



Reform by RBI for Financial Inclusion and Digital Innovation

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Why in News?

Recently, the [Reserve Bank of India \(RBI\)](#) governor, in a press conference on monetary policy decisions, announced several changes aimed at promoting greater economic inclusivity and enhancing the utilisation of [information technology](#) for economic activities.

What are Recent Developments Proposed by RBI?

- **Cash Deposit Facility by [Unified Payment Interface \(UPI\)](#):**
 - Customers will have the option to deposit cash at **cash deposit machines (CDMs)** in banks and **ATMs** using the UPI app.
 - Presently, cash deposits at **CDM** typically necessitate the use of a debit card, whether at banks or **ATMs**.
 - UPI is a system that **powers multiple bank accounts into a single mobile application (of any participating bank)**, merging several banking features, seamless fund routing & merchant payments into one hood.
 - UPI is currently the biggest among the [National Payments Corporation of India \(NPCI\) operated systems](#) including **National Automated Clearing House (NACH)**, **Immediate Payment Service (IMPS)**, **Aadhaar enabled Payment System (AePS)**, **Bharat Bill Payment System (BBPS)**, **RuPay** etc.
- **Allowing Third Party App to access UPI for [Prepaid Payment Instruments \(PPIs\)](#):**
 - Currently, UPI payments from PPIs require using the web or mobile app provided by the PPI issuer.
 - RBI suggested allowing users to use third-party UPI apps to make UPI payments from [PPI wallets](#).
 - **PPIs** are instruments that facilitate the **purchase of goods and services, conduct of financial services and enable [Remittance](#)** facilities, among others, against the money stored in them.
 - PPIs can be **loaded/reloaded by cash, debit to a bank account, or credit and debit cards**.
- **Permit FPIs to invest in [Sovereign Green Bond](#):**
 - To encourage broader participation of non-residents in **Sovereign Green Bond**, the RBI has decided to authorise eligible foreign investors in the [International Financial Services Centre](#) to invest in these bonds.
 - Currently, [foreign portfolio investors \(FPIs\)](#) registered with [SEBI](#) can invest in **Sovereign Green Bond** through various investment routes available for **FPIs** in government securities.
 - **Sovereign Green bonds** are issued by companies, countries and multilateral organisations **to exclusively fund projects** that have **positive environmental or climate benefits** and provide investors with fixed-income payments.
 - The projects can include **renewable energy, clean transportation and green buildings, among others**.

- **Mobile App for Retail Direct Scheme:**
 - The **RBI** also decided to introduce a **mobile app for its [Retail Direct scheme](#), launched in November 2021.**
 - This scheme allows individual investors to hold gilt accounts with the **RBI** and invest in **[government securities](#).**
 - **A Gilt Account** is an account opened and maintained for holding Government securities.
- **Review of [Liquidity Coverage Ratio \(LCR\)](#):**
 - The RBI is likely to review the framework on LCR for better management of liquidity risk by banks.
 - The LCR is a ratio that measures the proportion of **[high-quality liquid assets \(HQLA\)](#)** that financial institutions hold.
 - Banks covered under the LCR framework **must maintain a stock of HQLA to cover 30 days' net outflow under stressed conditions**, with a minimum LCR of 100% since 1st January 2019.
 - HQLAs include cash, short-term bonds, and other cash equivalents, as well as excess [Statutory Liquidity Ratio \(SLR\)](#), [Marginal Standing Facility \(MSF\)](#) assets and the Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) (set at 15% of the bank's deposits since 1st April 2020).

UPSC Civil Services Examinations, Previous Year Questions

Prelims:

Q1. Which of the following is the most likely consequence of implementing the 'Unified Payments Interface (UPI)'? (2017)

- (a) Mobile wallets will not be necessary for online payments.
- (b) Digital currency will replace the physical currency in about two decades.
- (c) FDI inflows will drastically increase.
- (d) Direct transfer of subsidies to poor people will become very effective.

Ans: (a)

Q2. Concerning digital payments, consider the following statements: (2018)

1. The BHIM app allows the user to transfer money to anyone with a UPI-enabled bank account.
2. While a chip-pin debit card has four factors of authentication, the BHIM app has only two factors of authentication.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

Ans: (a)

Mains:

Q. Do you agree with the view that steady GDP growth and low inflation have left the Indian economy in good shape? Give reasons in support of your arguments. (2019)

