The Indian Economy and the Reserve Bank of India: Random Thoughts*

Shri Johny Joseph, Shri Kale and friends,

I am grateful to the organisers for bestowing on me the honour of delivering the prestigious Yeshwantrao Chavan Memorial Lecture 2007-08. I must compliment the Indian Institute of Public Administration (IIPA), Maharashtra Branch, for organising the Memorial Lecture.

By accepting this invitation, I am also acknowledging a debt of gratitude to IIPA. I am a Life Member of IIPA. While doing research for Ph.D in 1960s, I extensively used its library and hostel facilities in Delhi. IIPA had also hosted an exclusive seminar in the 1970s on the draft of my book on multilevel planning in India.

I did not have the privilege of working with Shri Chavan, though no one could miss the nation-wide impact of the towering personality of Shri Chavan on both politics and economy of India. Most of us know about his contributions as the Chief Minister of Maharashtra, and as the Union Minister of Home, Defence, External Affairs and Finance over a period of fifteen years. In 1963, Mr. Welles Hanger, in his book "After Nehru Who", opined that Mr Chavan would be the fittest person to succeed Nehru.

Let me quote the views of one of my distinguished predecessors as Reserve Bank of India (RBI) Governor, Dr. I G Patel in his book "Glimpses of Indian Economic Policy: An Insider's View", on working with Shri Chavan in the Ministry of Finance.

> *"He was able, quick to grasp and, while attentive to our advice, not devoid of political sagacity or practical wisdom to put his own stamp on the decision-making process. He was a perfect gentleman, available at all times and not anxious to shirk responsibilities……. He was loyal to his staff; and one of his endearing habits was that he always read some book or the other whenever he found a little time instead of indulging in idle gossip."*

Of particular relevance to the RBI are Shri Chavan's observations on exchange rate policy of India. He gave a detailed reply during a discussion on "Foreign Exchange Parity" in the Rajya Sabha on 22nd December 1971. He described the debate as "a very constructive discussion of this very complex and delicate matter". We economists know how historic the occasion was since it related to the decision by the USA on dollar parity. There are a few observations made by Shri Chavan well over thirty years ago, which are worth recalling due to their general validity for Indian economy, and I quote:

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* Shri Yeshwantrao Chavan Memorial Lecture 2007-08 delivered by Dr. Y V Reddy, Governor, Reserve Bank of India at the Indian Institute of Public Administration, Maharashtra Branch, Mumbai, on March 31, 2008

"Now when everybody else is realigning and recharging and appreciating or depreciating, you cannot remain static because you are a part of it, whether you like to or not. We are a part of that world....

...Ultimately in this present competitive world where, really speaking, it is going to be a very difficult thing to compete in foreign trade without having a very solid industrial base in our own country what should we consider as the ultimate test as to whether our decision is wise or not, whether it is strong or weak, will not use that word because strength and weakness ultimately depends upon whether your decision is right or wrong. What is the right criteria for it?....

....Mr. Jain made one point. He asked why I did not mention about depreciation of the Rupee as against the Sterling. I mentioned it in a different way. I said the Sterling has appreciated……

...The mechanism of money, the foreign exchange mechanism is a very important mechanism, and we have to think of it very carefully, cautiously and wisely….."

With these tributes to the Statesman, Shri Chavan, let me proceed to give a brief review of the Indian Economy, followed by a somewhat extensive treatment of the RBI, as suggested by the organisers.

Indian Economy: A Brief Overview

In the first five decades of the 20th century till we got our independence in 1947, the per capita GDP in India was stagnant, as the trend growth in GDP during this period was 0.9 per cent with population growing by about 0.8 per cent.

As compared with the near stagnant growth in the previous 50 years, the annual growth averaging at around 3.5 per cent during the period 1950 to 1980 was comparatively better.

The average growth rate of the Indian economy over a period of 25 years since 1980-81 was about 6.0 per cent - a significant improvement over the annual growth rate of the previous three decades.

In the new millennium, the GDP growth rate has further accelerated averaging 7.2 per cent during the seven-year period 2000-01 to 2007-08, with the growth rate in the last five years (2003-04 to 2007-08) averaging 8.7 per cent. Over the years, while the GDP growth has been accelerating, the population growth rate has moderated, giving a sharp impetus to the growth in per capita income.

