Edited Transcript of Reserve Bank of India's Monetary Policy Press Conference: August 06, 2021

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
Shri Yogesh Dayal – Chief General Manager, Reserve Bank of India

Shaktikanta Das:
Good afternoon to all the participants. Welcome. I handover to the head of our Department of Communication, Shri Yogesh Dayal to take the press conference forward.

Yogesh Dayal:
Good afternoon and welcome once again to another press conference after monetary policy. We have a good number of participants today. And before we begin, I would like to introduce Governor, Reserve Bank of India, Shri Shaktikanta Das along with Deputy Governors, Shri M. K. Jain, Dr. Michael Patra, Shri Rajeshwar Rao and Shri T. Rabi Sankar. Sir, we have 28 participants today and in the interest of time, I have requested them to raise their hands for asking questions so we can conduct the press conference in an orderly way. So, let me start, first of all, by inviting Shri M C Govardhana Rangan from Economic Times to ask his question, please.

M C Govardhana Rangan, Economic Times:
Good afternoon Governor. In terms of the message you conveyed that with whatever it takes, you are still in that mode. But if one looks at the entire policy, there seems to be kind of a conflicting between the messaging and the actions. Like what I say, there is an increase in the inflation forecasts, but at the same time you say that the accommodative stance will remain and you have come up with VRRR. And at the same time, there is a kind of G-SAP continues and the unwinding of the fiscal measures also continue.

So what is the kind of message that one gets at the same time you are spoken about anchoring inflation expectations is the one that gives credibility to the monetary policy, but there's an increase in the inflation forecast as well. How does one read these entire conflicting messages?

Shaktikanta Das:
Once again, good afternoon. You see, as I mentioned in my statement, these are extraordinary times. There is an extraordinary situation we are dealing with, and there are several currents and cross currents. There are many conflicting objectives which the Reserve Bank has to manage. Any central bank at any point of time is required to manage conflicting requirements that the economy needs and more so in times like this. So, we have to deal with various issues and each issue, the policy action of the Reserve Bank has to be nuanced. It cannot be unidirectional. It cannot be just black

and white. It has to be a nuanced policy response. And that is precisely what we have attempted to do. Thank you.

Yogesh Dayal:
Thank you Sir. I'll move on to Ms. Latha Venkatesh of CNBC.

Latha Venkatesh, CNBC:
Thank you, Governor. Governor, you have given an inflation forecast of 5.1 per cent for Q1 of next year, over and above the 5.65 per cent in the current quarter which is Q1 of FY22. That means there is a permanent element to it because even 5.1 per cent is way above the midpoint. So, is it fair to call it transitory? And, therefore, if you can give us some timetable in terms of normalising, especially a reverse repo hike, as well your growth forecasts for Q2, Q3 have been lowered. So, are you not very confident of growth? And finally, any timetable on digital currency and new bank licence, if you can?

Shaktikanta Das:
On the new bank licences, we have formed an external advisory committee and the committee is now going through all the applications that have been received and for transparency, we have also given out a press release giving the list of the applicants. So, it is with the external advisory committee.

There are two other questions and may I also request to all participants, please keep your questions brief because there are 28 participants. But there are two more aspects to your question, one relates to inflation trajectory, etc, which I would request DG Dr. Michael Patra to reply, and the other aspect relates to digital currency, which I would request DG Shri T. Rabi Sankar to reply. So Dr. Patra, please go ahead, followed by Rabi Sankar.

Dr. Michael D. Patra:
Thank you, Governor. On the inflation, if we all kind of step back a little bit and look at it in a historical perspective, things will get a little more clearer. For instance, between 2016 to 2020, we kept inflation at 4 per cent by a combination of various things. In the year of 2021, we were hit by a pandemic and it was an extraordinary situation in which margins were raised, and taxes were raised and there was supply disruption. So, inflation went up to 6.2 per cent on average.

Now what are we looking at? We are looking at an average inflation of 5.7 per cent, which I would say in a historical perspective, is an improvement over 2020-2021. The path of inflation is being calibrated downwards on the way to reach 4 per cent. So, from 6.2 per cent, a pandemic year to 5.7 per cent in a year following the pandemic and thereafter to 4 per cent is the right way to go because there are output costs with hard disinflation. What we are doing is spreading the disinflation over a period of 2-3 years so that the losses of output are minimised. That's the inflation stance.

