Edited Transcript of Reserve Bank of India's Monetary Policy Press Conference: August 05, 2022

Participants from RBI:

Shri Shaktikanta Das – Governor, Reserve Bank of India

Shri M. K. Jain – Deputy Governor, Reserve Bank of India

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

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

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

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:
Hello and welcome to this post-policy press conference. Today we have Governor Shri Shaktikanta Das; Deputy Governors, Shri M. K. Jain, Dr. Michael D. Patra, Shri M. Rajeshwar Rao, and Shri T. Rabi Sankar; and also joining us are two Executive Directors, Dr. O. P. Mall and Dr. Rajiv Ranjan.

Sir, before we go ahead, I would request you to make some opening remarks and then we can start with question and answer.

Shaktikanta Das:
Good morning. Thank you for your participation.

The Statement, the Monetary Policy Resolution and all other announcements are already with you and I am sure you would have gone through them. Now what is the broad picture that is emerging from the monetary policy and other decisions that we have announced today, I would like to summarise them in terms of six points.

1) First, in an ocean of high turbulence and uncertainty, the Indian economy is an island of macroeconomic and financial stability. The economic growth is resilient. Now all these, that is financial stability, macroeconomic stability, and resilience of growth are possible despite two black swan events happening one after the other and multiple shocks. That's the first takeaway from whatever we have said.

2) Second, at this point of time, there are signs that CPI inflation has peaked, and it is expected to moderate going into the fourth quarter of this year and the first quarter of next year. We have presented this in the MPC statement and the resolution also. But inflation remains at unacceptably high levels, and there are also several uncertainties which are clouding the outlook. Therefore, monetary policy has to act, and that is why the monetary policy action of a 50 basis points rate hike was announced today, a unanimous resolution of the MPC.

3) The third point is that if you put together the first two points, what emerges are those steps have to be taken to contain inflation and inflation expectations. The other thing that comes out is that resilient economic activity gives us the space to act. The aspect of growth is always taken into consideration and is always factored in, in MPCs deliberations as well as in MPC's decisions.

4) The fourth point I would like to mention as a part of the broad picture is that the excess liquidity which we had, is being gradually brought down. I have mentioned it in the resolution. We have also said that there will be two-way fine-tuning operations with regard to liquidity based on the evolving situation to ensure that there is adequate liquidity in the system.

5) The fifth point is that with regard to the external sector, the current account deficit is expected to remain within manageable limits. The Reserve Bank has the ability to finance the current account deficit based on our assessment. The Forex reserves remain strong, and the Reserve Bank will effectively deal with excess volatility of the exchange rate, and as I mentioned in the statement, the umbrella remains strong.

6) The sixth and final point is that monetary policy will be calibrated, measured and nimbled depending on the unfolding dynamics of inflation and economic activity. The focus will remain on ensuring a safe and soft landing for the economy. As I added as a part of my statement, it is once again whatever approach it takes for the RBI going into the third year. We had it in the first year of the pandemic, the second year of the pandemic and also now given the challenges and uncertainties that we are confronted with.

So, that's all I wanted to say, I will now leave it to Yogesh to take us forward.

Yogesh Dayal:

Thank you sir, for the opening remarks. Now we will begin the press conference. I will invite first Mr. Mayur Shetty from the Times of India, to ask his question.

Mayur Shetty, Times of India:

Governor, the rate hikes have been very sharp and they have come in quick succession. Are you not worried that this will kill demand, given that they are getting passed on also immediately, due to the repo rate linkage, to areas like home loans? And the second part, your rate hike comes even after you have made an observation that inflation appears to have peaked and we have seen commodity prices coming off. So, to what extent is your action linked to the external front?

Shaktikanta Das:

Inflation remains at seven per cent, i.e., unacceptably high levels. Even according to our projections, they remain above six per cent for the first three quarters of the current year, the fourth quarter projection is 5.8 per cent. With that kind of inflation trajectory, obviously, monetary policy has to act.

