Edited Transcript of the Reserve Bank of India's Post-Monetary Policy Press Conference: December 6, 2024

Participants from Reserve Bank of India:
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 Puneet Pancholy - Reserve Bank of India

Puneet Pancholy:
Hello and good afternoon. Welcome to this Post Monetary Policy Press Conference. Friends, we have with us, Governor, Reserve Bank of India, Shri Shaktikanta Das; Deputy Governors Dr. M.D. Patra, Shri M. Rajeshwar Rao, Shri T. Rabi Sankar and Shri Swaminathan J. We also have with us Dr. O. P. Mall, Executive Director and Executive Director Dr. Rajiv Ranjan and other colleagues from Reserve Bank. Sir, to begin with, I would request you to make your opening remarks. After that, we will have the Q&A, please.

Shaktikanta Das:
I would like to in the beginning make five observations.

- The MPC remains committed to restoring the balance between inflation and growth, which has got unsettled recently.
- The Reserve Bank will use its various policy instruments to create the conditions for restoring the inflation-growth balance.
- The credibility of the flexible inflation targeting framework needs to be preserved. Inflation has to be brought down in the interest of sustainable growth.
- Prudence, practicality and timing, will continue to be the guiding principles for the Reserve Bank's future actions.
- It is all about dissection of inflation-growth conditions and acting accordingly. Timing of actions is the key.

Thank you.

Puneet Pancholy:
Thank you, sir. Before we begin, I will request the media friends present here to wait for their turn. You may see my colleagues in the aisle. They have the mics with them. So, they will give the mics and please speak in the mic because otherwise you will not be audible to outsiders. And in the interest of time, as I always say, please restrict to one question per person and if time permits, we can consider the other one. Sir, there are 24 participants from the media today and with your kind permission, I will start calling out their names. So, I will start with Shri Yogesh from Doordarshan.

Yogesh Kumar Sheetal, Doordarshan:
Good afternoon, sir. Thank you for the opportunity. Sir, despite the reduction in the GDP forecast, the rates are basically maintained. The status quo was maintained, but the CRR was reduced by 50 basis point. What is the thinking behind that? Thank you.

Shaktikanta Das:
I think I have explained it elaborately in the statement which I presented earlier today morning. And as regards growth, the second half of this year looks better than the first half. In the first quarter of this year, there were issues that coincided with the election season, countrywide election. Probably that affected, in particular government expenditure. Second quarter, the reasons for the slowdown we have explained. Monsoon, you know, continuing monsoon rainfall also affected activities particularly in mining, in electricity demand. Manufacturing also was slow. So, I have explained why we expect the second half to be better this year, better than the first half. And on inflation, I have also given a path. We have also given a road map.

So, we need more credible evidence that things are happening the way we are expecting, that the direction of developments, the direction of evolving conditions, the outlook is playing out in line with our expectations. And then, as I have just now mentioned, it is a question of timing. You have to appropriately time your actions. When there is a time for a particular action, be it rate cut, be it liquidity action, be it whatever is the action, they have to be well-timed. They have to be timed in a manner keeping the outlook in mind. And also, action has to be taken when it is really going to be most effective and impactful.

Puneet Pancholy:
Thank you, sir. Next, we will have Shri Manojit Saha from Business Standard.

Manojit Saha, Business Standard:
Thank you, sir. Let me ask something which is there in everybody's mind. Have you heard anything from the Government so far whether you are continuing this term, in at least informally before the policy meeting started? I will have one more question today.

Shaktikanta Das:
Is that your only question?

Manojit Saha: Business Standard:
No, I will have one more.

Shaktikanta Das:
No. Let us stick to monetary policy. Please ask your question on monetary policy. Otherwise, you will miss your chance on asking a question on monetary policy. So, you choose which one you want to ask. It is your choice. I am willing to answer the first question also, but it is your choice.

Manojit Saha, Business Standard:
Please answer the first question then.

Shaktikanta Das:
I am not giving you any headline, and I think it is better we stick to monetary policy. Thank you. But you can ask your main question, please.

Manojit Saha, Business Standard:
The question I wanted to ask also is how did you get the growth estimate so wrong for the Q2? You projected 7% even in October. It came out at 5.4%. So, what exactly went wrong in the projection?

Shaktikanta Das:
I would request Deputy Governor, Michael Patra to take that question.

