Edited Transcript of the Reserve Bank of India's Post-Monetary Policy Press Conference: August 8, 2024

Participants from the RBI:
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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
Shri Swaminathan J. – Deputy Governor, Reserve Bank of India
Dr. O. P. Mall – Executive Director, Reserve Bank of India
Dr. Rajiv Ranjan – Executive Director, Reserve Bank of India

Moderator:
Shri Puneet Pancholy – Chief General Manager, Reserve Bank of India

Puneet Pancholy:
Hello and Good afternoon. Welcome to this Post Policy Press Conference. Today, we have with us Governor – Shri Shaktikanta Das; Deputy Governors – Dr. M.D. Patra; Shri M. Rajeshwar Rao; Shri T. Rabi Sankar; Shri Swaminathan J. We also have with us Executive Directors- Dr. O.P. Mall and Dr. Rajiv Ranjan and also some other colleagues from Reserve Bank. Sir, as is customary, I would request you to make your opening remarks and thereafter we will move to the question-answers.

Shaktikanta Das:
Good morning and Namaskar to all of you once again. I have seven points which are primarily drawn from the statement which I have already made, and they are very brief.

- Domestic economic growth is resilient.
- Inflation has moderated from its earlier high levels, but the pace of disinflation is uneven and slow.
- But still, there is a distance to cover to reach or to align inflation to the 4% target.
- The financial sector is stable with well capitalized and unclogged balance sheet.
- India has enhanced its resilience against spillovers from external shocks.
- Foreign exchange reserves have reached a historical high of U.S. $675 billion.
- Reserve Bank remains committed to ensure orderly evolution of financial markets in its regulatory domain.

Thank you.

Puneet Pancholy:
Thank you Sir. Before we start, I will request the media friends present here to please wait for your turn. Also, please restrict to one question per person so everybody gets an equal chance. If time permits, we can consider other. Sir, there are 24 participants from media today, and with your permission, I will call out their names. So we will start with Ms. Latha Venkatesh from CNBC-TV18.

Shaktikanta Das:
Before that I just want to make one point. Regarding the second point, actually I just want to rephrase it what I had said. It should read as follows that 'inflation is moderating, but the pace of disinflation is uneven and slow'. Earlier I said it has

moderated from its high levels, but actually the wording should be inflation is moderating, but the pace of disinflation is uneven and slow. And third point was that there is still a distance to cover to align CPI inflation to the target. Thank you. Please go ahead.

Latha Venkatesh, **CNBC-TV**:
Good morning, Governor, and everyone in RBI. I am Latha Venkatesh from CNBC-TV18. Governor, can you parse the impact of the global, especially the US economic data on the Indian economy. The last one-week expectations are what was Fed rate cut would be one in September for 2024. Now the market is factoring in 125 basis points. While we completely understand that you will set policy as per domestic economy regardless if the economy abroad is so weak, it will tell on global growth. So, if you can give an idea whether you see any downward bias to our growth and inflation if things were indeed to turn out to be that the Fed has to do 5 cuts if there is that kind of a slowdown. Further a request, why do not you give us now nominal forecasts as well.