With regard to the repo rate actions that we have taken, if you see it from a comparative perspective, although our decisions are primarily driven by our domestic factors. If you look at other central banks, today 50 basis points have become the new normal. A number of central banks are now hiking by 75 to 100 basis points. There is a tendency that 75 to 100 basis points rate hike will perhaps take over 50 basis points. In the Reserve Bank, we take a very calibrated and measured view, we factor in the impact of the rate action on the aspect of growth. So, the aspect of growth and the aspect of a rate hike on our demand, overall consumer demand, and urban and rural demand have been factored in. Based on that, and prevailing and expected inflation growth dynamics; we have taken a balanced call.

Yogesh Dayal:

Thank you, sir. Now, I will move on to Ms. Shritama Bose from Financial Express.

Shritama Bose, Financial Express:

Thank you. My first question is on the liquidity situation with that turning very volatile. Since the impact of the past hikes has not been fully passed on to deposits so far, how do you see that situation evolving going forward as we enter into a spate of more volatile liquidity conditions generally? For your inflation forecast that you have offered today, sir, has the impact of the past two rate hikes been factored into that?

Shaktikanta Das:
They have been factored in, but I would request Deputy Governor Michael Patra to take both parts of this question.

Dr. Michael D. Patra:
Once the rate action is taken, it's a fact. We use all facts to make our projections. if we do not take into account prospective actions, it's a baseline scenario, but the baseline scenario includes the fact of us having acted before. As far as the liquidity situation is concerned, you might have seen that there is very aggressive deposit mobilisation starting with the bulk deposits. We expect deposit mobilisation to catch up with credit very quickly.

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

M. Govardhan Rangan, Economic Times:
For long, the policy was aiming to get the economic liquidity into a durable mode. Now if you look at the credit deposit ratios, it's at 110 per cent of the incremental credit deposit and credit is growing at 14.0 per cent. The external demand is also very strong and CAD is projected to be somewhere around US$100 billion. All these are going to have an implication on the liquidity in the system. So, what is going to be the RBI's response in terms of liquidity, when there is going to be a strong economic recovery taking place with a kind of a huge current account deficit as well?

Shaktikanta Das:
What is the most likely scenario is that the impact of the rate hike will be passed on by the banks to the deposit rates. Already the trend has started, and quite a number of banks have increased their deposit rates in recent weeks. That trend will continue because when there is a credit offtake obviously, the banks can sustain and support that credit offtake only if they have higher deposits. They cannot be relying on central bank money on a perennial basis to support credit offtake, they have to mobilise their own resources and own funds. That is the most likely scenario.

With regard to liquidity, as has been said in my statement that we will do two-way operations for dealing with the liquidity situation that is prevailing. Last month, there was a sudden squeeze on liquidity, because of very high GST and other tax collections, for about three or four days. We conducted the fine-tuning operation. We did a repo operation of three days maturity. Our effort will be to ensure that there is adequate liquidity. And for supporting the credit offtake, the banks will raise perhaps the deposit rates and they will take efforts to mobilise more deposits. Deputy Governor, Patra just mentioned about banks launching deposit mobilisation drive, I would expect that process will continue.

M. Govardhan Rangan, Economic Times:
In terms of the MPC's decision itself, how much did currency weigh on the MPC's unanimous decision? Because there's a line mentioning about the US dollar appreciation could have an impact on inflation as well.

Shaktikanta Das:
The monetary policy is an inflation-targeting framework while keeping in mind the objective of growth. It is the inflation growth dynamics, which is the primary factor that determines monetary policy actions. The exchange rate may come in indirectly because rupee depreciation leads to imported inflation. Its impact on inflation is definitely a factor, but the rate per se is not a factor for the MPC to deliberate upon.

Yogesh Dayal:
Thank you. I will move on to Ms. Latha Venkatesh from CNBC-TV18.

Latha Venkatesh, CNBC-TV18:
You reiterated that the macros are resilient; you pointed out that growth is fairly good; capacity utilisation is higher than the long-term average and of course, import demand has been aggressive. Still, our real rates are deeply negative, if you go by the current inflation rate. Will you want to front load and come to positive real rates quickly? How does RBI look at the neutral rate? Do you look at it as 1% plus, 0.75% plus inflation? Also if you can give, what is your current account deficit (CAD) forecast?

Shaktikanta Das:
With regard to the CAD forecast, we have done our various scenario analyses assuming various levels of crude and commodity prices and based on those analyses, we do feel that the CAD will remain at sustainable levels. But the

number I would not like to mention as this is a continuing exercise. These numbers change depending on the evolving situation. But at this point, based on our forecast also, we feel that the CAD will be at manageable levels. With regard to negative interest rates, yes negative interest rates are a matter of concern and that is something which engages the attention of the MPC during its discussions and also internally in the Reserve Bank.

