to other stocks and MF management
- The dividends generated is reinvested into the market, the invested amount grows
- It gives relief in taxes
- Intraday trading of ETFs may fluctuate the investment as well as returns, if buyer/seller is not alert

Conclusion

Through investment in ETFs, the risk associated with share market can be minimized as it offers the investment in the diverse portfolio and various sectors are covered while investing.

Reena Devi
Manager
SMEAD, Head Office

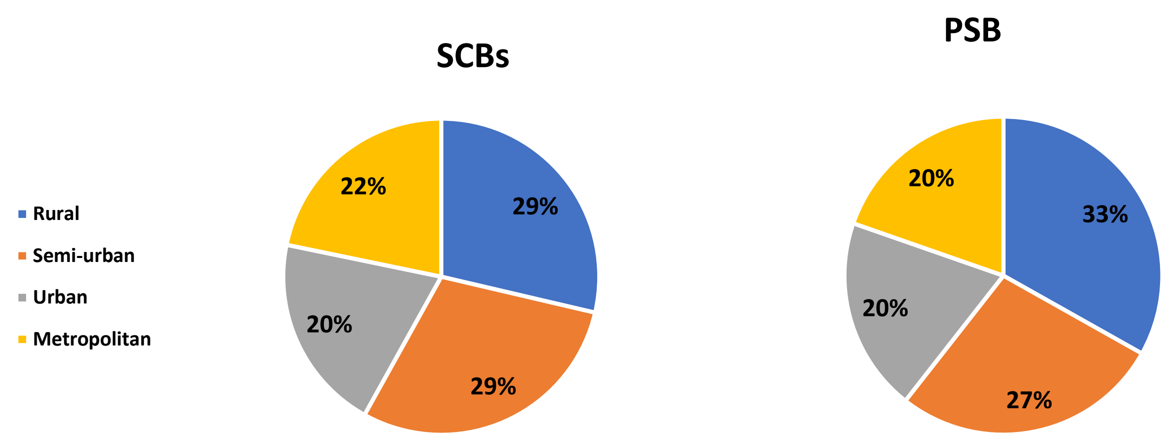
8. THEMATIC RESEARCH: ANALYSIS OF CASA DEPOSITS: SCBs V/s PSBs

RBI released the BSR (Basic Statistical return) 1 and 2 on Deposit and Credit of Schedule Commercial Banks for the quarter ended December 2024.

We have analysed BSR report for the December 2024 Quarter and compared the performance of Scheduled Commercial Banks (SCBs) with Public Sector Banks (PSBs).

We have taken the top 100 performing districts of SCBs and analysed how the CASA deposits of these top 100 districts are, as well as their share out of total deposits across all districts.

Distribution of Branches (Dec'24)



- SCBs has the highest branches in Rural and Semi-urban which is 29% while the PSBs has the highest number of branches in rural area which is 33%.
- Both SCBs and PSBs have lower share of branches in Urban area.

A. DOMESTIC BUSINESS

- Business of all SCBs has reached to Rs. 394.44 lakh crores as on 31st December 2024 with Y-o-Y growth of 11.3%.
- Business of all PSBs has reached to Rs. 221.26 lakh crores as on 31st December 2024 with Y-o-Y growth of 10.3%.

B. DOMESTIC DEPOSITS

- Total deposits of all SCBs has reached to Rs. 217.66 lakh crores as on 31st December 2024 with Y-o-Y growth of 10.9%.
- PSB's domestic deposit figure reached to Rs. 126.70 lakh crores as on 31st December 2024 with Y-o-Y growth of 8.8%.

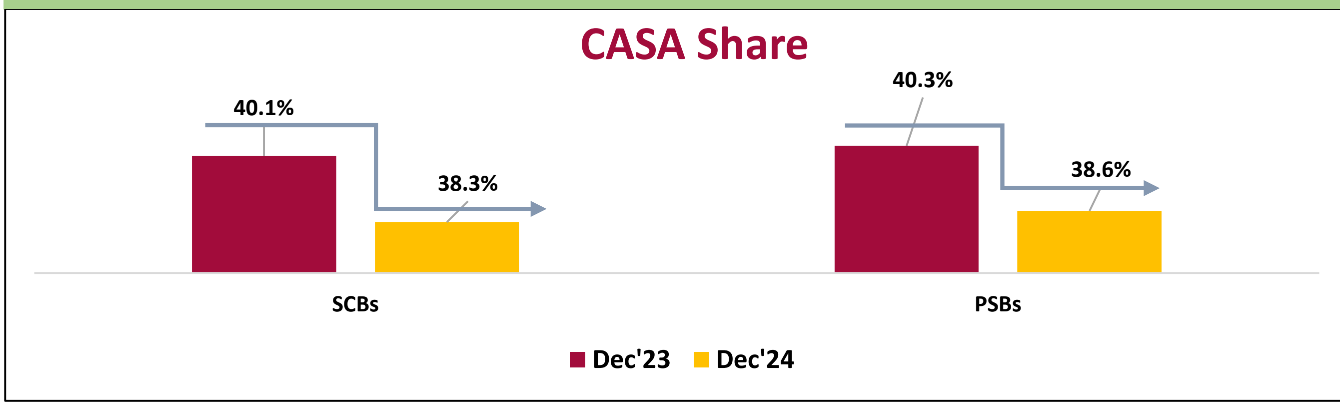
B 1. Current Deposits

- Current deposits of all SCBs has reached to Rs. 19.38 lakh crores as on 31st December 2024 with Y-o-Y growth of 9.2%.
- PSB's current deposits reached to Rs. 7.0 lakh crores as on 31st December 2024 with Y-o-Y growth of 5.8%.

B 2. Savings Deposits

- Savings deposits of all SCBs has reached to Rs. 64.07 lakh crores as on 31st December 2024 with Y-o-Y growth of 5.1%.
- PSB's savings deposits reached to Rs. 41.96 lakh crores as on 31st December 2024 with Y-o-Y growth of 3.9%.

B 3. CASA Share



- CASA of all SCBs has reached to Rs. 83.4 lakh crores as on 31st December 2024 with Y-o-Y growth of 6.0%.
- CASA of all PSBs has reached to Rs. 48.9 lakh crores crores as on 31st December 2024 with Y-o-Y growth of 4.2%.
- While the growth of CASA deposits has increased over time, their overall share has declined due to a behavioural shift towards term deposits driven by higher interest rates.

Table 1: Top 100 Districts CASA Amount wise: SCBs

(As on 31.12.2024)

(Amt in Rs. Crore)

	SCBs*		
	Current Deposits	**Savings Deposits**	**CASA**
Total Of Top 100 Districts (A)	16,14,876	39,25,044	55,39,919
Total Of All Districts (B)	19,37,351	64,05,318	83,42,670
% Share (A/B)	**83.4%**	**61.3%**	**66.4%**

**data from Statement No. 4B: District wise and Type-wise Distribution of Aggregate deposits with Scheduled Commercial Banks (SCBs) published by RBI*
Total no. of districts is 758

- All the districts combined have CASA of Rs. 83,42,670 crores, while the top 100 districts have a total CASA of Rs. 55,39,919 crores.
- The Share of the top 100 districts out of total district is 66.4%, which means they constitute more than half of the total share. This implies that more focus can be given to these top 100 districts to improve the CASA.

Table 2: Share of Top 100 Districts CASA wise out of total districts: SCBs (As on 31.12.2024)

	SCBs Share %
CENTRAL REGION	7.9%
EASTERN REGION	7.4%
NORTH EASTERN REGION	0.4%
NORTHERN REGION	13.4%
SOUTHERN REGION	16.8%
WESTERN REGION	20.5%

- In the western region, SCBS have the highest share at 20.5% among top 100 districts, while lowest share is in the central region.
- Further, out of the Top 100 districts, following districts outperformed/ underperformed SCBs in terms of CASA amount-wise in Top 100:

Table 3: No of Districts Underperformed/ outperformed

	No. of Districts
Outperformed	39
Underperformed	61
Total	**100**
All Districts	**758**

Analysis of CASA Deposits: PSBs

Table 4: Region-wise CASA Amount Performance: PSBs

(As on 31.12.2024)

(Amt in Rs. Crore)

	PSBs			
	CASA (Amt.)	CASA share %	No of Branches	Branch share %
CENTRAL REGION	1025495	12.3%	18251	12.7%
EASTERN REGION	864349	10.4%	15422	10.7%
NORTH EASTERN REGION	143753	1.7%	2571	1.8%
NORTHERN REGION	845298	10.1%	15534	10.8%
SOUTHERN REGION	1084948	13.0%	23637	16.5%
WESTERN REGION	931952	11.2%	13505	9.4%
Total of Selected States	**4895795**	**58.7%**	**88920**	**61.9%**
Total of All States	**8344543**	**100.0%**	**143683**	**100.0%**

Data from BSR 2 published by RBI. Data for PSBs is not available at district level, hence state-level data is used for analysis.

- It is observed that in PSB's, southern region has the highest CASA share of 13.0% while in SCBs, western region has the highest CASA share which is 20.5%.
- Both SCBs (0.4%) and PSBs (1.7%) have the lowest CASA share in North Eastern region.
- The Southern Region has the highest CASA amount (Rs. 10,84,948 Crore) and the second-highest Branch share (10.8%).
- The Central Region has the highest number of branches (18251), but its CASA share (12.3%) is lower than the Western and Southern regions in PSBs. while the CASA share in SCBs is 7.9% in Central region.
- The North Eastern Region has the lowest CASA amount (Rs. 1,43,753 Crore), the lowest CASA share (1.7%), and the lowest number of branches (2571), resulting in a low Branch share (1.8%).
- The Total of Selected States accounts for 58.7% of the total CASA and 61.9% of the total number of branches across all states.

