



## RBI & Banking sector

### Major Policy and Operational Changes

**Government Payments via e-Kuber:** Starting July 16, 2025, all central government payments exceeding ₹75 crore must be processed exclusively through the RBI's e-Kuber platform. This move, mandated by the Department of Expenditure, is intended to enhance transparency, minimize reconciliation delays, and enable near real-time tracking of government expenditure.

**Faster Cheque Clearing:** The RBI is set to introduce a new system from October 4, 2025, to clear cheques within hours of being presented. This will transition the existing Cheque Truncation System (CTS) from a batch-processing model to a continuous clearing and settlement model, with the goal of improving efficiency and reducing settlement risks.

### Monetary Policy and Economic Outlook

**Repo Rate:** The RBI's Monetary Policy Committee (MPC) had previously reduced the policy repo rate from 6.5% to 6.25% in June 2025, with a corresponding adjustment to the Standing Deposit Facility (SDF) rate (from 6.25% to 6.00%) and the Marginal Standing Facility (MSF) rate (from 6.75% to 6.50%). The policy stance was shifted to "neutral," indicating a data-dependent approach for future decisions.

**Inflation:** Consumer Price Index (CPI) inflation for July 2025 was recorded at 1.55%, the lowest since June 2017. Food prices, in particular, saw a decline of 1.76% compared to the previous year. This significant drop in inflation, while a

positive sign, is not expected to trigger immediate rate cuts by the RBI in the near term.

### Banking Sector Performance and Developments

**Mixed Performance in Q1 FY26:** Corporate earnings for the first quarter of the fiscal year 2025-26 showed a mixed performance. The banking sector, along with others like consumer durables and capital goods, saw a muted performance, with a decline in net interest margins (NIMs) putting pressure on profitability. However, some sectors like cement, chemicals, and hospitality saw double-digit profit growth.

**AU Small Finance Bank to Universal Bank:** The RBI has granted in-principle approval to AU Small Finance Bank (AUSFB) to transition into a Universal Bank. This allows AUSFB to offer a wider range of products and services.

**Minimum Balance Norms:** RBI Governor Sanjay Malhotra clarified that the decision on the minimum balance requirement for bank accounts is left to the discretion of individual banks. This statement came in the wake of ICICI Bank's decision to increase its minimum balance requirement on certain new accounts.

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### MCQS

1. What is the primary purpose of the RBI's e-Kuber platform for central government payments, as mandated from July 16, 2025?

- A) To facilitate retail banking transactions for government employees.
- B) To reduce the number of government bank accounts.
- C) To enhance transparency and enable real-time tracking of government expenditure.
- D) To process all government payments, regardless of the amount.

**Answer:** C) To enhance transparency and enable real-time tracking of government expenditure.

The new mandate requires all central government payments over ₹75 crore to be processed through the e-Kuber platform to increase transparency, minimize delays, and allow for near real-time tracking of how government funds are being spent.

**2. The RBI's new cheque clearing system, set to be introduced from October 4, 2025, aims to:**

- A) Increase the time it takes to clear a cheque.
- B) Replace the existing Cheque Truncation System (CTS) with a new, manual process.
- C) Transition the CTS from a batch-processing model to a continuous clearing model.
- D) Process only high-value cheques, leaving low-value ones for manual clearing.

**Answer:** C) Transition the CTS from a batch-processing model to a continuous clearing model.

The new system is designed to improve the efficiency and speed of cheque clearing by moving from a periodic, batch-based system to a continuous clearing process, enabling cheques to be cleared within hours.

**3. In June 2025, the RBI's Monetary Policy Committee (MPC) reduced the repo rate from 6.5% to 6.25%. What was the corresponding change to the Marginal Standing Facility (MSF) rate?**

- A) Reduced from 6.75% to 6.50%.
- B) Increased from 6.75% to 7.00%.
- C) Remained unchanged at 6.75%.
- D) It was reduced from 6.50% to 6.25%.

**Answer:** A) Reduced from 6.75% to 6.50%.

As a standard practice, changes to the repo rate are accompanied by corresponding adjustments to the MSF and Standing Deposit Facility (SDF).



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rates to maintain the monetary policy corridor. In this case, the MSF rate was also reduced by 25 basis points.

**4. Despite a significant drop in CPI inflation to 1.55% in July 2025, the RBI is not expected to make immediate rate cuts. Why?**

- A) The RBI's policy stance has shifted to "neutral."
- B) The RBI is focused on tackling deflation.
- C) The inflation decline is only in the food sector.
- D) The repo rate is already at a historic low.

**Answer:** A) The RBI's policy stance has shifted to "neutral."

The shift to a "neutral" policy stance means the RBI will adopt a data-dependent approach to future decisions. While inflation is low, the RBI is likely to wait and assess broader economic data and global conditions before making any further changes to the repo rate.

**5. What has been the primary reason for the muted performance and pressure on profitability for the banking sector in Q1 FY26?**

- A) A decline in overall loan demand.
- B) An increase in non-performing assets (NPAs).
- C) A decline in Net Interest Margins (NIMs).
- D) A surge in operational costs.

**Answer:** C) A decline in Net Interest Margins (NIMs).

The corporate earnings for Q1 FY26 showed that the banking sector's performance was dampened by a decline in their Net Interest Margins (NIMs), which is the difference between the interest income earned and the interest paid out.

**6. What is the significance of the RBI's in-principle approval for AU Small Finance Bank (AUSFB) to transition into a Universal Bank?**

- A) AUSFB must now merge with a public sector bank.
- B) It allows AUSFB to focus exclusively on small business loans.
- C) It restricts AUSFB from offering credit cards and wealth management services.
- D) It allows AUSFB to offer a wider range of products and services beyond its previous mandate.

**Answer:** D) It allows AUSFB to offer a wider range of products and services beyond its previous mandate.

A Universal Bank license permits a bank to operate across the entire spectrum of banking activities, including lending to large corporations and offering a full suite of retail and corporate financial products, which is a significant expansion from the more limited scope of a Small Finance Bank.

**7. According to RBI Governor Sanjay Malhotra, who is responsible for setting the minimum balance requirements for bank accounts?**

- A) The Reserve Bank of India (RBI).
- B) The Ministry of Finance.
- C) Individual banks.
- D) The government's Department of Expenditure.

**Answer:** C) Individual banks.

RBI Governor Sanjay Malhotra clarified that the decision on minimum balance norms is not under the RBI's regulatory domain and is left to the discretion of individual banks. This was in response to ICICI Bank's decision to increase its minimum balance requirements for certain new accounts.





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