Latha Venkatesh, CNBC-TV18:
The specific question is will you want to front load and come to positive rates quickly?

Shaktikanta Das:
That is something which I cannot spell out because it will depend on the evolving dynamics. There are two aspects to it one is our primary target of bringing down inflation closer to the target and factoring in the aspect of growth and international uncertainties and developments. The exact approach whether we will front load or we will space out is for you to assess. The MPC will take measured and calibrated action depending on the evolving situation. Beyond that, it will not be possible for me to provide a roadmap of how we are going to do. Perhaps, you are referring to the kind of dot plot that the US adopts. But in the uncertain environment that we are living in today, the dot plot itself will have to be revised every fortnight.

Latha Venkatesh, CNBC-TV18:

My minimal point is that even your year ahead inflation forecast is five per cent. You have given a new number for the first quarter and that is still one percentage point above the four per cent, which is the MPC's target. Therefore, will you front load?

Shaktikanta Das:

Dr. Patra, would you like something to add?

Dr. Michael D. Patra:

When we were in the pandemic mode, there was only one thing that was moving that was inflation was high, and the policy rate was low. Now we have two moving parts, one is the policy rate is rising, and inflation is likely to fall. So, anything can happen. Now there are two moving parts. It might be sooner or it might be later.

Yogesh Dayal:
Thank you, sirs. I will move on to Mr. Anup Roy from Bloomberg.

Anup Roy, Bloomberg:
You were saying CAD will be sustainable. Earlier, you have said the CAD is modest. After the recent trade data, some analysts are saying CAD can be four per cent of GDP. So, what gives you confidence that CAD will be sustainable and modest? In your previous study also sustainable CAD was around 2.5 per cent or something like that.

Shaktikanta Das:

Let Deputy Governor Dr. Patra answer this question.

Dr. Michael D. Patra:

The CAD for the year as a whole cannot be assessed on the basis of one month's trade deficit. You have just got May and June which were high. Let me tell you some facts about the trade deficit. First of all, the small decline in exports is because petroleum product exports have slowed down. Now the government has immediately responded by reducing the export tax, and also the windfall tax. And we expect that it will be back on stream in a month's time because this reduction of duty has been sizable Number. Secondly, in the imports, the average price of oil, which we announced in the MPC was US$105 per barrel. But today it is trading at US$94 per barrel. All commodity prices are easing. So, we expect a lot of relief on the import front.

Now, what is the thing about the current account deficit, it's not the size that matters. Is it financeable or is it not? Now FDI is higher than last year. Portfolio flows have started coming back in a big way. On August 1st we got portfolio inflows of the amount equal to the whole of July. Trade credits are strong. ECBs, we have enhanced opportunities for accessing it, and NRI deposits are also being regularised. So, I think it's eminently financeable.

Yogesh Dayal:
Thank you, sir. I'll move on to Mr. Lalatendu Mishra from The Hindu.

Lalatendu Mishra, The Hindu:
Governor, we are now confronted with the third Black Swan event that is happening, playing out in Asia. Are we worried about that? If that happens, do you have anything to handle the situation?

Shaktikanta Das:
You are referring to what's happening in Taiwan probably. It will be extremely premature to call it a Black Swan event because we are just two or three days into it. But so far as India is concerned, our trade with Taiwan is minuscule. It's about 0.7 per cent of our total trade. So, the impact on India will be very negligible. The capital flows in terms of FDI and other are also very low. So, India is not going to be impacted with regard to what's happening or what is likely to happen in Taiwan.

Yogesh Dayal:

Thank you, sir. I will move on to Mr. Bijoy Idicheriah from Informist Media to ask his question.

Bijoy Idicheriah, Informist Media:

Is it possible for RBI and MPC to look at decoupling because we have heard that word being used in past statements from the RBI? Is it possible to actually decouple from global peers from global players even when there are so many factors at work? Now that you are well over the pre-pandemic level on the repo rate, was there a discussion on actually moving to a neutral stance and was that the cause of dissent from Jayant Verma sir, for the stance?

