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

Participants from the RBI:
Shri Shaktikanta Das – 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
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 Yogesh Dayal – Chief General Manager, Reserve Bank of India

Yogesh Dayal:

Good afternoon everyone and welcome to the Post-policy Press Conference. Today, we have Shri Shaktikanta Das, Governor, Reserve Bank of India with us, along with Dr. Michael Patra, Shri M. Rajeshwar Rao, Shri T. Rabi Sankar and Shri Swaminathan J. We also have with us today Executive Directors, Dr. O. P. Mall and Dr. Rajiv Ranjan and my colleagues from the RBI.

Sir, we have 21 media persons present here and we will first go with your opening remarks and then we will go for the press conference. Over to you Sir.

Shaktikanta Das:

Thank you for being here. Good morning. You already have heard the statement. It has been uploaded to the RBI website. As a part of my initial remarks, I would like to make nine points:

i) Domestic economic activity continues to be strong. We expect the real GDP to grow by 7% in the next financial year 2024-25.

ii) CPI inflation is moderating with intermittent interruptions and spikes. We have to remain vigilant about the incoming data and the outlook. Our endeavour to achieve 4% inflation on a durable basis has to continue.

iii) Globally, markets are front-running central banks in anticipation of policy pivots. But central banks remain apprehensive and await a more durable alignment of inflation with targets.

iv) Liquidity will be actively managed by the Reserve Bank.

v) Our multi-pronged proactive and calibrated policies have worked well to maintain and strengthen macroeconomic and financial stability.

vi) Systemic, sectoral and institution-specific signs of stress are being proactively monitored and acted upon wherever necessary.

vii) Let me reiterate that good governance, robust risk management, sound compliance culture and protection of customers interests are the hallmarks of the Reserve Bank's approach to the safety and stability of the financial system and individual financial institutions. Regulated entities must accord the highest priority to these aspects.

viii) The external sector of the economy remains resilient. The current account deficit is expected to be eminently manageable.

ix) The exchange rate of the Indian rupee has remained stable. Thank you.

Yogesh Dayal:
Thank you Sir, for those opening remarks. So, I will begin by inviting Latha Venkatesh from CNBC TV18.

Latha Venkatesh, CNBC TV18:
I have a little confusion about whether you are distinguishing between liquidity and your stance. You have mentioned in three places that the entire rate hike has not been fully transmitted. So, I assume you want more hikes to be transmitted. But separately in para 21, you have said that you will manage liquidity with a bunch of instruments. Should we, therefore, understand that, unlike the majority of the last five months when the call was closer to 6.75%, you were in the last one week where you will give long-term liquidity through the repo and adjust for short-term, which is to keep the call rate closer to 6.5%. Is that what you are trying to say that I will do that, but I want more interest rate hikes to happen? Sir, since you have dwelled twice on this good governance, are you trying to say that you will not give Paytm any further timeline to set them right? Does Feb 29 stand? Is that what we should understand?

Shaktikanta Das:
I would request Deputy Governor Michael Patra to reply to the first part of the question and for the second part, I would request Deputy Governor Swaminathan to reply.

Michael D. Patra:
As the Governor has clarified in his statement, the stance is all about the future course of policy rates. Now, liquidity is endogenous to the rate. When the rate is the chief instrument of Monetary Policy, liquidity follows the rate. You have to move liquidity to achieve a certain rate. Our objective is to keep the weighted average call rate around the repo rate. But there are times when there are temporary drivers of autonomous liquidity, like Government balances, which go through tectonic shifts and market participants take time to adjust even if they are unsure of the future direction of this. So, that is why sometimes the call rate goes to where it went, but you saw that we were nimble in our actions, and we brought it down to the repo rate. That is our endeavour.

Latha Venkatesh, CNBC TV18:
After five months, will you be like the previous five months?

Michael D. Patra:
No, that is not correct. Because at the time when the rates were up, we allowed market participants to take what liquidity they wanted from us through our standing facilities, and we did the main operation every 14th day. So, it was not that we let it go, you saw the reaction to the VRRR. They were unwilling to let go because they were unsure about how balances would move.