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Chief Manager
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Harshita Panda
Officer (Economics)
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Akansha Chauhan
Officer (Economics)
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9. GIST OF RBI CIRCULARS

Date of the circular	April 28, 2025
Ref No.	RBI/2025-2026/34 DIT.CO.No.S-106/07.71.039/2025-26
Subject	Processing of Regulatory Authorisations/ Licenses/ Approvals through PRAVAAH

In the circular 'Processing of Regulatory Authorisations/ Licenses/ Approvals through PRAVAAH', all the Regulated Entities are advised to submit applications for regulatory authorizations, licenses and approvals to the RBI though the **PRAVAAH (Platform for Regulatory Application, Validation and Authorization)** only w.e.f. from May 01, 2025.

Date of the circular	April 24, 2025
Ref No.	RBI/FED/2025-26/32 A.P. (DIR Series) Circular. No 04/2025-26
Subject	Amendments to Directions - Compounding of Contraventions under FEMA, 1999

In the circular 'Amendments to Directions - Compounding of Contraventions under FEMA, 1999', it is decided to insert the following clause as Para 5.4.II.vi in "Master Directions on compounding of contraventions under FEMA, 1999, dated April 22, 2025"-
"vi. Subject to satisfaction of the compounding authority, based on the nature of contravention, exceptional circumstances/ facts involved in case, and in wider public interest, the maximum compounding amount imposed may be capped at INR 2,00,000/- for contravention of each regulation/ rule (applied in a compounding application) with respect to contraventions under row 5 of the above computation matrix."
Further, all the AD Category-I banks & Authorized banks may update their guidelines to their constituents.

Date of the circular	April 22, 2025
Ref No.	RBI/2025-26/28 CO.DIT.DCD.No.S81/01-71-110/2025-26
Subject	Circular - Migration to '.bank.in' domain

In the circular, the RBI has now operationalized the ".bank.in" domain for the banks through Institute of Development and Research in Banking Technology (IDRBT). IDRBT has been decided to serve as exclusive registrar, the banks shall contact IDRBT at sahyog@idrbt.ac.in for registration of their domain. The banks are advised to complete the migration at the earliest and not later than October 31, 2025.

Date of the circular	April 21, 2025
Ref No.	RBI/2025-26/27 DOR.LRG.REC.18/03.10.001/2025-26
Subject	Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR) – Review of haircuts on High Quality Liquid Assets (HQLA) and review of composition and run-off rates on certain categories of deposits

RBI has issued final guidelines as Banks shall assign additional 2.5 per cent run off factor for IMB enabled retail deposits. Further, the Level 1 HQLA as Government securities shall not be valued more than current market value adjusted with applicable haircuts under the Liquidity Adjustment Facility(LAF) and Marginal Standing Facility(MSF). The deposits from Non-individuals shall be attract a runoff rate of 100 per cent and treated as deposit from 'Other Legal Entities(OLEs)'. This circular is also applicable to all Commercial Bank (except Payments banks, RRBs & Local Area Banks)

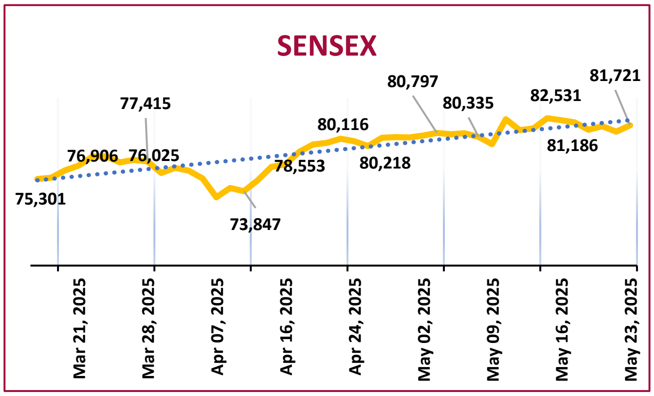
Date of the circular	April 21, 2025
Ref No.	RBI/2025-2026/26 DOR.MCS.REC.17/01.01.003/2025-26
Subject	Opening of and operation in deposit accounts of minors

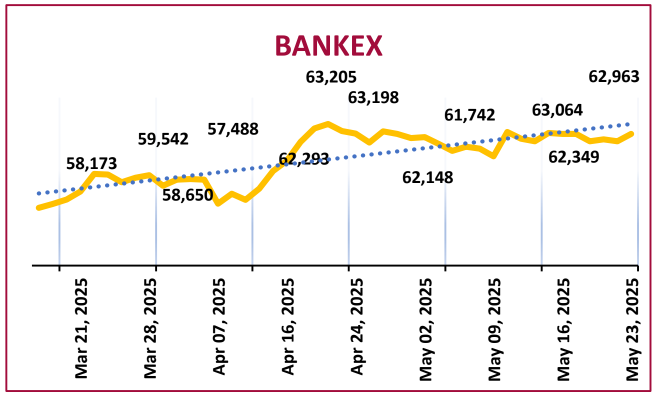
In the circular 'Opening of and operation in deposit accounts of minors', the revised instructions to open and operate a minor account is shared. Minors of any age can open and operate savings and term deposits accounts. The mode of operation can be self-operated or jointly with his/her natural or legal guardian if minor is above 10 years. The banks are advised to ensure that the minor accounts are not allowed to be overdrawn. The banks can offer services like ATM/ debit cards, cheque book facility, internet banking etc. and proper KYC and due diligence be followed while opening the such accounts.

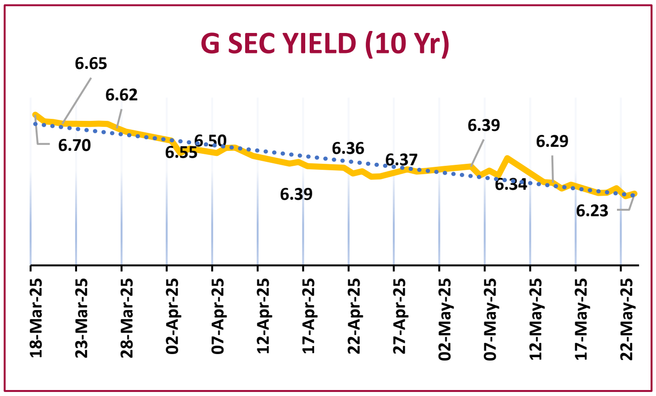
Date of the circular	April 09, 2025
Ref No.	RBI/2025-2026/23 DoR.RET.REC.16/12.01.001/2025-26
Subject	Penal Interest on shortfall in CRR and SLR requirements-Change in Bank Rate

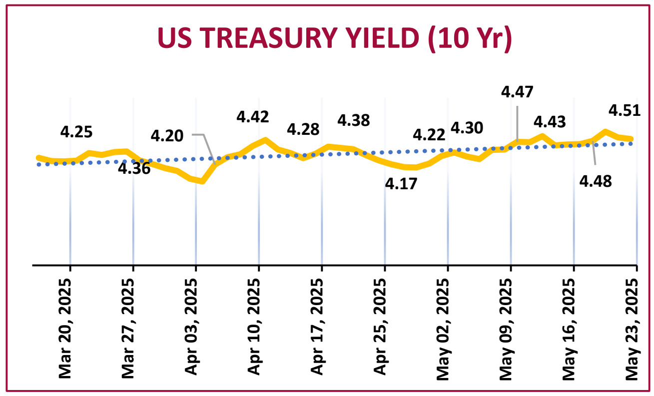
As per the Monetary Policy Statement 2025-26 dated April 09,2025, the RBI has revised the Banks Rate downward by 25 basis points from 6.50 per cent to 6.25 per cent with immediate effect. Further, as per the circular, the revised penal interest rates* is as – "Bank Rate plus 3.0 percentage points (9.25 per cent) or Bank Rate plus 5.0 percentage points (11.25 per cent)".