Michael D. Patra:
There is a lot of commentary on that already in the press. If you look at the demand side, the main problem is investment. On the supply side, the main problem is manufacturing and the two are intertwined. In manufacturing, the biggest issue is the slump in the sales growth and that is reflecting inflation hitting the urban consumer. So, when sales growth is down, companies do not want to invest in new assets because they see demand as moderate, and it can be met from existing capacity. Since they don't want to engage in new capacity creation, investment is down. So, the underlying slowdown in growth is because of inflation.

Puneet Pancholy:
Thank you, sirs. I will now request Shri Ankur Mishra from ET Now.

Ankur Mishra, ET Now:
Good afternoon, Governor. I want to understand the inflation scenario which you have explained. You are also maintaining that in Q4 the situation might be slightly better while in Q3 the upper side risk remains. Last time you had mentioned about the horse bringing back to stable. What is the scenario now? Is it the scenario that a controlled trot may continue, or you see that you need tighter reins to control the horse?

Shaktikanta Das:
The horse has made a very valiant effort to bolt. Our effort is to keep it in a tight leash.

Puneet Pancholy:
Thank you, sir. May I now ask Shri Vishwanath Nair from NDTV Profit.

Vishwanath Nair, NDTV Profit:
Good afternoon, Governor. The first question is you mentioned that if growth continues to linger lower, then you may need policy support. You are admitting that Q2 was looking weaker even though the rest of the financial year may look better. Your cut on the growth projections is sharper than your hike on inflation projections. I still want to understand why then the status quo because it is clear that you have a growth bias in your commentaries.

Shaktikanta Das:
No, whether I have a growth bias or inflation bias, I think it is for you to interpret. But if you recall before I presented my statement, I made some extempore opening remarks where I have exactly explained our approach, why monetary policy is important, what exactly is the mandate given to the Reserve Bank in the Reserve Bank of India Act, the provision is very clear and our effort is always to follow the legal provision, the mandate given to us both with regard to inflation and growth. Our effort is to follow it in letter and spirit. You know, in the life of a Central Bank, there is no room for knee-jerk reaction. We need more credible evidence. We need more evidence with regard to how the outlook is likely to be and based on that assessment, the effort is always to take action in time. Whatever action, I am not talking about rate cut or again, but whatever action we take it has to be well-timed and it depends on the outlook. No room for knee-jerk reaction because you take a certain knee-jerk reaction which you may have to reverse. So, you should not, you know, one should not regret, but let me tell you very clearly, that our effort has always been to remain in line with the curve, never fall behind the curve and I think we are maintaining that trend.

Puneet Pancholy:
Thank you, sir. Now, I will request Shri Brajesh Kumar from Zee Business.

Brajesh Kumar, Zee Business:
Sir as it happens every time that we get worried about food inflation, food inflation is a big component which disturbs your target. There was one more debate in the Economic Survey that shall see the targeting after removing the component of the food inflation. So my question on that is what kind of conversation you had with the Government in the recent past on correcting the supply side. And the view of the Economic Survey that we should do the targeting after removing the food inflation; if there any talk regarding the same?

Shaktikanta Das:
I do not want to share the discussions which we have with the Government, but I want to tell you that we are regularly in discussion with the Government regarding the inflation and we have a lot of internal discussions about the supply-side measures that I would not like to say anything about it. And as you raised the question of inflation targeting framework and food inflation I would like to draw your attention that perhaps in August Policy, I have explained in detail why we should target headline and why we should not ignore the food inflation. According to the provision in the Act of Reserve Bank of India, headline inflation is our target. We cannot make core inflation our target on our own, we cannot make food inflation the target and we cannot make fuel inflation the target. We have to follow whatever is written as a law in the Act of Reserve Bank of India. And we do not have that discretion that we can make the focus on this or that as per our desire. Whatever the law is there, we follow that.

Puneet Pancholy:
Thank you, sir. Next will be Ms. Latha Venkatesh from CNBC TV18.

Latha Venkatesh, CNBC TV18:
Thank you, Puneet. Sir, a couple of times you have said that the growth-inflation balance has gotten skewed, and you have to restore the balance. Does it mean it was skewed in favour of growth, and you are going back to inflation, or was the balance skewed in favour of inflation and now it will become pro-growth? How do we understand this skew question? And just a word on CRR. That is only going to take care of the liquidity that has already gone away from the system. Q4, we are still staring at cash withdrawals, possible dollar inflows and RBI dollar sales. So, do you still have OMOs or any such thing on the table?