Swaminathan J.:
As a matter of policy, we do not comment on individual entities or actions that we initiate in such cases. Since this question is on the uppermost in mind of most of you, I would like to say two, or three things essentially to set the context. While we do not want to be discussing individual details here, because that would not be proper. In terms of context, as you all know this is a supervisory action against a regulated entity for persistent non-compliance. Second, such supervisory actions are invariably preceded by months and at times years of bilateral engagement where we not only point out the deficiencies but also provide more than adequate time for them to take corrective action. Third, of course, as a regulator, it is incumbent upon us to protect the interest of the ultimate consumer and thereby protecting the stability of the financial system. So, these actions have to be seen in that particular context.

Coming to the second part of your question, what lies ahead? As part of MPC, we do not give a forecast in these matters. So, you will have to wait, and of course, the feedback we have been getting, we will work on, and as a responsible regulator, suitable steps will be taken to ensure that customer inconvenience, if any, is minimised. So, we will take care. With that, we can give a rest to this question and then move on to the MPC.

Yogesh Dayal:
Thank you, Sirs. I will move on to Mr. Govardhan Rangan from The Economic Times.

Govardhan Rangan, The Economic Times:
For the rates status quo, you specifically mentioned that the transmission of 250 basis points is still continuing. So, the bankers say that the deposit rates have already gone up by 200-250 basis points and the lending rates have also gone up. So, what in your mind is the actual transmission that has not happened and how much is that and what is the benchmark that you are looking at to conclude that the transmission has happened?

Shaktikanta Das:
I would request DG Swaminathan to reply to that question.

Swaminathan J.:
As far as the transmission is in a hiking phase as we have always seen in the past, the rates on the deposit side reset much faster and they get passed on, and as we have seen, deposit rates have almost played out. While on the lending side, it does take time to pass for two major reasons in our assessment. One is that the proportion of loans that are benchmarked externally, what we call EBLR-linked loans is still less than 50%. Where the transmission could be instant is only where the EBLR comes into play. In the case of other instruments, other benchmarks like MCLR, base rates or fixed rate loans, it does take time to transmit. That is the precise reason, why we still see that transmission is fully not in place. Secondly, in the hiking phase, we have seen banks anxiety to maintain their market share in the incremental credit, also adjust their margins so as not to lose their market share in the incremental credit and that also impedes the complete transmission in terms of the effective interest rate.

Yogesh Dayal:
I will move on to Mr. Ankur Mishra from ET NOW.

Ankur Mishra, ET NOW:
We understand that there have been meetings with the Paytm officials and the Reserve Bank. And what transpired in that, I do not want to know the exact details, but from the financial system point of view, the company has been claiming that they have taken all the remedial measures and all the efforts are being made so that there is minimal or no impact on customers. From that point of view, is there any remedial measure which has been suggested by the Reserve Bank?

Swaminathan J.:
This is again a matter of bilateral discussion. So, I do not think that it will be proper for us to discuss it in this forum. So, discussing individual entities and giving granular details in this matter will not be very proper. So, we are seized of the issue and as we take steps, we will keep the media and public certainly informed.

Shaktikanta Das:
As the Deputy Governor has already commented and I am again saying in a general sense, not specific to this case; we give sufficient time to every regulated entity, that is supervised by the Reserve Bank, to comply with the regulatory requirements. We give sufficient time and as DG pointed out, sometimes it may even look like more than sufficient time. We are a responsible regulator, we are a responsible supervisor. If everything had been complied with, I am talking about in a general sense, why should we act? After all, we have a responsibility and the RBI is a responsible institution. That is how it is.

Yogesh Dayal:
Now I will invite Jeevan Bhawasar from All India Radio.

Jeevan Bhawasar, All India Radio:

Over the last few months, some of the banks have reduced their lending rates but the benefit of a reduced rate is being given to the new customers and the old customers are still paying higher lending rates as per the old rates. So, to bring parity, will the RBI issue some instructions or will talk to the banks?