Shaktikanta Das:
No, that (nominal growth forecasts) is a separate issue. I would guess that there would be a few other questions also on this topic because it is so fresh in everybody's mind. So, we were expecting actually quite a few questions on this issue. So, is there anyone else who wants to ask a question on this particular area or a related area so that we can take it all together? No, I think. Same questions, okay.
You see, there were some developments, you were referring to the United States economy. Now actually if you see, I would like to say two things. Number one is that the unemployment data which came from the United States just last week that has led to this kind of speculation. But if you look at overall economic growth in the US, I think it is doing quite well. The second quarter growth numbers in the United States were higher than the first quarter and it was about 2.8%. And then second point is that this is just so far as unemployment is concerned, it is a one-month data. Now based on a one month's data, you cannot assume and rush to a conclusion about possibility of slowdown or possibility of a recession in a large and the largest economy in the world. So, you have to wait and see the incoming data. In any case, I think some narrative coming out from several members of the Fed, they have also said the same thing that we need to watch. So, therefore, I would say at this point of time it would be premature to talk about a recession in the United States. But I am not holding a brief for the US and all that I would like to say from the perspective from the point of view of the Reserve Bank is that we will be watchful of all incoming data from domestic as well as in this case from external sources, and we will deal with all emerging situations. Further, let me also add and it is there in my statement as well as in the points which I read out just now. Today, India has improved its resilience *vis-à-vis* external shocks quite a bit. I think India is far more resilient than what it was earlier. So we will have to wait for the incoming data and deal with the situation. International agencies like the IMF, the OECD, the WTO, they have all projected world trade to rise this year, to grow this year at about 3% or so against very low growth last year. So, this projection was just made very recently and that would obviously support the overall external demand situation. So, I will stop here.

Puneet Pancholy:
Thank you Sir. May I request Ms. Sangita Mehta from Economic Times? If you would like to ask.

Sangita Mehta, **The Economic Times**:
Thank you Sir. So, in your policy, you had mentioned that you will be watchful of the inflation and then you also said that you will take measures depending on if it is transitory or persistent. So, what are the measures that you would take to conclude? I mean, what are the measures that you will use to conclude that the inflation is transitory, and it is not persistent? What are the tools or the measures that RBI has in mind?

Michael D. Patra:
First of all, we look at the sources of shocks. There are various types of items in the food category, they come with say a 7-day recall, which is the most perishable and a 30-day recall, which is a little longer. So, usually the most perishables have a very short shock that lasts not more than two months. Also, we can calculate what is called persistence, which means how much time does it takes for a certain price to return to its mean value after a shock. So, we watch all these things when we judge whether it's persistent or transitory.

Puneet Pancholy:
Thank you Sir. Next, we will have Mr. Mayur Shetty from the Times of India.

Mayur Shetty, **Times of India**:
There was a study which said the neutral rate has moved up and also you recently increased the liquidity requirement for banks through the LCR. So, my question was whether there is a new normal when it comes to interest rates and liquidity which is higher than earlier. And also follow up on that is that you asked banks to mobilise more household deposits. So, is that an indication that deposit rates should go up?

Shaktikanta Das:
You see with regard to LCR (liquidity coverage ratio) which the banks are expected to maintain, it is a draft which we have put out in the public domain. We will get inputs from all stakeholders, including the banks and other experts. Based on that, we will we will take a decision. So far, it will not be correct to say that we have increased the liquidity requirements because it is still under discussion. Now, so far as deposit rates are concerned, it is for individual banks to decide on these matters, which are entirely a part of their commercial decision making. Lending rates and deposit rates, as you know, are deregulated. It is for banks and the situation will vary from bank to bank. So, depending on the overall economic situation, financial conditions prevailing, depending on individual banks' own internal position with regard to how much deposit they have, what is the composition of their deposit, what is their loan growth, it is really for the banks to decide on the deposit rates and the banks will have to take a call. All that we have done is to say that the banks should use their branch network, come out with innovative product offerings with regard to mobilising deposits. So, therefore it is for the banks to decide. With regard to the neutral rate, I would request the Deputy Governor, Michael Patra to take that question.

Michael D. Patra:
Yes. So, as we promised, we brought out updated estimates of the neutral rate and as we suspected, the neutral rate is actually reflecting the better performance of the economy. The major driver of the neutral rate is potential growth and that has started to rise. So, if you factor in the neutral rate, then you will see that, the current level of the policy rate is probably exactly right. And about the liquidity question you asked, liquidity is the operating procedure. It just reflects the policy stance. It is not independent in itself.

Puneet Pancholy: Thank you Sirs. Next, we will have Ms. Swati Bhat from Thomson Reuters.