Shaktikanta Das:
You see, whatever action we have on the table, I will not be able to spell out. It will depend on how the situation evolves. We expect in the next few months, tight liquidity for reasons which I have explained. One is that we expect tax related outflows from the system, both direct tax in the middle of December and thereafter the GST. Together with that, there is a possibility of likelihood of increase in currency in circulation because the busy credit season, agricultural activity has now picked up and that requires cash. That will overlap into, merge into the harvest season also, which requires cash. So, the currency in circulation is also likely to go up. And then there have been significant amount of capital outflows in the months of October and November. That is, the outflow of Forex has happened because of FPIs exiting. So, therefore, with regard to your point about dollar inflows, that is something which is difficult to quantify at the moment. Our assessment is that liquidity conditions will remain tight and let us also factor in, I mean let us also bear in mind the fact that the CRR increase was done some time, I think if I remember correctly, in April 2022. I think in that policy, we did it. It was a temporary measure. It has served its purpose. It was time to normalise it. And with regard to growth-inflation balance, I did not say, skewed, I just said unsettled. And I think in the statement I have used a different word. So, basically what we mean is that last time we had said that growth-inflation balance is well-poised. It is well-poised means the growth looked good for that quarter as well as for the whole year. Inflation outlook also, we were aware that September and October inflation prints will be higher. But as you know, September and October because of weather factor and other factors, food inflation went up very steeply. September numbers were broadly a little higher than what we had estimated. October also we had expected it to be high. But the actual number came a little higher than what we had estimated. So, therefore, inflation was more than what we had expected, little more. And growth also has moderated. We have given the numbers. So, the well-poised character of the dynamics between growth and inflation, that has got somewhat unsettled. Our effort is now to restore that balance, which basically means that we want inflation to be brought down closer to the target. We want growth also to pick up. And I think our estimates, our assessment also show that growth is picking up. So, we have to be very watchful. We have to maintain that balance between growth and inflation. That's it. Thank you.

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

Mayur Shetty, Times of India:
Thank you, sir. My original question was on this GDP (data) coming as a surprise that Manojit has already asked that. My other question is on, you know, during your term, there have been couple of crisis, and RBI has coordinated with the Government at that time, and that has worked very well- the coordination. So, now that uncertainty is constant. Do you think there is scope for continuing this coordination given that, like you said, the inflation mandate is enshrined and there is an expectation from the Government that there should be a focus on growth? And also, you all do not give any forward guidance on your actions.

Shaktikanta Das:
Any?

Mayur Shetty, Times of India:
Any forward guidance on your actions like Fed. So, do you think there is more scope for coordination?

Shaktikanta Das:
No, I think coordination has been there, coordination is there, and coordination will continue to be there. So, that is a constant process, and it continues. And whenever we have any thoughts or any concerns, we always share it with the Government. That engagement and coordination continues. In fact, in one of my recent speeches in an international seminar, which we organised in Mumbai with the participation of, I think, the Central Bank Governors from the Global South, I had highlighted the importance of fiscal-monetary coordination. So, that is very important. It has proved its mettle. It has proved its strength during the stressful times of COVID and thereafter when the Ukraine war started and inflation suddenly spiked. So, coordination continues.

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

Swati Bhat, Reuters:
Thank you, sir. So, we have seen growth numbers come down sharply. The 5.4% was a shocker. You also revised down your growth estimates for the next two quarters, whereas inflation is high. Is it fair to say that India is now in a stagflationary phase? And also looking at these growth numbers, is the trend growth for India coming down from the 7.5-8% levels closer to 6.5%? Is the trend growth for India much lower than what we have been talking about?

Shaktikanta Das:
I will pass on this question to Deputy Governor, Michael Patra. But I would also suggest that there have been so many other announcements, some very important announcements in the Part B as part of our additional measures. So, I think there may be some questions on that would be useful for the wider audience which is watching this press conference.