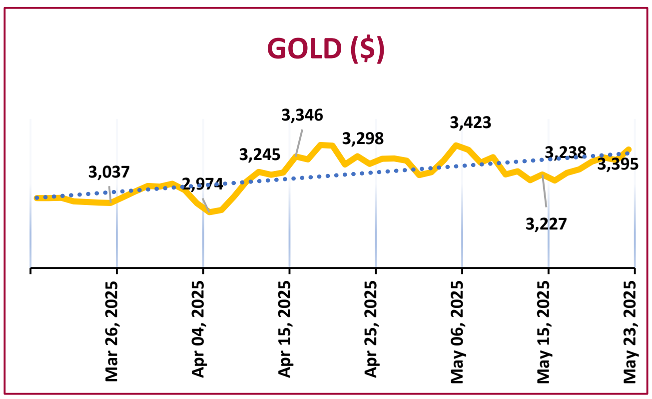
10. DAILY ECONOMIC INDICATORS

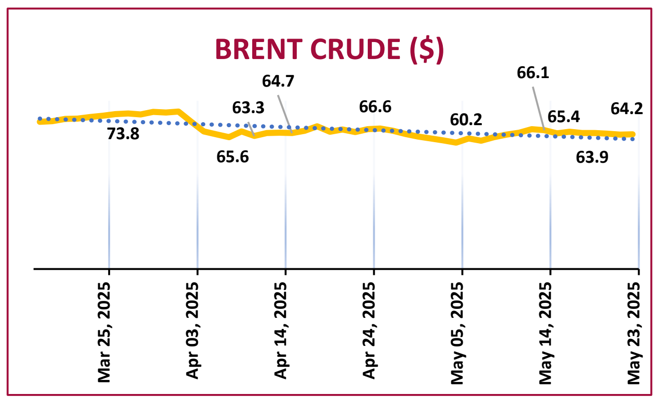


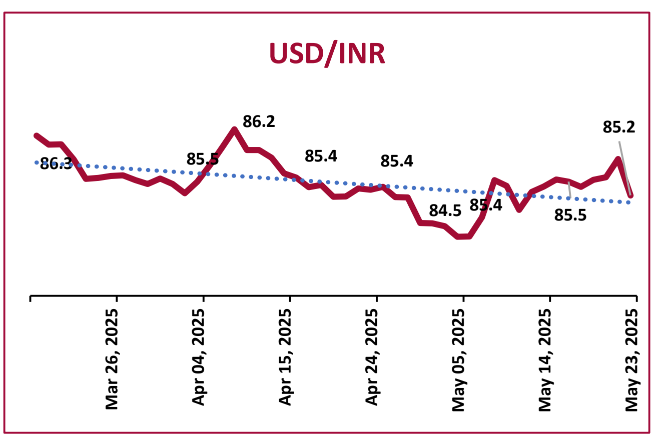


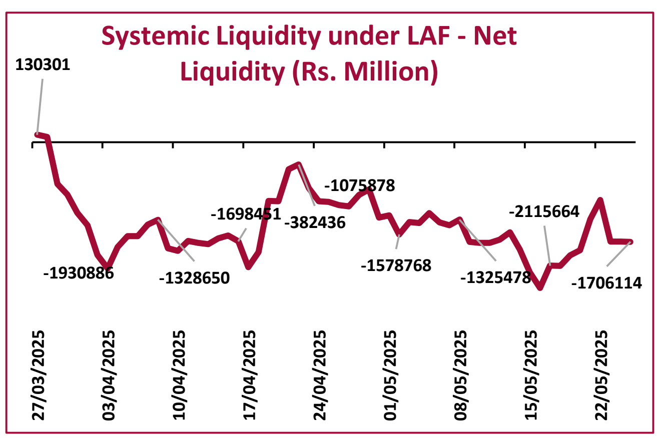








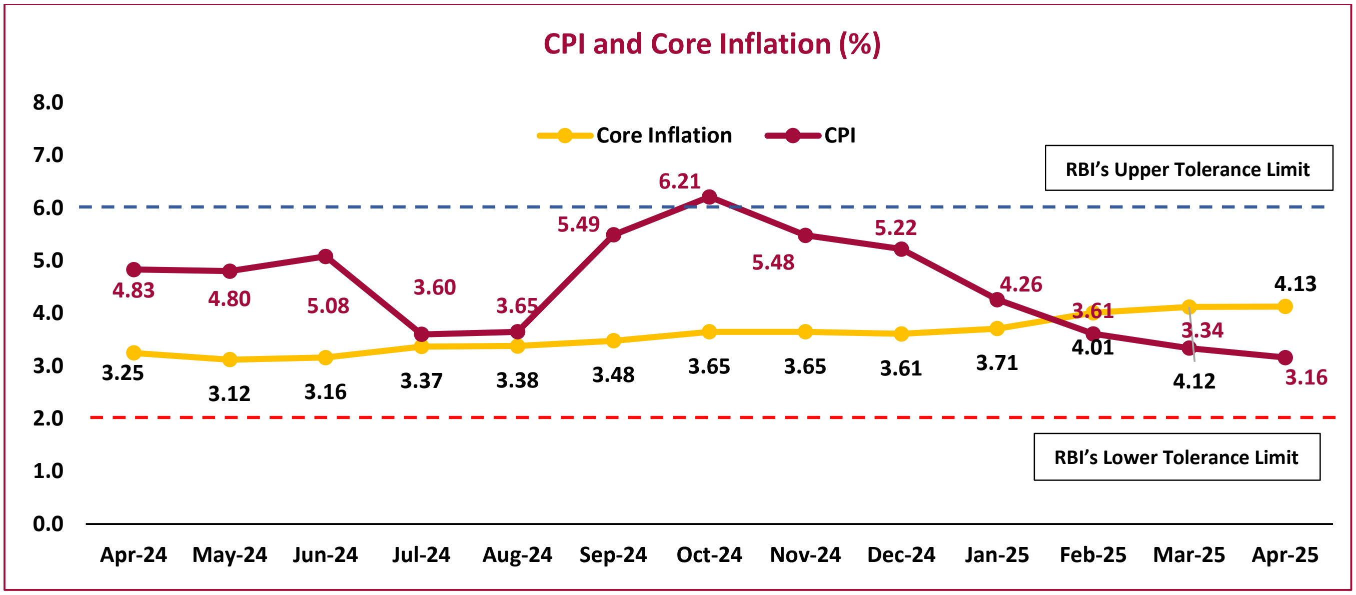


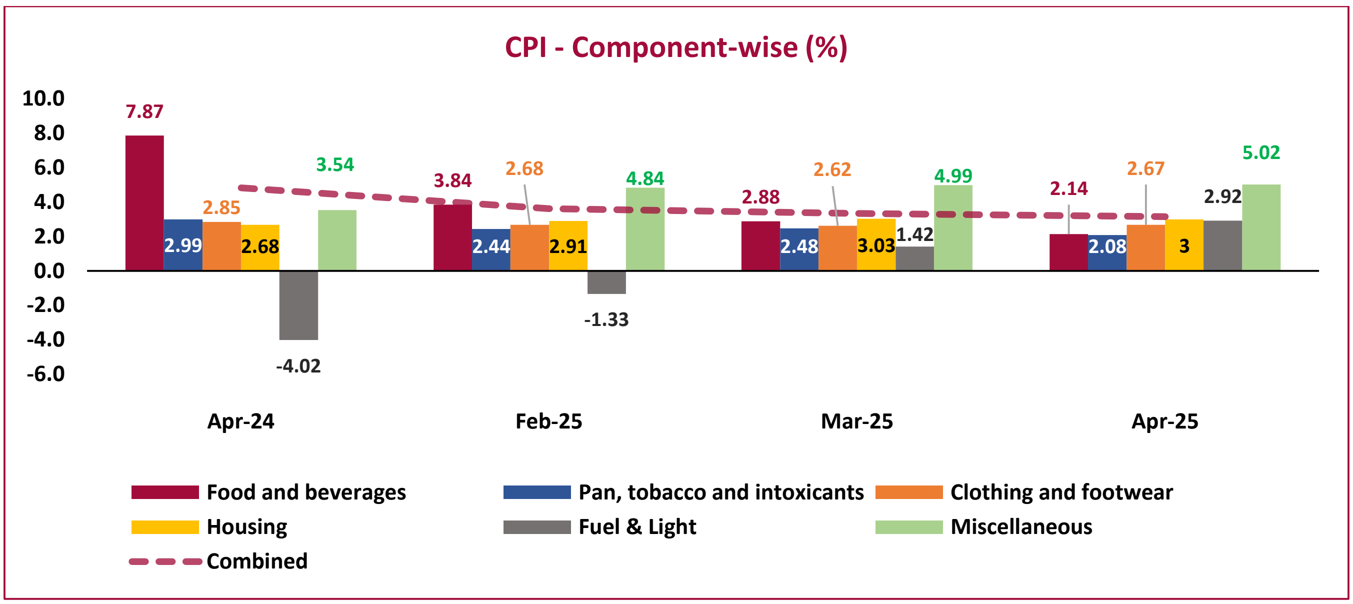


11. MONTHLY & FORTNIGHTLY ECONOMIC INDICATORS

CONSUMER PRICE INDEX (CPI)