The strengthening of economic activity in the recent years has been supported by a sustained increase in the gross domestic investment rates from 22.8 per cent of GDP in 2001-02 to 35.9 per cent in 2006-07. It may also be noted that over 95 per cent of the investment during this period was financed by domestic savings.

Since independence, the inflation rate, in terms of the wholesale price index (WPI), on average basis, was above 15 per cent in only five out of fifty years and was in single digit for thirty six of these years. On most occasions, high inflation was due to shocks - food or oil. The inflation rate accelerated steadily from an annual average of 1.7 per cent during the 1950s to 6.4 per cent during the 1960s and further to 9.0 per cent in the 1970s before easing marginally to 8.0 per cent in the 1980s. The inflation rate declined from an average of 11.0 per cent during 1990-95 to 5.3 per cent during the second half of 1990s. In recent years, inflation rate has averaged around 5 per cent.

An important characteristic of the recent growth phase of over a quarter century is the country's resilience to shocks. During this period, we have witnessed only one serious balance of payments crisis triggered largely by the Gulf war in the early 1990s. The Indian economy, in the later years, could successfully avoid any adverse contagion impact of shocks from the East Asian crisis, the Russian crisis during 1997-98, sanction-like-situation in post-Pokhran scenario, and the border conflict during May-June 1999. Viewed in this context, this robust macroeconomic performance, in the face of recent oil as well as food shocks, demonstrates the vibrancy and resilience of the Indian economy.

It is necessary to note that, despite the recent encouraging performance, the Indian economy faces several severe challenges. These relate, in particular, to poverty, education, health, environment, physical infrastructure, and fiscal issues.

What has been the role of the RBI in the developments in the Indian economy? My submission is that the RBI has, as part of public policy, made some contributions to overall price stability and financial stability while enabling respectable growth in the recent period. Further, it is generally recognised that the financial sector and the external sector in India display considerable strength and resilience, though there are some areas that need attention. In India, most of the literature on public administration concentrates on organisation and functioning of Central and State Governments, statutory corporations, public enterprises, and constitutional bodies. Perhaps there is merit in devoting the rest of the address to filling up this gap and discussing organisation and functioning of the RBI, in some detail.

On the RBI’s Mandate

I requested my friend Shri Kale – our friendship is a little over thirty years old – to advise me on the focus of today’s address. He said that I could shed some light on what RBI does. In particular, he suggested that I may narrate the process of decision making in the RBI and the extent to which the Ministry of Finance comes into the picture. I believe that Shri Kale was being not merely inquisitive but also mischievous by posing some complex, if not controversial, issues in a somewhat innocuous fashion. Yet, I will take the bait.

The RBI was established under the Reserve Bank of India Act, 1934 on April 1, 1935 as a private shareholders' bank, but is fully owned by the Government of India, since its nationalisation in 1949.

The Preamble to the RBI Act describes the basic objective of the constitution of the RBI as "*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*". Thus, there is no explicit mandate for price-stability or formal inflation targeting. Over the years, the twin-objectives of monetary policy in India have evolved as: maintaining price stability and ensuring adequate flow of credit to facilitate the growth process. The relative emphasis between the twin-objectives is modulated as per the prevailing circumstances and is articulated in the policy statements. Consideration of macroeconomic and financial stability is also subsumed in the articulation of policy.

The RBI is also entrusted with the management of foreign exchange reserves, which are reflected in its balance sheet. While the RBI is essentially a monetary authority, its founding statute mandates it to be the manager of public debt of the Government of India and the banker to the Government.

While the RBI is the monetary authority of the country, as per its founding Statute, the RBI has also been entrusted with the work relating to banking regulation and supervision by a separate enactment in 1949, viz. the Banking Regulation Act. The RBI exercised a tight regime of exchange control particularly under the Foreign Exchange Regulation Act (FERA), 1973; but, a qualitative change was brought about in the legal framework to enable liberalisation by the enactment of the Foreign Exchange Management Act (FEMA) in June 2000 which replaced the FERA. With this, the objectives of foreign exchange regulation have been redefined as the facilitating of external trade and payments as well as the orderly development and functioning of the foreign exchange market in India.

It is significant to note that the RBI Act precludes the RBI from performing certain business such as trading; taking any direct interest in any commercial, industrial or other undertaking; purchasing of shares or giving of loans against shares of any company; advancing of money on the security of immovable property, and the drawing or accepting of bills payable otherwise than on demand. These prohibitions are meant to protect the integrity of the institution.