Michael D. Patra:
So, I explained why there is a slowdown in GDP growth in the second quarter due to a special set of factors. Now, it is not, I think, appropriate to make a judgment on the trend rate on one data point. So, what was expressed as 8% was not a trend. It was just the average from 2021 to 2024. And all over the world for every country, the projections that are being made for 2025 and 2026 are implicitly correcting cyclically for the rebound from the pandemic for all countries in the world. So, even when we made our initial projections, they were not at 8%. They were 7.2. And also, in the Monetary Policy Report, we gave a projection for 2026, which was the same cyclical correction. After which, after this correction is over, it will revert back to a trend and we are yet to see the data points of that trend. What the Governor has been saying is that the average between 2021 to 2024 was 8%. Now, if you see the second half of the year's projections, there is a reversion back towards an upper rate of growth, 6.9%, 7.3% and that continues into 2026. So, we are hopeful that we will reach that level again.

Puneet Pancholy:
Thank you, sirs. Next we will have Ms. Hamsini Karthik from Moneycontrol.

Hamsini Karthik, Moneycontrol:
Hi. What exactly was the rationale for reducing CRR? The question here is in the context of… in absolute terms, we do not have a liquidity deficit as such. And if I were to look at it from a banking perspective, I would think that a CRR cut would allow banks to ensure that they do not have to compromise much on margin versus a repo rate cut at this point in time, given that profitability of banks has also sort of been under the weather for the last three, four quarters. Was that also a thought process that you had in your mind when you initiated the CRR cut? And as such, bank lending is also anaemic. So, do you believe that this will spur up or free up some more money for them to lend, increase the lending?

Shaktikanta Das:
You see, the CRR cut, I have just explained a little while ago, we have normalised it. And it was time to normalise. It was a temporary measure. So, we have normalised it. What the banks do with the CRR money is entirely their call. Whether they use it for giving credit or whatever purpose they want to use, it is their call. And with regard to liquidity, it is surplus today. It is surplus today. Perhaps on Monday, next week also two or three days, it is likely to be surplus. But we clearly see that we are going into a phase where liquidity is going to be very tight in the latter part of this month, December, and continuing into January and perhaps into February. So, we thought it was time to sort of normalise the CRR levels. And the other questions which you mentioned about banks, some other things, we do not make monetary policy or liquidity decisions keeping in mind the balance sheet requirements of banks. Our policies are governed by the growth-inflation dynamics. Our policies are governed from the point of view of maintaining overall stability of the economy. Whatever issues are there in the banks etc., that is dealt with through the supervisory arm of the Reserve Bank.

Puneet Pancholy:
Thank you, sir. Next, I will ask Shri Ashish Agashe from PTI.

Ashish Agashe, PTI:
Thank you, sir. Sir, what prompted the FCNR(B) measure, sir? Like last time we saw upwards of US $30 billion coming in after some relaxations. This time, is there some bit of idea of how much incremental money would flow in? What are your expectations?

M. Rajeshwar Rao:
These measures are intended to enhance the capital flows and that has been clearly articulated in the circular. There is a scope for foreign non-resident Indians or eligible Indians who are eligible to invest into the FCNR(B) to increase their deposit base in India and that is purely what has been contemplated at this point in time.

Shaktikanta Das:
And it is a temporary measure, you know, which is there till 31st March.

Puneet Pancholy:
Thank you, sirs. Now, I will invite Shri Anurag Shah from ET Now Swadesh.

Anurag Shah, ET Now Swadesh:
Thank you sir for giving me an opportunity to ask a question. Sir, nowadays Finance Minister has warned the insurance business which was done by the banks and we have seen some private banks and public banks are buying the stakes in the insurance companies. In some cases, RBI gives its permission and, in some cases it does not give the permission and there are many companies out there in which the banks have 50% stakes as well. So, does the RBI permits on the stakes on case-by-case or there is some changes in the rules and regulations. On one hand, we have to increase the penetration of insurance companies and in that, banks a big role to play in penetration of the insurance but company which is a very large which no bank is able to buy, in that case the Reserve Bank of India gives the temporary permission to buy the stakes by the banks. So, are there any changes in those regulations. And as you have informed us that you are going to start a podcast very soon and there will be a new communication strategy, so what is the aim of that and which audience are you targeting?

Shaktikanta Das:
You have asked so many questions. I was saying that it is very important to ask questions about other things as well. Deputy Governor, Rajeshwar Rao will reply about this.

M. Rajeshwar Rao:
As you were asking about the insurance, so we have put out a draft circular in which we have mentioned what is the percentage of holding, what type of business where banks can invest. So, basis on that the future actions will be taken or the regulatory actions will be taken. We are waiting for the feedback on the forms of business circular and that will guide in the way we look at the investment into subsidiary or the associate companies of banks.