M. Rajeshwar Rao:

The revised interest rate which the new customers get but the existing customers also benefit from that. When it resets then the existing customers get the benefit of this. So there is no need for the policy change because based on the guidelines of the floating interest rate both existing customers and new customers will be benefitted from this.

Yogesh Dayal:

Thank you sir, I will invite now Anand Adhikari, Business Today.

Anand Adhikari, Business Today:

I will also make an attempt on Paytm. DG Swaminathan talked about this persistent non-compliance and he also said in such cases months and years of bilateral engagement. My question is why did the RBI not consider appointing a director on the Board of Paytm when you knew about this persistent non-compliance issue?

Swaminathan J.:

As a regulator, we have various tools in the kitty and it is not necessary that every single tool be deployed in every single situation. That we make our own assessment to the scale and proportionate of the issue, as well as the tool that we will have to use at different points in time. So, a one-size-fits-all kind of solution may not work in such situations. So, I would like to stop there rather than trying to elaborate on that. We may use certain tools or may not use certain tools, but it is after due consideration that we do. Thank you.

Yogesh Dayal:

Thank you Sir. I will move on to Mr. Anup Roy from Bloomberg.

Anup Roy, Bloomberg:

Sir, the budget was non-inflationary, and the Government really brought down the fiscal deficit, etc. The bond yields have fallen so the Government probably wants interest rates to come down. But the RBI probably is keeping interest rates high. You are saying the transmission is not completed etc. So, is there a lack of coordination?

Shaktikanta Das:

No. Has the Government said anywhere that they want the interest rates to be brought down. It is a very speculative proposition. So, I cannot reply to that question.

Yogesh Dayal:

Thank you Sir. I will invite Shyama Mishra from Doordarshan.

Shyama Mishra, Doordarshan:
Sir, it is again on Paytm. The situation as we describe it is that Paytm is known as one of the pioneers of fintech. Coming to this situation, do you see this as a worrisome situation for the entire sector? What lesson would you like to highlight for any similar future companies?

Shaktikanta Das:
Let me provide some broad guidance on this Paytm issue. There have been at least four or five questions till now and there could be many more questions. So, let me put the record straight.

You said that you worry about the system and all that. There is no worry about the system at the moment. Here we are talking about a specific institution, a specific payment bank. As Deputy Governor Swaminathan has already explained. He has provided several details. Similarly, I also do not want to comment on a specific case. But in this context, I would like to make some general observations, not with specific reference to Paytm as such, but some general observations, which include all our regulated entities. So, all our regulated entities do not exclude Paytm, it is applicable to all regulated entities. I would like to make about six or seven points.

i) Over the last few years, as all of you are aware, we have significantly deepened our supervisory systems approach and methods.

ii) As the Deputy Governor has pointed out, our emphasis is always on bilateral engagement with the regulated entity and in that engagement, we are completely focused on nudging the regulated entity to take corrective action. Let me rephrase it for you to make note. Our emphasis is always on bilateral engagement with the regulated entities with a focus on nudging them for corrective action and sufficient time is given for undertaking such corrective action.

iii) When such constructive engagement, which we undertake, does not work or when the regulated entity does not take effective action, we go for imposing supervisory or business restrictions.

iv) Such restrictions which we impose are always proportionate to the gravity of the situation. Please take note that such restrictions are proportionate to the gravity of the situation.

v) Being a responsible regulator, being a responsible supervisor, all our actions are in the best interest of systemic stability and protection of depositors' and customers' interests. These aspects cannot be compromised. Individual entities should be mindful of these aspects for their long-term success.

vi) Over the last few days, we have received a lot of queries and clarifications from various quarters including members of the public. You have raised a few questions today. So, we have noted all these questions and clarifications which have been sought from us and based on that, we will be issuing a FAQ sometime next week. So, that should address all these questions and clarifications which are being raised by you, and which have been raised in the public domain and raised bilaterally with us from various quarters.

vii) Finally, let me stress and let me emphatically state that the Reserve Bank is and will continue to encourage and support innovation and technology in the financial sector. Let there not be any doubt about the Reserve Bank's commitment to promote fintech, to promote innovation, and to promote technology in the financial system. Thank you.