CPI cooled down to 3.16% in April 2025

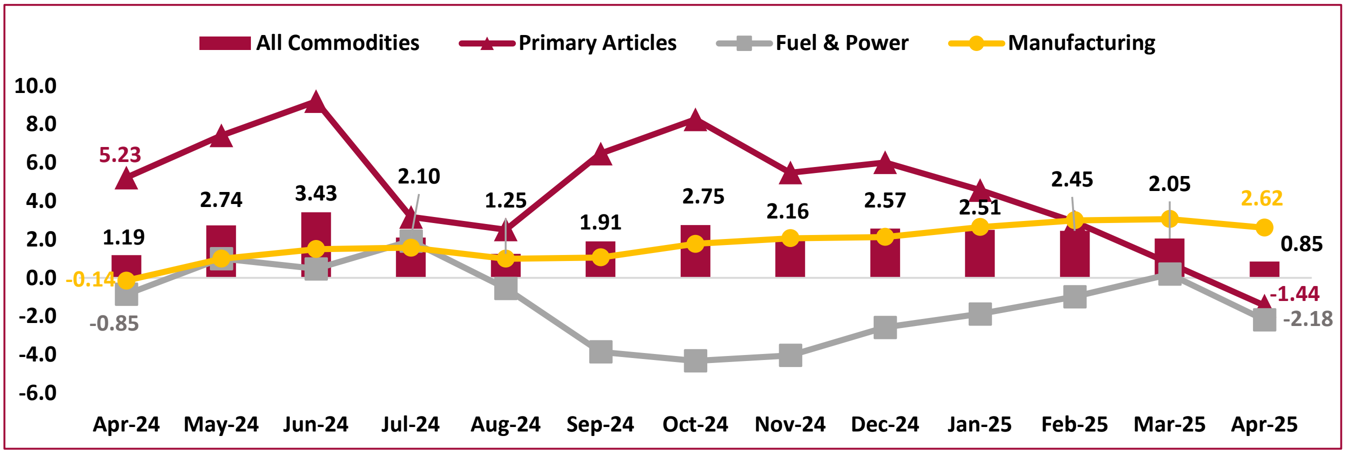




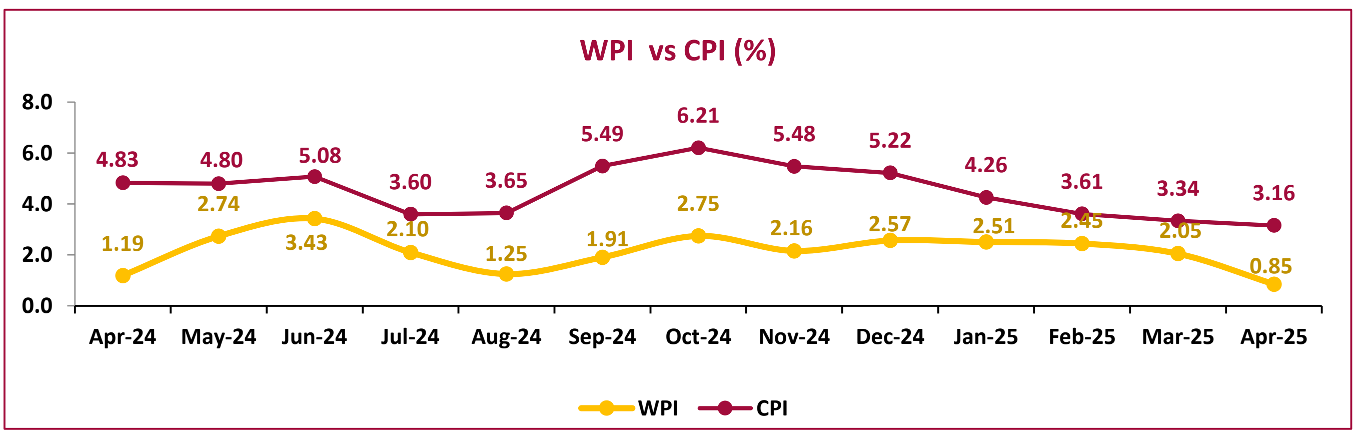
Retail inflation measured by CPI dropped further to 3.16 per cent (provisional) in April 2025, falling from 3.34 per cent in March 2025 and 4.83 per cent in April 2024. Urban inflation fell from 3.43 per cent in March to 3.36 per cent in April 2025, while rural inflation fell from 3.25 per cent in March to 2.92 per cent in April 2025. The continued moderation in overall CPI inflation for the straight sixth month in April 2025 is driven by falling food inflation which stood at 1.78 per cent – lowest in the last 43 months.

WHOLESALE PRICE INDEX (WPI)

WPI inflation eases to 0.85% in April 2025



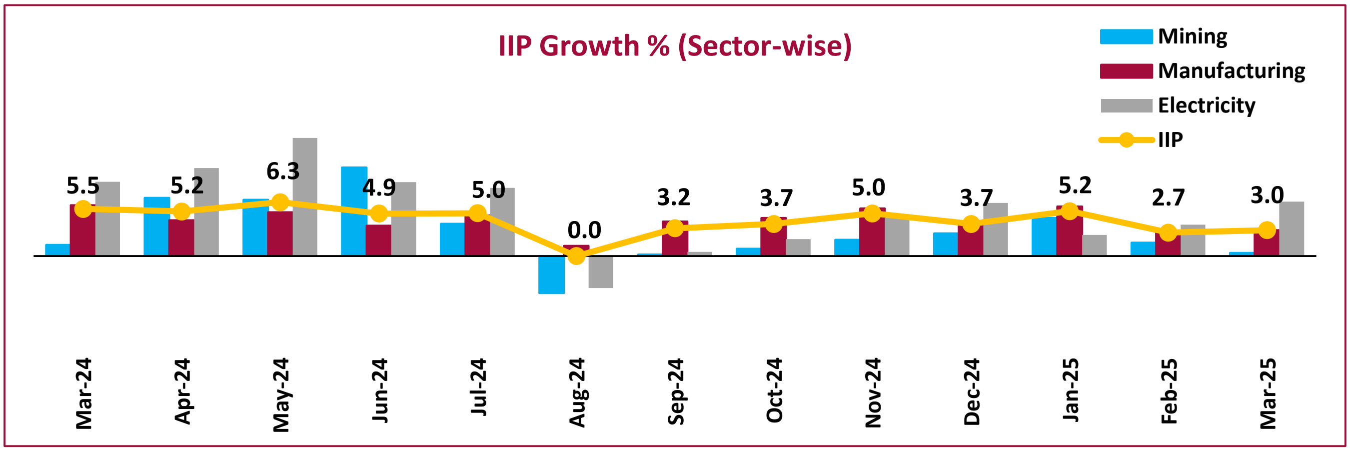
WPI Inflation YoY (%)	Primary Articles		Fuel & Power		Manufactured Products		Food Articles *(Part of Primary Articles)*		All Commodities	
Weights	22.62%		13.15%		64.23%		15.26%		100%	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
February	4.55	**2.92**	-1.71	**-0.97**	-1.27	**3.00**	7.07	**3.43**	0.20	**2.45**
March	4.57	**0.76**	-2.75	**0.20**	-0.85	**3.07**	7.05	**1.57**	0.26	**2.05**
April	5.23	**-1.44**	-0.85	**-2.18**	-0.14	**2.62**	8.07	**-0.86**	1.19	**0.85**



India's wholesale price index (WPI)-based inflation eased significantly to 0.85 per cent in April this year. Primary Articles category contracted to 1.44 per cent in April, from 0.76 per cent in the previous month. Meanwhile, the fuel and power category also witnessed deflation of 2.18 per cent, against growth of 0.2 per cent in March. In the manufactured products category, inflation dropped to 2.62 per cent from 3.07 per cent in the previous month. The positive rate of inflation in April is primarily due to an increase in prices of the manufacture of food products, other manufacturing, chemicals and chemical products, manufacture of other transport equipment and the manufacture of machinery and equipment.

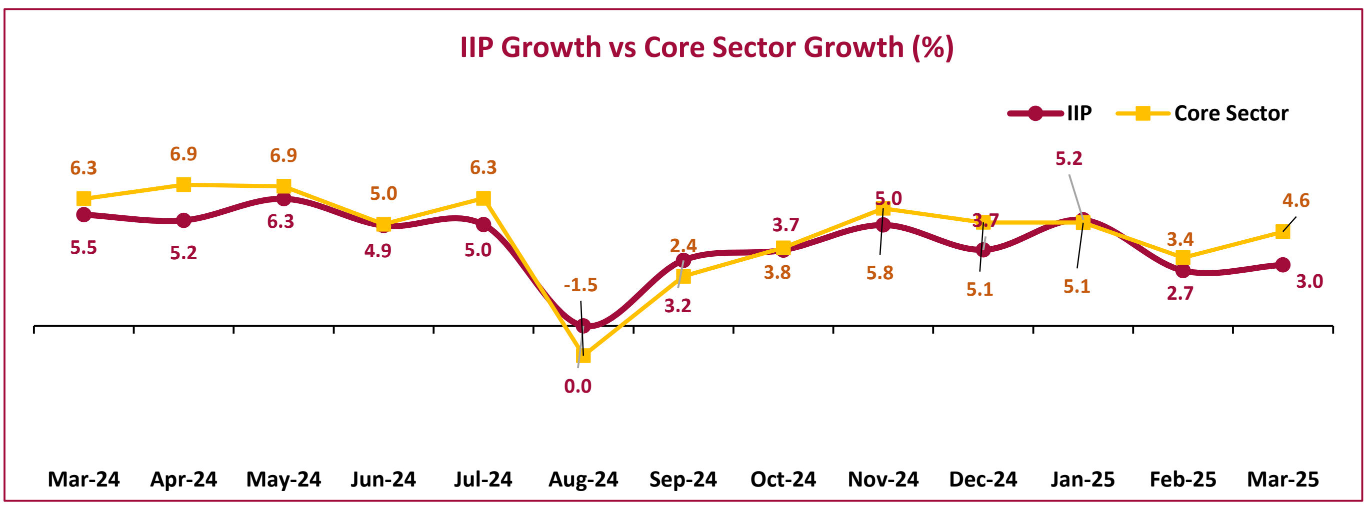
INDEX OF INDUSTRIAL PRODUCTION (IIP) & CORE SECTORS

IIP growth rises to 3.0% in March 2025



IIP Growth % (Usage-wise)

