

**Edited Transcript of Reserve Bank of India's Monetary Policy
Press Conference: April 08, 2022**

Participants From RBI:

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Shri Mahesh Kumar Jain – Deputy Governor, Reserve Bank of India

Dr. Michael D. Patra – Deputy Governor, Reserve Bank of India

Shri M. Rajeshwar Rao - Deputy Governor, Reserve Bank of India

Shri T. Rabi Sankar - Deputy Governor, Reserve Bank of India

Moderator: Shri Yogesh Dayal - Chief General Manager, Reserve Bank of India

Yogesh Dayal:

Hello and welcome to this post policy conference. It's good to see all of you here in RBI premises after a long gap of two years; and I hope everybody has been keeping safe and healthy. So, without much ado, let me start. We have today 20 media participants in the Press Conference, and Sir with your permission, I'll begin the Press Conference. I'll call out the names of the persons, they will ask the question and then we will respond from our side. Sir, if you'd like to make some initial remarks.

Shaktikanta Das:

Good morning. We are delighted to have all of you here. After a gap of two years, we are having the first face-to-face press interaction. So, we are very happy that all of you have been safe, and I would like to mention that, that gives us a lot of satisfaction and hopefully, we will be able to continue this practice, which we are restoring back to the normal pattern that we followed earlier.

In the statement, I made today, there are a few things, which I thought I would just explain in the beginning for the sake of clarity and also to put things in the proper perspective.

There are seven things from the monetary policy point of view. There are seven things, which we have done. It is all there in the statement at various places, but I am just putting them together.

1. The first is that we have revised our inflation and growth projections and if you look at the inflation projections, in particular, which, I think, would attract a lot of attention. If you look at the inflation projections, primarily the projections have been revised upwards due to war-induced factors. The primary reasons are the crude oil having gone up to US\$100 per barrel, it went to US\$130 per barrel, as I had mentioned. Then they have moderated, but we have assumed a price of US\$100 per barrel. So, that is the most important reason. Among the other major reasons, the price of edible oil has steepened, and again, that's due to war-related factors. I've spelt out the details in the statement. I don't want to go into that again. Prices of wheat also have gone up because that is related to war and the feed cost, which feeds into the prices of poultry, egg, and dairy products. So, these are the major factors, which account for the upward revision of inflation. So, inflation and growth projections have been revised, that's the first point.

2. The second point is that in the sequence of priorities, we have now put inflation before growth. So, that is the sequence of our priorities. First is inflation followed by growth. For the last three years, starting February 2019, if you remember, we had put growth ahead of inflation in the sequence. This time, we have revised that because we thought that the time is appropriate and that is something, which needs to be done. That was the second point.

3. The third point is that the stance continues to be accommodative while focusing on the withdrawal of accommodation. So, we are, therefore, gradually moving away from the accommodation, which has been there for more than two years. In fact, somewhere in the middle of 2019, we had switched over from neutral to accommodative.

4. The fourth point is that the LAF corridor has been normalized. The corridor is now 50 basis points, 25 basis points on either side of the policy repo rate, which is at 4 per cent.

5. The fifth point is that the SDF has been instituted and introduced, and the SDF will now be the bottom of the corridor.

6. The sixth point is that we have said with regard to liquidity, the liquidity withdrawal will be done in a multi-year timeframe. We have mentioned multi-year timeframe after very carefully weighing what would be the economic cost of the withdrawal of liquidity and what would be necessary, keeping in mind, the stance of monetary policy. So, the liquidity policy, the liquidity withdrawal will be taking these two factors into account. We have said it will be done in a multi-year timeframe and a multi-year is obviously more than one year. So, it can be two years, it can be three years. That will depend on the evolving situation. If there are questions, we would like to elaborate upon it later on.

7. The seventh point is that I have said in the statement that the situation is dynamic and fast changing and all our actions will be tailored accordingly. The situation is really fast-changing. Between February and now, you saw what kind of developments, what kind of the tectonic shifts that is the word, I have used in my statement, and what kind of tectonic shifts have happened all over the globe. So, I will stop here. These were some of the initial remarks, which I thought to just put into perspective what is there in various parts of my statement. Thank you.

Yogesh Dayal:

Thank you, sir. I would like to start with Mr. Govardhana Rangan from Economic Times to ask his question.

M. Govardhana Rangan, Economic Times:

Good afternoon, everyone. Thanks for your bringing us back here after two years. You mentioned that you already started gradually withdrawing the accommodative position, and we could see that in the statement also that you have replaced 'continuing' with 'remain.' So, there is a kind of signalling that the next step could be moving to neutral. Is that what the signal is in terms of after having increased the inflation forecast by almost 120 basis points, and also the SDF. Why an SDF now? Is it to allow non-banks also to participate to address the liquidity issue? Thank you.