Yogesh Dayal:
Thank you Sir. I will move on to Mr. Dinesh Unnikrishnan from Moneycontrol.

Dinesh Unnikrishnan, Moneycontrol:
I have a very short, related question. In your remarks, you stressed about good governance and sound compliance, and this is not something that you are speaking about for the first time. You have been emphasising this part and the role of the Boards in regulatory entities is extremely critical, as you have pointed out. What is your view on the role of the Paytm Board, because it did not happen all of a sudden? Since 2021, the RBI has been alerting to the regulatory breaches and as for the process, the RBI onsite inspection report is passed on to the ACB and the Board for corrective actions. So probably, if they had acted on time, things would not have worsened to this level. So, why is the regulator silent on the role of the Board, while the reasons for this action are quite evident?

Shaktikanta Das:
Typically, we do not share such granular information. We have been engaged with the institution, with the entity, for quite some time. Within that, with whom we interacted and how it was, such granular details, it will not be appropriate on our part to share.

Yogesh Dayal:
Thank you Sir. I will move on to Mr. Vishwanath Nair from NDTV Profit.

Vishwanath Nair, NDTV Profit:
I will give you a little respite and move on to another topic. On CBDCs, you are talking about introducing additional programs.

Shaktikanta Das:
No, we do not need any respite. Go ahead. But the point is same questions are coming up, and also as much as we are issuing a FAQ. So, I would request if you have still some clarifications or something on which you want clarity, you can send it bilaterally to us, directly you can mail it to us, and we will see to what extent we can address that question.

Vishwanath Nair, NDTV Profit:
Sure. My question is with regard to the additional programmability that you are proposing to bring in with respect to the CBDC pilot. The question has been there since the beginning when DG Rabi Shankar introduced this topic. Does not this go against the fungibility of money, if the intent is to make CBDC equivalent paper currency and if you introduce specific restrictions on usage, does the fungibility factor not go opposite to that?

Shaktikanta Das:
No, we are not imposing a restriction. We are making it more flexible. But let DG Rabi Sankar take that question.

T. Rabi Sankar:
Thank you for shifting to me. I will give a more formal answer, but the best way to think about it is that when a family puts some currency notes in a package to be used for let's say groceries during the month, does not mean that the fungibility of the currency is lost, it is just that until that spending happens. It can be used for no other purpose. I am just giving you an example, to be able to think about what we mean by fungibility.

What we mean by programmability, is when you do programmability for a moment fungibility is on hold, we have to realise that it is a facility that we are providing the currency. Again, by way of an example, let's suppose that a school has given some money to a student who won a prize to buy books in a particular shop. So, the student can only use this money to buy books in that shop that are intended. Supposing the student goes and buys that book, he cannot use it for any other purpose. As soon as the book is purchased, the currency goes to the bookshop owner. It again becomes fungible. So, it is only for that period that fungibility is limited. Supposedly he does not spend, it goes back to the school, and fungibility is restored. So, it is a way of controlling expenditure that you do not get unless it is digital and that you do not get unless it is a token. It is a facility that is used and the facility will typically be agreed upon by both the recipient as well as the person who puts that condition. So, to give a very short answer, programmability does not militate against fungibility, it is only a specific use binding, thank you.

Shaktikanta Das:
And to extend that reply further, imagine a situation when CBDC is fully implemented at a later date, if the Government wants to give some cash support to certain individuals for a specific purpose, programmability will be useful in such situations. So, the money, the cash, which is going from the Government to such persons can be used for specified purposes. So, it is typical for every household at the beginning of the month to do their budget and set aside money, one envelope for school fees, one envelope for electricity bills, and it happens, it is a common thing which happens in a large number of households.

Yogesh Dayal:
Thank you Sirs. I will request Manojit Saha from Business Standard to ask his question.

