



RBI & Banking sector

1. RBI Monetary Policy and Economic Outlook:

June 2025 Monetary Policy Update: The RBI's Monetary Policy Committee (MPC) met in June 2025. While the specific outcome of the July MPC meeting isn't available, the June update indicated that the Repo Rate was maintained, with the Standing Deposit Facility (SDF) rate at 5.25% and Marginal Standing Facility (MSF) rate and Bank Rate at 5.75%.

April 2025 Policy Rate Cut: In its 54th meeting and the first of FY26 (April 2025), the MPC unanimously decided to reduce the policy repo rate by 25 basis points (bps) to 6.00% with immediate effect. Consequently, the SDF rate was adjusted to 5.75% and the MSF rate and Bank Rate to 6.25%. This cut was aimed at achieving the CPI inflation target of 4% while supporting economic growth.

Inflation Outlook: Retail inflation in India is projected to touch a record low in July 2025. The State Bank of India (SBI) estimates average Consumer Price Index (CPI) inflation for FY26 to be between 3.0% and 3.2%, significantly below RBI's 3.7% forecast. This moderation follows the RBI's recent rate cuts.

GDP Growth Projections: The RBI has projected real GDP growth at 6.5% for 2025-26, maintaining the same rate as estimated for 2024-25. The quarterly projections are 6.5% in Q1, 6.7% in Q2, 6.6% in Q3, and 6.3% in Q4, with risks evenly balanced.

Liquidity: By early April 2025, the system had a liquidity surplus of ₹1.5 lakh crore, indicating more money available in banks for lending and investment.

2. Digital Rupee (₹) Adoption:

Significant Growth: The Reserve Bank of India's Central Bank Digital Currency (CBDC), the ₹-Retail, has seen significant adoption, with its value in circulation touching ₹1,016 crore as of March 2025. This represents a 10-fold increase from ₹103 crore in December 2023.

Expanded Pilot: As of FY25, the CBDC pilot covered 17 banks and 60 lakh users, with a sharp rise in value starting mid-2024.

Wider Reach: In April 2024, the RBI allowed non-bank payment system operators to distribute CBDC wallets, enhancing last-mile reach. The scope of ₹-Retail has also expanded to include offline transactions and programmability.

Use Cases: Programmability features are being explored for Direct Benefits Transfer (DBT) schemes, interest subvention, lending, and employee allowances, with pilot projects like Odisha's Subhadra Yojana utilizing ₹ for around 88,000 beneficiaries.

3. Bank Lending and Financial Health:

Bank Loan Growth: India's bank loan growth (year-over-year) was 9.5% as of July 4, 2025, slightly down from 9.6% on June 20, 2025. Econometric models project long-term growth around 16.50% in 2026 and 17.50% in 2027.

Foreign Exchange Reserves: India's foreign exchange reserves have seen a decline in early July. For the week ending July 4, 2025, reserves





fell by \$3.049 billion to \$699.736 billion. For the week ending July 11, 2025, reserves fell further by \$3.064 billion to \$696.672 billion. This marks the second consecutive week of decline.

Public Sector Banks Performance (Q1 FY26):

Indian Overseas Bank (IOB): Reported a 76% YoY rise in net profit to ₹1,111 crore for the quarter ended June 2025 (Q1 FY26). The bank saw improved asset quality, with gross non-performing assets (NPAs) decreasing to 1.97% (from 2.89% a year ago) and net NPAs falling to 0.32% (from 0.51%).

Private Sector Banks Performance (H1 2025):

Market Capitalization Jump: Four large private banks (HDFC Bank, ICICI Bank, Kotak Mahindra Bank, Axis Bank) saw their combined market capitalization jump over ₹4 lakh crore in the first half of 2025.

HDFC Bank: Led in absolute market cap gains, adding ₹1.75 lakh crore with shares rising 12%.

ICICI Bank: Gained 11.3% in H1, adding ₹1.17 lakh crore to its market cap.

Kotak Mahindra Bank: Led in percentage gains, with its share price rising 20%, adding ₹77,000 crore.

Axis Bank: Saw a 10% rise in stock price, contributing ₹42,000 crore to its market cap. Axis Bank, however, reported a 4% YoY decline in net profit to ₹5,806 crore for Q1 FY26, primarily due to higher provisions. Its asset quality weakened slightly with gross NPAs rising to 1.57% (from 1.54%) and net NPAs to 0.45% (from 0.34%).

Bank Holidays: Banks in India generally remain open on July 19, 2025, as it is the third Saturday of the month. However, banks in Agartala (Tripura) will remain closed due to Ker Puja.

4. RBI Regulations and Initiatives:

Digital Lending Directions (May 2025): The RBI released comprehensive directions on digital lending, consolidating previous instructions with key additions. These include:

Accountability for Lending Service Providers (LSPs): REs (Regulated Entities) must enter contractual agreements with LSPs and remain fully responsible for their acts/omissions.

Transparency: LSPs must provide unbiased loan offers and not use deceptive patterns.

Recovery Agents: REs can use physical recovery agents for delinquent borrowers and must notify borrowers about their particulars beforehand.

Cooling-off Period: REs may retain a reasonable one-time processing fee if a borrower exits a loan during the cooling-off period, which can now be a minimum of 1 day (compared to 3 days earlier for loans > 7 days).

Data Storage: All data must be stored on servers within India; if processed outside, it must be deleted and brought back within 24 hours.

Reporting of Digital Lending Apps (DLAs): REs must report details of all DLAs on RBI's Centralised Information Management System (CIMS) portal by June 15, 2025. Compliance for RE-LSP arrangements involving multiple lenders is effective from November 1, 2025.