Anurag Shah, ET Now Swadesh:
Sir, you have also warned the banks the way Finance Minister has warned the banks about the kind of mis-selling on the platform?

Shaktikanta Das:
No, about this, we already have an existing instruction. There are clear instructions or directions that is already in the existence. We do not need to do anything new about it. But by our supervision, we do check if there is any deviation from the instructions of RBI, in that case we take the action.

Anurag Shah, ET Now Swadesh:
About podcast.

Shaktikanta Das:
Podcast is the new instrument, and it has become very popular now and I think viewership, especially in youngsters is very wide, so we want to remain in requirement of times. In this matter also, we should also be ahead of the curve. So, it is basically a communication tool to communicate with wider cross-section of the people. Sometimes it may be necessary not to give a detailed interview. Sometimes it may be necessary not to hold a press conference. You want to talk on a particular issue, some new measure has been announced that needs to be explained to the people, podcast will help in those kind of things.

Puneet Pancholy:
Next, we will have Shri Anup Roy from Bloomberg.

Anup Roy, Bloomberg:
Sir, you said that the growth slowdown is probably over, next half's growth will be better, but at the same time, you are saying that inflation pressure will be there, probably more than what we have witnessed. Are you indicating that February rate cut is also very risky?

Shaktikanta Das:
I have not indicated anything about the future cycle of interest rates.

Puneet Pancholy:
Thank you, sir. Next, I will request Shri Sachin Kumar from Financial Express.

Sachin Kumar, Financial Express:
Sir, the growth in unsecured loans. It has come down significantly in the past few months, but now there is one pocket of gold loan where the growth is very strong. So, do you think is it a cause of concern and it may also warrant the same kind of measures to curb that growth?

Shaktikanta Das:
I would request Deputy Governor, Swaminathan to take that question.

Swaminathan J.:
See, the growth in unsecured loans at that point in time, when we took some additional macro-prudential measures last year, was essentially to curb the exuberance that we saw in that particular segment, so that any possible stress or a risk build-up is avoided. So that was the intention with which we took that step. Otherwise, in terms of what should be the product-mix as to how the banks should drive their business is purely a business call and gold being a collateralised loan, the banks and NBFCs have shown preference to grow. What is more important for us is to ensure that there is fairness in their conduct towards the customers and then the appropriate norms relating to LTV, income to repayment obligations, etc., are being adhered to in a fair and transparent manner. So, our instructions are more aimed towards ensuring orderly conduct of this business. Growth or product-mix is something which is essentially left to the bank's wisdom to pursue.

Sachin Kumar, Financial Express:
What qualifies as an exuberance according to you?

Swaminathan J.:
There are no golden numbers to determine as to which is less or which is more and also, you will have to see the percentages in reference to the base. When we talk about almost ₹175 lakh crores of bank credit, what is the proportion that the gold loan of a lakh plus crore constitute, so percentages at times can look different, but what is more important is whether the portfolio is being built in a responsible manner, in a prudent manner. So, that is what we would keep watching. But in any case, we will, we remain watchful of the incoming data and if some prudence demands that we should initiate some action, we will take it at the appropriate time. At this point in time, the guidance in terms of the conduct would suffice is our view.

Puneet Pancholy:
Thank you, sir. Next, may I request Shri Piyush from the Hindu Business Line.

Piyush Shukla, the Hindu Business Line:
Good afternoon, Governor, DG. Governor sir, first question is with regard to Sachin sir asked about gold loans. My question is on MFIs. A lot of MFI companies are seeing higher delinquencies, creating higher provisions. Is the RBI concerned about the SHGs (self-help groups)? And somebody mentioned only six months, also they don't have any experience, but they still get loan. So, in the MFI sector, are we seeing any incipient stress building and what are your views on that? And so separately, what gives you the confidence that current fiscal 6.8% GDP growth can be achieved? The revised projection that you have done because November we saw 6%-7% fall in UPI transactions. I know it is not the only indicator, but month-on-month it has fallen 7% and it is a month of festivals so…?