Manojit Saha, Business Standard:
I again go back to Para 21 on liquidity. You said, your stance is with respect to rates and incomplete transmission. Does that mean that you are creating elbow room to do liquidity operations, and OMO purchases to infuse liquidity because March is going to be very tight? Such liquidity operations will not be seen as out of sync with the stance. So, you are separating the stance from liquidity management, and you are saying it is only on rates. Does that give you elbow room to do OMO purchases when liquidity will be very tight in March?

Shaktikanta Das:
What we have attempted to do today is to clarify and clearly state that we do not read the stance of Monetary Policy in terms of excess liquidity prevailing or deficit liquidity prevailing. That is not the point. Liquidity plays a secondary role to support the Monetary Policy transmission. That is what the DG Dr. Patra explained in the beginning itself that we try to keep the liquidity at a level wherein the overnight call rate, which is the operating target of monetary policy, remains around the repo rate. In the first part of this year, due to various exogenous factors, there was a lot of liquidity. So, we conducted variable rate repo auctions, but the market took time to adjust. The market, banks, and individual banks also make their analysis of the liquidity situation and that analysis by the banks also varies within a day. You look at a couple of days back, we did two VRRR auctions. The response to the first one was very low, some ₹4,000 crore but then the same day we did one more and we got a response of ₹27,000 crore. So, between the morning auction when the banks offered ₹4,000 crore and a subsequent auction in the afternoon, where the banks offered ₹27,000 crore. So, due to various autonomous factors, the liquidity situation has been fluctuating in the market. Banks make their assessments. Banks also take their own decisions. The banks and the markets take time to adjust to the evolving liquidity situation. So far as the RBI is concerned, we will remain active. We will remain nimble in our liquidity management. What instrument, we will utilise, will depend on the prevailing situation, which will come up from time to time. I cannot say that we will use this not use this. We have several instruments at our disposal. Depending on the situation, we will use the most appropriate instrument.

Yogesh Dayal:
I will move on to Mr. Brajesh Kumar from Zee Business News.

Brajesh Kumar, Zee Business News:
Sir, you have talked about hidden costs in loans. What is your feedback on hidden costs? What do you want to say about hidden costs? Would you like to talk about

processing fees, the charges of lawyers, the charges of architects, or the insurance charges when they make it mandatory? So, what are the things in hidden costs and will there be a uniform format which all the banks have to follow?

Shaktikanta Das:
I have not used the hidden cost term at all. At this time the loans, which banks sanction all the charges are specified in the term sheet – what will be the processing fees, what will be fees, what all the charges? Everything is specified but an ordinary borrower does not read all the terms and conditions of four to five pages. They just see that they are getting loans at the interest of 5% to 10%. When they take the loan, all the things are specified in the terms and conditions but customers do not read them properly. That is why, we mandated already in microfinance lending and digital lending that a simple fact statement in which we have said that an annualised all-inclusive rate should be mentioned. Suppose your interest rate could be 5% but upfront you pay a fee of suppose ₹1,000, so, I am paying ₹1,000 today but the loan is for five years. ₹1,000 instead of giving in five years, I am giving it upfront so the annualised interest rate of that will be more. The common borrower does not understand that and that is for the sake of clarity and transparency, we have mandated it. It is in the interest of customers and still, the banks are giving that information. There is no hidden cost and they have not hidden anything. Let us be very clear. The banks terms and conditions are very transparent in the sense that all information is given. But my experience is that we do not read it properly, which is why we have mandated a simple term sheet or a key fact statement purely in customers' interest. I am sure banks will encourage it because banks are long-term players, they are not short-term operators.

M. Rajeshwar Rao:
The Governor has explained the way we have made an effort to prescribe this to banks as well for the retail customers and MSMEs. The key fact sheet will be mandated and with this earlier also, you must have seen about the issue of credit cards when we have mandated the most important terms and conditions to give greater transparency so this policy also we have announced accordingly.