And as you rightly pointed out that the average rate of inflation for the first quarter is 5.6 per cent, as you can see, it is very well tracking the trajectory we are set out for the year as a whole. That's the answer to the inflation question.

T. Rabi Sankar:
Thank you for the question on the issue of digital currency. As was indicated in the speech, I gave on 22nd July, we are internally evaluating issues of the scope, the technology, the distribution mechanism, validation mechanism, etc. These are extremely evolving technology and business choices that one has to make. So, it will be difficult to pin a date on it, except what I said that we should be able to come out with a model in the near future, probably by the end of this year. Thank you.

Yogesh Dayal:
Thank you, Sirs. I'll move on to Mythili Bhusnurmath from ET Now.

Mythili Bhusnurmath, ET Now:
Thank you Governor. Governor, my question takes off from where Lata and Govardhan had left. The MPC statement is emphatic that it will continue with their accommodative stance until you have growth on a durable basis while ensuring inflation, as with the band etc. But if you look at the projections that have been made, both inflation and growth are quite dramatically different from what you had in June. Inflation is higher and growth lower in every successive quarter of this fiscal, suggesting the MPC's so-called 'tried and tested' or untested path has not really borne fruit.

So, my question is that even as the common man has suffered very high negative real rate of interest, I think our real rates of interest are negative to the extent of 6 per cent. If you refer to the latest inflationary expectations survey, it is more negative than in the US, Europe, Britain, etc. So, was there any discussion? My question is whether there was any discussion in the MPC about the MPC's policy past so many quarters not having borne fruit, particularly given the cost that has been paid by the common man in terms of the welfare implications for the common man and the macro implications for savings. Was there a discussion of these two specific issues in the MPC and what was the MPC's view?

Thank you.

Shaktikanta Das:
Thank you. Once again, I should not be misunderstood and I'm not trying to be rude, but may I request all the participants to please keep your questions brief. And there were discussions on all aspects of the MPC, and I will request Dr. Michael Patra to brief on various aspects of your question.

Dr. Michael D. Patra:
As Governor pointed out, there were indeed quite animated discussions on all these issues. After all, these issues sneak right into the decision that MPC has to take. The approach to inflation is not one of a cold turkey approach, there where you slam the economy till it goes limp without inflation, no, that's not the way it is. The flexible targeting framework allows you to secure disinflation over a period of time rather than at a point of time. And that has been our approach. Since inflation has gone to a pandemic high, not demand supply high, but pandemic high of 6 per cent plus, it is important to bring that down not immediately, but over a period of time. And that is

what the MPC is striving to do to set a glide path for inflation that will eventually bring it back to target, to the extent that there are factors that will definitely go away, like we are already seeing pulses prices and edible oil prices declining, cereal prices going into deflation. So, all these will now work into inflation to steady that process, rather than have a jerky motion. That's the whole approach of the MPC.

Yogesh Dayal:
Thank you Sirs. I will move on to Shri Anup Roy from Business Standard.

Anup Roy, Business Standard:
Thank you Sir. Thank you Governor for taking my question. Sir, as you mentioned in your speech that fresh borrowing, the transmission was quite good, more than 200 basis point, but banks and these housing finance companies, etc., they take existing borrowers for granted, the transmission there is very less. So, shouldn't RBI focus on that aspect also for the benefit of existing borrowers?

Shaktikanta Das:
Thank you. We are focused on not only the new loans we are also focused on the existing loans, and as you are aware, we have introduced the external benchmarking in October 2019, which has worked out quite well. And let me also share the data with you. I have given the data for February 2019 to July this year. And I mentioned that on fresh rupee loans, the transmission has been 217 basis points. Now with regard to outstanding rupee loans, the corresponding figure is 117 basis points. For outstanding loans, there is a cycle of loan reset, so naturally it has to be done when the due date arises. And also, if I have to compare for the pandemic period starting with March 2020 to July this year, the transmission with regard to fresh rupee loans, weighted average lending growth, the transmission has been 146 basis points, whereas for outstanding rupee loans, it has been 101 basis points. So, therefore, as you can see transmission has happened in the outstanding loans also.

Anup Roy, Business Standard:
Thank you Sir. Sorry, I'm more specifically focused on that retail loan part, I mean retail loan, it has not really softened.