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Clarification on Pledge for Agricultural Loans (July 17, 2025): RBI has further clarified norms related to lending against gold and silver collateral for agriculture and MSME sectors. Borrowers can voluntarily pledge these assets to enhance creditworthiness without necessarily disqualifying their loan from being treated as collateral-free (up to prescribed limits). This aims to enhance credit access and liquidity for asset-rich but cash-constrained borrowers.

Financial Inclusion Saturation Campaign: The Department of Financial Services (DFS), Ministry of Finance, launched a 3-month campaign (July 1 to September 30, 2025) for saturation of financial inclusion schemes at Gram Panchayat & Urban Local Body levels across all districts.

UPI-PayNow Expansion: UPI-PayNow cross-border remittance network has expanded to include 13 more Indian banks as of July 16, 2025, strengthening international digital payments.

RBI Fines: The RBI continues to impose monetary penalties on various cooperative banks and financial institutions for non-compliance with rules, as seen with fines on HDFC Bank and Shriram Finance on July 12, 2025, and several cooperative banks on July 17, July 10, and July 3, 2025.

AU Small Finance Bank Partnership: AU Small Finance Bank has partnered with LIC to distribute LIC's range of insurance products, aiming for greater financial inclusion, especially in underserved and rural areas.

MCQS

1. In its April 2025 meeting, by how many basis points (bps) did the RBI's MPC reduce the policy repo rate?

- A) 10 bps
- B) 15 bps
- C) 20 bps
- D) 25 bps

Answer: D) 25 bps

The summary states, "In its... April 2025... the MPC unanimously decided to reduce the policy repo rate by 25 basis points (bps) to 6.00%..."

2. What is the RBI's projected real GDP growth for 2025-26?

- A) 6.0%
- B) 6.3%
- C) 6.5%
- D) 6.7%

Answer: C) 6.5%

The summary states, "The RBI has projected real GDP growth at 6.5% for 2025-26..."

3. By early April 2025, what was the approximate liquidity surplus in the Indian banking system?

- A) ₹0.5 lakh crore
- B) ₹1.0 lakh crore
- C) ₹1.5 lakh crore
- D) ₹2.0 lakh crore

Answer: C) ₹1.5 lakh crore

The summary states, "By early April 2025, the system had a liquidity surplus of ₹1.5 lakh crore..."

4. What was the value of the e₹-Retail (CBDC) in circulation as of March 2025?

- A) ₹103 crore
- B) ₹500 crore
- C) ₹1,016 crore
- D) ₹1,500 crore





Answer: C) ₹1,016 crore

The summary states, "The Reserve Bank of India's Central Bank Digital Currency (CBDC), the e₹-Retail, has seen significant adoption, with its value in circulation touching ₹1,016 crore as of March 2025."

5. As of FY25, how many banks were covered under the CBDC pilot?

- A) 10
- B) 15
- C) 17
- D) 20

Answer: C) 17

The summary mentions, "As of FY25, the CBDC pilot covered 17 banks and 60 lakh users..."

6. What was India's bank loan growth (year-over-year) as of July 4, 2025?

- A) 9.0%
- B) 9.5%
- C) 9.6%
- D) 10.0%

Answer: B) 9.5%

The summary states, "India's bank loan growth (year-over-year) was 9.5% as of July 4, 2025..."

7. For the quarter ended June 2025 (Q1 FY26), Indian Overseas Bank (IOB) reported a net profit of approximately how much?

- A) ₹500 crore
- B) ₹800 crore
- C) ₹1,111 crore
- D) ₹1,500 crore

Answer: C) ₹1,111 crore

The summary states, "Indian Overseas Bank (IOB): Reported a 76% YoY rise in net profit to ₹1,111 crore for the quarter ended June 2025 (Q1 FY26)."

8. Which private sector bank led in percentage gains in share price in the first half of 2025, rising 20%?

- A) HDFC Bank
- B) ICICI Bank
- C) Kotak Mahindra Bank
- D) Axis Bank

Answer: C) Kotak Mahindra Bank

The summary notes, "Kotak Mahindra Bank: Led in percentage gains, with its share price rising 20%..."

9. For what reason were banks in Agartala (Tripura) scheduled to be closed on July 19, 2025?

- A) Republic Day
- B) Ker Puja
- C) Festival of Colours
- D) State Foundation Day

Answer: B) Ker Puja

The summary states, "However, banks in Agartala (Tripura) will remain closed due to Ker Puja."

10. In its May 2025 Digital Lending Directions, what is the new minimum cooling-off period if a borrower exits a loan?

- A) 3 days
- B) 2 days
- C) 1 day
- D) 7 days

Answer: C) 1 day

The summary states, "...which can now be a minimum of 1 day (compared to 3 days earlier for loans > 7 days)."

11. By when must Regulated Entities (REs) report details of all Digital Lending Apps (DLAs) on RBI's Centralised Information Management System (CIMS) portal?





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- A) May 1, 2025
- B) June 15, 2025
- C) July 1, 2025
- D) November 1, 2025

Answer: B) June 15, 2025

The summary states, "REs must report details of all DLAs on RBI's Centralised Information Management System (CIMS) portal by June 15, 2025."

12. UPI-PayNow cross-border remittance network expanded to include how many more Indian banks as of July 16, 2025?

- A) 5
- B) 8
- C) 10
- D) 13

Answer: D) 13

The summary states, "UPI-PayNow cross-border remittance network has expanded to include 13 more Indian banks as of July 16, 2025..."

13. Which Small Finance Bank has partnered with LIC to distribute LIC's range of insurance products?

- A) Equitas Small Finance Bank
- B) Suryoday Small Finance Bank
- C) AU Small Finance Bank
- D) Ujjivan Small Finance Bank

Answer: C) AU Small Finance Bank

The summary states, "AU Small Finance Bank has partnered with LIC to distribute LIC's range of insurance products..."