Yogesh Dayal:
Thank you Sirs. Piyush Shukla from The Financial Express.

Piyush Shukla, The Financial Express:
Sir, just taking you back to where we started. DG Sir said that there are various tools in the kitty with regard to Paytm. How the future course of action will be taken. Sir, very specifically, banks are becoming hesitant to partner with this bank – Paytm Payments Bank – for shifting their customers and their merchants in one go. They are saying that we need regulatory approval for that. So, will you provide that, and will you allow the sale of their wallet to other potential payment banks?

Swaminathan J.:
It will be very difficult to provide any hypothetical answers at this point in time. As I said there is still time that is provided for customers to continue to access the services that are provided. So, during this period, we will see what else needs to be done and as the Governor also said we keep the customer at the centre of what needs to be done. So, we will take appropriate steps.

The second part of your question is in terms of what the other banks will have to do. It is a business decision. They have got to carry out the required due diligence, as per their laid-down board-approved policies. I am sure that they will carry out that if they have got to do a partnership. So, that is something which we will not comment on at this point in time. But what tool and shape it will take is not something which we would like to speculate on at this point in time. We may wait for the FAQs, which will give you more clarity.

Piyush Shukla, The Financial Express:
So, banks do not need regulatory approval for taking onboard Paytm customers. Is it?

Swaminathan J.:
It is very specific to a particular item. It is better to wait for the FAQs as the Governor said.

Shaktikanta Das:
Please be patient. Let the FAQs come next week.

Yogesh Dayal:
Thank you Sirs. I will move on to Swati Bhat Shetye from Reuters.

Swati Bhat Shetye, Reuters:
Today, you have said that next year's growth is projected at 7%. Nominal GDP growth as per the budget is projected at 10.5%. I do not know if my math is wrong, but effectively, that would mean inflation will be around 3.5% next year. Is that right? Are you being a bit too optimistic about growth or is the Government underplaying growth and being very modest in their projections?

Shaktikanta Das:
Deputy Governor Dr. Patra may take that question.

Michael D. Patra:
I will not venture to answer for the Government. But my understanding of this is that what goes into the nominal GDP is not CPI inflation. It is the GDP deflator and GDP deflator is always a weighted combination of CPI and WPI. Now the WPI has been in deflation for most part of this year. It is just emerging out of deflation. So, that must be the reason.

Yogesh Dayal:
Thank you Sirs. I will move on to Mr. Mayur Shetty from The Times of India.

Mayur Shetty, The Times of India:
Governor, in the development measures you spoke about reviewing the AEPS and some banks have come out with warnings on how fingerprints can be cloned using silicon. Is that what has caused this thing? Since OTP is also being reviewed, does it mean that the traditional forms of KYC are the best option for regulated entities?

Shaktikanta Das:
No. OTP (One Time Password) is not being reviewed. What I am saying is that over the years, it so happens that OTP has become the most popular and commonly used AFA (Additional Factor of Authentication). But with the movement of time, various other technologies and methods have come up. So, we want to just tell the players in the field that there are other methods also. The Reserve Bank will be agnostic to them. As long as they are sound methods, banks and institutions are free to adopt them. Let DG Rabi Sankar take the other part of the question with regard to the Aadhaar AEPS.

T. Rabi Sankar:
You gave the answer in your question itself. It is basically to ensure that since this is being used in rural and such areas, it is important that the safety of these transactions is ensured. Now over time, as in the case of AFA, we can use various technologies to do it. So, that is essentially the position here.

All touchpoint operators will go through a standardised safe and secure onboarding process. We can also add, as we have indicated, other factors into it. For example, the switch on has to be done by the customer, instead of it being pre-available on the system, or it can have geo-limits beyond which it cannot operate, whatever is required for the customers.

The idea is that the Reserve Bank has always been placing a lot of emphasis on the security of digital transactions, which we believe is key to ensuring customer adoption, especially customers who are not savvy digitally, but this is an effort in that direction to improve the security of transactions.

Yogesh Dayal:
Thank you Sirs. I will move on to Mr. Hitesh Vyas from The Indian Express.