Swati Bhat, **Thomson Reuters**:
Thank you. Governor, I had two very related questions with regards to the foreign money that has been coming in. One is we saw the Government sort of go back on the FAR securities also, RBI put out the release which market participants said is kind of a U-turn that you have taken on allowing the 14-year and 30-year bonds as part of FAR. Now, today we have seen that the 10-year benchmark bond has reached 9.6% foreign ownership. Is this going to become a matter of concern with so much ownership in benchmark securities, because that is the longest tenure bond that is now available for foreign investors to invest in freely? And is there a likelihood of a rethink on FAR securities beyond what has already been announced? And secondly, even on the OIS front, foreigners have ₹3.5 billion limit on how much positions they can take in the onshore market, which is almost nearing exhaustion. Is there going to be a rethink on that because otherwise we could likely push this market to the offshore OIS markets, ND-OIS?

Shaktikanta Das:
I would request everyone to just ask one question, please, so that everybody gets a chance. I think you (DG MDP) take the question.

Michael D. Patra:
So, Swati, if you look at the total outstanding (G-secs). Of the total outstanding 10-year paper, the total foreign holding FPI under various routes is only 4.8% outstanding. Now if you look at the MTF, the Medium-Term Framework, it has certain limits on security-wise holdings, FPI-wise holdings and concentration limits. So, they are natural barriers to any volatility there, right? On the question of the exclusion of securities from the FAR, we have observed that the major part of the interest of FAR investors is in the 5 to 10 year paper. Actually, it accounts for 90% of the total investment and the interest in the 30-year is just 2% of the total stock of 30-year. That has been an issue. So, that is one thing. Also, it is like giving time to people to adjust their portfolio because we know that the weight of India in the bond index will slowly rise over a 10-month period. They have time to adjust their portfolios. Now all the existing securities issued are available for FAR investments, so that makes ₹41 lakh crore of available investment of which investment today is only ₹2 lakh crore. So, there is ample amount of space to go. Our assessment is that in the categories that are now allowed, they are going to be ₹4 lakh crore of new issuances which are open to FAR. Apart from that there is the MTF on which while the limit is 6%, it is only 2% today. So, it is not as

terrible as it is made out to be. And what will happen is that our hope is that concentrating them into this 5- to 10-year segment will actually make it more liquid, and better price discovery will occur, and transaction costs will fall as depth increases. What was the (other) question?

Swati Bhat, **Thomson Reuters:**
So, the ₹3.5 billion limit is almost near exhaustion. It was set in 2019 and there has been no review of that. So, a lot of these FPIs will now have to move offshore if they have to hedge their interest rate bets. So, is there going to be any increase in that ₹3.5 billion limit?

Michael D. Patra:
We are reviewing it constantly. Also remember that we are not open on the capital account fully. So, this is part of that. We will review it as the limit is neared.

Puneet Pancholy:
Thank you Sir. Next, we will have Mr. Anup Roy from Bloomberg.

Anup Roy, Bloomberg:
Sir, in the morning you spoke about the food inflation and why it is important. But the Government in it’s Economic Survey saying that food inflation should be left out from the target and also, they are arguing with some merit that monetary policy cannot control food inflation. The Consumption Expenditure Survey also said that the weight of food is also probably reducing in the CPI. So, would you like to have a change in the CPI and is that the right target for you to aim for?

Shaktikanta Das:
You see the consumption expenditure survey is undertaken by the NSO. The current CPI basket and what is the weight of core, what is the weight of fuel, what is the weight of food has been decided on the basis of 2011-12 data? Years have passed by. There should have been one more review, I would guess because of COVID and the pandemic related stress, it could not be undertaken. One year data collection has been done by the NSO as far as I am aware. I think the next year data collection is on, and the analysis is on. So, based on that, the NSO will decide. This is something which is periodically done. What we are looking at is that what NSO does, and which is indeed the basis of the consumption basket, our conclusion or we draw from what the NSO gives us. The country draws from that. What is the total expenditure basket in that, how much is the food component, how much is the core component, how much is the fuel component? So, therefore they have not come out with any definitive conclusion so far as the weights of all these components of CPI headline inflation is concerned. And with regard to the importance of food inflation, a question comes up in the mind of any average, any business or other people that what is the role of monetary policy in the context of food inflation. It is made out as if monetary policy does not have a role. So, it is basically whatever I wanted to say, I have said it in my statement. I have nothing more to add to what I have said in my statement.