Shaktikanta Das:

Non-banks, there is no proposal as of now. There is no such proposal, but I would think that let the Press Conference be participative. As you can see, I have all the Deputy Governors of the Reserve Bank with me. So, I would request Deputy Governor, Dr. Michael Patra, to take that question.

Dr. Michael Patra:

So, first of all, why the withdrawal of accommodation? As you know that we had taken the policy repo rate to an all-time low, which is 4 per cent. If you adjust it for the target, then the real policy rate was zero. Now, that was ultra-accommodation. Now that the situation is changing and inflation, particularly is at risk, we want to withdraw the ultra-accommodation, but we still have scope to remain accommodative. On the SDF, why the SDF? We chose to introduce the SDF for a position of strength. To give you an example, now we are absorbing liquidity because of Government spending and the Government is in Ways and Means, that is the magnitude of the shift. So, as you can see, it was opportune to introduce it now. Going forward, it prepares us for both sides of the situation. One, as you are seeing right now, we are absorbing huge amounts of liquidity. Suppose the situation changes and the war ceases and India becomes a preferred habitat of capital flows as it was in the year before, this enormously increases the capacity of the RBI to sterilise those flows and keep monetary expansion in check.

Yogesh Dayal:

Thank you, sirs. I move on to Latha Venkatesh from CNBC-TV18.

Latha Venkatesh, CNBC-TV18:

Governor, your last statement was that the objective is to restore the size of the liquidity surplus in the system to a level consistent with the prevailing stance of the monetary policy. So, does it mean the monetary policy becomes neutral only when liquidity becomes neutral? That's the question that occurred to me when you said the seventh point, but my other question was you are perilously close to crossing 6 per cent three quarters in a row, already Jan-Feb-March is above 6 per cent, and by your own forecast, this April-May-June is 6 per cent, and the next quarter, you all have a forecast of 5.8 per cent. It doesn't take much for it to become 6 per cent. So, then what do you do?

Shaktikanta Das:

We are watchful. The last point, which I mentioned in my opening remarks is that the situation is dynamic and fast-changing, and all our actions will be tailored accordingly, and all instruments are on the table. So, we are watchful of the emerging trends. How the war progresses, how the commodity prices and the crude oil prices behave in the coming months and accordingly whatever action is warranted, we will take them, and all our actions will be tailored accordingly.

Latha Venkatesh, CNBC-TV18:

All your action will be task for a change in the monetary framework excused for one...?

Shaktikanta Das:

That is a very hypothetical question. What you said that we are perilously close to breaching the target that is three consecutive quarters if it exceeds 6 per cent. We are watchful, and we will take whatever action is necessary at the appropriate time. I think the broad thrust of the monetary policy and the statement is sufficiently clear, so the RBI will act and act as per the emerging situation.

Yogesh Dayal:

Thank you, sir.

Latha Venkatesh, CNBC-TV18:

You said liquidity will be in consonance with the stance, so does stance become neutral only when liquidity becomes neutral because now liquidity is in surplus?

Shaktikanta Das:

No, liquidity becoming neutral is dependent on many factors. It will depend on credit absorption, and credit growth also. It depends, as the Deputy Governor pointed out, on the pace of government spending. It depends on capital flows, inflows and outflows. So, therefore, I would not like to, at this point of time, freeze my options. I would like to keep our options open and considering all these variables, we will take appropriate action.

Yogesh Dayal:

Thank you, sir. I'll move on to Ms. Ira Dugal from BloombergQuint.

Ira Dugal, BloombergQuint:

Good afternoon, sirs. My question is on the liquidity framework, if you can just give us a little bit more clarity. There are now four rates. Firstly, what is the utility of the fixed rate reverse repo, why have we kept that there? I think even the Mohanty Committee, correct me if I'm wrong, had recommended a three rate framework. So, now that the SDF has been activated, keeping a reverse repo at 335, SDF at 375, does it not lend itself to more volatility, particularly in the short-term market, sir?

Dr. Michael Patra:

The fixed rate reverse repo is there because as the RBI stated policy is that there is no instrument, which we'd take off the table, but we have specified that it will not be for everyday use or for liquidity management. It will be there for purposes, which we will decide from time to time. The liquidity management will effectively be with the LAF, and the LAF has three rates. The MSF, the SDF, the repo, and the repo should be at the centre. So, we are getting back to that system. In the process, the reverse repo is kept there because it has no use for the liquidity management as of now, but if we find a purpose for it, we will announce it and use it for that purpose.