Hitesh Vyas, The Indian Express:
Sir, there is an expectation that the stance would be changed to neutral. What are the preconditions for a stance to become neutral?

Shaktikanta Das:
I cannot give forward guidance on that. When such a thing happens, we will explain how it is. But, I will tell you the situation, the evolving situation continues to be very volatile and uncertain. You look at the commentaries coming out from the central banks, mostly of advanced countries. Sometimes they appear to be giving forward guidance in one particular direction. Sometimes the market interprets the next

guidance to be in a different direction. At the moment, we are not giving any forward guidance with regard to stance or rate. There is a talk of when the central banks world over will cut rates and as I have said, markets are running ahead of the central banks. So, preconditions, I will not be able to specify, unless DG Michael Patra wants to comment anything on that. Because these are very volatile times. So, it is better to wait and when something like that happens, we will explain it appropriately.

Yogesh Dayal:
Thank you Sir. I will move on to Ms. Gopika Gopakumar from Mint.

Gopika Gopakumar, Mint:
Good afternoon Governor. Considering that your inflation forecast for next year is at 4.5% and GDP at 7% and you are saying that the RBI needs to be vigilant in the last mile of disinflation. Does it rule out a rate cut in FY25? Secondly, on the Paytm issue, what is the larger issue? Is it KYC or is it something related to the ownership or interlinkage between a regulated and a non-regulated entity? If it is KYC, then does the RBI need to relook at the regulations around minimum KYC accounts?

Shaktikanta Das:
We would not like to spell out entity-specific details. It is a bilateral engagement between the RBI and the regulated entity. The regulations are there in their place. The regulations are robust. It is not a case where there was a regulatory deficiency or there was a regulatory correction required. It is an issue of compliance, compliance with various parameters. You mentioned KYC, but compliance with so many aspects. So, regulations are there, regulations are robust, and it is a situation where we are focused on compliance not being there with the regulatory requirements.

Yogesh Dayal:
Thank you Sir. The last few questions. We will invite Anurag Shah from ET NOW Swadesh.

Anurag Shah, ET NOW Swadesh:
Namaste Sir. Over the last few months when you have expressed your concern over the personal loans and after the risk weightage was increased. Are you still as concerned or has it been reduced? Sir, do you believe that the way personal loans are being given is also to be seen? They are giving loans to everyone whether it is small or big, minimum of two or three calls come in a day. The second question, which was in discussion mostly for the Hindi viewers and crores of customers and merchants and Sir, whatever you say gives confidence to the people of the country. So in future if any disruption comes in payment bank issues, whether the RBI will be standing with force in this issue and will you give some more clarity on this issue?

Shaktikanta Das:
I want to assure everyone that India's financial sector, the banking sector and the overall financial system is very strong. There is no doubt about it whether it is a banking

or non-banking finance company, NBFC if you see the performance of any of these and if you see the overall parameters at the systemic level or individual level parameters are strong. Growth is very sound and there is good momentum for growth. But as a supervisor, as a regulated entity, we keep supervising it and in every supervision, our effort is that whatever supervised entity whether it is a bank, NBFC or any other financial institution, we directly engage with them. We talk to them directly and we say that this is where you are lacking, and here you have done regulatory violation and do the rightful thing. You take your banks or NBFCs in the right direction. According to our regulatory guidelines, there are some deviations happening, you correct those and take the right steps. For that, we give a lot of time as well.

I am talking in a general sense and not about a specific to a single entity and where the action is not being taken in a timely manner or if we do not see an effective action there in the public interest, in customer interest, in depositors" interest, and overall financial system's interest it; becomes necessary to take certain measures. We take those measures because the Reserve Bank is the custodian of financial stability and financial systems. The Reserve Bank has always been committed and will be committed going forward and as you said, it is standing strong. So yes, the Reserve Bank is standing strong.

Yogesh Dayal:
Thank you Sir. Pratigya Bajpai from Informist Media and then Anshika Kayastha from The Hindu Business Line, the last two questions.