Puneet Pancholy:
Thank you Sir. I will request Mr. Anand Adhikari from Business Today.

Anand Adhikari, **Business Today**:
Good afternoon Sir. Sir, there is a narrative suggesting that the F&O trading is impacting the household savings. And I was looking at some RBI data on the fund flow into financial assets and liabilities. This is for FY 2023. The share of equity trading is minuscule there, mutual fund is very high, FD and PF and the insurance part has a much higher share. Second, the financial liabilities have gone up, but that have gone up because of the housing or the home loan, not because of personal loan. So, is it justified to link the fall in household saving to F&O trading?

Shaktikanta Das:
No, we are not linking (household savings to F&O trading).

Anand Adhikari, **Business Today**:
I am saying this is narrative in the market which is linking it.

Shaktikanta Das:
Some narrative is there in the market! Would you (DG MDP) like to take this question?

Michael D. Patra:
So, I would request that you look at household savings from a perspective, which is a little different from here. As you rightly said, there does not seem to be much of exposure to equities in the composition of household savings. So, what is actually happening is that there is a churn going on. Of the precautionary savings that were made during COVID, financial savings was very high with there no avenues to spend. That is being drawn down to more normal levels. So, one aspect of household saving is that. The other aspect is that there is a shift going on from financial saving to physical saving. People are buying more houses etc. So physical saving is actually going up. If you take both of them together, then the total household savings has stabilised at around 20%. It was falling for quite a while, and now it has stabilised. So, all in all, I am seeing return of normalcy in household saving behavior with these shifts.

Puneet Pancholy:
Thank you Sir. Next, I will request Mr. Ankur Mishra from ET Now to ask his question.

Ankur Mishra, ET Now:
So, continuing with the same question, you had mentioned earlier also that regarding specifically on F&O, the increased volume is something which you are watching from a financial stability point of view. Now in today policy statement also, you have mentioned about the money moving towards the alternate investment avenues. SEBI has recently come out with consultation paper on F&O, whereby it aims to restrict the entry level - kind of a retail participation who were losing money and as per the SEBI data, it is around 90%. So, I want to ask with the steps like these, will it help to the cause of the banks which you are saying that the deposit needs to be garnered, there need to be innovative ways. But will these steps help bank in garnering deposits?

Shaktikanta Das:
You see, in F&O, people are looking only at the margins. It is not as if the entire savings amount is going into F&O. So, that is something we have to remember. And on F&O whatever views we had, we have already discussed with the SEBI, the Early Warning

Group that we have, among all the regulators. It has been discussed; we have put forth our viewpoints there. SEBI has taken note of our viewpoints. SEBI has made its own analysis, and any further steps based on the discussion paper and the inputs they get, SEBI will take appropriate action. And with regard to the bank deposits, I think DG (MDP) has already explained. You see the thrust of all that I am saying is that the mismatch or the divergence between bank deposits and bank credit growth may create asset liability or liquidity management issues. So, I am only flagging this issue that because of this divergence in growth of deposits *vis-à-vis* growth of credit, it can potentially result in a liquidity management issue which the banks have to deal with. I am not by any chance suggesting that people should move deposits in the banks, not go for equity market. It is left to the people to decide. It is left for the investor. It is left for the saver to decide where he wants to put the money. All that I am saying is that the banks need to focus on this, mindful of this, because potentially it can create some structural challenges with regard to liquidity management. And one way of dealing with this situation is that the banks have the potential - the huge network of their branches which they need to capitalise and raise their deposit levels if they are proposing to also sustain and support their credit growth. So, it is more in the context of a structural challenge that may come up with regard to liquidity management.

