

**Edited transcript of the interaction of Finance Minister and RBI Governor with
media persons at New Delhi on February 14, 2022**

Participants:

Smt. Nirmala Sitharaman, Hon'ble Finance Minister, Government of India

Dr. Bhagwat Kishanrao Karad, Minister of State for Finance, Government of India

Shri Shaktikanta Das, Governor, Reserve Bank of India

Shaktikanta Das:

Good afternoon friends! The Board meeting took slightly longer than we had anticipated. I would like to welcome all the media representatives who have made it convenient to participate in this interaction. Earlier today, we had the Finance Minister addressing the members of the Central Board of RBI. This meeting is held every year as a part of tradition. It is an important component of economic and financial policy making in our country because it demonstrates the importance and the necessity of fiscal and monetary coordination in the overall interest of the economy. We had a very fruitful discussion today with the participation of the Finance Minister and the Minister of State. We will spend about 20 minutes or so in this press conference. The floor is open now for any questions or any comments and I would like to start with Lakshman ji.

Lakshman Roy, CNBC Awaaz:

My question is regarding cryptocurrencies or digital currencies. Ma'am, in the budget, the taxation that you put on transactions in such currencies is conveying the message that government may not impose a blanket ban on them. On the other hand, RBI Governor in his post monetary policy interaction had mentioned that they are a threat to financial stability. So, are Finance Ministry and RBI on board on this issue? Or, are there any discussions going on as to how to take them forward?

Nirmala Sitharaman:

RBI and Government are on board. Discussions are happening. Discussions happened prior the budget and they continue even today and will continue to happen. So whatever

decision the government takes or RBI takes in the matter, the two will be on board and decide. And all decisions that have been taken on it, obviously because it is a very serious topic, it's about a digital currency from the central bank of some sort, of some shape, or some colour and some description, so, obviously it will be with both of us having had enough consultations.

Tarun Sharma, Zee Business:

On Saturday, February 12, 2022, CBI registered an FIR in respect of a big scam in this country. There are some allegations that there has been a delay in the FIR. Till now we had been expecting that sufficient clean-up has happened in banks. Here, in the presence of RBI Governor, we would want to know how much pain of this sort is still there in the banking sector. Because, from the point of view of leverage, we observe that companies are at a sustainable stage. So, please give your views on this.

Nirmala Sitharaman:

First of all, this is actually an account, which became an NPA before January of 2014. In fact November 2013 is when it was declared an NPA. After that, because it's a consortium of banks who have had a business with them, they have all sat together to see how best any restructuring can be done, which is a due process, which is done for any account under stress. More so because it's a big account and also becoming an NPA. So, that initiative was taken by the consortium. SBI has been the lead. ICICI is the other big bank which is exposed to this. All of them have sat together and started working on it. So, from 2014 onwards this process is going on. However, overall, not just for this account, in general, for any account and let us say details and the element of fraud or any element of any kind of major letting down of banks almost takes 52 to 54 months to be done with all the intensive work that should happen. Therefore, when you're coming in this particular case with that kind of a measurement, actually, I should say to the credit to the banks that they've taken lesser than what is normally an average time to detect these kind of frauds. Then, a forensic audit was done and Ernst and Young or some group had gone into the details everything else was collected and handed over to the CBI. In 2020 and in 2022 CBI had filed two cases. In the meanwhile, the matter has also gone to the NCLT for resolution. Now, normally it takes around 54-56 months and in this case it is off late taking far lesser time to detect such things. The long and short of all the noise which is coming out from outside is if it is a pre-2013 case, and I'm sitting in RBI premises so I

don't want to talk too much of politics, but, I'm sorry, the kind of noise which is coming up is suggesting that it is the biggest घोटाला (scam) in Prime Minister Modi's time. Not at all. This was a loan given prior to 2013, well prior to 2013, that had become even an NPA by 2013. So, people did the dig holes into which they themselves fall. As it is said in Hindi "अपने पैर पर कुल्हाड़ी मारना", that's exactly what has happened here. They made the noise not realizing that it was all then and we have taken lesser time to detect it and take action. Two cases in CBI and referred to NCLT for a solution. So, action is happening here like the way it happened for every other major bank default. Of course Governor can speak about it, but overall, banks' health has all improved. They have done the turning around. For hours they have worked. And, as a result, I can say that the banks are at such confident level today that they are able to raise even resources from the market.

Shaktikanta Das:

I think, Shishir Sinha wanted to ask. I will come to you all one by one, but quickly please.