Pratigya Bajpai, Informist Media:
Public debt has been high for three years now because of COVID spending by governments across the world. So, what risk does the RBI see specifically now to raise this as a risk factor and what are the spillover risks for this for India?

Shaktikanta Das:
I was raising this issue in a global context, not in the context of India. The India part of the information I have given is just by the way of information. My reply was in the global context. You see the footnotes of my Monetary Policy Statement. All the supporting data is given. By the end of this decade, global debt to GDP of EMEs, and advanced economies all put together is expected to exceed 100%. On today's date and in future, very surprisingly, you will notice that the debt to GDP of the advanced economies is much higher than the debt to GDP levels of the EMEs. Many advanced economies, where the fiscal deficit is very high in the range of 7-8% of the GDP will keep on borrowing. When they borrow in reserve currency then what you call it a creating new money, printing notes. The debt has to be sustainable for the long-term stability of the global financial system. So, I have raised this as an issue which can become a future source of stress to the global financial system. As far as India is concerned, please look at my statement again, I have provided the data in the footnote. The IMF's Fiscal

Monitor gives out data for India. The debt to GDP for India had gone up to 88%, General Government, *i.e.*, Centre and States together, had gone up to 88% during the COVID year of 2020 because of the various fiscal measures which were undertaken. It has already come around about 81% and by 2028, according to the IMF's Fiscal Monitor, it is expected to be around 80%. That is the path, which I just mentioned by way of information.

Anshika Kayastha, The Hindu Business Line:
Sir, this is not about Paytm, but about UPI. There were talks about restricting and capping the market share of each app in terms of UPI transaction, and volume share. We have seen the deadline was extended and the market share has only gone up for these platforms. Now we are seeing that Paytm-led migration happened to some of these platforms like Google Pay and PhonePe, and their market share is increasing. Is there a concern regarding, say, over-reliance on a few specific platforms and does that raise the risk of them becoming too big, could be a systemically important payment aggregator entity or something like that? One small clarification, you mentioned the overnight two VRRRs in the day, is there a specific amount or range that the RBI has in mind that you would prefer that banks not park their funds beyond that in SDF?

Shaktikanta Das:
I think DG Rabi Sankar, followed by DG Michael Patra. Two questions, but the last mile in the queue should always have priority.

T. Rabi Sankar:
Yes, since it is the last question, I will keep it very short. The limit is from the point of view of diffusion of risk, in case some entity does not become available for whatever reason at any point in time. But, to take it too big to fail is probably not appropriate here because they are just third-party app providers. The limit of 30% of funds does not go through them. The system is not threatened except that there could be a temporary inconvenience in terms of shifting over to an additional system. It will be for the market to decide, the market forces have to play out such that this percentage is more evenly decided. We will not be interfering with them in the market process to ensure that 30% or something. In any case, it is an NPCI requirement. We will have more players to come in. Hopefully, with technology, we will get some more players and that percentage can be maintained. We have time till the end of this year anyway.

Michael D. Patra:
We do not have any preconceived limits on how much they put in SDF. The SDF by its very nature is the standing facility and it is at the discretion of market participants as to how much they want to use. As to why we did two VRRRs during the day, we assessed market conditions and bidding behaviour and in the first option, we realised that there were like bids, which were higher than the amount we offered. We offered

50, we got a lot more, so we thought that probably they would like to park more in the VRRRs, which is more remunerative than the SDF, so we did the second one.

Shaktikanta Das:

DG Swaminathan wants to add some thing.

Swaminathan J.:

Just one clarification on UPI because the question came around the UPI apps. See this particular action is against the payment bank. It is not to be confused with the payment app which is done right? That is okay. We will clarify this through the FAQs. But just to clarify in terms of your question just as supplemental information that as an app is not impacted by this action.

Yogesh Dayal:

Thank you, Sirs. With this, we come to a formal close of the press conference, the first press conference of the year and looking forward to more during the year.

All the best to you. Thank you for coming. Thank you.