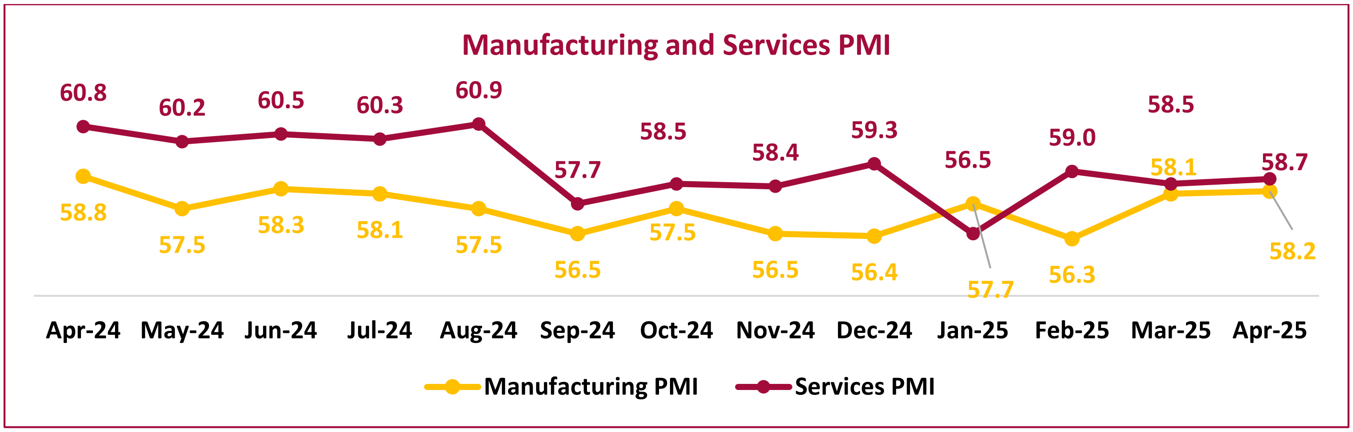
Component	Weight	Mar'24	Feb'24	Mar'25		Apr-Mar'24	Apr-Mar'25
Primary Goods	34.05%	3.0	2.8	3.1		6.1	3.9
Capital Goods	8.22%	7.0	8.2	2.4		6.3	5.5
Intermediate Goods	17.22%	6.1	1.0	2.3		5.3	4.1
Infra/Construction Goods	12.34%	7.4	6.8	8.8		9.7	6.6
Consumer Durables	12.84%	9.5	3.7	6.6		3.6	7.9
Consumer Non- Durables	15.33%	5.2	-2.1	-4.7		4.1	-1.6



IIP grew by 3.0 per cent in Mar'25 which is higher than the growth seen in Feb'25 of 2.7 per cent. IIP for the period of Apr'24-Mar'25 showed a growth of 3.9 per cent this year compared to 5.9 per cent during the same period last year. Mining activity rose 0.4% from 1.6% a month ago. In the use-based classification, consumer durables and construction registered the sharpest increase in growth, coming at 6.6% and 8.8% respectively. These sectors grew at 3.7% and 6.8% respectively in February.

PURCHASING MANAGERS' INDEX (PMI)

Services PMI rose to 58.7 and Manufacturing PMI increased to 58.2 in April 2025

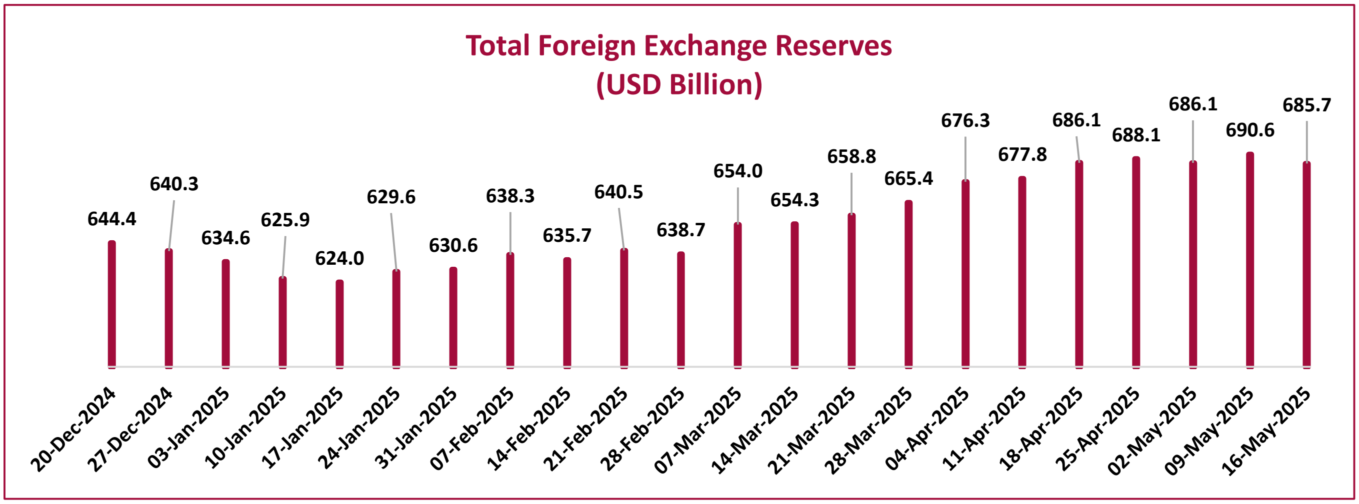


The **HSBC India Manufacturing PMI** rose slightly to 58.2 in April 2025 due to stronger operating conditions and marked the fastest expansion since June 2024, supported by robust growth in output and new orders. **The HSBC India Services PMI** increased to 58.7 in April 2025. The India Composite PMI, which combines the manufacturing and services PMI, also improved to 59.7in April 2025, up from 59.5 in March.

PERFORMANCE OF OTHER LEADING INDICATORS

	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Coal production (YoY%)	7.2	9.9	14.6	6.4	-7.6	2.5	7.7	7.4	5.3	4.4	1.7	1.6	4.1
Electricity generation (YoY%)	10.1	14.6	9.7	6.8	-3.8	-1.3	0.5	2.7	4.5	-1.3	2.4	4.8	1.8
Consumption of petroleum products (YoY%)	7.8	1.9	2.3	10.7	-3.1	-4.4	4.1	10.6	2.0	3.0	-5.2	-3.1	-0.2
Cargo handled at major ports (YoY%)	1.3	3.8	6.8	5.9	6.7	5.8	-3.4	-5.0	3.4	7.6	3.6	13.3	-
Cement production (million tonnes)	36.0	35.7	37.2	31.3	32.1	32.4	34.0	32.0	38.9	40.5	39.8	45.5	-
Steel consumption (million tonnes)	11.3	12.0	12.2	12.2	12.6	12.3	13.0	12.3	13.8	13.7	12.4	14.1	11.9
Fertiliser sales (YoY%)	-3.7	10.5	7.3	-1.4	-9.4	-7.7	-7.8	4.6	12.1	8.2	5.3	-43.9	-
Two-wheelers sales (Nos. in Lakhs)	20.7	19.3	19.0	17.7	20.5	24.0	25.3	19.7	14.8	19.1	17.8	20.2	18.3
Tractors sales (Nos. in Thousand)	84.4	91.8	110.3	68.0	58.7	108.0	151.8	78.3	59.1	69.8	67.8	90.7	90.3

FOREIGN EXCHANGE RESERVES

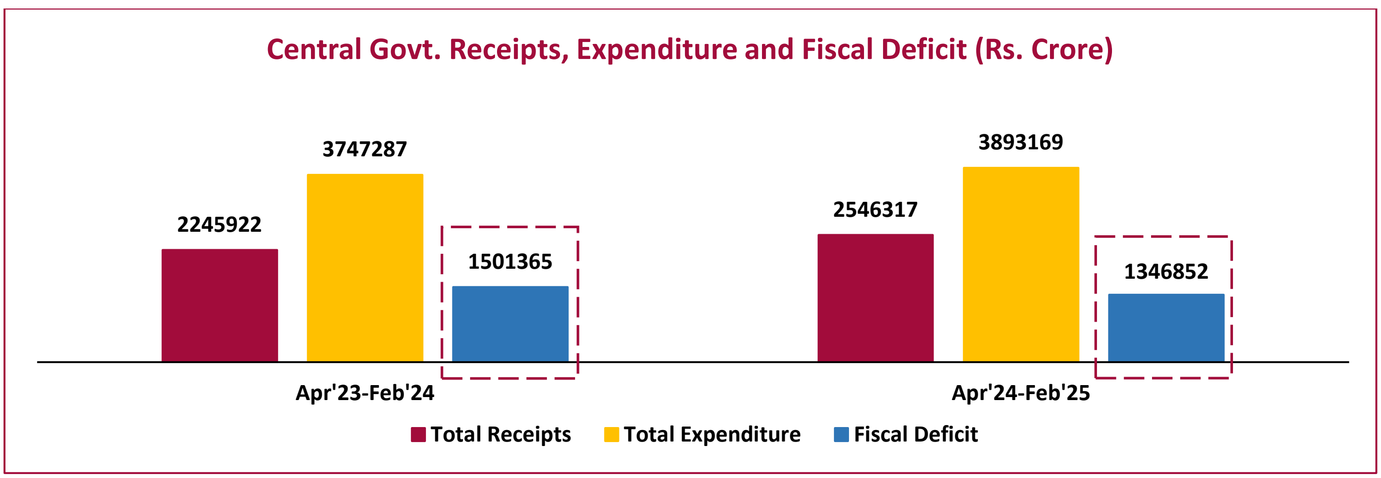


India's total foreign exchange (forex) reserves dropped to $685.7 billion as of 16th May 2025. This drop comes after the forex reserves hit a 7-month high in the first week of May 2025.

E-WAY BILL GENERATION (No. in cr.)

