I. Objectives of the Reserve Bank of India

The Reserve Bank of India Act, 1934 sets out the objectives of the Reserve Bank:

"to regulate the issue of Bank notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage; to have a modern monetary policy framework to meet the challenge of an increasingly complex economy, to maintain price stability while keeping in mind the objective of growth."

The formulation, framework and institutional architecture of monetary policy in India have evolved around these objectives – maintaining price stability, ensuring adequate flow of credit to sustain the growth momentum, and securing financial stability.

The responsibility for ensuring financial stability has entailed the vesting of extensive powers in and operational objectives for the Reserve Bank for regulation and supervision of the financial system and its constituents, the money, debt and foreign exchange segments of the financial markets in India and the payment and settlement system. The endeavour of the Reserve Bank has been to develop a robust, efficient and diversified financial system so as to anchor financial stability and to facilitate effective transmission of monetary policy. In addition, the Reserve Bank pursues operational objectives in the context of its core function of issuance of bank notes and currency management as well as its agency functions such as banker to Government (Centre and States) and management of public debt; banker to the banking system including regulation of bank reserves and the lender of the last resort.

The specific features of the Indian economy, including its socio-economic characteristics, make it necessary for the Reserve Bank to operate with multiple objectives. Regulation, supervision and development of the financial system remain within the legitimate ambit of monetary policy broadly interpreted in India. The role of communication policy, therefore, lies in articulating the hierarchy of objectives in a given context in a transparent manner, emphasising a consultative approach as well as autonomy in policy operations and harmony with other elements of macroeconomic policies.

II. The Goals of Communication Policy

The long-term goals of the Reserve Bank’s communication policy are intimately interlinked to its objectives. Faced with multiple tasks and a complex mandate, clear and structured communication is critical for effective functioning as well as enlarging the spheres of traditional policy instruments. The goal of communication policy thus would be to anchor inflation expectation by promoting credibility and understanding of monetary policy; and enabling private stakeholders to map the changing economic circumstances into anticipation of the broad policy direction with reasonable accuracy. In order to be realistic, the communication policy also highlights impediments to achieving stated objectives in a conditional sense.
The principal goals of the Reserve Bank's communication strategy are:

- Transparency for strengthening accountability and credibility
- Clarity on the Reserve Bank’s role and responsibilities with regard to its multiple objectives; managing inherent complementarities/ contradictions and transition
- Managing expectations and promoting two-way flow of information/ perceptions
- Dissemination of information, statistics and research at various frequencies

III. Principles of Communication

The guiding principles of the Reserve Bank's communication policy in the context of its goals are transparency, comprehensiveness, relevance and timeliness with a view to improving public understanding as a systematic process of continuous efforts. This communication policy is best described as principle-based rather than rule-based. The specific features of this communication strategy which distinguish them from the country experience are as follows:

- The Reserve Bank's approach to communicating the policy stance is to explain the stance with rationale, information and analysis but to refrain from explicit forward guidance with a preference for market participants and analysts to draw their own inferences;

- The content of communication relates to monetary policy, financial regulation and supervision, external sector management, currency management and public debt management covering policy changes as well as the path of structural reforms;

- Communication is combined with policy measures and administrative strategies;

- Coherence, clarity and credibility in articulation through speeches, formal structured and periodic statements, statutory/ non-statutory publications and committee reports as well as in reporting/dissemination of information;

- Communication is sensitive to the target audience – researchers, analysts, academics, media, regulated entities, other central banks, rating agencies, multilateral institutions, market participants, Government agencies and the common person including urban and rural population, women, senior citizens, defence personnel, school children – and therefore different types of communication instruments are used;

- Dissemination of information through the official website on real time basis;

- Pre-announced periodicity of standard communication instruments in order to enhance timeliness; advance release calendars and review cycles;

The overall approach to communication is driven by the principle of democratic accountability, enhancing the effectiveness of monetary policy by creating news and/or reducing noise. In this context, the Reserve Bank’s communication policy recognises the complexity inherent in the Indian economy at this stage of its development. Communication, therefore, has to be carried out at different levels. Where projections on the future path of key macroeconomic variables are provided, they have to be set out in conditional forms and linked to incoming information with an assessment of the balance of risks. While policy and market preferences generally converge and communication is intended to improve the predictability of policy decisions, an element of surprise can often enhance
the effectiveness of policy actions when the preferences are in opposing directions, *albeit* with concurrent or *ex post* communication of the rationale thereof.