Shaktikanta Das:

The cause of dissent, etc., you have to wait for the minutes of the individual members, it will not be correct on my part, to paraphrase what individual members say in the MPC. Their minutes will come out after two weeks and you will see them. With regard to decoupling, the point is we are living in a globalised world; so, India obviously is impacted and will be impacted by what is happening all around. There is a sentence in my statement that India has been impacted by all these geopolitical crises and the pandemic-related shock. So, India will be impacted.

Decoupling, we would have said in a particular context, not necessarily that we are completely isolated. We are kind of completely insulated or isolated from what is happening all around. India will be impacted by what is happening all over. And we have seen it in recent years, and we are seeing it even now. One thing that is happening today worldwide is that the world is getting more fragmented in terms of trade, in terms of capital flows, in terms of geopolitics. Perhaps the world is no more flat. So, in that situation, India will be impacted by what's happening all around.

Bijoy Idicheriah, Informist Media:
Whether a neutral stance was discussed because you have now moved past the pre-pandemic?

Shaktikanta Das:
What was discussed, you will see in the minutes.

Yogesh Dayal:
Thank you, sir. I will move on to Mr. Subrata Panda from Business Standard.

Subrata Panda, Business Standard:
Is the RBI worried that there is an element of demand-pull factor that is making the inflation persistent? You have said that inflation has peaked, so, at what level will you feel comfortable to pause?

Shaktikanta Das:
So far the current inflation is concerned, the demand-pull is not a significant factor. It's primarily due to various supply chain issues and various international developments, and because of imported inflation. India did not inject the kind of liquidity and other kinds of stimulus support, which many other countries, especially advanced countries provided to their economies which has resulted in a lot of demand pressure and that has fueled inflation. So, far as India is concerned, the monetary policy actions did not fuel inflation. That is the position comes out of our analysis, as of now. It's happening essentially because of supply chain and international factors. Regarding pause, it’s very difficult to say at what level we will pause because the situation is very dynamic and extremely uncertain.

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

Gopika Gopakumar, Mint:
My question is with regards to the measures that RBI came out to increase forex inflows. It's been a month since you came out with these measures to increase NRE deposits, and relaxations on NRE deposits. What has been the

impact of these measures? Bankers keep saying there has not been much demand for NRE deposits, what has been the demand? And secondly, NITI Aayog came out with a regulatory framework for digital banks. Is RBI in favour of setting up digital banks?

Shaktikanta Das:

We announced capital flow measures on July 6; it's exactly one month. It was required that the board of directors of banks will have to decide what spread they will have. Many banks and their board of directors have come out with their own decisions by announcing what kind of higher rates they will offer for these deposits. Now, it's too early, we will have to wait and evaluate. It's too early to say, what will be the impact because banks have just decided and I will be in a better position to answer this question, maybe after about a month.

With regard to digital banking, etc., the entire digital space is under the Reserve Bank. We are studying the whole digital world, not just for cyber security and data security, etc., but in terms of its role in the financial services sector and the Digital Banking Unit framework, we announced last month. We are also examining how to make the best use of the possibilities of digital lending. Currently, even today, digital lending is happening. Today, digital lending is being done by banks. There are many NBFCs, which are undertaking digital lending activities. So, this is an activity which is going on and the field is fast evolving. So, whatever is necessary for dealing with this entire ecosystem, the Reserve Bank will respond to the emerging needs. At the current moment, I will not be able to give a definite reply, that we will do this, or we will do that, you will have to wait for that.

Yogesh Dayal:

Thank you, sir. I will move on to Ms. Swati Bhat Shetye from the Reuters.

Swati Bhat Shetye, Reuters:

In the recent past also in your speeches, you have made the RBI's stand on the currency very clear. You said that RBI is there to defend the currency and will not let extreme volatility be there in the market. I just wanted to understand what is the definition of volatility that you have in mind because we have seen on certain days that the rupee has been wedged on a five to eight paise band, but RBI has been there aggressively in the market. So, it wouldn't be fair to call it volatility on that particular day. And that has happened several times in the recent past. So, what is RBI's definition of volatility? Is there an internal level on the currency that the RBI has in mind, we saw a lot of intervention when it touched 80, and we have seen it consistently try to bring it below that? So, just your thoughts on that.