Shishir Sinha, The Hindu Business Line:

Good afternoon Sir, good afternoon Ma'am. My question is that crude is now at 95 USD. So do you think that the time has come to rework the whole inflation number because it's gradually increasing day by day.

Shaktikanta Das:

When you do an inflation projection, you assume a certain crude price for the whole year. A particular price, and of course, a range of prices. Today morning crude has touched 95 USD. If you start calculating 95 dollars to a barrel, and, based on that make a projection for 365 days, you will definitely go wrong because it may go up even further or it may come down even steeply. So, therefore, based on several factors, although I am not going into the details, we take into account a particular range within which the crude prices are expected to fluctuate, considering all the factors that can be anticipated and that can be foreseen as of today. So, you have to take a range of prices and do your modelling within that to calculate what is likely to be the inflation during the year. You have to always remember that you are doing a calculation for 365 days. The price was around 70 dollars a few months ago, then it went to 80, remained at 80-85 for quite some time. So, therefore, all possible scenarios within that particular range, which we adopt in our analytical models, we take a range of prices and within that we consider various

scenarios and make a projection. So, at this point of time our inflation projections are fairly robust, or, I would rather say quite robust and we stand by it. If there is something totally unforeseen, which nobody can expect, that is different and we have said that it is contingent on the risk. The downside or the upside risk to these projections is the crude prices. But let me again assure at the cost of repeating we have assumed several scenarios of crude prices and made our inflation forecast.

Deepshika, please.

Deepshikha Sikarwar, The Economic Times:

I have two questions- one to the Finance Minister and one to the Governor. RBI Governor after the monetary policy press conference said that crypto assets undermine RBI's ability to maintain financial stability. Does bringing a tax and not just income tax, Government is now proposing application of GST into such transactions, does it not force the RBI to tie it's hands? Governor, is the central bank comfortable with Government's move to impose tax on crypto transactions?

Nirmala Sitharaman:

Deepshikha, when I answered the first question raised by Lakshman ji, I made it clear that whatever the Government does, we consult, have discussions with the RBI and thereafter, we take a call. So, if I were to tax 30 percent and then also to discuss GST and everything else, I would be tying RBI's hands if I hadn't even talked with them, right! So, the discussions which I hold with RBI are done gradually and steadily, as we move on, also taking the RBI on board or keeping them informed and so on. So, why would that end up in tying the RBI's hands? So, I'll repeatedly appeal to all the media personnel here that with the RBI and the Finance Ministry, not just on crypto but on every other thing as well, in the last few years, which you would have noticed too that there is complete harmony with which we are working, respecting each other's domain and also knowing what we have to do with each other's priorities and in the interest of the nation. There is no turfing here that I do something which might end up tying up RBI's hands. Largely, I will request the media to observe what has been happening in the last few years and I'm sure it is easy to infer that there is a level of partnering with each other that is happening. So, you don't have to have that worry in your mind.

Shaktikanta Das:

And, since you addressed that question also to me, may I just say that like several other issues, this particular issue is internally under discussion between the RBI and the government. Whatever points we have, we discuss with the Government. Beyond that I will not like to further elaborate.

Aftab, please. You wanted to ask a question.

Aftab Ahmed, Thomson Reuters:

Good afternoon Ma'am, good afternoon Sir! I just had one question on inflation. Our budget this year has been extremely growth focused and rightly so because we are coming out of a pandemic, but we thought that RBI would indicate a more conservative stance as far as inflation is concerned and that is how the budget, as a whole policy making exercise, this would be rounded off; one focused on growth and the other focused on inflation. We didn't see that happening. We just wanted to understand, with the risks building up in Europe, with the situation in Ukraine, Belarus, etc., how are we planning to tackle inflation if it hits us very suddenly with the situation worsening over there?

Shaktikanta Das:

I have said it in my post MPC statement that price stability is definitely uppermost in our mind and price stability basically means maintaining and adhering to the inflation target. As it was explained in the post-policy conference by the Deputy Governor, the character and the content of inflation in the advanced economies is different from the character and content and the drivers of inflation in India. And so far as India is concerned, there is, in fact, one interesting thing which we did point out in our post MPC press conference, which I would like to repeat. If you look at the momentum of inflation right from last October onwards, the momentum of inflation is on the downward slope. It's primarily the statistical reasons, the base effect, which has resulted in higher inflation, especially in quarter three and the same base effect will play in different ways in the coming months. Today's inflation print will be announced at 5:30pm by the CSO. I said it specifically in my Monetary Policy Statement that today's inflation print is expected to be close to six percent. So, that should not surprise or create any alarm because we have taken that into consideration. So, therefore, as the growth picks up, as we watch the inflation dynamics, there is a delicate balancing between inflation and growth and the Reserve

Bank is fully aware of its commitment to inflation, keeping in mind the objective of growth. This is precisely what the provision in the law requires or expects RBI to do.