Shaktikanta Das:
I thought you know the retail loans have a greater demand and I specifically mentioned that retail housing loans in particular, the rates have been at historic low. Banks also, once the external benchmark has been introduced, post external benchmark, the transmission for both fresh loans as well as the outstanding loans have been in the order of fresh loans 177 basis points, and outstanding loans has been 119 basis points. Therefore, transmission has happened, even after the external benchmark has been introduced. And as you know external benchmark started with focusing on MSME, retail, etc.

Yogesh Dayal:
Thank you. I move on to Ira Duggal of BloombergQuint please.

Ira Duggal, BloombergQuint:
Good afternoon Sir. I'm returning to the growth-inflation picture actually. So, it's very clear that what is driving MPC policy or even RBI policy is the growth picture. In the past, it is mentioned as what is fragile, this time you have described it as nascent and hesitant. What is determining that subjective assessment? Growth rates are not clear

right now. We all know that. Is it that you're benchmarking to the level of output pre-pandemic, to judge when there is going to be comfort on growth, because otherwise it's a very subjective assessment and hence the turn in policy is very difficult to assess. So, what are the indicators underlying that you are studying to judge when you're comfortable on growth, to shift back to your mandate which is inflation.

Shaktikanta Das:
Well, the future roadmap, I think Deputy Governor Dr. Michael Patra has already mentioned, how we will be proceeding forward, and since this is a related question to what Lata and thereafter Mythili asked, I will request Dr. Michael Patra, as you have replied to the earlier two questions, so probably for consistency, you can sort of take that question.

Dr. Michael D. Patra:
Thank you Governor. So, the point is that base effects come to play when you deal with year-on-year growth rates. Otherwise they don't come into play. So what we do is, we watch the actual levels of a number of indicators of demand and supply, for instance, if I was to look at pent up demand, I would look at mobility, power demand, indirect tax collections, etc. Now I have a sense as to in a normal time, what should be these levels? I compare that to a normal time level and therefore I get around the base effects. For instance, I look at underlying demand. Is that a real genuine step up in demand, I would look at say capacity utilisation, and I know that in Indian industry, when you approach 75 per cent capacity utilisation, you are close to full capacity. Now, we are well below that. We are around 60-65 per cent and we're set to decline in the next quarter because of seasonal effects, so I know that we are below capacity. Likewise, I look at order books for instance. Are order books rising? Is there a good stock of order books? Are inventories rising? If finished good inventories rise, I know that there is less demand in the economy and probably recessionary tendencies. But if the raw material inventory rises, I know that manufacturer is seeing rising demand and therefore they are preparing stocking up. So, there are a number of indicators that tell me just by their levels relative to normal levels, what is the state of the economy. Likewise, if you don't like year-on-year growth rates which have base effects, you can actually look at month-on-month seasonally adjusted annualised rates which strip out. We typically do that for every growth rate that we monitor so that we are through with the base effects.

So, the answer to your second question is - yes, we do look at pre – pandemic levels. So, what we do is we typically compare with 2019-20. But when we do that we are very accurately conscious that 2019-20 was a year in which a slowdown had matured for two and a half years and the growth rate in 2019-20 was the lowest in the 2011-12 series, but perhaps that is best to achieve after a pandemic. So, we do these pre-pandemic comparisons all the time to sort of set our feet on ground reality. And we are not like taken away by base effects that obscure their current growth rates.

Ira Dugal, BloombergQuint:
But sir, you may have to take into account that there would be certain moments of damage…

Shaktikanta Das:
Sorry Ira. I think you can have a separate conversation with Dr. Patra. Let’s move on to the next question.

Yogesh Dayal:
Now, I would request Bijoy of Informist media to ask his question please.

T. Bijoy Idicheriah, Informist Media:
Thank you, Yogesh sir for taking my question sir. I am just going back to fundamentally a very simple thing. You have done G-SAP, you have done OT, you have done OMOs, but bond yields have still trended up, despite all these efforts and you've spoken about yield curve being a public good. In that sense, do you think, what your efforts are, are in sync with where the markets think bond yields should be, and what is the kind of guidance that you can give on, you know your view on this, because it is clear that there is some kind of disconnect here. Also, if I can just ask you to clarify on the current account norms for smaller borrowers, because many smaller borrowers are facing a lot of issues with that. I am just asking you if you could take a moment to answer these questions.