Governance Arrangements

The "general superintendence and direction of the affairs and business" of the RBI are "entrusted to the Central Board of Directors". The Central Board nominated by the Government, consists of fourteen eminent persons[1] drawn from different walks of life, who are the non-official Directors. The Secretary dealing with Economic Affairs in the Ministry of Finance is also a Director on the Central Board and has voice but not vote. Further, the Governor, and the Deputy Governors, are also appointed by the Government, as the Chairman and non-voting Directors of the Board, respectively. The Central Board meets at least six times in a year and at least once a quarter.

The RBI General Regulations, 1949, mandate a Committee of the Central Board (CCB), which is in the nature of an executive board and meets once a week. The CCB quorum demands the presence of at least one non-official Director. Currently, the normal attendance for the weekly meetings is three or four of the five non-official Directors who are residing in Mumbai. The weekly meetings review the economy and the financial market developments, and approve the weekly accounts of the RBI (which are placed on RBI website every week soon after their approval) and all other matters relating to the general conduct of RBI's business. The Governor, and in his absence the senior-most Deputy Governor available, presides over these meetings.

The function of supervision of the banking system, development financial institutions, non-banking finance companies and the primary dealers, is overseen by a separate Board for Financial Supervision (BFS), which has been constituted by the Government through separate regulations formulated under the RBI Act. The BFS has four non-official Central Board Directors as its Members and meets at least once a month, functioning virtually as an executive board in matters relating to regulation and supervision. While the Governor chairs the BFS where all the Deputy Governors are Members, one of the Deputy Governors is virtually its full time Vice-Chairman. In addition to issue-based reviews and directions, the BFS reviews the functioning of individual banks and in respect of select cases, there is also a monthly monitoring of individual banks. Thus, in a sense, the supervision function is handled somewhat independently, but within the RBI.

Yet another body recently constituted through a separate regulation, by the Government, is the Board for Payment and Settlement Systems (BPSS) which has two non-official Central Board Directors as its members and meets at least once a quarter. The BPSS is now under re-constitution consistent with the provisions of the recently enacted the Payment and Settlement Systems Act, 2007.

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[1] The Central Board of the RBI includes, as Directors, Dr. Ashok S Ganguly, Shri Azim Premji, Dr. D Jayavarthanavelu, Shri Kumar Mangalam Birla, Shri Lakshmi Chand, Shri Y H Malegam, Prof. Man Mohan Sharma, Shri H P Ranina, Prof. U R Rao, Shi Sanjay Labroo, Smt Shashi Rekha Rajagopalan, Shri Suresh Neotia, Shri. Suresh D Tendulkar, and Dr. A Vaidyanathan.

Prior to 2006, the Board, as originally constituted, included as Directors, Dr. A P J Abdul Kalam, Dr. Amrita Patel, Shri D S Brar, Shri K Madhava Rao, Prof. Mihir Rakshit, Shri N R Narayana Murthy, Prof. C N R Rao, Shri Ratan Tata, Shri K P Singh, Shri Suresh Krishna, and Prof. V S Vyas.

In addition, the Central Board has three standing committees. The Inspection and Audit Sub-Committee has four non-official Central Board Directors. The Building Sub-Committee and the Staff Sub-Committee have at least two non-official Central Board Directors each, and intensely oversee the two important non-financial assets of the RBI.

There are also four Local Boards of the RBI for four regions of the country, each of which has five non-official Members, appointed by the Central Government, and a Chairman who is one of the Directors of the Central Board. The Local Boards advise the Central Board on the matters remitted to them and perform the duties delegated to them, currently by a resolution of the Central Board.

In recent years, the conduct of monetary policy has acquired complexity and significance in view of the greater integration of our economy with the global economy. Though there is no legal requirement of a Monetary Policy Committee to take appropriate decisions, it was internally decided in 2005 to constitute a Technical Advisory Committee on Monetary Policy (TAC-MP). Currently, the TAC-MP consists of two non-official Directors of the Central Board and five independent outside experts[2], apart from the four Deputy Governors and the Governor. The TAC-MP usually meets once in a quarter, a week ahead of the announcement of the annual policy or the quarterly reviews of the monetary policy.