Siddhartha, please. We will be able to take two or three more questions.

Siddhartha, The Times of India:

How does the government and RBI plan to manage borrowing costs, especially when the government's this year plan is a huge borrowing plan of 15 trillion rupees and especially when there is pressure to raise rates?

Shaktikanta Das:

In the post policy press conference we have said that the cash and debt management group, which basically is a joint group between the Department of Economic Affairs and the Reserve Bank, they will be meeting during the month of March and they will come out with a calendar of borrowing for the next year. In the Reserve Bank, I said this in the post MPC press conference also that we are working on the borrowing target and it's too early for me to comment on the modalities of how we are going to deal with it. But we will deal with it.

Dipankar please.

Dipankar Kumar, PTI:

Good afternoon Sir, good afternoon Ma'am! Sir, last year budget had announced inclusion of G-Secs in global indices. This year, the government has announced the launch of green bond. The inclusion is yet to take place rightly because of concerns which are there in the minds of RBI. On the green bond, I just wanted to understand when can we see? Will it happen in the next financial year or when can we see it? The broad contours regarding green bonds coming and what would be the quantum?

Shaktikanta Das:

Regarding the inclusion in the global index, I think we have answered both the questions in the post MPC press conference. Inclusion in the global index is a process and last year or year before last the FAR, i.e., Fully Accessible Route was introduced whereby certain certain G-Secs are fully accessible to the foreign investors. We are moving towards that. It is a work in progress so far as the inclusion in index is concerned. With regard to green bond, naturally, it's a budget announcement for 2022-23, so the cash and debt

management group will meet next month and they will plan for it. The main rationale behind going for green bonds is that world-over there are a lot of investors. There is a whole lot of investors who have dedicated funds to invest in green bonds. So basically, when you float a green bond which has a specified and a dedicated purpose, when you float a green bond, you are basically widening the participation of international investors in the domestic bond market because there are a lot of funds internationally available, which are dedicated for investing in these green bonds. I think we will be in a position to only take two more questions.

Yes, Nayantara please.

Nayantara Rai, ET Now:

Thank you so much! Sir, just wanted to take off a little bit from what Aftab and Shishir Sir had also asked, about inflation now being at a 40 year high, which you have explained also very nicely but the commentary coming in from the US- do whatever it takes, emergency rate hikes- things like that. Then will we have to respond like that in India as well because the markets are jittery? Sir, that's the question for you. And, Nirmla Ma'am, because you're here, if you can please throw light on the mega LIC IPO, the DRHP that has been filed? I understand the markets of course are nervous but everything is on track the government is not concerned about external conditions at all?

Shaktikanta Das:

Now, so far as you said the markets are nervous. Now, you will see, and I think already signs are visible- we have tried to be as explicit as possible and to spell out all the details in the way we are looking at Monetary Policy, the way we are looking at the emerging inflation scenario. The narrative is now slowly changing. The analysis outside is getting more nuanced. There is greater quantum of analysis of each and every statement which we made as a part of our MPC announcement. So, we do expect the narrative outside to slightly change. And the content of U.S. inflation, as I said, is completely due to different factors. For example, you have issues of, for example, labour shortage in the United States, you have wage increase in United States, which are primary drivers of inflation. We don't see such things in India. With regard to global spill-overs, it is again a very important aspect and continuously we monitor the global developments and we are prepared to deal with the global spill-overs. The strong forex reserves which we have,

about 632 billion of U.S. dollars of reserves, and also, I'm not letting out a state secret, the quantum of forex which we hold in the forward market, if you add that, I think India is well placed to deal with global spill-overs.

Nirmala Sitharaman:

Nayantara, you asked me about LIC. And, rightly you're cautioning me about what's happening in the global situation, with Ukraine, with the crude prices, fair decision, and so on? Have I understood you right?

Nayantara Rai:

No, Ma'am. I wanted to get your comments on the LIC IPO.

Nirmala Sitharaman:

But in the context of these things, developing, right? Am I right?

Nayantara Rai:

Yes, Ma'am.