Shaktikanta Das:
Thank you Bijoy. There are two questions. Again, request participants to please ask one question only. On the current account part, I would pass on to the Deputy Governor Rajeshwar Rao to deal with that. Now on the first part, you talked about the market and the RBI expectations around the yields. Now, I've devoted in my statement today considerable amount of time on financial markets, and on liquidity and I also spent considerable amount of time on the bond yields and how we are looking at the secondary market. So I have given a very clear and a very detailed explanation of how we look at these things, and I have again said, I have said it earlier and let me again reiterate that we don't expect the yield curve to remain at a fixed point.

We are focusing at an orderly evolution of the yield curve and towards that end, we do intervene in the market, from time to time. And intervention is not just post primary auctions, interventions are also through various measures like G-SAP, OMO, Operation Twist and also interventions in the secondary market. Therefore, we are focusing on an orderly evolution of the yield curve. And if you see last year, the borrowing costs of the government which I've said it earlier also, were all-time low and the spread between the G-sec, and the private borrowing, the market rates on bonds and other CP, etc. the transmission had also reflected itself in the private sector borrowing from the market. This year also, there's not a great divergence between the G-sec yield and the private sector yields. They might have slightly increased, but that is due to so many other factors, which are happening all around. So, again, let me say that we are focusing on orderly evolution of the yield curve. And we use various policy instruments and market interventions from time to time. To do that, we do not have a specific target of the yield curve. And we are focusing on all segments, all tenors in the yield curve and this is something which I also mentioned in my statement. Thank you. Is there anything Deputy Governor Rabi Shankar wishes to add?

T. Rabi Sankar:
No sir. I think your response has been fairly detailed, maybe I can just reiterate that as far as RBI is concerned, government security yields are market determined and primary auctions are market determined. I just want to emphasise that point. Thank you.

M. Rajeshwar Rao:
Sir, as far as the current account issue is concerned, I think let me reiterate that, first, there is no blanket ban on opening of current accounts. In fact, actually we are following a kind of a graded approach, that is, there are no restrictions on opening of current account if the exposure of the borrowers is less than rupees five crores and if they have not availed of CC/OD facilities from any bank. And if the exposure is rupees five crore and above, but less than rupees fifty crore, there are no restrictions on lending to opening a current account for such borrowers, but the borrowing current accounts can be used only for collection purposes. Having said that, the other issue is, as far as the CC/OD is concerned, technology today enables anywhere, anytime banking for such things and so there is no likelihood of any disruptions as far as opening of current accounts are concerned, and the proposal which we have actually tried to implement ensures better discipline on the borrowers. Having said that, I think also you must appreciate that we have been quite flexible in our approach and many of the issues regarding the opening of current account and the operational issues have been addressed through the FAQs which we have put out in December. And now, taking into consideration some of the concerns put out by the banks we have actually extended the timeline till October 31 2021, and we will be addressing many of these issues in consultation with the IBA and banks so that any remaining residual issues can be sorted out.

Yogesh Dayal:
Thank you Sirs. I will move on to Gopika from The Mint.

Gopika Gopakumar, The Mint:
Good afternoon Governor. I will move away from policy just to ask about the recent ban on Master Card. Have they made any efforts to be compliant with regulations? Also, what about Visa? Or have they also complied with the regulations? And what kind of messaging is RBI trying to send out with the recent few months, we have seen ban on HDFC Bank credit card, ban on Master Card and hefty fines at times, what is the kind of messaging that RBI is trying to send out through these harsh actions?

Shaktikanta Das:
Thank you Gopika. I would not like to reply on individual entity related questions because it is between the regulator and the individual entity. Now with regard to the messaging part, which was the second part of your question, well there is a regulatory guideline, which the regulated entities are expected to comply. It is not just with regard to cards - credit cards or debit cards, it is with regard to other regulatory guidelines also, whether it relates to banks or NBFCs, or any other regulated entity. We have regulatory guidelines, and we monitor the compliance of the regulatory guidelines. Whenever there are deviations or violations of the regulatory guidelines, so as, obviously as a regulator, it's our job, it's our responsibility to ensure compliance. So, all of our actions, are basically an outcome of our keenness and our responsibility to ensure that the regulatory guidelines are complied. So, it is an effort to ensure compliance. Messaging part, it is for people like you to read it, but our job, our responsibility is to ensure compliance. And from time to time, therefore, we impose restrictions, as they are required in individual cases.