Shaktikanta Das:
On the gross number, I think I have explained it elaborately in the statement and now also I have explained. Now, what gives us confidence or no confidence, I think it is for you to assess whether our numbers for the third quarter are realistic. We have made our assessment, and we look at multiple factors. It is not just UPI, it is just one

of the factors. But on the other part of your question on MFIs, I would request Deputy Governor, Swaminathan to reply to that question.

Swaminathan J.:
These are some of the segments in which as we spoke last during the course of MPC as well. There are certain segments we saw increased slippages in the Q2 numbers that were emerging. And as we mentioned earlier, it was not very surprising to us because these were the segments which saw outlier growth in the year before and we had taken some proactive measures on that. And we had also, if you would recall, in the August Monetary Policy statement, Governor has said that in these segments where enhanced slippage is being witnessed, A) we have requested the banks and NBFC to strengthen their underwriting standards and B), to step-up on their collection efforts to ensure that the stress does not translate into NPAs. So, on the same theme we continue to engage with the entities wherever we see any outlier behavior. At the system level, it is still not a big concern about 20-30 bps uptick in stress is something which we are confident that the entities will be able to handle and in certain entities where these particular numbers are little outlier, we deal with them on a bilateral basis, examining as to the steps that they are taking up to ensure that the stress is not widely spread. And the third, of course, through the SRO, there are enough levers that are available to us to ensure that the self-regulatory organisation in this particular space in the MFI space are taking adequate steps to sensitise their members to adhere to the prudential guidelines of Reserve Bank and ensure that the household income assessment and the repayment obligation towards a net monthly income, etc., are strictly adhered to. And as Governor said earlier, to avoid the push effect, just respond to the demand rather than give loans to achieve someone's target. So, I think these are 3-4 key messages that we have managed to deliver in the last 2-3 months. I think that should be good enough to ensure that the balance is restored in this particular segment.

T. Rabi Sankar:
On the UPI numbers, I think we should not read too much. There was an oversized increase last month because of the way the festival fell this year, so that got corrected for this month. So, I expect that the trend will continue going forward.

Puneet Pancholy:
Thank you, sirs. Next, I will request Mr. Lalatendu Mishra from The Hindu.

Lalatendu Mishra, The Hindu:
Good afternoon, Governor. US President-elect Donald Trump has reportedly threatened to have tariff barriers and BRIC nations like India. Will it impact our exports or is it a matter of concern?

Shaktikanta Das:
First thing is, let us not prematurely… let the policy come. And so far as the BRICS - you are referring to the BRICS countries in the context of the BRICS currency and all that. So, now the BRICS currency was an idea which was raised by one of the members of the BRICS countries and it was discussed. No decision has been taken in the matter. The geographical spread of the countries also is a factor which has to be kept in mind unlike the Eurozone, which has single currency, then they have

geographical contiguity. BRICS countries have spread all over, that also has to be kept in mind. And with regard to the de-dollarisation etc., there is absolutely, so far as India is concerned, no step which we have taken which specifically who wants to de-dollarise. All that we have done is that we have permitted opening of Vostro accounts and we have entered into agreement with couple of countries – two countries by now -- to do local currency denominated trade. That is basically to de-risk our Indian trade. Dependence on one currency can be problematic at times because of appreciation or depreciation. So, as a part of de-risking our trade, that is a step which has been taken. Nothing, de-dollarisation is certainly not our objective. It is not on the table at all. I think, it is more of a narrative which is being said in some sections of the media. Our effort is basically to de-risk our trade. Nobody is talking about or thinking about de-dollarisation.

Puneet Pancholy:
Thank you, sir. I will request Ms. Sangita Mehta from The Economic Times.

Sangita Mehta, The Economic Times:
Sir, could you share your thinking behind the introduction of SORR that you have spoken in the policy and sir, could you give some idea on the timelines for the draft guidelines because almost four of them are already being talked about the project finance, LCR, ECL, and climate finance. Could you give some idea when they would be (issued)?

Michael D. Patra:
So, as of now, we have two benchmarks which are set out by the FBIL. One is the MIBOR, which concerns uncollateralized transactions, and second, we have the MROR which is based on the market-repo. But TREPS, which is 60% of the market, is not in that index. So, this index that we will have now will capture all secured transactions. That is the limited point.

Shaktikanta Das:
And on the other part, I would request DG, Rajeshwar Rao to give the details.