Ira Dugal, BloombergQuint:

Effectively sir, theoretically, in a liquidity surplus scenario, the SDF rate is the operative rate or the VRRR is where the effective short-term rate is.

Dr. Michael Patra:

That's right.

Yogesh Dayal:

Thank you, sir. I'll move on to Mr. Mayur Shetty from Times of India.

Mayur Shetty, Times of India:

Sir, on the liquidity framework, again, what was the reason for not using the reverse repo? Is it because it goes against the accommodative stance or is it because it's collateralised?

Shaktikanta Das:

SDF gives us greater flexibility in implementing the monetary policy objectives. It is uncollateralized, and we are not constrained by the stock of liquidity that we have, or we don't have for various liquidity management operations. So, it gives that much more flexibility to the Reserve Bank, and if you recall, I had said in my statement also; consequently, it is also an instrument of financial stability. It would enable us to sterilise liquidity, if there is an excess build-up due to various reasons without the constraint of collaterals. So, it gives flexibility, it enables us to strengthen financial stability. It's also an instrument for promoting and strengthening financial stability.

Mayur Shetty, Times of India:

This also signalling of the stance really, we can revise the reverse repo.

Shaktikanta Das:

The reverse repo, at the moment, remains at 335 and as was explained by the Deputy Governor, when we see a need for it and if such a situation warrants, we will at that time, probably consider and activate it.

Mayur Shetty, Times of India:

So, the stance will change, like you all are saying that you are getting the withdrawal stance so that reverse repo change when you start withdrawing?

Shaktikanta Das:

That is a hypothetical question. Let me make one thing clear, repo rate is decided by the MPC. The MPC will decide the repo rate from time to time in the MPC meetings. Now that the corridor is normalized, once and if the MPC decides to increase the repo rates, then both the other rates, MSF and SDF, will move in tandem. So, rate action, that is policy repo rate action by the MPC, will now be accompanied by a concomitant revision of the SDF and MSF rates. So, that is the sum and substance of what we are saying.

Yogesh Dayal:

Thank you, sir. I will move to Mr. Anup Roy from Bloomberg.

Anup Roy, Bloomberg:

Thank you, Governor. Sir, there were some criticisms that RBI was behind the curve, etc. Now with this kind of hawkish policy and actually not many expected that you will bring down growth estimate to 7.2 per cent, may be maximum 7.5 per cent, how do you explain this aggressive stance from the RBI's perspective?

Shaktikanta Das:

Now, hawkish or dovish or whatever is the media formulation, I will not like to enter into that, and this whole debate about behind the curve, I think it again depends on who is drawing the curve and how he is drawing the curve, but on a more serious note, I don't think the RBI is behind the curve at all. I have said it on a number of occasions, in fact, in a recent event also, I have said that. Very often, India's monetary policy action is compared with what the advanced economies are doing. Please remember that advanced economies are still on a reduction of their bond purchase program. They are reducing it, they are phasing it out. We stopped G-SAP last year in October. We have not done G-SAP after that. If you see our actions with regard to outright OMO, not operation twist, but outright OMO, they have been far less and despite that also, the yield curves have moved in a particular manner. So, therefore, that is with regard to the

liquidity. Now, with regard to the rates, we have been very watchful and the February policy, we had given a certain roadmap for inflation. All the factors and all the risks we had calculated at that time, factored in, and we had given a particular roadmap. War was something, which was a development that started on 24th February and the whole of March, it is still continuing and concomitantly all that has happened all around the world have introduced a completely new element into the scheme of things. So, therefore, we have revised the inflation projections and I have said that we are ready to take whatever action is required. I have said, in fact, if you read the statement carefully, in my statement towards the end, I have said that inflation, growth, and financial stability, I think it's in the concluding part, I have said inflation, growth, and continuity, these are all interlinked, interdependent, and the RBI will deal with them, but please see the sequencing.

Dr. Michael Patra:

Anup, I just wanted to add a note of caution that when you use the term 'behind the curve,' maybe you should look at the origins of where it came from, and I found that it is actually the name of a documentary film on people in the United States who still think that the world is flat.

Yogesh Dayal:

Thank you, sirs. I will now move on to Mr. Manojit Saha from Business Standard.

Manojit Saha, Business Standard:

Thank you, Governor. Do you expect banks to respond by pricing their risk appropriately now that you are no longer ultra-accommodative and just only accommodative, and what is the real rate of interest you see for the economy going ahead because now the negative real rate is about 100 basis points taking one year ahead inflation forecast?

