

Edited Transcript of Reserve Bank of India's Post Central Board Meeting Press Conference: February 11, 2023

Participants from the Government of India and the Reserve Bank of India:

Smt. Nirmala Sitharaman – Finance Minister

Dr. Bhagwat Kishanrao Karad – Minister of State

Shri Pankaj Chaudhary – Minister of State

Shri Shaktikanta Das – Governor, Reserve Bank of India

Moderator:

Shri Yogesh Dayal – Chief General Manager, Reserve Bank of India

Yogesh Dayal:

Good afternoon, everyone. Welcome to the post-Central Board meeting press conference. Today, we have with us Honorable Finance Minister Smt. Nirmala Sitharaman; Minister of State Dr. Bhagwat Karad; Minister of State, Shri Pankaj Chaudhary; and the Respected Governor, Shri Shaktikanta Das along with our Deputy Governors. I welcome all of you to this press conference.

Yogesh Dayal:

Madam, with your permission, we will start the press conference. First of all, I will call Ms. Deepshikha Sikarwar from The Economic times.

Deepshikha Sikarwar, The Economic Times:

My question is to Governor. Sir, in the budget speech, FM has mentioned a para on the financial sector, which includes a pre-consultation and also setting timelines for the regulatory applications. What does this mean for RBI?

Shri Shaktikanta Das:

Whenever any new policy measures or new regulatory guidelines are taken, or any other announcement is made by the Reserve Bank, the budget suggests that the Reserve Bank, or for that matter measures taken by other financial sector regulators; there has to be some amount of advance consultations with the stakeholders. We already do consult with the stakeholders and if you recall in the last monetary policy statement, we have made an announcement relating to penal interest. There also, we are issuing a draft circular. We are not issuing the final circular because we want the views of the stakeholders, namely the regulated entities, the banks and also any other stakeholder, any player in the financial sector/market, or any member of the public to give suggestions. So, we are already doing it, but there are certain announcements which are of a strategic nature, which have got some arbitrage and other issues involved. So, what the budget speech is that wherever feasible, it should be done and that is something which is partly being done and it will be done going forward. So, it brings in the perspective, after the issuance of a circular, the need for corrections or amendments will get significantly reduced, but we are already consulting on quite a number of cases. There is advance consultation. What we do is that we also circulate a discussion paper, for example, the climate-related steps which we have announced in the last monetary

policy statement; we had issued a discussion paper on climate change and its impact on the financial sector in July 2022. Based on the discussion paper and the inputs we have received, we have announced 3 measures and other measures shall follow.

Deepshikha Sikarwar, The Economic Times:

Sir, on the timeline for the application?

Shri Shaktikanta Das:

We already have timelines and wherever timelines are not there, they will be prescribed. The main difficulty we face is that wherever there is an application, let us say to start a bank or to start an NBFC or to become a payment system aggregator, we have to do what is called a fit and proper check. A check of fit and proper criteria requires consultation. Suppose that a particular applicant has a particular business interest and he has been in a certain business or he has worked elsewhere. So we need to get inputs from the various regulators and agencies within the country and if he has had an external presence, we have to get inputs from the regulators and agencies in that country. That takes time. We do remind the regulators or the other agencies in foreign countries from whom we need to get the required information to get their input, but that takes time. That is a process which we constantly try to impress upon other countries' regulators. It will be our endeavour to adhere to the timelines.

Yogesh Dayal:

Thank you, sir. I will move on to Ms. Sapna Das from CNBC-TV18.

Sapna Das, CNBC-TV18:

Good afternoon, madam. Good afternoon, sir. Two questions. First to the Governor sir. In the MPC for the financial year 2023-24, getting inflation at 5.3%, have you factored in crude at around US\$95 per barrel, slightly lower than the US\$100 per barrel benchmark that you had kept last year? Is that a safe number to go with given the geopolitical risks or let's say, Russia again has cut output by around 2 lakh barrels per day for instance? Second, so far there has been a price freeze on your retail prices of fuels, petrol and diesel. So far, whenever the projections have been made, you have done it since that impact and in a case in the coming time, we don't know when, if the price freeze goes away, then the international projections for the market prices, how do you see that trajectory impacting your inflation?

Second question, madam a slightly different question. The Supreme Court has raised concerns on the Hindenburg-Adani matter. The Apex Court has said that the framework may have to be relooked with the Ministry of Finance and SEBI as a regulator. There could be some corporate governance issues that need to be addressed. How do you look at this scenario and what is your assessment? You have also made some comments earlier.