Puneet Pancholy:
Thank you Sir. I will now request Anurag Shah from ET Now Swadesh to ask his question.

Anurag Shah, ET Now Swadesh:
Thank you Sir, for giving me an opportunity to ask the question. Sir as you have said that the bank should use their network regarding their deposits and introduce the innovative products. I will give you an example of a bank in Mumbai who has put banners and posters all over Mumbai that there is a scheme of State Government under which one can open a Zero Balance account, and they are opening accounts in large numbers. And under such a scheme, the marginal people or poor people opens and then these accounts become mule accounts only to be used for cyber frauds. And we are also seeing now that each and every account has its KYC, but victim cannot recover their amounts as they could not establish the identity. So, Sir when we go towards out of the way innovative products, is RBI watching that too?

Shaktikanta Das:
I am not asking anyone to go out of way. Banking system has regulatory parameters. A bank would do whatever is possible under the regulatory parameters. We are not giving any indication to anyone to go out of the way and banks also will not do that. And as far as deposit mobilisation is concerned, I do not want to talk about individual case which you are talking about because you must be aware that we do not comment about individual cases. Over the last few years, there has been a lot of improvements in the governance standard and risk management standard of the banks. So if the banks launch new innovative products or new drives, our belief is that will take their decisions based on their careful assessment of what kind of risks could be there.

Puneet Pancholy:
Now I will invite Mr. Brijesh Kumar from Zee Business.

Brajesh Kumar, Zee Business:
Sir, as you have said that the banks should be more watchful about their top-up loans because no one knows about the end-use. Are you indicating these are going towards speculative activities or unproductive sectors? And I would also like to understand that is it an indication from that you are going to bring a regulatory guidelines on this matter? You have given a Master Circular in 2015 about service charges so is there any chances you are going to review that circular.

Shaktikanta Das:
I will take first question of yours as there is no time to take more question. Though I will give answer to your other questions bilaterally. The first question was about top-up loan. So, if you see my statement which is uploaded on website, I have said that 'in certain entities' we are seeing that they are not following the regulatory requirements for the top-up loans. I have just repeated what we have uploaded on the website. So, it is not the problem of the system level, it is problem of a few entities for which we are dealing with bilaterally. But this is not a systemic problem. Because we have seen some kind of a trend in a few entities that is why we have given a message to all the banks that you just pay attention to that aspect since banks have so many country-wide branches. We have given this advice to banks to monitor the end use of the loan, and whether the regulatory and prudential norms are being followed by the staff down the line. This was communication of an advisory nature. And wherever we have noticed this, and which are only in a few entities, there we are dealing with it separately.

Puneet Pancholy: Thank you Sir. Next we have Mr. Manojit Saha from Business Standard.

Manojit Saha, Business Standard:
Good afternoon, Sir. In your statement, you have said that the disinflation process is uneven due to large and persistent supply shocks, mainly due to food items. Are you happy with the way the Government agencies are monitoring the supply side management? Do we expect them to improve their supply side management so that the disinflation process becomes more smooth towards the target?

Shaktikanta Das:
On the aspect of supply side measures, there is constant engagement between the RBI and the relevant Ministries of Government of India. And Government has been taking number of measures. In fact, last year in the Annual Report we have given out the list of measures which have been taken by the Government to deal with the supply side issues in inflation, including food inflation. Yes, surprises are there, sudden rainfall and floods, *etc.,* even that is being discussed between the RBI and the Government and Government has been taking steps.

Manojit Saha, Business Standard:
So, you are okay with the supply side management, the way the Government is doing?

Shaktikanta Das:
You are asking me to give a rating of Government action which I will not because it is a continuing process of interaction. Government has taken a number of measures and that is how it goes.

Manojit Saha, Business Standard:
Can I add one more on LCR?

Shaktikanta Das:
Regarding LCR, we have not yet introduced, not yet implemented. It is still in draft stage so when the comments come, we will examine.