In the context of deregulation and liberalisation of financial markets, it is recognised that wider dissemination of information and transparency in policy formulation and operations contributes significantly to efficient markets by minimising uncertainty and thereby contributing to market stability. As financial markets become more efficient in the country, and as the economy becomes more open, communication policy will adapt to these ongoing changes.

**IV. Instruments**

The Reserve Bank of India releases information on areas relating to the economy, banking and the financial sector. Adequacy, stringent standards of quality and timeliness are the hallmarks of these information releases. Dissemination of information takes place through traditional and non-traditional channels such as press releases, notifications, publications - regular and occasional - advertisements in print and electronic media, posters in bank branches and also through participation in exhibitions. Speeches, press and video conferences with national and regional media following the announcement of annual, quarterly and half yearly monetary policy and occasional interviews of the top management with media articulate the Reserve Bank's assessment of the economy and the financial system and form a significant part of its communication strategy. For equitable distribution of market sensitive information, the Reserve Bank uses embargoed releases through news agencies. Significantly, the Reserve Bank uses its website as a major channel for two-way communication.

The Reserve Bank of India communicates with various types of audiences. In order to reach out to the common person, the Reserve Bank releases information in 11 regional languages spoken by a large section of the population, apart from in English and in Hindi.

**V. Target Groups and Communication Objectives**

The Reserve Bank of India communicates with various target groups ranging from other central banks, multilateral agencies and analysts to students and the general public. The objectives and instruments for communicating vary with each type of audience. An illustrative list of target audiences and the objectives and instruments for communication with these audiences is placed at Annex 1.

**VI. Two-way Communication**

The Reserve Bank of India has established the practice of two-way communication. It closely monitors the media which is first reference point for feedback. Any new regulation or a major change in the existing regulation is preceded by detailed consultations with stakeholders. The Reserve Bank actively uses its website for obtaining feedback. A detailed description of the Reserve Bank's experience in two-way communication is placed at Annex II.
VII. Release Calendar

The Reserve Bank of India releases information on areas relating to economy, banking and finance. The information is released through daily press releases, notifications and circulars, regular and occasional publications, reports of Committees and Working/Study Groups and speeches of the Governor/Deputy Governors. A detailed calendar of the information released by the Reserve Bank is placed at Annex III.

VIII. Guidelines and Some Operational Practices

The following broad guidelines and operational practices for communication have evolved from the objectives of the organisation and goals of communication

- The Reserve Bank’s communication should contribute towards achieving the overall objectives of transparency, credibility and accountability.
- It should always endeavour to place all disseminable information in the public domain so as to discourage individual seeking of information.
- Information, especially market sensitive information, should be released in a timely and equitable manner.
- Communication should primarily be focussed on issues of importance to central banking.
- The Governor and the Deputy Governor in charge of monetary policy are the only spokespersons on issues relating to monetary policy and the exchange rate.
- Deputy Governors are the spokespersons in their respective areas of responsibility;
- Executive Directors and heads of departments speak only with explicit authority from the Governor/Deputy Governors;
- Regional heads clarify local issues;
- The head of Department of Communication is the general spokesperson of the Reserve Bank;
- All press releases except those relating to regional matters – which are rare- are centrally issued by the Department of Communication;
- All information – in print form or on the website - is simultaneously placed in public domain.

IX. Setting up of dedicated Information Desks

It is proposed to set up an Information Desk manned by trained personnel in Central Office and in each Regional Office, under the direct oversight of the Regional Director which the common person may approach either through mail or telephone or fax or in person to get information or to clarify doubts. The personnel may be selected on the basis of aptitude and awareness of the Reserve Bank’s functions and may be trained in communications. The names of the selected personnel may be cleared by Deputy Governor’s Committee. There may be at least two persons identified to man these posts so as to have a constant back up. A proposal to set up a toll-free call centre manned by RBI staff trained in these areas may also be examined.
X. Dissemination of Communication Policy

The Communication Policy of Reserve Bank of India will be reviewed every year in June and will be placed before its Board, in its meeting held in July. Once approved by the Board, the policy will be placed on the RBI website in English, Hindi and 11 other regional languages.