Shri Shaktikanta Das:

There is a request that do not make it into an RBI Post-Monetary Policy Press Conference. On the oil assumption, we have assumed US\$95 per barrel. The average for this year has been US\$93 per barrel, starting from the beginning of the year when immediately after the beginning of the war in Europe, the oil prices had even crossed

US\$120 per barrel. All factors have been taken into consideration. The forward markets are giving a much more benign picture with regard to oil prices. But, we have been very conservative in our assessment and with our inflation projection of 5.3% for the whole year 2023-24, we have said that the risks are evenly balanced. If the oil prices go down significantly and if there is an advantage of other commodity prices, it will work in our favour in terms of leading to lower inflation. But, if the demand for oil goes up due to the opening up of the countries and due to higher growth in other countries, then the commodity prices may go up. Further, I would like to add that as I have mentioned in my statement the global economic outlook does not look as grim as it did about 6 months ago. The talk of a deep recession in many countries including advanced countries is behind us. Now the talk around the world is either a softer recession or just a global slowdown. So, the risks are evenly balanced, we have to wait and see how it plays out.

Smt. Nirmala Sitharaman:

Sapna, I would like to ask you to repeat your question.

Sapna Das, CNBC-TV18:

The Apex Court's observation on the Hindenburg report on Adani Group. They were saying that along with the Government, please come up with a possibly better framework for investors' protection. On corporate governance issues, they have also suggested that an expert committee may be set up to look into this entire matter. Madam, your assessment?

Smt. Nirmala Sitharaman:

Obviously, you are not expecting me to say to you or to this gathering of senior journalists what I will be saying in the court, that is number one; and the second, India's regulators, and I am sitting in the company of a very senior regulator, one of the oldest regulator in this country. India's regulators are very, very experienced and they are experts in their domain. So, the regulators are fairly seized of this matter and they are on their toes as always, not just now. So, I will leave it there because you have just told me what has come out this morning. I will leave it there.

Yogesh Dayal:

Thank you, madam. I will move on to Mr. Siddhartha Singh from Bloomberg.

Siddhartha Singh, Bloomberg:

Madam, good morning. You brought a new scheme for income tax exemption up to ₹7 lakh. I was wondering Madam, don't you think that class of people are the most vulnerable class who would need to be pushed to save, be savers and look for a health insurance instead of just giving them that kind of tax rate and allowing them to retain that money?

Smt. Nirmala Sitharaman:

The new step taken for the new tax regime, which was brought in two years ago, has been done effectively. Effectively, because of the way we have allowed for the standard deduction and also the tax rates which are being fixed for different slabs. What exactly has it done? It has left more money in the hands of the taxpayer, the householder. Over and above what he pays as tax, the money left in his hands is for him to decide what he wants to do with it. Why should I underestimate the decision-making ability of a

householder, who takes care of his family, runs his family, and takes care of the future interests of the household? Saying you put your money here, I will incentivise you to do it, but you may not want to put it there because I have not given incentives. I do not think it is necessary for the Government to even induce any such measures or give inducements. A person, who earns his money and who runs his household is wise enough to know where he has to put his money, he will save, he will cover with insurance for himself and his family and everything else. That is up to him to make it. I have neither discouraged him from doing anything nor in the new regime incentivising him to do anything in particular. It is for him to take a call.

Yogesh Dayal:

Thank you, Madam. I will move on to Mr. Siddhartha Kumar from The Times of India.

Siddhartha Kumar, The Times of India:

Madam, there is a new credit information mechanism that you have proposed and since both of you, RBI and Government, are here, if you could just help us understand if it is just for corporates or if it is also going to extend to individuals in the future?

Shri Shaktikanta Das:

The bill is under preparation and it is under discussion between the regulators and the Government. A lot of discussions have happened, which led to the announcement in the budget. The draft bill is getting ready and it should be finalised soon. The idea is to quicken the process of credit sanction and credit flow to the borrowers. A bank requires a lot of information before a loan is sanctioned. The objective of the credit information mechanism is to create one registry where to the extent possible considering issues of privacy among other things, to provide a 360-degree kind of information system, which will be readily available to the lending institutions to ensure that it quickens the process of the credit flow. That is a broad objective. The other details of the bill will not be proper for me to spell out because it is under discussion, but the bill will get finalised and it has to be first introduced in the parliament.

Yogesh Dayal:

I will move on to Mr. Shishir Sinha from The Hindu Business Line.

Shishir Sinha, The Hindu Business Line:

Good morning, madam. Good morning, sir. My question is to Governor. Since we have seen successive rate hikes and that is also impacting home buyers because their EMIs have gone up and it is also affecting demand in the real estate sector. So, what is your assessment on this demand?

Shri Shaktikanta Das:

Assessment on?

Shishir Sinha, The Hindu Business Line:

The EMIs have gone up and also the demand for new homes is coming down. So, what is your assessment of the successive rate hikes.?

Shri Shaktikanta Das:

Please keep in mind that the interest rates have just moved into positive territory. We had negative interest rates for the last 3 years. The continuation of negative interest

rates for far too long can create instability in the financial system and it has a lot of risks which have to be avoided. Secondly, when interest rates are rising, there is also somebody called the depositor, his interest has to be taken into account. The larger point is that we are mandated under the law to maintain price stability, which is an important component of financial stability. As a part of price stability requirements, the monetary policy committee is taking various decisions and our interest rate increase is a part of that process. The rest of it, the deposit rates and the lending rates, as you are aware, are deregulated and it is left to the banks to decide their rates. Market competition will decide what should be the rate both on the deposit side as well as on the lending side.

