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RESERVE BANK OF INDIA

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RBI releases Governor's message to staff for wider dissemination

Dr. Raghuram G. Rajan, Governor, Reserve Bank of India sent a message to RBI staff today. Given the significance of the matter, the Reserve Bank places the message on its website for wider dissemination.

Press Release: 2015-2016/2941

Alpana Killawala
Principal Adviser

Message to RBI staff from Dr. Raghuram Rajan.

Dear Colleagues,

I took office in September 2013 as the 23rd Governor of the Reserve Bank of India. At that time, the currency was plunging daily, inflation was high, and growth was weak. India was then deemed one of the "Fragile Five". In my opening statement as Governor, I laid out an agenda for action that I had discussed with you, including a new monetary framework that focused on bringing inflation down, raising of Foreign Currency Non-Resident (B) deposits to bolster our foreign exchange reserves, transparent licensing of new universal and niche banks by committees of unimpeachable integrity, creating new institutions such as the Bharat Bill Payment System and the Trade Receivables Exchange, expanding payments to all via mobile phones, and developing a large loan data base to better map and resolve the extent of system-wide distress. By implementing these measures, I said we would "build a bridge to the future, over the stormy waves produced by global financial markets".

Today, I feel proud that we at the Reserve Bank have delivered on all these proposals. A new inflation-focused framework is in place that has helped halve inflation and allowed savers to earn positive real interest rates on deposits after a long time. We have also been able to cut interest rates by 150 basis points after raising them initially. This has reduced the nominal interest rate the government has to pay even while lengthening maturities it can issue – the government has been able to issue a 40 year bond for the first time. Finally, the currency stabilized after our actions, and our foreign exchange reserves are at a record high, even after we have fully provided for the outflow of foreign currency deposits we secured in 2013. Today, we are the fastest growing large economy in the world, having long exited the ranks of the Fragile Five.

We have done far more than was laid out in that initial statement, including helping the government reform the process of appointing Public Sector Bank management through the creation of the Bank Board Bureau (based on the recommendation of the RBI-appointed Nayak Committee), creating a whole set of new structures to allow banks to recover payments from failing projects, and forcing timely bank recognition of their unacknowledged bad debts and provisioning under the Asset Quality Review (AQR). We have worked on an enabling framework for National Payments Corporation of India to roll out the Universal Payment Interface, which will soon revolutionize mobile to mobile payments in the country. Internally, the RBI has gone through a restructuring and streamlining, designed and driven by our own senior staff. We are strengthening the specialization and skills of our employees so that they are second to none in the world. In everything we have done, we have been guided by the eminent public citizens on our Board such as Padma Vibhushan Dr. Anil Kakodkar, former Chairman of the Atomic Energy Commission and Padma Bhushan and Magsaysay award winner Ela Bhatt of the Self Employed Women's Association. The integrity and capability of our people, and the transparency of our actions, is unparalleled, and I am proud to be a part of such a fine organization.

I am an academic and I have always made it clear that my ultimate home is in the realm of ideas. The approaching end of my three year term, and of my leave at the University of Chicago, was therefore a good time to reflect on how much we had accomplished. While all of what we laid out on that first day is done, two subsequent developments are yet to be completed. Inflation is in the target zone, but the monetary policy committee that will set policy has yet to be formed. Moreover, the bank clean up initiated under the Asset Quality Review, having already brought more credibility to bank balance sheets, is still ongoing. International developments also pose some risks in the short term.

While I was open to seeing these developments through, on due reflection, and after consultation with the government, I want to share with you that I will be returning to academia when my term as Governor ends on September 4, 2016. I will, of course, always be available to serve my country when needed.

Colleagues, we have worked with the government over the last three years to create a platform of macroeconomic and institutional stability. I am sure the work we have done will enable us to ride out imminent sources of market volatility like the threat of Brexit. We have made adequate preparations for the repayment of Foreign Currency Non-Resident (B) deposits and their outflow, managed properly, should largely be a non-event. Morale at the Bank is high because of your accomplishments. I am sure the reforms the government is undertaking, together with what will be done by you and other regulators, will build on this platform and reflect in greater job growth and prosperity for our people in the years to come. I am confident my successor will take us to new heights with your help. I will still be working with you for the next couple of months, but let me thank all of you in the RBI family in advance for your dedicated work and unflinching support. It has been a fantastic journey together!

With gratitude

Yours sincerely

Raghuram G. Rajan