Shaktikanta Das:
Using cricketing parlance, volatility would basically mean the level and degree of the swing that the ball takes. But let Dr. Michael D. Patra, Deputy Governor reply to that question.

Dr. Michael D. Patra:
Governor has stated many times, that we don't have a level in mind. Volatility is usually defined in terms of some measure of variance, which, by definition, is the departure from the mean. We watch the departure from the mean and calibrate actions accordingly.

Yogesh Dayal:
Thank you, sirs. I will move on to Mr. Ryosuke Hanada from the Nikkei.

Ryosuke Hanada, **Nikkei:**
I would like to ask about the economic crisis in the neighbouring country. At this moment, is there any discussion between the Reserve Bank and the Sri Lankan Government regarding some of their further assistance, such as a currency swap agreement or any other measure?

Shaktikanta Das:
As a central bank; we do not comment on the economic developments in our neighbouring countries or for that matter in other countries. We do examine them from the point of view of what impact they can have on our economy. With regard to the discussions with the Sri Lankan Government, it is always government to government discussion. The Reserve Bank is not into any direct discussion with the Sri Lankan authorities. Such discussions are always at the government level.

Yogesh Dayal:
I will move on to Mr. Ashish Agashe from the PTI.

Ashish Agashe, PTI:
This was regarding the BBPS announcement today, how will it work for one? Secondly, what is the motive behind it; is it to reduce the margins which the banks make on which the RBI has expressed its concerns over in the past or is it more of a remittances inflow sort of measure?

Shaktikanta Das:
I would request Deputy Governor Rabi Sankar to take that question.

T. Rabi Sankar:
The margins were definitely not what came into mind when this was introduced. This was essentially a measure of convenience for NRIs and their relative staying here. There are a few advantages, one is that an NRI might not have access to the full suite of bill collectors that is available, more than 20,000 on the system. All of this will become available to them. Not all NRIs might have an NRE account in India. So, that will also not be necessary. So, the whole idea is that they will be able to pay any bill - insurance, electricity, utility, or any other utility bill - through an interface that will be provided by Exchange Houses or banks. The focus is on convenience, it is not about margin or any such thing.

Yogesh Dayal:
Thank you, sir. I will move on now to Mr. Ankur Mishra from ET Now.

Ankur Mishra, ET Now:
Just wanted your attention once again on the stance part with the repo rate surpassing the pre-pandemic level, I just wanted to know, will it be a fair expectation that this year, the stance will shift from the withdrawal of accommodation to neutral?

Shaktikanta Das:

It will not be possible to provide future guidance on policy. When we are on a rate-cutting cycle it is easier to provide forward guidance. But when we are on a cycle of rate hikes and given the level of uncertainty, I would not venture to provide future guidance about the rate actions. The future guidance is essentially withdrawal of accommodation and we want to control inflation. You have to draw up your own derivatives from that.

Ankur Mishra, ET Now:

Second, there is only one bank which has been remaining in PCA, for quite some time now. That bank is claiming almost for seven to eight quarters that they are out of those PCA parameters. Not related to one particular entity but as a process, what are your considerations for bringing that entity out of a PCA?

Shaktikanta Das:
I think Deputy Governor Shri M. K. Jain can probably take that question.

M. K. Jain:
That request has been received at our end. We are examining it. It's not only the quantitative parameters, but it's also the qualitative parameters which we examine before taking any decision because when any bank has been taken out of the PCA, it should be on a sustainable basis.

Yogesh Dayal:
Thank you, sirs. I will move on to Mr. Anand Adhikari from Business Today.

Anand Adhikari, Business Today:
What percentage of bank deposits are linked to an external benchmark, because I was looking at some RBI data for the weighted average lending and the deposit rates. While the lending rates have gone up by 14 basis points and the deposit rates have gone up by 4 or 5 basis points. I just want to understand, what percentage of bank deposits today are linked to external benchmarks?

Shaktikanta Das:
Bank deposits are not linked to external benchmarks; it’s the bank lending rates which are linked to the external benchmarks.

Anand Adhikari, Business Today:
Some banks like SBI and others offer bulk deposits which are linked to an external benchmark, even the Yes Bank, recently introduced a product which is linked to an external benchmark.