M. Rajeshwar Rao:
These guidelines are fairly major game changes as far as the banking system is concerned. So, we have got significant feedback on all these guidelines, those need to be carefully evaluated, and we will calibrate the way these guidelines are rolled out, but we are in the process, we are close to finalising some of the approaches. I will not give a definite timeline. We will do it as fast as possible.

Shaktikanta Das:
We have followed a very consultative approach. These are all, they will bring about significant changes in the banking system. So, we are proceeding on it. These are measures which are necessary, but we have to proceed in a very careful and calibrated manner and taking into account the suggestions and other issues, which have been raised by the banks and several other stakeholders. So, we want to move very carefully, very cautiously, so that, when implemented, the implementation is as non-disruptive as possible.

Puneet Pancholy:
Thank you, sir. So, I will request Shri Ben Jose from The New Indian Express.

Ben Jose, The New Indian Express:
Hope to see you announcing the next policy, sir, and congratulations for the six years of the tenure. And Patra sir, we will miss you at the next policy. My question is what Lalatendu asked about is for the building on that. The rupee has been under pressure and if the Trump tariff war happens, say 10% on Indian exports and what could be the impact on the rupee, if the tariff war happens?

Michael D. Patra:
The tariff hypothetically, if it happens, will not be an isolated event. There will be other events around it, like for instance, they say that perhaps China may react by devaluing the currency or they might be retaliatory tariffs. So, at this point it is very difficult to say what will be a unilateral move and the unilateral effect. Let us wait for the general equilibrium effects.

Puneet Pancholy:
Thank you, sir. And lastly, I will request Shri Siddharth Upasani from Informist.

Siddharth Upasani, Informist Media:
Thank you, sir. Good afternoon, Governor. A couple of months ago, there was a paper co-authored by you Dr Patra, saying that the rate hike since May 2022 have negatively contributed to growth by around 160 basis points. So, has too much growth been sacrificed to reduce inflation, and are those rate hikes and the retention of the repo rate at 6.5%, is it expected to continue impacting growth going forward? And second if the FCNR(B) limit increased to reduce the pressure on RBI's Forex interventions because the monetary policy and Forex management policy has been at sort of odds, the interventions have drained out a lot of rupee liquidity. So, has that also been a consideration?

Shaktikanta Das:
I think since the paper was authored by Dr. Michael Patra, I think he can reply.

Michael D. Patra:
So, I am happy that you have read the paper, but I do hope you have read it carefully. What it says is that the cumulative rate increases of 250 basis points reduced inflation through aggregate demand by 160 basis points. But inflation fell from 7.8% in April to 3.8% recently in August. So, of the 320 basis points, only 160 is due to monetary policy. Now, in the same paper, you will see that there are charts which show the impact of an interest rate change on output and inflation. The impact on output starts after the rate increase and reaches its peak in the third quarter after the rate increase; it plateaus in the fourth quarter and after that it fades away. So, if you take the cycle of rate hikes, the cumulative peak was in July-September 2022 in terms of quarters. So, take four quarters from there for the effect on output, July-September 2023. So, after that output starts to rise back. The effect on inflation lingers for 10 quarters. So, by now output has started to go back and it has actually crossed what we call its potential level. So, to ascribe the growth slowdown of the second quarter to that is, I think, stretching the case too far.

Puneet Pancholy:
Thank you, sir. Just one last question from Gopika Gopakumar from the Mint.

Gopika Gopakumar, the Mint:
Just adding to his question. Is that a concern, was that a consideration on the Forex reserves given that we had seen the kind of outflows last two months and more is expected, the market is expecting a similar quantum of outflows the next few months. Is that a consideration behind coming out with the FCNR(B) hike? And, also will there be more measures to sort of protect the currency? And my second question, sir on usurious rates. RBI has raised a lot of concerns around usurious rates. Now the Reserve Bank has followed a principle-based regulation and has removed any sort of caps on interest lending rates. But given the kind of concerns that are rising in the industry, MFIs, unsecured loans, is there a need to define a boundary or a threshold in terms of lending rates?