Shaktikanta Das:

You see the banks will do their risk pricing. Whether they will do it, how much they will do it, I can't say really. It's for the banks to decide. In fact, it will not be correct for me to, in a public forum, say whether the banks will do and how they will do their risk pricing. It's purely a judgement call on the part of the banks and they will take it. What was the second question you said?

Manojit Saha, Business Standard:

What is the real interest rate you see, right now it is negative 100 if you take one year ahead inflation forecast?

Shaktikanta Das:

I think the real rate of interest, neutral rate, all these concepts, there is continuing research. A lot of research has been done and research is continuing and I would request our in-house expert, Deputy Governor, Michael Patra, if he wishes to say something on this.

Dr. Michael Patra:

For a developing economy, which has the potential to grow, the real rate of interest should be positive, but that was the position before the pandemic. In the pandemic, that position was abandoned by almost every country in the world and people all over the world took interest rates down to even negative levels. Around that time, the fix that people got on the real rate was zero or minus. Now it's, I think, premature to work out a real rate of interest. There are not enough data points, but I think what has been aptly

explained by the Governor is that we have started a process, a focus on withdrawal of accommodation, that is the path back towards a positive real rate, so it's a dynamic situation.

Yogesh Dayal:

Thank you, sirs. I'll move on to Mr. Bijoy Idicheriah from Informist Media.

Bijoy Idicheriah, Informist Media:

Sir, one statement conspicuous by its absences is the statement that you have already said that the oddly evolution of the yield curve is a public good at a time when you are moving on at least the LAF corridor, and there is such a large government borrowing program on the anvil, do you think that it is time for the RBI, which was trying to guide rates to now stop doing that because there are just too many factors globally and domestically playing out that prevents RBI from playing a material role in trying to prevent runaway increase in yields?

Shaktikanta Das:

Orderly evolution of the yield curve as a public good, now, whatever is a public good in a certain situation is a public good forever. I mean we do not define public goods, today it's a public good, and tomorrow it is not a public good. Orderly evolution of the public good is important and we will be watchful of the yield curve. We will be watchful of the implementation of the government borrowing program, and I have said also that the RBI will use various instruments from time to time for the successful completion of the government borrowing program. One measure which we have announced today relates to the HTM where we have increased the HTM limit from 22 per cent to 23 per cent, if you recall it was originally 19.5 per cent. In COVID situation, we increased it to 22 per cent. We have now increased it further to 23 per cent and we have also said that the government securities to be acquired from now till 31st March 2023 will also be eligible to be counted under the HTM. So, we have taken the first measure. We will remain watchful, and whatever measures are required, we will take them from time to time.

Yogesh Dayal:

Thank you, sir. I will request Mr. Shayan Ghosh from The Mint to ask his question.

Shayan Ghosh, The Mint:

We have seen some KYC issues at some of the entities, which are regulated by RBI where customers found out they have loans without having taken them. So, specifically with regard to these entities, has RBI taken any action or is planning, and secondly generally about these KYC and privacy issues, what is RBI's thinking on how these issues could be mitigated in the future?

Shaktikanta Das:

I would request Deputy Governor, Rajeshwar Rao, to take that question.

M. Rajeshwar Rao:

Wherever we have seen the cases where this kind of irregularities have happened, we are looking into it and based on the outcome of our investigation, appropriate action could be initiated. As regards the KYC issues, there are certain operational issues also in the KYC. Internally also, we are looking at the KYC issues and if required, we will look at what kind of amendments are required for the regulations and make it simple, but at the same time, effective and address the concerns around the KYC on an ongoing basis. So, we will be looking at that issue.

Shaktikanta Das:

KYC whatever action we take has to be also in consonance with the requirements under the PMLA, that is the Prevention of Money Laundering Act. So, that also stipulates certain requirements. So, as the Deputy Governor says, we are monitoring it. We are analysing the various cases. Actions have been taken in individual cases, but we are just seeing what are the trends and will take whatever necessary measures, as appropriate.

Yogesh Dayal:

Thank you, sirs. I will move on to Swati Bhat Shetye from Thomson Reuters.

Swati Bhat Shetye, Thomson Reuters:

Thank you, sir. I had one very small question. We had referred to the output gap not having closed like Dr. Patra had mentioned it a couple of policies ago. I want to know where the situation stands on that, and secondly, so we don't get an opportunity to ask you directly, so just wanted to understand on the HDFC and HDFC Bank merger front, RBI has not been very comfortable with a bank having significant stakes in insurance companies and AMC's, but HDFC, the NBFC does own a significant stake, what is the stand on that and how will that be handled? Thank you.