Shaktikanta Das:
The deposit rates and so the interest rates are completely deregulated. So, it is for individual banks to decide their deposit rates. But so far as the RBI is concerned, the external benchmark doesn't apply to the deposit rates.

Anand Adhikari, Business Today:

There is no data as of today to know the percentage share of deposits which are linked to an external benchmark. I mean, are not there such data?

Shaktikanta Das:
We don't keep that data because our external benchmark is not linked to deposit rates, so, the question of our maintaining that data would not arise. If some banks are linking it to the external benchmark like T-bills or 1 Year G-sec, 2 Year G-sec or 10 Year G-sec, it would be their decision.

Yogesh Dayal:
Thank you, sir. I will move on to Mr. Anurag Shah from Zee Business.

Anurag Shah, Zee Business:
What problems does RBI have about credit rating agency regulation, right now they have a different regulator, but through that regulator, loan rating is being done.

Shaktikanta Das:
RBI has no problem. We are only seeing balance sheets, and the ratings that the credit rating agency provides and how it affects banks. We only deal with that part. Deputy Governor Rajeshwar Rao, I will request you to take that question.

M. Rajeshwar Rao:
We don't have any issues, the rating agencies are regulated by the SEBI, but the bank loan ratings are required to give any concessional risk rates etc., for the banks. So, those guidelines have to be framed by the RBI and those guidelines have been framed, which the rating agencies are expected to follow.

Anurag Shah, Zee Business:
In your previous policy, you mentioned that the digital lending guidelines will come early, so what is causing the delay in that? Has the outlook on that increased, has the domain become that big, and is that what is causing the delay? And with that, we are seeing that there are a lot of grievances that are arising due to banking fraud. And people are saying that they are being victim to a lot of frauds, but there is no solution for the same. Even the police are not able to help them on a lot of accounts.

Shaktikanta Das:

The majority of the frauds that are happening are from unregulated entities, they are not registered with RBI, they operate without RBI's license, and they do it on their own. So, to check that is the responsibility of the law enforcement agency or the law enforcement authorities. At RBI we can only regulate those entities that are registered with us, to whom we have given license/permissions. But we do create awareness through campaigns and advertisements.

The other thing about the digital lending guidelines, at a recent Bank of Baroda event, I said that it has taken more time because we wanted to study it very carefully. It will come soon, you will not have to wait very long. We were a bit busy with the Monetary Policy, so you will get it soon.

Yogesh Dayal:

Thank you. I will move on to Ms. Siddhi Nayak from Moneycontrol.

Siddhi Nayak, Moneycontrol:

I wanted to know if the Reserve Bank’s multi-year process to normalise liquidity conditions can be completed in this financial year itself, since liquidity is getting tighter fast, that's one. Second, the international trade settlement measures that you just announced, has the RBI received any requests to set up VOSTRO accounts as such?

Shaktikanta Das:

Second part of the question, DG Rabi Sankar will answer. The first part of the question is, whether liquidity normalisation will be completed in the current year. Let me say that the overall liquidity even today is fairly high. It's about five to six lakh crore. If you take into account the Standing Deposit Facility (SDF), the money which comes to us at the end of every day under the SDF, the amount of money under 14-day VRRR and 28-day VRRR, and the potential government expenditure, if you put all together the liquidity in the system is upwards of five lakh crore, almost going up to six lakh crore. As we have said earlier, it will be a multi-year cycle. Also, one important factor is that some of the TLTROs which we announced in the first year of the pandemic for 3 years. So, some of them will mature only in 2023 and the process will spill over into the next year also.

T. Rabi Sankar:

Yes, we have received some requests from banks regarding VOSTRO acccount for the rupee settlement mechanism for trade. Many large banks are still in the process of finalising the internal arrangements. There are a lot of discussions with our team in Foreign Exchange. So, more of them will start coming in the days ahead. But we have received a few proposals.

Yogesh Dayal:

Thank you, sir. We are almost to the close of the press conference. With your permission, I will take the last two questions. I invite Mr. Vishwanath Nair from BQ Prime, to ask his question.

Vishwanath Nair, BQ Prime:

Measures that you announced for the standalone primary dealers, I just wanted to get a sense as to what exactly the RBI is aiming to achieve through these measures. The second part is about the BBPS question, whether other than establishing just a payment option, is it really going to solve anything major with respect to inward cross-border payments?