	Apr -24	May -24	Jun -24	Jul -24	Aug -24	Sep -24	Oct -24	Nov -24	Dec -24	Jan -25	Feb -25	Mar -25	Apr -25
E-way bill Generation	9.7	10.3	10.0	10.5	10.5	10.9	11.7	10.2	11.2	11.8	11.2	12.5	11.9

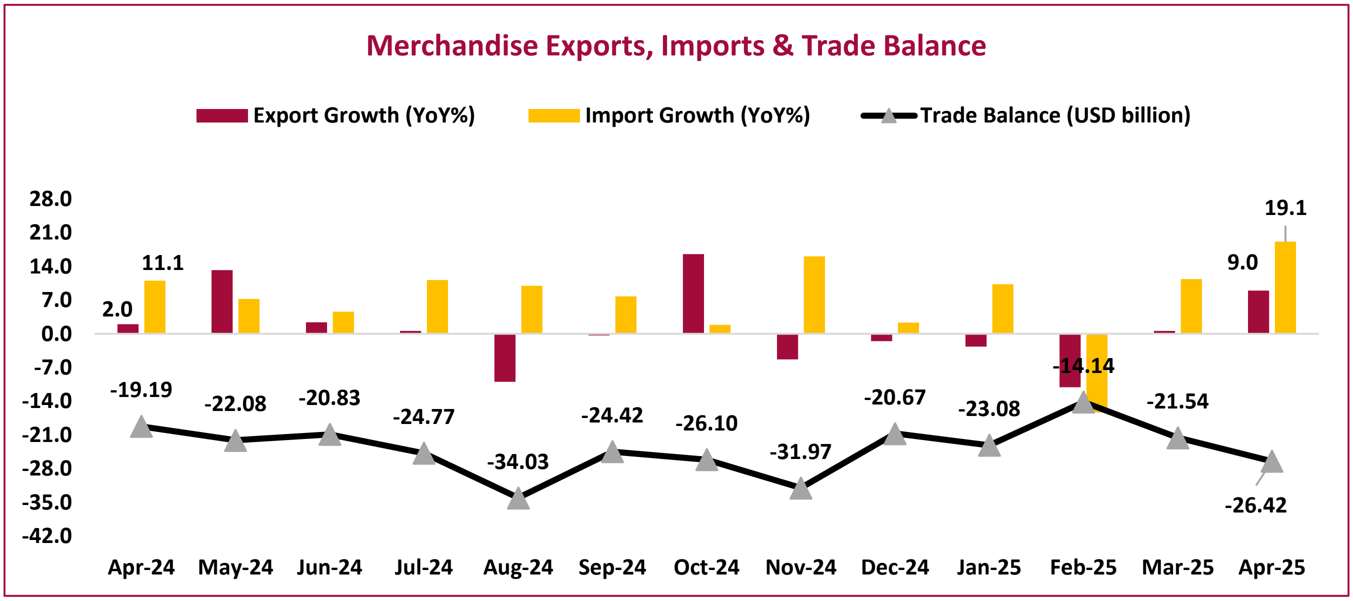
FISCAL DEFICIT

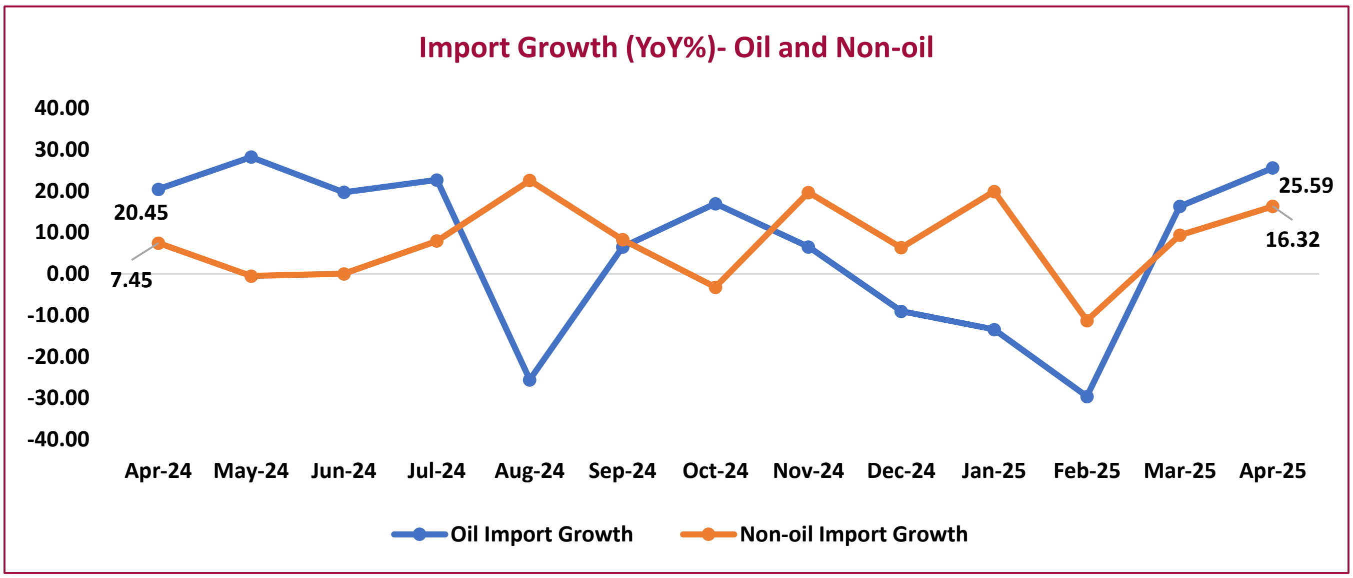


The Centre's fiscal deficit came in at 85.8 per cent of the annual target in April- February of the current financial year even as capital expenditure grew less than 1%, indicating that the fiscal deficit print may be lower than the target of 5.8 per cent for the full year. The fiscal deficit stood at Rs 13.5 lakh crore in the eleven months of FY25, 10 per cent lower than the Rs 15 lakh crore recorded in the corresponding period a year ago.

FOREIGN TRADE

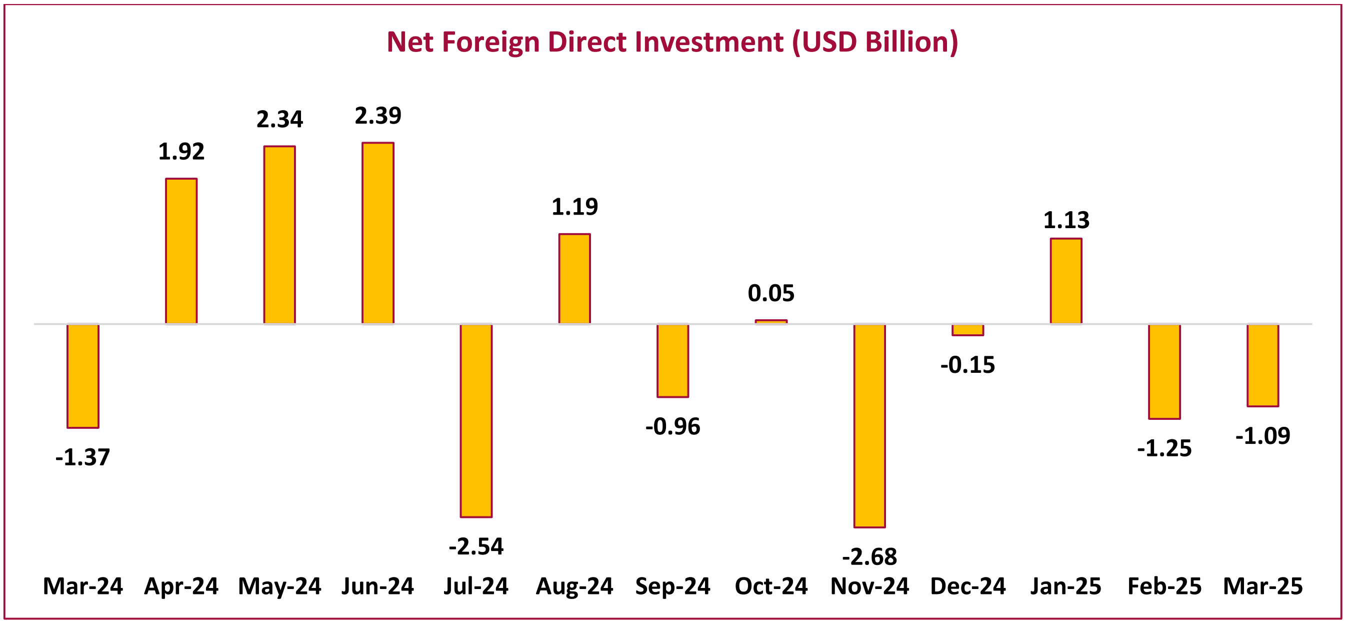
Merchandise Trade Deficit narrows to three and half year low at USD 14.05 billion