Manojit Saha, Business Standard:
Now the question is why this additional 5%? Is there any signal sign or signal which you have found that Silicon Valley kind of issues could happen? Was there a concern because additional 5% is a lot.

Shaktikanta Das:
I urge everyone that second questions you can clarify bilaterally after the press conference, but since you have said it in front of camera, I would request Deputy Governor Rajeshwar Rao to deal with that question.

M. Rajeshwar Rao:
Thank you Governor. I think Governor has rightly indicated it is a draft circular at this stage. And the LCR guidelines were issued in 2014, so it was time for a review which was warranted at that point in time, taking into account the current developments in technology, digitalisation, *etc*. So, all those have been factored in and the draft guidelines have been put in public domain. So, we will wait for the public comments and then take a final call on what needs to be done.

Puneet Pancholy:
Thank you Sirs. Sir, with your kind permission a few more questions. Next, we will have Mr. Ashish Agashe from PTI.

Ashish Agashe, PTI:
Thank you so much Sir. Sir, you spoke about the global outage and how we dealt with it. Also, recently due to over reliance on a single entity, we saw quite a lot of smaller domestic lenders, customers finding it difficult to transact, doing simple payment-linked sort of transactions. What really happens sir? How can we avoid this? How are you looking at this?

Shaktikanta Das:
I think Deputy Governor Swaminathan can take that question.

Swaminathan J.:
That's right. An impact was felt from an IT service provider because was one of the third-party service provider systems which were impacted. Incidentally, the entity was also providing the similar third-party services to many other smaller banks and RRBs. Since there was likelihood of the risk transmitting to the other systems, as a proactive

measure, they had to be shut-off from the payment system. That was done as a proactive measure by NPCI, and it lasted for about 3-4 days. Apart from their own internal root cause analysis, an external party study was also conducted. Certain remediation measures have been recommended. They are being implemented. These are kind of instances why we repeatedly insist on proper disaster recovery and business continuity plans, which has been reiterated even in this speech as well that all service providers have got to have their Disaster Recovery and Business Continuity Plan (DRBCP) things robust and also the banks have to have alternative avenues through which they can function. So, these are kind of things that keep evolving but we watch and then provided advisory. The CSITE has already issued its advisory as this event played out as to how banks can augment their systems and have their business continuity plans in place. We will keep assisting the entities in terms of ensuring that customer inconvenience is minimised.

Shaktikanta Das:
I would just like to make a small supplement. You see, the NPCI action to block further transactions - wherever this particular service provider had been engaged, was to isolate the problem, and if it had not been done, it could have produced a system-wide impact which could have been far more costly. So, therefore that problem had to be isolated and dealt with, and as the Deputy Governor is saying that the CSITE team of RBI has already gone into the details of it and appropriate action has been taken.

Puneet Pancholy:
Thank you Sirs. Next, we can have Mr. Lalatendu Mishra from The Hindu.

Lalatendu Mishra, The Hindu:
Good afternoon, Governor. Taking Anup's question, what is your view about the suggestion by the Economic Survey that the food price inflation should be delinked from the framework?

Shaktikanta Das:
No, I do not have any personal view. These are all institutional views. And as I said, the NSO Survey is on. And based on what the data throws up, depending on that the decision will be taken at the appropriate time between the Government and the Reserve Bank. But it all depends on what data and what picture the NSO Survey throws up.

Puneet Pancholy:
Thank you Sir. We will have Ms. Hamsini Karthik from Moneycontrol.

Hamsini Karthik, Moneycontrol:
Good afternoon, Sir. My question is pertaining to unsecured loans. The expectation is that in FY26, there might be a little more tightening of the regulatory framework as far as project loans related issue is concerned and on LCR as well. In this background, would you consider relooking risk weights on unsecured loans and lending to NBFCs primarily because the circular, which was intended to sort of curb these loans issued in November last year, is beginning to somewhere do its job. So, would you want to wait it out for another one year or so, see how much of it is percolating in the system and review it? Any guidance you can provide on that, Sir?