Yogesh Dayal:
Thank you Sir. I'll move on to Shri Mayur Shetty from Times of India.

Mayur Shetty, Times of India:
Thank you Yogeshji. Governor sir, again, another question on interest rate is, in the past, you used to indicate that there will be elbow room available for more policy action. This time, there is no such mention. And also, you mentioned that the pass through has not been fully done. So, is there a scope for interest rates to come down further?

Shaktikanta Das:
As you know, we don't regulate the interest rates. It is commercially determined by the banks, but yes, we have certain broad guidelines, with regard to how the interest rates will have to be fixed and there is an external benchmark framework, which was given out by the Reserve Bank. Now, when we reduce policy rates, obviously you cannot expect a one-to-one transmission to the lending rate and the actual lending rate depends on bank-specific factors. It also depends on borrower-specific factors. So, taking all that into account, individual banks decide their interest rates, and so therefore, it would not be correct for me to say at this point of time, whether there is a scope for further cut in interest rates. We are monitoring, we are constantly engaged with these supervisory entities. And we do sort of wherever we find that transmission is not happening, we definitely look into those aspects. So that's how I would like to reply unless Deputy Governor M. K. Jain wants to add something.

M. K. Jain:
No sir, nothing to add further. I think you have very well covered all the aspects. The interest rate is basically a decision to be taken by the banks, and they are taking the decision depending upon the cost and the other aspects. Thank you.

Mayur Shetty, Times of India:
And headroom for policy rates, would you like to say anything?

Shaktikanta Das:
Headroom for policy rates? This time it’s a pause, we have retained it at 4 per cent. Now going forward, it is the MPC, that will take a call. So, let's move on please. Thank you Mayur.

Yogesh Dayal :
Thank you Sir. I'll move on to Shri Anirban Nag from Bloomberg.

Anirban Nag, Bloomberg:
Thank you Yogeshji and good afternoon Governor. Always good to see you. Governor, I have two quick questions. One is, what exactly did Professor Jayant Verma dissent on and why? I know it will be there in the minutes but if you can just be first on that. That is one and second is on VRRR and the liquidity operations that you are undertaking, it will see that liquidity by September will come down considerably. Is that the start of the normalisation of the liquidity stance at least?

Shaktikanta Das:
As regards the view of an individual member, it’s better that we wait for the release of the minutes on 20th of this month. It would not be correct on my part or proper on my part to sort of try and rephrase/ spell out what he has said. It will be reflected in the

minutes of all the members. In fact, their individual views will be reflected in the minutes.

Now the second part of the question you mentioned was about normalisation. You see what I have said is, you said that the liquidity will come down. I did not say liquidity will come down to rupees four lakh crore. All that I said, is that the total quantum, because the VRRR also continues to be a part of the system liquidity. It's not as if we have taken it out and all that I said in my statement, it's already the copies are available with all of you. I said that even at the end of September, the quantum under the fixed rate, reverse repo window will still be in the order of rupees four lakh crore. Therefore, the total liquidity in the system would be the, what comes to the fixed reverse repo rate window as well as what remains in the VRRR window. So that's all. Beyond that, I have nothing more to add.

Yogesh Dayal:
Thank you Sir. I'll move on to Shri K. Ramkumar from Hindu Business Line.

K. Ramkumar, Hindu Business Line:
Good afternoon Sir. I wanted to know about this, banks have been lending big time in retail, and also because of the ECLGS they have been lending in a big way in MSME actually. But at the same time, slippages are showing. So, I wanted to know how concerned is RBI about these slippages that are happening? And also restructuring is happening in a big way. Thank you.

Shaktikanta Das:
I request Deputy Governor Shri M. K. Jain to take that question.

M. K. Jain:
Thank you. With regard to the movement of any kind of stress in the retail segment and MSME segment, we are very closely monitoring. Yes, there is a visibility of little bit stress from the past data, but definitely it's not alarming and constantly we are engaged with the regulated entities, particularly the outlier banks and the outlier NBFCs. And we also conduct stress test. And if you know that in the past also we advised all regulated entities post COVID to improve their provisions, and which they responded, the results of all the banks, if you see pre COVID-19, and now March 2021, there is overall improvement in all the parameters with regard to capital adequacy ratio, there is a reduction in gross NPAs, net NPAs as well as slippages ratio. There is an improvement in the provision coverage ratio. And there is also an improvement in the profitability. So, the sector is better positioned today, that what it was before the COVID onset. Thank you.