Accountability of the RBI to the Parliament is essentially through the Ministry of Finance, though the Governor and the Deputy Governors appear, as called upon, before the Parliamentary Committees, especially before the Standing Committee on Finance.

Thus, the formal governance arrangements in the RBI are oriented towards collegial approach to decision making. Yet, as in the case of most of the central banks, the Governor holds a somewhat unique position in the organisation. The legal systems as well as tradition do bestow some authority on the Governor that is meant to be commensurate with this unique position. As the Governor is the public face of the RBI in the eyes of the Government and the public at large, the Governor is generally seen to be *de facto* accountable.

Independence of the RBI

On practical considerations, central bank independence may be broadly related to three areas viz., managerial aspects, including personnel matters; financial aspects; and policy aspects.

Managerial independence refers to the procedures for appointment, term of office and dismissal procedures of the top central bank officials and the governing body. It also includes the extent and nature of representation of the Government in the governing body of the central bank and Government's powers to issue directions.

[2] Currently the outside experts in the TAC-MP are Prof. D M Nachane, Dr. R H Patil, Dr. Shankar Acharya, Shri Suman Bery, and Shri S S Tarapore.

Financial independence relates to the freedom of the central bank to decide the extent to which Government expenditure is either directly or indirectly financed *via* central bank credits. Direct or automatic access of Government to central bank credits would naturally imply that monetary policy is subordinated to fiscal policy.

Finally, policy independence is related to the flexibility given to the central bank in the formulation and execution of monetary policy, under a given mandate.

While the Central Government may give such directions to the RBI, after consulting the Governor, as it may consider necessary in the public interest, the overall management of the RBI's affairs and business rests with the Central Board of Directors. All Directors of the Central Board, including the Governor and the Deputy Governors, are appointed by the Government and they could be superseded or removed.

The staffing pattern is left to the RBI, but rules governing their service conditions and compensation are currently not out of alignment with the public sector, in general, and the banking sector, in particular.

On financial aspects of the RBI *vis-à-vis* the Government, the phasing out of automatic monetisation of fiscal deficits by 1997 and the enactment of the Fiscal Responsibility and Budget Management (FRBM) legislation in 2003 are two important milestones in the direction of providing safeguards to monetary policy from the consequences of expansionary fiscal policy and ensuring a degree of autonomy of the RBI. Consequently, barring emergencies, there are limits to the ways and means advances by the RBI to the Government and prohibition on RBI from participating in primary issuance of all government securities.

The RBI has gradually withdrawn from the practice of providing concessional finance or refinance for specified sectors, though the statutory provisions continue to enable it. The RBI advocates direct fiscal support to the developmental activities so that the support is transparent, accountable, and quantifiable, rather than through monetary operations of RBI, which would tantamount to quasi-fiscal operations.

RBI contributes to the exchequer by way of transfer of balance of its annual profits, after making provisions and transfers to its Reserves. The general principles regarding such transfers have been rationalised as part of the reform process in 1997. The present arrangement is governed by the objective of strengthening the RBI balance sheet by achieving a stipulated level of Reserves in the balance sheet over a period – though the time-frame to achieve the level is extended to accommodate immediate fiscal compulsions.

Harmonious relations between the Government and the RBI have, no doubt, generally contributed to the successful policy outcomes thus far, but it would not be appropriate to conclude that there are no differences in analyses, approaches, judgements and instrumentalities. In the given legal and cultural context, while making every effort to give its views, either informally or formally, but as unambiguously as possible, the RBI generally respects the wishes and final inclination of the Government. The RBI, however, has to accept the responsibility for all its decisions and actions, while being generally conscious of the impact of its articulation and actions on its credibility. The Government, for its part, recognises the dilemmas posed to the RBI, and accords significant weight to the RBI's judgements.

In sum, *de jure,* the RBI has not been accorded autonomy on par with recent trends in some of the industrialised as well as emerging economies; but, *de facto,* the recent experience reflects a progressively higher degree of autonomy being enjoyed by the RBI. During the period of reform, since 1991, there has been a gradual and mutually agreed progress towards greater autonomy in matters relating particularly to the financial markets and the conduct of monetary policy.