Shaktikanta Das:

Individual cases, I will not be able to spell out in a Press Conference what would be our stance. All that I would like to say is that we have received a proposal from the HDFC and the HDFC Bank with regard to the merger announcement they have made. The proposal has been received and that is under examination in terms of our various regulatory guidelines and other aspects, we will examine them and as and when a decision is taken, you will come to know about it. Beyond that, it will not be proper or possible for me to say as to what would be RBI's approach in this case. With regard to the output gap, now there is still a persisting output gap. The capacity utilization has improved from the previous month, I think it was 68.3, I have given in the statement, and now it is 72.4. Capacity utilization has improved, but there is still an output gap. I have also mentioned that the growth at 8.9 per cent is just marginally above the pre-pandemic level of the economy and private consumption and fixed investment, I have given the percentages, just 1 per cent or 2 per cent above the pre-pandemic level. So, there is still an output gap, but it is getting narrowed and again, there is a new development arising out of the war. So, it has to be again reassessed.

Yogesh Dayal:

Thank you, sir. I will move on to Mr. Lalatendu Mishra from The Hindu.

Lalatendu Mishra, The Hindu:

Thank you, Governor. My question is again related to the geopolitical development that is happening. Since we are still drawing, the government is very vocal about getting oil from Russia. Is there any sanction expected and in case that happens, how we are going to deal with it? Thank you.

Shaktikanta Das:

Sanctions, you mean sanctions against India? No, I am not the person to reply on that. I mean that somebody else decides on these matters. I think the government is seized with the issues. So, it's a matter, which the government will deal with. So far as RBI is

concerned, obviously, we will not do anything, which goes against the sanctions. Would you like to add anything, Deputy Governor, Rabi Sankar?

T. Rabi Sankar:

Nothing specific. The war has obviously disrupted trade and payments. We are discussing with all stakeholders and remaining sensitive to sanctions. If and when anything is decided, you will come to know.

Yogesh Dayal:

Thank you, sirs. I will move on to Mr. Anurag Shah from Zee Business News.

Anurag Shah, Zee Business News:

I would like to know from you, we are observing that many complaints are coming from all over the country related to digital lending where people are getting troubled. Regarding this, there was a draft report from an RBI working group in November, when will that get implemented, what would be its timeline if you could please tell us that? Secondly, you have announced today regarding cardless withdrawal, about interoperability. So, will the ATMs all over the country change in a different way? And the motive behind it, is it that for the new accounts now the debit cards will not be issued?

Shaktikanta Das:

Your first question was about the many frauds and complaints that are taking place in digital lending, we are also getting a lot of complaints. We take immediate action on those. Whatever way the complaint comes, whether directly or indirectly or sometimes even through social media, which come to our attention, we act on those individual cases. And the committee that we have formed, their recommendations were put up for public comments till 31st December. All the comments have come and there are a lot of comments that have come. We are examining all that and maybe the examination is completed. We will internally deliberate over those and finalize it in the next 1-2 months and give our decisions on it. DG Rajeshwar, is there anything else you want to add?

M. Rajeshwar Rao:

Sir, as you said, there were more than 650 suggestions on the committee recommendations. Keeping in mind all those, we have framed a response, after we deliberate on it, we will issue the guidelines.

Shaktikanta Das:

Regarding the cardless cash withdrawal, Deputy Governor, Mr. Rabi Sankar can reply.

T. Rabi Sankar:

Cardless cash withdrawal is being introduced to avoid card skimming scams. The proposal is to do the authentication through UPI. The withdrawal can be done from any bank's ATM or third-party ATM or white label ATM. Regarding the systemic changes and the instructions to banks, we are working that out. Once that is issued you will come to know.

Anurag Shah, Zee Business News:

So, the procedure would be longer because you will have to make the changes in a big way.

T. Rabi Sankar:

Some banks are already doing it now in their ATMs. So, the procedure should not be very long. The issues should get crystalised in 2-3 months.

Shaktikanta Das:

Issuance of cards and credit cards will stop, that stage will not come. Because there are many other utilities of credit cards and debit cards. That will be on.

Anurag Shah, Zee Business News:

But once you have started this, then debit cards...

Shaktikanta Das:

See, debit card and credit card is not used only for withdrawing cash from an ATM. There are many other utilizations of debit cards and credit cards. If one is going to a shop and buying something, or eating in a restaurant, or making a payment in a foreign travel, so the utility of credit card and debit card will always be there. There will be no change in that, it will continue the same way.

Yogesh Dayal:

Thank you, sirs. Now I will invite Shritama Bose from Financial Express to ask a question.