Shaktikanta Das:

As the Deputy Governor explained, it's a facility we have given. The objective is not really to encourage more inward remittances or anything; it is a facility which we are providing. It will improve the ease of payment for many families, especially senior citizens whose children are abroad and who may be finding it difficult to make their payments, either online payments, not because of unfamiliarity or in certain situations having to visit some place to make a payment. It is just a facility which we have given to improve the ease of making the payment and that's it. Nothing more should be seen into it. The other thing you asked was about the standalone primary dealers; Rabi Sankar can take that question.

T. Rabi Sankar:

The basic idea is to develop standalone primary dealers as market makers in financial markets. Now, they are quite active in interest rate markets, but interest rates and exchange rate markets are very closely related as you would understand. So, giving them access as market makers, this would enable them to provide the full suite of market-making products to their clients or others. From the point of view of market users, having a wider choice of market makers is always a better option in terms of pricing. We expect this would improve the pricing efficiency and that is the broad idea in that.

Yogesh Dayal:

Thank you, sirs. I will move on to Mr. K. Ram Kumar from The Hindu BusinessLine.

K. Ram Kumar, **The Hindu BusinessLine:**

I just wanted to understand banks, as part of their NPA reduction process, have been writing off loans more than they have been recovering and upgrading. So, is this a matter of concern for the Reserve Bank, and are you looking into it?

Shaktikanta Das:

Deputy Governor, Shri Jain can answer that question.

M. K. Jain:

First of all, let me clarify that these are the technical and the prudential write-off, without forgoing the right of the recovery. Second, all these loans are fully provided for, so it reflects upon prudence in the balance sheet and it reflects a better position on the balance sheet, and the third that we have seen in last two and half years, there is a declining trend as far as write-off is concerned. There is an upward trend in the upgradation.

Yogesh Dayal:
Thank you, sir; and the last question is with Ms. Shyama Mishra from Doordarshan.

Shyama Mishra, **Doordarshan:**
We can have a little more clarity since this is the last question. Rate hikes are for taming inflation. Have you estimated any timeline for the effect of the measure to show, at least to moderate the inflation?

Shaktikanta Das:

Usually, rate hikes take about 6 to 8 months to have their full impact. They start having their impact right from the beginning. But to have the full impact, it takes about 6 to 8 months. The impact of the rate action that we have taken starting with April, when we introduced the SDF at a higher rate – 40 basis points higher than the reverse repo – and then in May and June. We will have to wait may be till October, November to assess their full impact.

Latha Venkatesh, CNBC-TV18:
Does RBI think they are close to or at a neutral rate?

Shaktikanta Das:

I cannot reveal the thinking of the Reserve Bank. Some Bulletin articles have appeared on neutral rates, etc., but I am not able to reveal the thinking of the RBI. Within RBI, there are multiple minds and multiple thinking and they finally converge on my table. From there, after discussion with the Senior Management, the thinking of RBI emerges. So, it will not be possible for me to reply to your question, in very explicit terms. Dr. Patra wants to add something.

Dr. Michael D. Patra:
The path to the neutral rate is a two-milestone journey. The first milestone is when inflation falls into the tolerance band, and the second is when it aligns with the target.

M. Govardhan Rangan, Economic Times:
One non-MPC question. One of the many mysteries of the Reserve Bank's decisions has been the approval or rejection of the bank CEO's position. So,

there have been instances in the last few years, where the Board have sent a proposal for 3 years, but the RBI has cut it down to 1 year. What drives these decisions because the question has been that if somebody is not fit for 3 years it is not fit for 1 year also, so what is this that drives the decisions?

Shaktikanta Das:
You are referring to a specific case and as I have said earlier, that specific cases relating to individual banks, I will not be able to reply. It's an overall assessment of the Reserve Bank. So, not possible for me to give replies in press conferences pertaining to individual banks. Thank you.

Yogesh Dayal:
Thank you, sir. With this, we come to the close of the press conference. I thank all my media colleagues for having made it today. Thanks to the Governor, Deputy Governors and my senior colleagues, who have been part of this press conference. So, till next time, stay safe and be healthy. Thank you very much.

Shaktikanta Das:
Thank you everyone.