Shaktikanta Das:
But before that, this FCNR(B), let me say, first thing I want to say that our Forex reserves are quite robust even now and the depletion in the reserve, which has happened in the last few months, part of it and a good part of it is because of valuation losses. Still, our reserves, the latest print I think we gave out US$ 656 bn or something like that. I do not remember the number exactly, but Forex reserves are still quite adequate. We are confident of dealing with any spillovers. Now, you mentioned that is Reserve Bank is concerned about outflows and all that. You see, somebody said that key inflows are expected so, how will the Forex market behave going forward? We cannot really sort of, we cannot make a guess, we cannot really assess, we have to see. There are so many uncertainties, new administration in the US that will take over, the response of other countries. So, it is a very dynamically evolving situation. So, as per the requirement, we will take action and so therefore at the moment we have no concern at all. It is a facilitation which we have provided to attract more inflows and an opportunity for NRIs to invest. And I actually lost a bit because of two questions, so long, is there anything else you asked in that FCNR(B)?

Gopika Gopakumar, the Mint:
Will there be more measures?

Shaktikanta Das:
About more measures, you will have to wait. I can not spell out now. More measures as and when they are required, we will take, but on the FX front, let me say very clearly and emphatically that our Forex reserves are strong and I have, I think, devoted 2 paragraphs in my statement to explain the rationale for RBI's Forex management, the focus is not just to deal with spillovers, it is an essential part of Reserve Bank's policy to build stability - the macroeconomic stability and financial stability of the domestic system.

Swaminathan J.:
See, as you would recall, Reserve Bank after extensive consultation has deregulated the administered interest rates and this freedom has been placed with the boards of the banks and NBFCs and we have also said that to the boards are expected to use this freedom placed in them in a prudent and sensible manner to ensure that their

pricing practices are not considered usurious whether it is pricing or fees. And we have also said in the same regulation that this will be subjected to supervisory assessment. So basis such assessment over the last couple of years, wherever we have found such practices, where we found that the customer interest was in danger and the decisions were more driven by profit motives, rather than securing customer interest, we have called out such entities. As the Governor mentioned, we have had extensive discussion with multiple entities. Many entities have taken measures themselves to correct the situation and a few entities which were considered outlier, we have singled them out for supervisory action, which we will anyway going forward will review subject to rectify their position. And the third part of your question is in terms of, are we having a rethink? I do not think at this point in time, we still expect the industry to correct itself and use the freedom placed with them in a sensible manner, so that their business grows in a responsible manner, ensuring fairness in their conduct and fairness to the customers. That is what we will continue to push at this point in time.

Shaktikanta Das:
Before we conclude, there was one announcement which I made about this MuleHunter.AI. I thought there would be a question on that, but it is not there, but just to disseminate the information to the wider audience people who are viewing this broadcast, I would request Deputy Governor Rabi Sankar to very briefly explain that.

T. Rabi Sankar:
Thank you, Governor. Thank you also for intervening, so that I got a direct question after a long time. The MuleHunter.AI is basically an infrastructure level set-up we are creating which will use the databases from all banks, all other payment system operators. And its AI engine will be trained based on this wide set of data to be able to identify frauds *etc.,* much more effectively in the financial system. If you look at frauds, the number of frauds are increasing, the amount involved in frauds are increasing, although the number of frauds per transaction is coming down over the years. But the number is increasing fast enough for us to be concerned about it. I just wanted to clarify one point with respect to MuleHunter.AI, because there was some talk about it that any entity, any payment system operator, any bank, any credit card network, every entity is free to use their own fraud detection systems. They will probably be used over and above this and every individual is free to in fact innovate based on their own expertise, their own AI engines and so on. Reserve Bank’s idea for introducing this MuleHunter is to create an infrastructure level facility which others can use with. Many participants, many small banks etc., who cannot devote enough resources to develop such systems can actually use this. Even for the well-developed ones, this is a base which everyone can use.

Shaktikanta Das:
Thank you. I think before my colleague Puneet Pancholy concludes, there is just one information I want to provide. This is about the RBI@90 quiz, which we launched this year. So, as you would be aware, we had launched the RBI@ 90 quiz in August this year. This was a nationwide quiz for undergraduate students as part of the commemoration of the Reserve Bank's 90th year. I am happy to say that there was an overwhelming response to the quiz. We are holding the National Finals today at 2:30 PM in Mumbai. It will be live-streamed on Reserve Bank’s YouTube channel. I

encourage everyone, especially all the viewers, to join us and watch the exciting contest. Thank you.

Puneet Pancholy:
Thank you very much, sir. With this, we will conclude the press conference, and I will thank the Top Management of the Reserve Bank for answering all the questions. I will request all the media friends to exit from the gate on my left. I thank you once again and have a pleasant day.