Yogesh Dayal:
Thank you Sirs. Now I'll move on to Ms. Swati Khandelwal from Zee Business News.

Swati Khandelwal, Zee Business News:
Thank you Governor. Need an update on whether the report of the Working Group on Digital lending companies has been released? If yes, then what are your observations on this? And what are your view on virtual currencies as these virtual currencies are mushrooming in the market. What would be the regulatory stand on this?

Shaktikanta Das:
With regard to your question regarding digital lending through Apps, the report of the Committee is in its final stage of completion. It should be released sometime this month. It took little time as they have to consult all stakeholders and then release the report. We will then study and examine the report and its recommendations and accordingly take necessary action in this regard.

Regarding your question on private virtual currency, which is different from central bank digital currency, we have some concerns regarding the private virtual currencies. I have already spoken about this in monetary policy conference and on one/two occasions. We have conveyed our concerns on private virtual currency to the Government, which is under their jurisdiction. That's how I would like to reply to your questions. Dhanyawad.

Yogesh Dayal:
Thank you Sir. I'll move on to Shri Lalatendu Mishra from The Hindu.

Lalatendu Mishra, The Hindu:
Good afternoon Sir. It seems the banks are taking huge haircuts in some recent large IBC cases. Is it a matter of concern?

Shaktikanta Das:
I have touched upon this issue recently in one of my recent interviews. If I remember, the total recovery, that is after the hair cut under the Lok Adalat regime, was about 5 per cent. Under DRT framework, it was 6 per cent and I'm referring to the data between 2014-15 to 2019-20, so I am referring to the data during those 5-6 years. In Lok Adalat, the recovery was 5 per cent, while under DRT, recovery was 6 per cent. Under SARFAESI framework, the recovery was 20 per cent and under the IBC, it is about 40 per cent. And before the onset of the pandemic, the recovery was 45 per cent. It is only during the pandemic year, recovery has slightly slowed down to 40 per cent. So this is a NCLT supervised, judicially reviewed and supervised process. The implementation of IBC requires of course time taken needs to be reduced. And the government has also undertaken some further legislative action to streamline the process and rationalise the system further. Therefore, so far as the recovery is concerned, under IBC, I have given you the figures, it is far better than SARFAESI and DRT. Thank you.

Yogesh Dayal:
Thank you Sir. I'll move on to Shritama Bose from Financial Express.

Shritama Bose, Financial Express:
Thank you sir and good afternoon. My question is on the umbrella entity licences for retail payments. How many applications have you received? On what parameters are you evaluating them and when can we expect an announcement on the names of the licences?

Shaktikanta Das:
That is under examination. We have received certain applications. As and when required, we will be letting you know. The internal process of examination and evaluation is underway.

Yogesh Dayal:
Thank you Sir. I'll move on to Shri Shailesh Yadav of ANI.

Shailesh Yadav, ANI:
On the amendment on retro tax passed in the Lok Sabha yesterday, there are two reactions emerging - one that scrapping of retro tax is a good initiative of the government. This will give more confidence to foreign investors to invest in India. And another reaction is that the government has taken this step under pressure. So, what's your view on this?

Shaktikanta Das:
It is not proper for me to give my personal opinion on government's decision. See, when Government does not take action, you say that the government is indifferent. And if it takes action, you say that government has taken the step under pressure. So, heads I win and tails you lose, is not proper. I had been Revenue Secretary, I had been Economic Affairs Secretary earlier and this was a long pending issue. So, my belief is that it is a very good decision and a timely step. And it is definitely a very welcome measure. Thank you.

Yogesh Dayal:
Thank you Sir. I'll move on to Shri Neeraj Bajpayee from CNBC Awaaz

Neeraj Bajpayee, CNBC Awaaz:
Sir, you had mentioned in your closing remarks that one can see growth in certain sectors though uneven as unlocking happens. IMF has also said that vaccination is going slow in India and fiscal measures are few. So, do you think that RBI has taken many measures and it is now upto the government to take more fiscal measures as there is not much demand coming from rural areas and from the lower strata?

