



## RBI & Banking sector

### RBI and Banking News

**Fiscal Discipline:** RBI Governor Sanjay Malhotra addressed the 35th Conference of State Finance Secretaries, emphasizing the importance of fiscal discipline for economic growth. He urged states to prioritize the quality of expenditure and be cautious with off-budget borrowings. The meeting also focused on greater coordination between states and the RBI on initiatives like currency management and financial inclusion.

**Liquidity and Auctions:** Banks bid for nearly double the notified amount at the RBI's overnight Variable Rate Repo (VRR) auction, as surplus liquidity in the system declined. This signals a tightening of cash in the banking system.

**Sovereign Gold Bonds (SGBs):** The RBI announced the premature redemption price for the SGB 2019-20 Series-IV, which was issued on September 17, 2019. The redemption price was set at ₹11,003 per unit, resulting in a remarkable 183% simple return for investors over the five-year period.

**Payment Aggregators:** The RBI has mandated full KYC for payment aggregators and has also reportedly stopped their rent payment offerings via credit cards, requiring such transactions to be routed through channels like Bharat Bill Payment System (BBPS). This is expected to increase operational expenses for these firms.

**UPI Global Reach:** The International Monetary Fund (IMF), in its September 2025 issue of Finance & Development, praised India's Unified

Payments Interface (UPI), calling it a "frictionless payments" system that has revolutionized the digital payments landscape. The article highlighted UPI's Digital Public Infrastructure which is built on the trinity of Jan Dhan, Aadhaar, and Mobile (JAM).

**Service Charges:** The RBI is pushing Indian lenders to reduce fees on consumer products like debit cards and late payments, as it seeks to address fee disparities that disproportionately affect low-income customers.

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### MCQS

1. What was the main reason banks bid for nearly double the notified amount at the RBI's Variable Rate Repo (VRR) auction?

- a) To signal a surplus of cash in the banking system.
- b) To profit from the high interest rates offered by the RBI.
- c) A decline in surplus liquidity in the system, signaling a tightening of cash.
- d) To support the RBI's efforts to increase off-budget borrowings.

**Answer:** c) A decline in surplus liquidity in the system, signaling a tightening of cash.  
The text states that banks bid for more funds at the VRR auction "as surplus liquidity in the system declined," which "signals a tightening of cash in the banking system." A VRR auction is a tool used by the RBI to inject short-term

liquidity into the banking system at market-determined rates.

2. The premature redemption of the Sovereign Gold Bonds (SGB) 2019-20 Series-IV resulted in what approximate simple return for investors?

- a) 100%
- b) 183%
- c) 50%
- d) 10.8%

**Answer:** b) 183%

The text explicitly mentions that the premature redemption of the SGB 2019-20 Series-IV resulted in a "remarkable 183% simple return for investors over the five-year period."

3. The RBI has mandated full KYC for which of the following to increase their operational expenses and regulate their offerings?

- a) UPI platforms
- b) Sovereign Gold Bond investors
- c) Payment aggregators
- d) State finance departments

**Answer:** c) Payment aggregators

The text states that the RBI has "mandated full KYC for payment aggregators and has also reportedly stopped their rent payment offerings via credit cards." This is expected to increase their operational costs.

4. According to the IMF, India's UPI is built on a trinity known as JAM. What does JAM stand for?

- a) Jan Dhan, Aadhaar, and Mobile
- b) Joint Account, Money, and Banking
- c) Judiciary, Army, and Media
- d) Just-in-time, Automation, and Modernization

**Answer:** a) Jan Dhan, Aadhaar, and Mobile  
The text, referencing an IMF article, highlights UPI's "Digital Public Infrastructure which is







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built on the trinity of Jan Dhan, Aadhaar, and Mobile (JAM)."

**5. What is the RBI urging Indian lenders to do to address fee disparities?**

- a) Increase interest rates on all loans.
- b) Reduce fees on consumer products like debit cards and late payments.
- c) Offer more services to high-income customers.
- d) Focus on off-budget borrowings.

**Answer:** b) Reduce fees on consumer products like debit cards and late payments.

The text says that the "RBI is pushing Indian lenders to reduce fees on consumer products like debit cards and late payments, as it seeks to address fee disparities that disproportionately affect low-income customers."

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