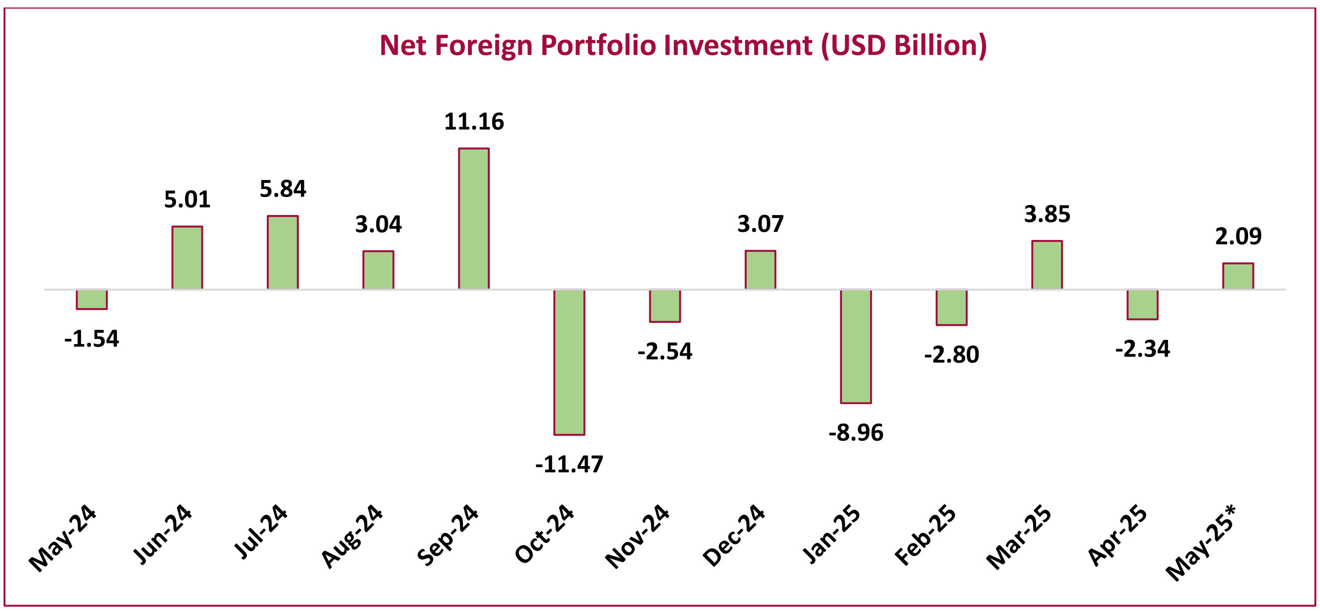


India's merchandise trade deficit widened to a five month high of $26.42 billion in April 2025. It expanded from $21.45 billion in March 2025.. The widening of trade deficit was driven by a spurt in imports which rose sharply by 19.1% YoY to $64.91 billion – the highest since October 2024.The rise in imports was driven by a 25.6% and 16.3% rise in oil and non-oil imports respectively in April 2025. Meanwhile, merchandise exports rose by 9.0% YoY for the month of April to $38.49 billion. Exports of petroleum products increased by 4.7% YoY to $7.37 billion – the highest since May 2024. Exports of non-petroleum products increased by 10.1% on a YoY basis in April 2025 to $31.11 billion.

FOREIGN INVESTMENTS



India witnessed a sharp drop in net foreign direct investment in FY 25, with investors cashing out of high-profile IPOs and companies ramping up investments overseas. The central bank attributed outward FDI and large-scale repatriation of capital by overseas investors.



**upto 20th May 2025*

Foreign Portfolio Investors (FPI) reversed May's overall net inflows. The FPI turned net sellers in Indian equities. Foreign investors have now pulled out a net Rs. 98,516 crores from Indian equities so far in 2025, indicating that foreign investors continue to remain cautious amid the ongoing uncertainty.

DEPOSIT AND CREDIT OF SCBs

Parameter (Rs. Lakh Crore)	03.05.24	21.03.25	18.04.25	02.05.25	YoY Growth(%)	YTD Growth(%)	Fortnightly Growth (%)
Deposits	209.38	225.81	228.61	230.33	10.01%	2.01%	0.75%
Advances	166.32	182.44	181.88	182.86	9.95%	0.23%	0.54%
Business	375.70	408.25	410.49	413.19	9.98%	1.21%	0.66%

SECTORAL DEPLOYMENT OF CREDIT- INDUSTRY WISE

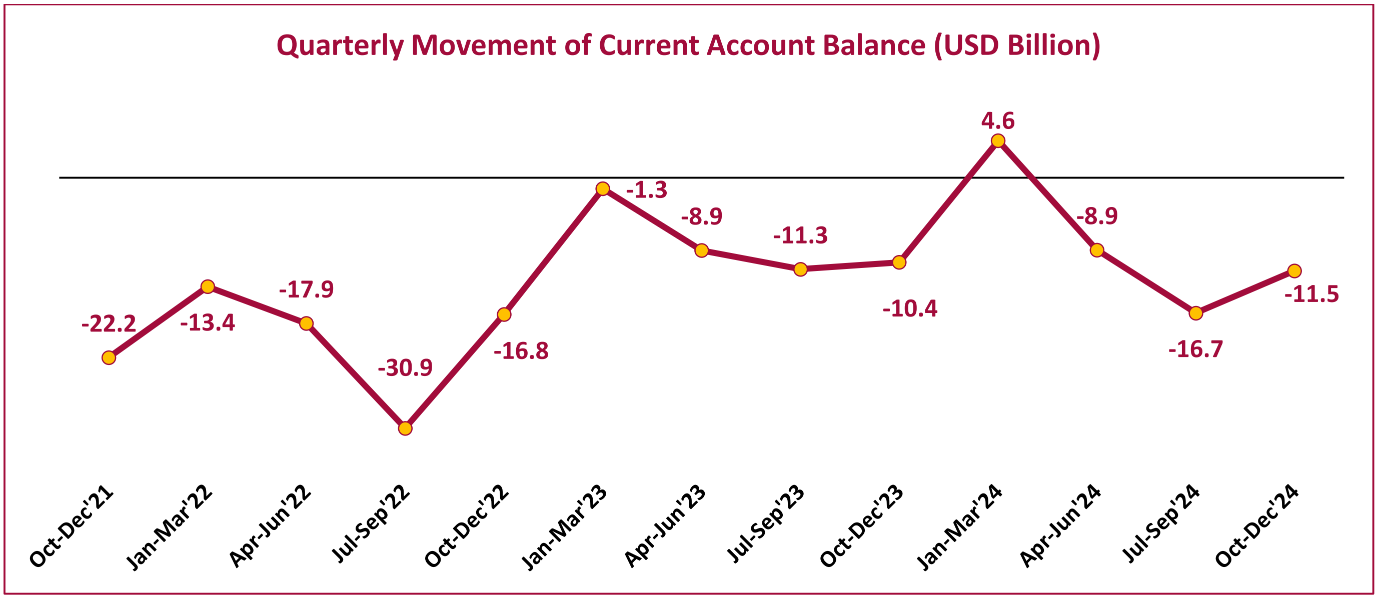
Parameter* (Rs. Lakh Crore)	Mar-24	Jan-25	Feb-25	Mar-25
Total Non-food	**164.1**	**178.2**	**179.4**	**182.1**
Agriculture and allied activities	**20.7**	**22.5**	**22.6**	**22.9**
Industry	**36.5**	**38.7**	**38.8**	**39.4**
Of which				
Micro & small	7.3	7.8	7.8	7.9
Medium	3.0	3.5	3.5	3.6
Large	26.2	27.5	27.4	27.8
Personal loans	**53.3**	**58.3**	**58.8**	**59.5**
Of which				
Housing (Including priority sector housing)	27.2	29.5	29.8	30.1
Credit card outstanding	2.6	2.9	2.9	2.8
Education	1.2	1.4	1.4	1.4
Vehicle loans	5.7	6.2	6.2	6.2
Services	**45.9**	**50.1**	**50.6**	**51.6**
Of which				
Computer software	0.3	0.3	0.3	0.3
Tourism, hotels & restaurants	0.8	0.8	0.8	0.8
Shipping	0.1	0.1	0.1	0.1
Aviation	0.4	0.4	0.5	0.5
Retail trade	4.9	5.2	5.3	5.4
Commercial real estate	4.7	5.2	5.3	5.3

**Figures include the impact of HDFC merger; based on LRF data*

On a YoY basis, non-food bank credit as on March 2025, grew by 12.1 per cent as compared to 16.3 per cent during the corresponding of the previous year March 2024. Credit to agriculture and allied activities registered a growth of 10.4 per cent YoY as on March 2025 as compared to 20.0 per cent in March 2024. Credit to industry expanded by 8.0 per cent YoY in March 2025, same as in the corresponding previous year.

12. QUARTERLY ECONOMIC INDICATORS

CURRENT ACCOUNT BALANCE



India's current account deficit (CAD) rose marginally to $11.5 billion, or 1.1 per cent of gross domestic product (GDP), during the October-December 2024 quarter of the ongoing financial year (Q3FY25) from $10.4 billion, a year ago, amid a rise in service exports. CAD moderated from $16.7 billion in Q2FY25, or 1.8 per cent of GDP. Overall, CAD is estimated to be at 0.8 per cent of GDP in FY25, before expanding slightly to nearly 1.0 per cent of GDP in FY26, even though the tariff-related uncertainty could act as a spoiler.

13. GLOBAL INTEREST RATES

Central Banks	Countries	Latest Interest Rate (%)	Last Change	Next Meeting Date
Bank of Japan	Japan	0.50%	Jan 24, 2025 (25bps)	Jun 17, 2025
European Central Bank	Europe	2.40%	Apr 17, 2025 (-25bp)	Jun 05, 2025
Federal Reserve	U.S.A	4.50%	Dec 18, 2024 (-25bps)	Jun 18, 2025
Bank of England	U.K	4.25%	May 08, 2025 (-25bp)	Jun 19, 2025
Peoples Bank of China	China	3.00%	May 20, 2025 (-10bp)	-
Reserve Bank of India	India	6.00%	Apr 09, 2025 (-25bps)	Jun 06, 2025

14. MACRO ECONOMIC INDICATOR OUTLOOK

Liquidity Scenario

The liquidity surplus remained in place through April and mid-May 2025, aided by the RBI's active liquidity management efforts.

