

RBI hikes Repo Rate by another 50 basis points to 5.9%

GDP for 2022-23 projected to grow at 7.0%

Internet banking facility to be started for Regional Rural Banks' customers

Regulation of offline payment aggregators proposed

Posted On: 30 SEP 2022 12:55PM by PIB Mumbai

: Mumbai, September 30, 2022

Repo Rate hiked to 5.90%

The repo rate, the rate at which RBI lends money to commercial banks, has been hiked by 50 basis points again. Considering the prevailing adverse global environment, resilience in domestic economic activity, uncomfortably high inflation level, the RBI has hiked the policy repo rate by 50 basis points, to 5.40%.

Consequently, the standing deposit facility (SDF) rate stands adjusted to 5.65% and the marginal standing facility (MSF) rate and the Bank Rate to 6.15%. The Monetary Policy Committee has decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth, stated RBI Governor Shaktikanta Das.

The Governor's address can be watched here: <https://youtu.be/cb1it7TU8bk>

Additional Measures:

The Governor announced a series of four additional measures, as given below.

1. Discussion paper on Expected Loss-Based Approach to be released for loan-loss provisioning by banks

Banks currently follow incurred-loss approach, where provisions are made after stress has actually materialized, this is to be replaced by a more prudent approach which requires banks to make provisions based on assessment of probable losses.

2. Discussion paper on securitization of Stressed Assets Framework (SSAF) to be released.

Revised framework for securitization of stressed assets was issued in Sep 2021, it has now been decided to introduce a framework for securitization of stressed assets, this will provide alternate mechanism for securitization of NPAs in addition to existing ARC route.

3. Internet banking facility for customers of Regional Rural Banks.

RRBs are currently allowed to provide internet banking facility to customers subject to fulfillment of certain criteria, to spread digital banking in rural areas, these criteria are being rationalized, revised guidelines to be issued separately.

4. Regulation of offline payment aggregators.

Online Payment Aggregators (PAs) have been brought under the purview of RBI regulations since March 2020. It is now proposed to extend these regulations to offline PAs, who handle proximity/face-to-face transactions. This measure is expected to bring in regulatory synergy and convergence on data standards.

Growth Projection – 7.0% for 2022-23

The Governor informed that the central bank's growth projection for the Indian economy for 2022-23 is projected at 7.0 per cent with Q2 at 6.3 per cent; Q3 at 4.6 per cent; and Q4:2022-23 at 4.6 per cent, with risks broadly balanced.

The growth for Q1 of 2023-24 is projected at 7.2 per cent.

Against the current challenging global environment, economic activity in India remains stable, stated the RBI Governor. "While real GDP in first quarter of this year turned out to be lower than expectations, it is perhaps the highest among major global economies", he added.

Inflation

Inflation inched up to 7.0 per cent in August from 6.7 per cent in July, stated the RBI Governor. Global geopolitical developments are weighing heavily on the domestic inflation trajectory, he said.

The RBI Governor stated that monetary policy has to carry forward its calibrated action on policy rates and liquidity conditions consistent with the evolving inflation growth dynamics. It must remain alert and nimble, he stated.

[Read the full statement of the Governor here](#); [Statement on Development and Regulatory Policies here](#); and [Monetary Policy Statement here](#).

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(Release ID: 1863686)