Shaktikanta Das:
I think you (DG SJ) can take that question.

Swaminathan J.:
See the November 23 measures are having its intended impact. We are watching the incoming data, but it is too premature to say at this point in time. So, only two-three quarter data has come in so far. So, we will watch out and then see how it progresses. Secondly, growth has moderated but still keeping good pace from about 30% year-on-year growth in some of these segments that we saw when we implemented this, currently it is running at 15% to 16% year-on-year, which I think, is keeping in trend with overall credit growth. So, I do not think that a moderation or a revision of this is necessary at this point in time. but we will keep watching the incoming data. Coming to the second issue in terms of the rest of the items being tightened, I think they are all at the draft guidelines stage at this point in time. And once the feedback is all collated, risk weights can be examined at that point in time and not now. Third, of course, is that on personal segment, what you would appreciate is that we only brought back what was the pre-COVID level. We have not actually enhanced. In COVID times, the risk weight on personal segment, certain categories were reduced to help difficult situation. So, what we did in November 2023 was only to bring it back to the old level. So, it is not something which got enhanced which will require a revision at this point in time. But we take your suggestion. We will keep watching incoming data and take steps as may be necessary.

Puneet Pancholy:
Thank you Sir. Next, we will have Mr. Shayan Ghosh from The Mint.

Shayan Ghosh, The Mint:
Governor, you recently spoke about mule accounts in the system. Could you give us some insights on where these are originating from, what kind of accounts these are and if you also could give some numbers on how much, how many have been found in the system in terms of these mule accounts, some more data on that?

Shaktikanta Das:
No, we do not have any ready data available for this. Do you (DG SJ) have anything on this?

Swaminathan J.:
No, we do not keep that in terms of numbers. Essentially, what we do is reiterating on advisory in terms of the KYC process, customer onboarding process, the transaction monitoring process, proactive risk management measure. These are kind of things that we will keep insisting with the regulated entities so that the possibility of such accounts existing or being made use of by the fraudsters is minimised. That is what we will do. The number of entries, *etc.,* and then disabling them is part of a continuous process. We work closely with the law enforcement agencies and the Ministry and the participating banks to ensure that the risks emanating from these are minimised from time to time.

Shaktikanta Das:
You see, banks have their transaction monitoring system. There are very odd idiosyncratic transactions. For example, a low value bank account where the transactions have been of very low value, suddenly, if the transaction frequency or the amounts being transacted, it goes up. In many such instances, the transactions are held at in late-night hours. So, the banks have systems now to monitor that, and that is something we have sensitised the banks. Most of the banks have systems in place to monitor behavior of this kind of accounts to such behavior in the banking system and wherever required, action is being taken. And as he (DG) said, there is a constant engagement between the RBI, the law enforcement agencies, the concerned Ministries of Government and of course the banks.

Puneet Pancholy:
Thank you Sirs. Next, we will have Mr. Vishwanath Nair from NDTV Profit.

Vishwanath Nair, NDTV Profit:
Governor two times in public speeches you have talked about the retail deposit growth at banks and warning them that there could be structural issues in case this problem becomes bigger than it is right now. Either they are unable to or not willing to really take that extra step to attract more retail deposits. But is there anything beyond advisories and warnings that the RBI can do in this situation? Can you at any point in time push banks to actually, start thinking about how to attract that deposits specific instruction I am saying.

Shaktikanta Das:
No, this is again for the banks to take their own decision. We trust the judgment and the risk management systems in the banks. As I said that the risk management systems in banks have become much more robust today, so we do not want to do micro management for the banks. But yes, at the supervisor's level, there are constant discussions. Our supervisors do interact with the banks at regular intervals. At my level, I have meetings with the CEOs of both public and private sector banks. Such issues come up for discussion. In fact, in the last meeting which we had about a month or so ago, this was one of the listed subjects. We have discussed, shared our thoughts and it is for the banks to really take the required measures. As and when required, and wherever required, RBI will take action. Please note that you should not conclude that RBI will take action on liquidity management. All the incoming data with regard to banking sector are monitored and we sort of deal with such problems should they arise.