Shritama Bose, Financial Express:

Thank you. Good afternoon, sir. My question is about the impact of the Russia-Ukraine situation on exports and imports. There has been a lot of speculation around the Rupee-Ruble trade. How is the RBI viewing the entire piece of alternative mechanisms for trade payments and settlements? That is one. The other is that a couple of policies ago, you had announced that there will be a working paper on payment transaction charges in the system. How is that coming along and when can we expect to be able to read that? Thank you.

Shaktikanta Das:

Deputy Governor, Rabi Sankar can take the question.

T. Rabi Sankar:

On transaction charges, we are working on it. It's nearing completion. We have to cover all kinds of transaction charges, including interchange and other phase that they are working. The proposals, we are also discussing with certain stakeholders. We will come out with that shortly.

As far as the earlier question that you have asked about trade-related payment disturbances because of the Ukraine war, as I have clarified a little while ago, everyone is talking to us, industry groups, banks, everyone is trying to find out how best payments can be facilitated under these changed circumstances. We are discussing, the Government is also involved. We also have to be sensitive to sanctions. We are discussing all these alternatives. Once something comes out you will get to know about it.

Yogesh Dayal:

Thank you. Now I would like to invite Ankur Mishra, ET Now Swadesh and ET Now to ask his question.

Ankur Mishra, ET Now:

Thank you, Governor. Sir, for the banks, especially small finance banks who want to convert into a bank, is there a designated screening committee or the same committee which is there for all types of licensing to look into it? Have you already received any proposals? Another question was there, on the asset reconstruction companies. There was a report of the committee. Are final guidelines expected? By when that can happen.

Shaktikanta Das:

Deputy Governor Rajeshwar Rao can take that question.

M. Rajeshwar Rao:

As far as the small finance banks are concerned, the same standing external advisory committee which looks at the application for universal long type licenses, they are looking at the applications received from the SFBs also. And if there is any conversion of an SFB into a universal bank, the same committee would look at it before taking the process forward in accordance with our laid down standard operating procedure.

ARC, again the committee recommendations have been examined. We had received a number of public suggestions on that committee recommendation. They have been examined and our internal view is being taken. Once we deliberate further on that, we will come out with the guidelines on that issue shortly.

Yogesh Dayal:

Thank you, sir. I'll move on to Mr. Ryosuke Hanada from Nikkei to ask his question.

Ryosuke Hanada, Nikkei:

I would like to ask two questions. One of the things is about CBDC. Could you please kindly share any update on the schedule of the CBDC of RBI? And another thing is in Indo-Russian relationship, some Indo Russian transaction platform is said to be developed by the RBI, but some of the people from the west country might criticize that such kind of effort might contribute to the Russian-Ukraine invasion. What do you think whether these kinds of potential criticism about the development of the transaction platform about Russia?

Shaktikanta Das:

Thank you. I would request Deputy Governor Rabi Sankar to take the two questions.

T. Rabi Sankar:

On the Indo-Russian trade, there is no platform that I am aware of. We know there are press reports that I am reading, but there's nothing that I am aware of. And as I clarified earlier, anything that we do will be sensitive to the sanctions.

CBDC, you wanted an update. It is a work-in-progress. Now that the legislative enablement has been done, we are in a position to start off with our testing and with our pilot projects. As I have been talking earlier, the approach we will take will be calibrated and nuanced. We will probably start off with one pilot and move on from one to the other. The wholesale segment is probably the first one that we will try out because it's the easiest to implement. The other segments are more technology-intensive. So, we will go on with that in a non-disruptive manner. As has been announced in the budget, all this will be done through the course of the year and as announced in the budget, it will be introduced.

Yogesh Dayal:

Thank you, sir. I'll move on to Ms. Shyama Mishra from Doordarshan to ask her question.

Shyama Mishra, Doordarshan:

Thank you, Yogesh sir. Given the fact that the global market is showing that the price of any commodity is not going to come down, is RBI worried about inflation given the situation in some countries. You already mentioned that we will be taking action accordingly, but is the situation worrisome for RBI? Also, a little clarity on the reverse repo rate.

Shaktikanta Das:

About the reverse repo we have explained. With regard to commodity prices, we have to be watchful and to say that they will not come down, I am not saying that they are going to come down, but to say that they will not come down, I don't know. If they are to go up how much they will go up, nobody knows. Crude oil prices are fluctuating every day. Yesterday it was US\$108 per barrel, today I think morning it was close to, or yesterday in between it was US\$102 per barrel. And before that it was 108, 110, which became 102; today morning I think it was around 100 or so, probably below, I have not seen the latest one, but in the morning I had seen it was around 100. So, it's very volatile and very difficult to say where the prices will move, but we will be watchful, and all our actions will be suitably tailored. We will be nimble-footed. Beyond that, I think repo it has already been explained by the Deputy Governor.