Nirmala Sitharaman:

Only two days ago, after I finished the budget speech, each day after I finished the budget and until two days ago, the question that I was asked from the media is- "Hey, but where is LIC? It's not happening. Ma'am, are you going to do it?" And then, at that time, the world was not very different from what it is today. Two days ago, Ukraine didn't worry you, crude prices going up didn't worry you and you just said where is LIC? I went by Nayantara's questioning and I said- "Here, get going with it." Jokes apart, a big decision like that is never taken as a knee-jerk reaction. It requires so many preparations, so many board meetings, so much talking and complying with SEBI's requirements, and so on. So, it's done with consciousness and I can see from after the announcement made, although it was a Sunday, announcement made yesterday and when SEBI had put it up on their website, this morning's reception, not just through the media which is what you all know about, there is a positive buzz in the air that the government has committed itself and it's showing it. And, because of the way in which it has been tailored, policy holders are going to get a share, retail investors are going to get a share and there's this biggest IPO coming out. So, there is just an air of positivity which is so required when you're doing some things with the stock market. So, lots of things can be creating tensions

outside but this development has kept itself very clearly and objectively looking at a very positive development in the LIC's history and that's what I'd like to play upon.

Shaktikanta Das:

Sapna Das there, please.

Sapna Das, CNBC TV18:

Thank you very much Governor and Finance Minister. A quick follow-up, Sir and Ma'am on what has been said till now. Governor, you indicated that India is more or less well prepared to handle the taper tantrum, quote-unquote, in case that unfolds in the way it unfolded earlier. Ma'am you have also indicated something on those lines, so that's one broader question. And second, Ma'am, would you be able to enlighten us in terms of how much the Government would be able to garner from the coming IPO though it may be a bit early to ask that?

Nirmala Sitharaman:

That's right, it's a bit too early to ask.

Sapna Das:

And on the taper tantrum?

Shaktikanta Das:

This time, I don't think there will be a tantrum because the U.S. Fed is fully conscious of what happened in 2013 and they have been giving sufficient advance guidance. Now, whether there will be three rate hikes or four rate hikes or five rate hikes, it's anybody's guess. We will have to wait and as you go forward it will again depend on the inflation dynamics, the growth dynamics also within United States. And let us also keep in mind that the growth momentum in many of the advanced countries is slowing down, that also has to be kept in mind.

Shaktikanta Das:

The last question we will take from Arup there.

Arup Roychoudhary, Business Standard:

Good afternoon, Madam Minister, Mr. Governor. Now, the Centre's point of view has been that something like crypto no country can regulate along. This will require a global multinational effort. If I'm not mistaken, Ma'am, later this week is the G20 meeting of Finance Ministers and Governors, and in April, there is the World Bank- IMF meeting. So, what crypto regulation related topics will be discussed by yourself in those meetings, Ma'am? And, secondly, this is a follow-up on ABG Shipyard. Yes Ma'am, it was declared NPA in 2013 but in 2014 they began a restructuring and when it failed, again in 2016 they converted into NPA, backdated, and then one auditor was uh appointed and then in 2019, the first complaint went to CBI. In that period from 2014 to 2019, could some things have been done differently to make sure that the situation did not reach here? These are my questions.

Nirmala Sitharaman:

You can always have a benefit of hindsight and ask could it be handled differently and also is a restructuring required at that stage? All that is there. That is part of how the banking functions are taken up, especially when you're dealing with a situation where you probably can restore. I am not suggesting anything about this particular thing. It's benefit of hindsight, which tells you on 1st January 2014 you could have straight gone to CBI itself, you may suggest that. But this is not for us to sit here and very quickly ask questions based on all that we've read in newspapers or based on all that SBI has released in its press note. There are very serious-thinking professional banking people who are sitting and looking at it. They're not doing it for anybody's sake. They're doing it for proper professional conduct. So, I think we should allow that to have its full play, that is one thing. On crypto, I've said that we are in the process of consultation. Whatever decision the government is going to take will be after the consultation. Now, if you're asking me, therefore, what I'm going to talk in G20, I may not be able to tell you now.

Shaktikanta Das:

We will conclude now. I can see there are four or five hands. I know each one of you, so, it's very difficult for me to discriminate but please excuse us, because we have really overshot the time frame. Thank you very much for your participation. We will have more opportunities to interact in future. I can assure you I will come back a little later, not today, but maybe a few weeks down the road to have an interaction with the media in Delhi, specifically. Thank you!