Relationship with the Ministry of Finance

In a way, I have answered this question when I mentioned that there is, in the Indian case, a greater *de facto* rather than *de jure* autonomy available to the RBI. It is necessary to recognise that *de facto* autonomy is possible only and only when the Central Government, and in particular the Ministry of Finance, reposes confidence and trust in the RBI. In a way, it can be said that independence in abstract or absolute terms is not feasible in practice. An assessment of the extent of independence of a central bank or its autonomy *vis-à-vis* Government needs to reckon the independence in respect of which functions; with what objectives; in which context and through what instruments?

It is essential to avoid being dogmatic about independence of a central bank and to approach the subject with reference to fundamental objectives in a given context in a pragmatic fashion, within the legal framework. Perhaps, in the Indian context and at this juncture, it can be said that the RBI has considerable autonomy in monetary operations but it closely harmonises its policies with the public policies in general and co-ordinates actively with the Government to bring about structural reforms in the economy.

Before concluding this section, it is instructive to explore explanations for what I may call globally prevalent noises in regard to relations between central banks and Governments, especially the Ministry of Finance.

First, the very purpose of creating a central bank is to have a slightly longer term view of macro-economic management. Hence, its perspectives are likely to be different from those of the Government.

Secondly, the design of a central bank involves, among other things, separation of powers to spend money (which is with the Government) from powers to create money (which is with the monetary authority), with a view to avoiding inflationary financing of Government spending. Hence, the focus and emphasis could be different due to the design itself.

Thirdly, the distinct apolitical identity of a central bank helps the countries to mitigate some possible adverse consequences of spurts of political instability, by enabling the currency and the credit systems to operate as smoothly as possible at all times.

Fourthly, the interests of the Government, as a borrower in the financial market and also as a significant owner of entities regulated by the central bank, may not necessarily converge with those of the central bank.

Finally, if a central bank always concurs with the Government, the central bank, as a distinct entity, becomes superfluous, while if it persists in constantly disagreeing, it becomes obnoxious. In reality, the relevant issue is how checks and balances work in a given context.

RBI: Approaches to Managing Reform

As a part of economic reforms, public policy in India has enabled changes in the domestic economy and has been responding to changes in the global economy while reorienting the public institutions to meet the consequent newly emerging demands on them. The RBI is also a part of this process of managing reform. I would highlight some of the approaches adopted by the RBI in managing the reform process.

First, considerable attention is being paid to enhancing the knowledge base and skills within the institution. RBI officers are encouraged to upgrade their skills on a continuous basis. Select officers are trained, for about one year, in leading universities, including Harvard, Stanford, Oxford, Yale, LSE, etc., and these officers number around ninety so far. There are on our rolls, about 60 Ph.Ds and over a hundred MBAs focusing on the financial sector. E-learning is facilitated through the Financial Stability Institute. There are incentives for acquisition of academic qualifications on a full-time or part-time basis. These are in addition to sending officers to several training programmes, both in India and abroad.

Second, information on global best practices is obtained on a continuous basis. In many of the technical papers or reports of working groups that are placed on the RBI website, a reference to comparative country-practices may be routine. In fact, a Committee had assessed our standards and codes *vis-à-vis* the global standards on several aspects of financial sector in 2001 and these have since been updated. Currently, an exercise of comprehensive self-assessment, using *inter-alia* the IMF/World Bank Handbook on Financial Sector Assessment (2005) is under way under the Chairmanship of Dr. Rakesh Mohan, Deputy Governor, with Dr. Subbarao, Finance Secretary, as the Co-Chairman. The process incorporates obtaining advice from about forty nationally and globally renowned experts[3]. The report on this self-assessment should be available soon in public domain. Our senior officers are involved in several multilateral working groups, such as those of the Financial Stability Forum and the Bank for International Settlements, thus acquiring in-depth knowledge of global practices. In fact, some of our professionals work on deputation in these multilateral institutions as also some other central banks, thus bringing back a wealth of experience. Similarly, to facilitate a wider exposure, officers are selectively enabled to work in NGOs or other financial institutions. The annual conference of regional directors and heads of departments also provides an occasion to learn from eminent personalities from diverse fields.[4]

Third, continuous efforts are made to benefit from outside expertise. Experts from outside the RBI, be it academics or market participants or representatives of industry associations, are associated usually as members and occasionally as special invitees on the working groups or committees constituted by the RBI. Their participation enhances the quality of work and the implementability of their recommendations, in our situation. Several standing Committees have the benefit of advice of eminent Professors of IIT, IIM etc.[5] The Standing Committees exist for a wide range of activities namely financial markets, technology, financial regulation, etc. The outside expertise adds value to the quality of decision making and credibility of the policy measures initiated.