Yogesh Dayal:

Thank you, sir. We will take the last question from Mr. Jigar Pathak, NewsRise.

Jigar Pathak, NewsRise:

Thank you. Just wanted to know, since the inflation forecast has been revised upwards, have we factored in the government reform, supply-side reforms in this?

Shaktikanta Das:

Government reforms, it's for government to take. Reforms meaning what? Some supply-side measures government had taken last year. This year what the government will do, I am not aware. Only when some measures are taken, then only they will be factored in.

Jigar Pathak:

So, what are the expectations in terms...

Shaktikanta Das:

No, I cannot say because it is in the government's domain to decide on if they want to take any measures on the supply side. I have said it earlier also, from time to time we give our suggestions internally to the government on issues which impact our action. We keep on doing that. But government action only when government takes certain measures that will be factored in. We are not anticipating today in our projections; we have not factored in that government will do this or government will not do this. We are taking the situation as it prevails today, domestically and globally and we have made our assessments for both growth and inflation.

Yogesh Dayal:

Thank you, sir. Before we end, I think there are a few hands raised. Maybe we will take one or two questions.

Shaktikanta Das:

I think, maybe because if everybody starts asking, I can see too many hands going up. So, I will start from the left and go. I think I'll take just two or three.

Latha Venkatesh, CNBC-TV18:

Sir, Latha from CNBC TV18. You have obviously not announced any G-SAP this time, although we are starting the borrowing program, but you do say we remain focused on the completion of the borrowing program of the government and towards this end, it will deploy all instruments. Now the calculation of some economists is that on the BoP, there could be an outflow this time, negative and so you will have some more space. The calculation is about ₹2 lakh crore to ₹3 lakh crore OMOs are still possible, given currency leakage and possible dollar sales. Is that a good guess?

Shaktikanta Das:

Frankly, I cannot reply. I cannot go on assessments. There are various assessments available on this. We make our internal assessments. Whether there is space or not space, I don't want to give away a headline on that. But on a more serious note, as I said, we have announced one measure, HTM today and other measures as and when required we will take. Whether there is still space to do more OMO or not do more OMO is again linked to so many other factors like the evolution of how the liquidity situation plays out. And in liquidity, there are many things which are not under our control. The pace of government expenditure, the inflows and outflows that is not under our control, the currency in circulation also that is something which is not under our control. So, therefore it's an evolving and dynamic situation. All options are available with us. We will deploy them as and when there is a need.

M. Govardhana Rangan, Economic Times:

Thank you, Governor. Govardhan from Economic Times. Over the years you have been tightening the regulation on the NBFCs. That is probably one of the reasons why the HDFC Bank and HDFC merger happened, so that's what the managements have said. So, there are other big NBFCs also, which are facing the same situation where they cannot grow, and they really don't see kind of a future to grow. Despite the internal working group recommending banking licenses for the industrial houses, you didn't go ahead with that. But there are NBFCs which are being run by the industrial houses. If you don't give them the banking license at the same time, they have to face the rules which apply to the banks. What is the way out or what is the future for them? Is there going to be any regulatory relook and review at that? Thank you.

Shaktikanta Das:

Our main focus is on promoting and constantly strengthening financial stability. Over the last three years or so, we first started by issuing certain regulatory guidelines for the banks, with regard to governance in scheduled commercial banks. We issued certain guidelines about Full-time Director, CEO and Full-time Director salaries. We have issued several guidelines. Then on NBFC, we have come out with a new regulatory framework. Cooperative banks, there was another, urban co-operative banks, there was a committee, the committee recommendations have come, we have almost completed the internal examination and we should be issuing our framework. So, we have done for

cooperative banks. We have also done for banks and NBFCs. ARC, that is another category of financial sector players, ARC also we have dealt with digital lending. We want to take necessary regulatory measures to be in sync with the changing times. Given the scale-based regulation for NBFCs which we have now introduced and given our current status with regard to the bank licensing policy, it is for large NBFCs to take their own commercial decision about their future, whether they want to continue as it is. We have no problem with that. The system, the regulations provide for that, or if they want to go for some kind of restructuring, it's for them to decide.

M. Govardhana Rangan, Economic Times:

Governor, if there is a proposal from an industrial house run NBFC to merge with the bank, will the RBI allow it to go through?

Shaktikanta Das:

You know our current licensing policy.

Yogesh Dayal:

Ashish Agashe has not asked a question. So, we will give him an opportunity.