Yogesh Dayal:

Thank you, sir. I will call now Shri Siddharth Upasini of Moneycontrol.

Siddharth Upasini, Moneycontrol:

This is for both the Governor and Madam. This is regarding the new income tax regime. You said it is not up to the Government to decide whether the taxpayer should spend or save. Assuming they spend more, could that lead to a greater mismatch between savings and investments, which could perhaps widen India's current account or balance of payments deficit?

Smt. Nirmala Sitharaman:

On the one hand, there are people, who tell me that I have done this to pep up consumption. On the other, there are some who say that this might hurt saving and therefore investments. This is a simple step towards giving more money, particularly in the hands of the middle class, the income brackets that I have covered, so that they decide how they want to use it. I am not blaming anybody here, just leads to a lot of inference, each according to his inference, a certain opinion gets generated.

This measure of the Government was purely to reduce the tax burden on the middle class and to make sure that the promise which was given earlier, a couple of years ago which got delayed because of COVID and other reasons, that we will simplify the direct taxation, not only just simplify it for compliance sake, but also reduce the rate so that tax does not become a burden on the shoulders of particularly the middle class. That's where it is.

Shri Shaktikanta Das:

On the balance of payments, I have touched upon it in my monetary policy statement wherein I have said that the BOP situation, particularly the current account deficit, the financing of the current account deficit or the management of the external sector, it is eminently manageable because the service exports are doing extremely well. The remittances have gone up. The growth in remittance is 27% as per the latest data. The merchandise exports, there is a talk that it is moderating, yes, there has been some amount of moderation, but the annual target of US\$400 billion seems to be very much getting achieved by the year end. So, the balance of payment situation is eminently manageable.

Yogesh Dayal:

Madam, with your permission, we may take the last two questions. I will call now Mr. Asit Ranjan Mishra from the Business Standard.

Asit Ranjan Mishra, Business Standard:

Good afternoon, sir and madam. After the budget, madam, in one of the interviews you had said that the inflation decline is not momentary and the RBI should not be under pressure to continue increasing interest rates.

Smt. Nirmala Sitharaman:

Did I use these words?

Asit Ranjan Mishra, Business Standard:

I will read it out, Madam.

Smt. Nirmala Sitharaman:

Yes, it might benefit me, quote me.

Asit Ranjan Mishra, Business Standard:

You said that when the question was asked whether the RBI can take a more relaxed view on monetary tightening, you said, "I suppose yes. The fall in inflation does not seem to be just a momentary or 1-month affair. It should sustain itself in the process of coming down and therefore there should not be that much pressure on the central bank to keep the pace of increasing the rates but the MPC will take a call."

Smt. Nirmala Sitharaman:

Lots more words in it, right, than what you brought it down in a reductionist fashion!

Asit Ranjan Mishra, Business Standard:

So, with that background, madam, how did the discussion go in the meeting?

Smt. Nirmala Sitharaman:

Even without that background, it went very well.

Asit Ranjan Mishra, Business Standard:

Is there a divergence in the view of the Government and the RBI on the rate cycle trajectory?

Smt. Nirmala Sitharaman:

I want to ask you, in the last 4-5 years, has there ever been a divergence between the RBI and the Ministry of Finance?

Asit Ranjan Mishra, Business Standard:

We did not know. It seems that it is happening for the first time.

Smt. Nirmala Sitharaman:

I am asking you; did you see anything in the last 5 years?

Asit Ranjan Mishra, Business Standard:

It seems that it is happening for the first time.

Smt. Nirmala Sitharaman:

The first time it is happening now. Who gave you the information?

Asit Ranjan Mishra, Business Standard:

I am only asking.

Yogesh Dayal:

Thank you, Madam. Shailesh Yadav from ANI.

Shailesh Yadav, ANI:

Madam, in this budget, there has been no mention of cryptocurrency. There were talks going on about regulation in this. So, is there any update on that, like when can the regulations come?

Smt. Nirmala Sitharaman:

You should just relate it to one thing, nothing was said in the budget this time. Before this, I told you something about it once. I have not said anything different from what I had said before, but you have to relate to one issue with it. In crypto, the share of technology is almost 99%. It is not human interaction but technology is there, therefore, in the G20 discussion, we are talking with all the countries that if there have to be regulations, then one country alone cannot do anything. So, we are talking with all countries about whether we can make some standard operating procedure, where all go on the same path. If we make a regulatory framework, will we be effective? So, these discussions are going on. Since there was nothing new to tell in the budget, so I did not tell. Discussions are on with G20.

Yogesh Dayal:

Thank you, Madam. Friends, with this, we come to the end of today's press conference. Thank you, Honorable Finance Minister and Honorable Ministers of State, Dr. Karad, Shri Chaudhury and the Governor. Thank you all for being here. Have a good day.

Shri Shaktikanta Das:

Thank you.