In the current financial year (up to May 19, 2025), the RBI has infused liquidity to the tune of ₹2.65 lakh crore through purchases under open market operation (OMO) and a 43-day term VRR auction.

<table>
<tr><th colspan="5">Durable Liquidity Measures since April 2025</th></tr>
<tr><th>Measure</th><th colspan="2">Description</th><th>Auction Date</th><th>Amount Injected
(in Rs. Crore)</th></tr>
<tr><td rowspan="9">OMO Purchase Auction</td><td rowspan="9">Notified Amount (Amt. in Rs. Crore)</td><td>20,000</td><td>April 3, 2025</td><td>20,000</td></tr>
<tr><td>20,000</td><td>April 8, 2025</td><td>20,000</td></tr>
<tr><td>40,000</td><td>April 17, 2025</td><td>40,000</td></tr>
<tr><td>20,000</td><td>April 22, 2025</td><td>20,000</td></tr>
<tr><td>20,000</td><td>April 29, 2025</td><td>20,000</td></tr>
<tr><td>50,000</td><td>May 6, 2025</td><td>50,000</td></tr>
<tr><td>25,000</td><td>May 9, 2025</td><td>25,000</td></tr>
<tr><td>25,000</td><td>May 15, 2025</td><td>25,000</td></tr>
<tr><td>25,000</td><td>May 19, 2025</td><td>19,203</td></tr>
<tr><td>Term Repo Auction</td><td colspan="2">43-day VRR auction
Notified Amount: 1,50,000</td><td>April 17, 2025</td><td>25,731</td></tr>
<tr><td></td><td colspan="2"></td><td>Total</td><td>2,64,934</td></tr>
</table>

Source: RBI

Interest Rate Scenario

The yield on the 10-year G-sec benchmark declined to 6.25 per cent on May 25, 2025 from 6.36 per cent on April 25, 2025. Improving liquidity conditions have softened yields across tenors, leading to a downward shift in the curve.

We expect the RBI to cut the policy rate by another 50 basis points (bps) in the next two MPC meetings (Jun'25 & Aug'25) amid moderation in inflation. We expect 10-year G-sec yield to trade between 6.0% by end 2025 supported by easing inflation and improved liquidity conditions.

10 Year G-Sec/Treasury/Bond Yield of Major Countries (23.05.2025)

COUNTRY	Yield (%)
United States	4.45
United Kingdom	4.67
Japan	1.53
China	1.67
India	**6.27**

Source: Investing

15. INDUSTRY OUTLOOK

ELECTRIC VEHICLE INDUSTRY

India's electric vehicle sector is witnessing unprecedented transformation as environmental imperatives converge with economic opportunities. With transportation contributing 14% of India's CO2 emissions in 2021 and the nation's commitment to net-zero by 2070, the EV revolution has gained unstoppable momentum. The 82% decline in battery costs from 2013 to 2023 has further accelerated this transition, making electric mobility increasingly viable for Indian consumers.

Electric vehicle registrations surged to over 2 million units from1.6 million units in 2023, marking robust 24% year-on-year growth While two-wheelers continue dominating with 60% market share, electric cars are steadily gaining ground, now representing 5% of passenger vehicle sales. India's electric vehicle market is anticipated to expand at a CAGR of 28.52% to attain US$ 18.319 billion by 2029 from US$ 5.22 billion in 2024. Supporting this growth, India's charging infrastructure has expanded to 12,146 public stations as on 02.02.2024, with Delhi, Maharashtra, and Karnataka leading deployment efforts

Government initiatives have proven instrumental in catalyzing market growth. The enhanced FAME II scheme, backed by ₹11,500 crores, has already supported 1.6 million vehicles by end of 2024. Meanwhile, the PLI scheme for battery manufacturing has exceeded expectations, receiving applications for 130 GWh capacity against its 50 GWh target. The National Green Hydrogen Mission's ₹19,744 crores allocation further strengthens the clean energy ecosystem.

However, significant hurdles remain. EVs still cost 10-15% more than conventional vehicles according to an ICRA Report of 2024, while charging infrastructure density lags behind global standards at 0.8 points per 1000 population compared to China's 2.5 according to IEA Global EV Outlook 2024. Critical supply chain vulnerabilities persist, with 85% of lithium-ion cells still imported from China.

Despite these challenges, the outlook remains exceptionally positive. As per a Niti Aayog report, the Indian government is aiming for EV adoption to reach 40 percent for buses, 30 percent for private cars, 70 percent for commercial vehicles, and 80 percent for two-wheelers by 2030. India's electric vehicle industry is on the cusp of a significant transformation, driven by supportive policies, infrastructure development, and increasing consumer awareness. Addressing the existing challenges through continued innovation and investment will be crucial in realizing the nation's vision of sustainable and inclusive mobility.

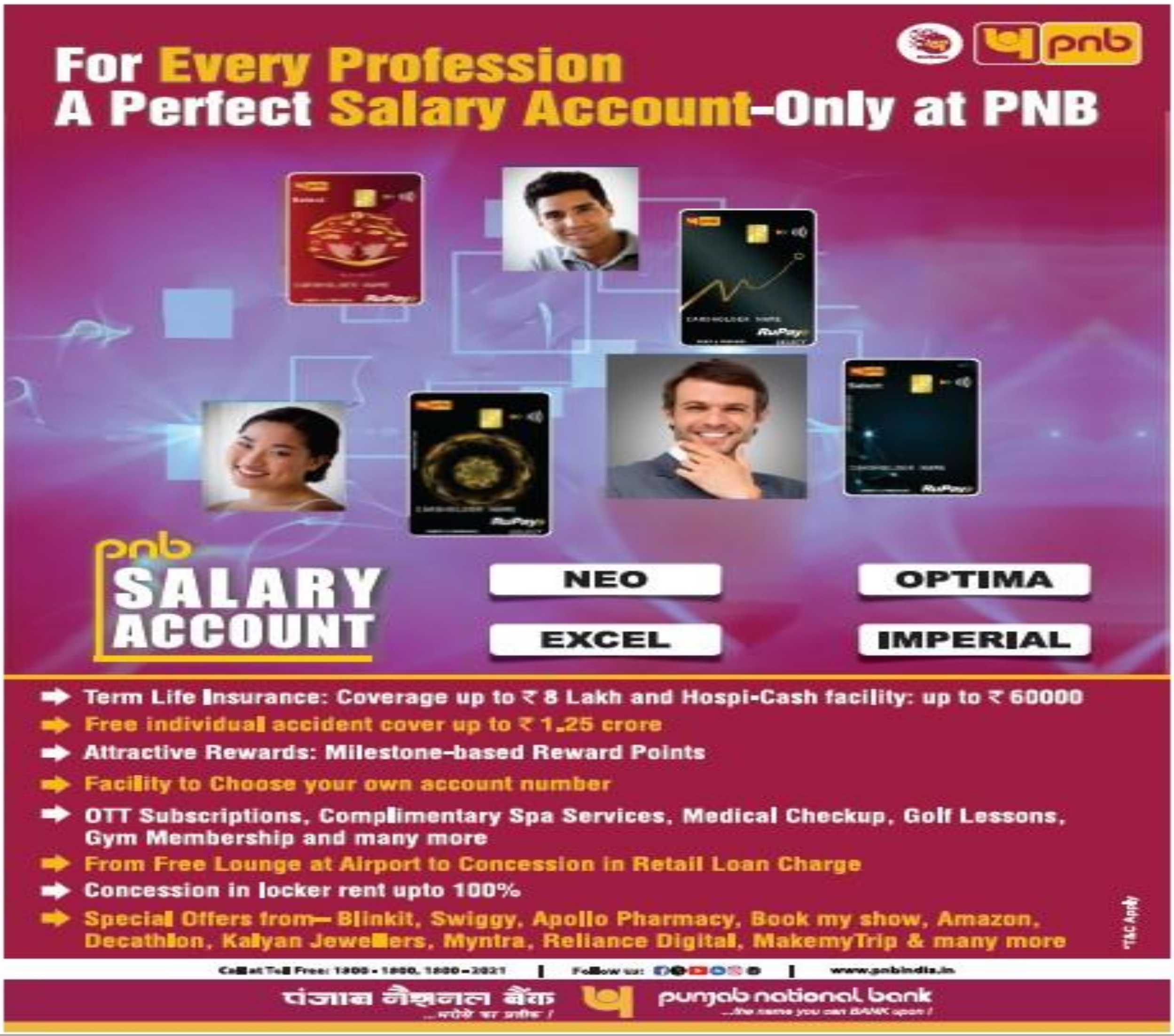
16. DATA SOURCES

- *Reserve Bank of India (RBI)*
- *Ministry of Statistics and Programme Implementation (MOSPI)*
- *Office of Economic Adviser*
- *Ministry of Commerce and Industry, Department of Commerce, DGFT*
- *Press Information Bureau*
- *GST Council*
- *Websites of major Central Banks*
- *Controller General of Accounts (CGA)*
- *Investing.com*
- *Press Articles*
- *CMIE*

QUOTE OF THE MONTH

"You can find magic wherever you look. Sit back and relax, all you need is a book."

— Dr . Seuss



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