Ashish Agashe, PTI:

In your assumption on inflation, do you actually take into consideration the full pass through of crude prices as is happening right now. Secondly, have you recommended the government for any more excise cuts given the pressures which you see on inflation.

Shaktikanta Das:

What is discussed between the government, it's not as a recommendation, we send as formal recommendation or anything like that. RBI is not required to, nor does RBI give recommendations on things on which its recommendations are not asked for. But internally there are a lot of discussions where we give suggestions. Now, what suggestions we have made I cannot, what suggestions I have made, or we will make, it is a part of all discussions. And what was your first question?

Ashish Agashe, PTI:

On the assumption on complete pass-through of the global crude prices into the retail prices?

Shaktikanta Das:

We have taken into account the international crude oil prices at US\$100 per barrel and the pump prices we have taken the prevailing prices.

Ira Dugal, BloombergQuint:

Sir, one very small question on growth. On the quarterly forecast, we go down to 4.1 per cent and 4 per cent in Q3 and Q4. Of course, there's noise in these numbers because of base effects, etc. But I want a sense of the RBI's perception of consumption and the strength in consumption, in particular, employment situation, going by MGNREGA numbers doesn't look like it's completely repaired, incomes may not have been completely repaired. And now this inflation burden could impinge on disposable spending. Is the RBI's assessment that consumption remains a weak spot, particularly once the pent-up demand for goods and services is over?

Shaktikanta Das:

I think I said in my statement, that private consumption still trails the pre-pandemic level.

Ira Dugal, Bloomberg Quint:

Q3, Q4 also we don't see repair coming through. Halfway into the year we still think that there will be enough hysteresis.

Shaktikanta Das:

On what basis. We have said that there's a base effect aspect also which you have mentioned, but I don't know. DG Patra would you like to say something?

Dr. Michael D. Patra:

It's repairing slowly, as you said, rural demand is weaker than urban. Maybe urban will get back quicker than rural, but it's in a state of repair and I think it will come back to become the mainstay of aggregate demand. That accounts for nearly 60 per cent of aggregate demand. That's where we will get to. But the repair is on the way.

Shaktikanta Das:

But I have also said in my statement and let me slightly also touch upon that, that rural demand will get support from a good rabi crop. And we have assumed a normal monsoon, rural demand will get support from that. Urban demand, now that all the restrictions related to COVID have been removed, contact intensive services, the services sector, urban demand also should revive. Mobility has increased in all respects. So, there are enough factors to give an upward push to both rural and urban demand in the coming months.

Manojit Saha, Business Standard:

Can you throw some light on the Rupee-Ruble trade mechanism that has been established? Is there a bank which has been already designated from India? And there are some reports that Russian central banks are here to discuss the issue. So, what is the exact status on that?

Shaktikanta Das:

Reports, I would not like to comment. As the Deputy Governor explained, as and when some mechanism is worked out, if and when any mechanism is worked out, you will come to know about it. Basically, the importers and exporters have an issue. They have represented both to the government and the RBI. We are in discussion with the Government. We are sensitive to the sanctions and the entire thing is under examination. No decision has been taken. If and when a decision is taken, you will come to know about it.

Bijoy Idicheriah, Informist Media:

One question to Jain sir. Jain sir, we have seen so many banks have problems with their IT networks. We have seen payments systems having failures. We know that you all have been increasing your scrutiny, but are you conducting separate IT assessments? Because many of these banks are now being found that their servers are not segregated, there are lots of issues that are cropping up. Anything you can throw light on, on what is playing out at the inspection level when the RBI goes for inspections?

Mahesh Kumar Jain:

You are right that technology is evolving, and banks are adopting technology in a big way. So, automatically RBI also has to scale up its supervision, and its assessment on the IT and the technology. We are doing it. We are doing specific assessments. We are

doing off-site analysis also. And wherever we are finding an outlier entity, then we do the special audit.

Ankur Mishra, ET Now Swadesh:

I would like to ask one question in Hindi from ET Now Swadesh. You said that inflation is the priority on top of growth. You also said that all your options are open. So, should we understand that in a scenario where the inflation rate crosses 6 per cent, then if any action has to be taken before any policy, will RBI be open to that?

Shaktikanta Das:

This is a hypothetical question. Let me clarify again. I didn't say priority on top of growth. I said that the sequence of priority, earlier it was growth since the last three years, and after that it was inflation, we have changed the sequencing now, in that sequencing now it is first inflation, after that growth. Thank you.

Yogesh Dayal:

Thank you. With this, we come to a close to the Press Conference today. Thank you everyone for attending the Press Conference in person after two years and hope to see you again soon. I thank the top management of Reserve Bank also for sparing time and being with you. Thank you very much.