Puneet Pancholy:
Thank you. Sir, last two questions, Sir. So, we will have Ms. Shyama Mishra from Doodarshan.

Shyama Mishra, Doordarshan:
Thank you Sir. Sir, what impact do you see of the flood situations in various states on inflation? Can the situation be worrisome going further?

Shaktikanta Das:

No, we are monitoring that. It was sort of confined to 2-3 places. Kerala, it was one particular district. Himachal also certain regions. And obviously what impact they will have on prices of vegetables or supply disruptions, we are monitoring them and some of the impact would be temporary and so it is constantly monitored. What impact it will have on inflation on a wider scale that we are monitoring. That is it, I would like to say. The monsoon now, according to the latest number which we have, is about 7% above the long period average - because it comes every two days or so. And the kharif sowing has picked up. And lest you miss out, there is a forecast of La Niña playing out in the second half of the monsoon season and the reservoir levels are also very, very good now. So, what this will do is that it will have good impact on the kharif output. The kharif net sown area has also exceeded and so we expect this to have a positive impact on the kharif output. And because of the improvement in the moisture content in the soil, it will have a positive bearing on the rabi output also. So, these are things which we keep on monitoring, and we will deal with it.

Puneet Pancholy:
Thank you Sir. I will request Mr. Ryosuke Hanada from Nikkei for his question.

Ryosuke Hanada, Nikkei:
Hi, Good afternoon. I would like to ask about the Government bond. At the end of last month, RBI announced a new route for foreign investors - to purchase some Government bonds. To be more specific, I mean to ask about the exclusion against for the year and the 30-year Government under the Fully Accessible route (FAR). Could you tell us the purpose and the context of the decision and do what do you think of the potential impact on global investor sentiment here and the investment preference for the Indian market?

Shaktikanta Das:
I think that question was elaborately answered by the Deputy Governor, Michael Patra, but so far as global investor sentiment vis-à-vis India is concerned, it continues to be very high. And I have given the data with regard to the FPI inflows, with regard to the FDI inflows, it is there in my statement. So, our assessment is that the global investors' confidence is very, very positive so far as India is concerned, as reflected from the FPI/FDI flow. And also, the fact that so far as GDP growth is concerned, GDP growth of India is expected to be the highest among the major economies. And even the international agencies like IMF have also revised their growth projection for India upwards from 6.8% to 7.0%. So, I think overall international confidence in India remains intact.

Puneet Pancholy:
The last question we will take from Ms. Pratigya Vajpayee from Informist Media.

Pratigya Vajpayee, Informist Media:
Good afternoon. Dr. Patra just said that liquidity conditions reflect the RBI's monetary policy stance. In the last couple of months, we have seen liquidity conditions swing so that overnight rates are down by 25 basis points. So, how do we read RBI's liquidity management in conjunction with the current stance which has been unchanged all this while. And are the RBI's OMO sales also aimed at draining core liquidity?

Michael D. Patra:
So, if you recall some time ago, there was a peculiar liquidity situation where Government balances were being built-up and spending was not happening and liquidity tightened. Now, we see a much better balance in liquidity conditions. So, we are doing, as in cricketing parlance they say, we are middling the call rate. It is in the center of the corridor, and that is where we would like it to be ordinarily. All our actions are intended to continue maintaining that. As I mentioned, the call rate is our operating target, it reflects the monetary policy stance, and the stance is one of continuing to withdraw accommodation.

Puneet Pancholy:
Thank You Sir. So, we will close this press conference with your kind permission, Sir. Thank you all for making it interactive. I thank the Top Management of the Reserve Bank for answering all the questions. Thank you all and have a pleasant day.

Shaktikanta Das:
Thank you. Thank you all.