Shaktikanta Das:
See, sectoral unevenness is there because the contact intensive services, naturally have been impacted more, the tourism sector, the hospitality sector, hotels, restaurants, private transport services, taxi services, they have been impacted much more as they were completely closed. So, contact intensive services have been impacted, much more. And in their cases, the opening will be much more gradual than the other sectors. On the other hand, in the manufacturing sector during the second wave of COVID-19, there was not much impact as they had already adapted the COVID-19 related protocols and so they were carrying out their activities smoothly. Therefore, the recovery will be uneven and will differ from sector to sector. The Reserve Bank has taken certain measures and will continue to take appropriate actions whenever needed. And the pandemic is still there. So, our actions will continue whatever it takes and we will remain vigilant. As far as fiscal measures are concerned, Government has taken fiscal measures, that are prudent, calibrated and responsive. So, they were very well calibrated. You can see a pattern there as well. In the beginning, stress was given on individuals in poorer strata, then credit off-take, then sectoral. So, response of the government has been calibrated. So, our expectation is the government will continue with its calibrated approach and remain responsive, as

and when necessary as pandemic is still not over. I cannot say more on this as I am not the advisor to the Government. So, we will give our suggestions internally, whenever required. Thank you.

Yogesh Dayal:
Thank you Sir. I'll move on to Khushboo Narayan from Indian Express.

Khushboo Narayan, Indian Express:
Thank you Yogesh Sir. Governor, you know, we have seen a lot of cooperative banks failing, specially in the last couple of years, and now the RBI, because of the new amendment has more powers over cooperative banks. So, is RBI contemplating any steps to ensure that these banks don't fail because we've seen a spate of failures over there?

Shaktikanta Das:
I think DG Rajeshwar Rao can reply to this question.

M. Rajeshwar Rao:
Yes, we are taking action as we are closely monitoring the position as far as the urban cooperative banks are concerned. Yes, you're right on that point and there are concerns about the failure of some of the urban cooperative banks. We are also actually waiting for the recommendations of the expert committee that is headed by our former Deputy Governor Vishwanathan. The committee report is expected to come shortly and there will be some recommendations which will guide us on the way forward. Thank you.

Yogesh Dayal:
Thank you Sir. Sir, we're almost out of time, but we'll take last few questions. So, request Swati to ask her question if she can connect to us.

Swati Bhatt Shetye, Thomson Reuters:
Thank you so much Governor. So, I just wanted to ask a follow up question on the VRRR, or you have almost doubled the quantum of VRRR purchases to four trillion rupees. Does that suggest some form of a concern over the massive liquidity, even though it's not the start of the liquidity withdrawal phase and this continues to be a part of systemic liquidity. It still reduces the quantum of freely available cash and is that the start of a normalisation or eventual withdrawal of liquidity from the market?

Shaktikanta Das:
I have very clearly said in my statement that this should not be misread as a reversal of the accommodative policy. And I also very clearly said that the VRRR window is purely voluntary, the banks make their own assessment of their liquidity requirement, and accordingly they offer quantum under the VRRR window. And the other issue is that with regard to the bid cover ratio that is the response to the past VRRR auctions if you see, we have gone by that. The appetite of the banks is much more than rupees two lakh crore. And also please remember that when we accept a higher quantum on VRRR, we are giving a higher remuneration to the banks, so therefore it is a response to the requirement of the banking sector. Thank you.

Yogesh Dayal:
Thank you Sir. We are at the end of the press conference. We have overshot by 15 minutes. This one last question from Shri Anand Adhikari of Business Today if we can take that.

Anand Adhikari, Business Today:
Good afternoon Sir. The public sector banks are still under the RBI's Prompt Corrective Action. Any update on this as some of the banks have applied to RBI for removal of PCA tag?

Shaktikanta Das:
We keep on reviewing that position. Recently, we removed one public sector bank from PCA tag. And as and when required requests are received we analyse it, if it meets RBI's regulatory requirements and if in our assessment, we feel confident that it's a fit case, the RBI will do the needful. So, we have been taking banks out of PCA.

M. K. Jain:
The last bank taken out of PCA tag was Bank of India. So now certain banks are in the process, we are examining those banks, and as and when the time comes we will definitely announce the withdrawal of PCA.

Yogesh Dayal:
Thank you. With this we come to the end of the press conference post monetary policy. I'd like to thank all the participants for being very patient and engaging participation in this press conference. I'd also like to thank the honourable Governor, and all the Deputy Governors who have spared time to be with us. With this, we come to the close of the press conference. All the very best, stay safe, stay healthy. Thank you very much.