Fourth, the procedures for decision-making and internal working are made more collegial and less hierarchical. The inter-departmental groups constituted with regard to various aspects of RBI functions include, for example, Financial Markets Committee (which meets at least once a day, in the morning); the Deputy Governors Committee (which meets once a week), the Regulated Institutions Group, the Monetary Policy Strategy Group, and the Reserve Management Strategy Group (meet once a month); and the Crisis Management Group (meets whenever crisis is anticipated or occurs). The process helps enhanced quality of work and wide participation/commitment. For the purposes of co-ordination with Central Government, State Governments, other regulators, etc., we have several standing committees/ groups – such as for cash and debt-management, financial conglomerates, and

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[3] Advisory Panel Members include : Shri Aman Mehta, Dr. Ashok Ganguly, Shri Ashok Soota, Dr. K C Chakraborty, Dr. R Chandrasekar, Shri Gagan Rai, Dr. Indira Rajaraman, Dr. Jaimini Bhagwati, Shri Mahesh Vyas, Shri Nimesh Kampani, Shri Nitin Desai, Dr. Omkar Goswami, Shri Pavan Sukhdev, Dr. Rajas Parchure, Dr.Rajiv Kumar, Dr. Rajiv B. Lall, Dr. M T Raju, Dr. T T Ram Mohan, Shri M B N Rao, Shri Ravi Mohan, Smt. Shikha Sharma, Shri Shubhashis Gangopadhyay, Shri U K Sinha, Shri Uday Kotak, Shri C M Vasudev, and Shri M S Verma.

Peer Reviewers include : Mr. Andrew Large, Mr. Andrew Sheng, Mr. Carl Hiralal, Mr. Eric Rosengren, Mr. Gregory Johnston, Mr. Ian Mackintosh, Mr. Michael Hafeman, Mr. Neil Patterson, Mr. Ranjit Ajit Singh, Mr. Shane Tregillis, Mr. V Sundararajan, Dr. Sushil Wadhwani, Mr. Vito Tanzi, and Prof. William Buiter.

[4] Those who addressed the conference in the last four years include: Dr. A P J Abdul Kalam, Shri Anand Mahindra, Shri Azim Premji, Ms. Chetna Gala Sinha, Dabbawala Association Office-bearers, Dr. Devi Shetty, Shri Mohan Das Pai, Dr. Pritam Singh, Dr. Sandip Rane, Shri Satish Pradhan, and Dr. E Sreedharan.

[5] These include Prof. Jaju, Prof. Jhunjhunwala, Prof. Krishnamoorthy, Shri T V Mohandas Pai, Dr. R H Patil, Dr. Phatak, Shri Rajesh Doshi, Prof. Ram Mohan Rao, Prof. Sarda, and Prof. Sivakumar.

technical groups with the Securities Exchange Board of India and the Insurance Regulatory and Development Authority. These are standard co-ordinating arrangements, but the RBI, in view of its responsibility for financial stability, takes active interest in these and benefits from them.

Fifth, considerable emphasis has been laid on innovative approaches to managing the reform process. For example, the urban cooperative banks faced severe problems due to dual control of the RBI and the State Governments. RBI's efforts to divest its role altogether did not succeed. Hence, it was decided to have institutional arrangements for ensuring coordination with the State Governments, whenever a state was willing. The Federation of Urban Cooperative Banks is also made a partner in the process. Consequently, Task Forces (TAFCUB) have been established in several states through Memoranda of Understanding. Yet another example of mutual understanding relates to the introduction of a system of ways and means advances as well as the cessation of participation of the RBI in primary issuances of government securities before the passage of the FRBM Act at the Centre.

Finally, a proactive approach is adopted on several issues. For example, a bi-annual conference of State Finance Secretaries is being convened for over ten years, in which the central government nominees also participate. The conference sponsors several studies and working groups for which the RBI provides technical support. Constant feedback from all stakeholders is sought on several issues that happen to be under the consideration of the RBI. Often, even the draft circulars are put in public domain for feedback. RBI's communication policy is now extended to cover several leading national languages – as will be evident from the RBI website.

Let me conclude by thanking the organisers for giving me this opportunity to share with you some thoughts on the Indian economy and the RBI.