Edited Transcript of the Reserve Bank of India's Monetary Policy Press Conference: February 8, 2023

Participants from RBI:

Shri Shaktikanta Das – Governor, Reserve Bank of India
Shri M. K. Jain – Deputy Governor, Reserve Bank of India
Dr. Michael D. Patra – Deputy Governor, Reserve Bank of India
Shri M. Rajeshwar Rao – Deputy Governor, Reserve Bank of India
Shri T. Rabi Sankar – Deputy Governor, Reserve Bank of India
Dr. O. P. Mall – Executive Director, Reserve Bank of India
Dr. Rajiv Ranjan – Executive Director, Reserve Bank of India

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

Shaktikanta Das:
Good morning. You have already heard my statement. So, I would request our media head, Yogesh Dayal, to take over.

Yogesh Dayal:
Welcome everyone to this post-policy press conference. This is the last for the year and we will be today interacting with media friends who all have come from media agencies and representing media houses. So first of all, I will welcome the Governor and Deputy Governors, Shri. M. K. Jain; Dr. Michael D. Patra; Shri. M. Rajeshwar Rao; Shri. T. Rabi Sankar; Executive Directors, Dr. O. P. Mall and Dr. Rajiv Ranjan along with my colleague from the MPD, Shri Muneesh Kapoor and media friends. Welcome to this press conference. Before we go ahead, sir, I would request you for opening remarks so that we can get started with the press conference.

Shaktikanta Das:
Thank you. What I have done is that as I have been doing in earlier Monetary Policy Committee press conferences, the detailed statement which I made, I have tried to summarise them. In this context, I would like to highlight seven points, which basically emanate from whatever is there in the statement, just to put things in perspective, I would like to say as follows.

Firstly, the Indian economy remains resilient. It has withstood successive global shocks over the last 3 years. Each shock came with unprecedented suddenness and spillovers. Major economies are still reeling under their pressure. However, the Indian economy, amidst all this, remains resilient.

Second, inflation has shown signs of moderation. I repeat, inflation has shown signs of moderation and the worst is behind us. But there are concerns around core inflation. We cannot take our eyes off inflation.

Third, we are now witnessing conducive conditions of macroeconomic stability as reflected in moderation in inflation, fiscal consolidation, and the expectation that the current account deficit is likely to narrow in the coming quarters.

Fourth, the Indian rupee has remained one of the least volatile currencies among its Asian peers in 2022 and continues to be so this year also.

Fifth, the real policy rate has moved into positive territory, and the banking system has exited from the Chakravyuh of excess liquidity without causing any disruption. Monetary policy transmission is also picking up.

Sixth, on liquidity, the Reserve Bank will remain flexible and responsive to the requirements of the productive sectors of the economy.

Seventh and the final point is that we, in the Reserve Bank of India, stand resolute to deal with all future challenges.

I will stop here. Thank you.

Yogesh Dayal:
Thank you, sir, for those opening remarks. I will start the press conference. I will invite Mr. Govardhan Rangan from The Economic Times to ask his question.

M. Govardhan Rangan, The Economic Times:
Thank you, Yogesh ji. Good morning, Governor. With this policy, probably you have not surprised, you just met the expectations. But in terms of the future outlook, your inflation forecast for next year is 5.3% and 5.6% for Q4 of next year. When there is a consensus among all the central bankers that inflationary pressures are easing and you also mentioned that then what is the reason for forecasting the inflation at 5.6%, which is higher than what the MPR has forecasted in the last edition? What is that, that has made you increase the forecast for next year's fourth quarter, and what is the message with 2 of the MPC members already saying that we have done enough? So how does one read this in terms of messaging as to what is that in store?

Shaktikanta Das:
I would request DG Dr. Michael Patra, to take this question.

Dr. Michael D. Patra:
As you mentioned, the average inflation is lower in 2023-24 than in 2022-23. You specifically mentioned the second half of the year. That is because of the base effects of this year playing out. That is why it is higher.

M. Govardhan Rangan, The Economic Times:
In terms of the widening differences within the MPC, the external members are saying that, okay, we have done enough and the inflation is easing. So why is still there a kind of an indication that there may still be rate hikes and okay?

Shaktikanta Das:
Ultimately the MPC decision is the majority decision. With regard to indication, it is not possible to say anything. I have said it earlier also that in the current tightening cycle especially with regard to rates, we have refrained from giving any forward guidance because sometimes it can be and may become counterproductive. So we are not giving any forward guidance. We have said that we will be extremely watchful of the incoming data, as well as the outlook on inflation as well as what is happening in the overall economy. Based on that, we will decide going into the future months.

Yogesh Dayal:
Thank you, sir. I will invite Mr. Anand Adhikari from Business Today to ask his question.

Anand Adhikari, **Business Today**:
Sir, I have done some analysis of these three food items, viz., cereals, eggs and spices. I was looking at the CPI basket and they have been on a consistent rise since May, month-on-month in the case of cereals and spices. In the case of eggs, prices are high, and we have seen at least a 5% rise in the last 2 months. I just want to know what is your assessment of these 3 items in the food basket and if will they remain sticky.

Shaktikanta Das:
Each component of the headline inflation and beyond that each component of the food inflation, the core inflation and the fuel inflation, each of the components, the momentum that is the month-on-month momentum are very closely examined by the MPC and by our research teams within the RBI. Based on that, we give out certain statements. For example, I have said that the moderation in vegetable prices in the last 2 months, that is in November and December, was more than the price momentum in cereals. I have mentioned a couple of items there. We examine all these components and the future trajectory of each of these components, the month-on-month momentum etc., all are built into our projections.

Yogesh Dayal:
Thank you, sir. I will invite Mr. Vishwanath Nair from BQ Prime to ask his question.

Vishwanath Nair, BQ Prime:
Good afternoon, Governor. In your statement, you mentioned that banks have come out of the Chakravyuh of excess liquidity. You also pointing out that the deposit rates are rising between May and December. You mentioned 213 basis points increase on weighted average fresh deposits. Having said that, since the last policy, the gap between credit and deposit growth has reduced but it still remains quite wide. As the prospects for credit growth are rising sharply still, how long can banks continue having this 400, 500 basis point gap between the credit and deposit growth rates?

Shaktikanta Das:
I think I would request DG Michael Patra to take that question, and DG Jain can supplement thereafter.

Dr. Michael D. Patra:
As you point out, the difference has narrowed, but there is still a difference. It is really up to the banks to mobilise deposits and make up the gap. They are doing so through certificate of deposits and reducing non-SLR investments but they need to mobilise deposits on their own to meet the gap.

M. K. Jain:
I will supplement what Dr. Patra has talked about it. There is an increase in the deposit side also. The sources of funding we have analysed and we have seen that the sources of funding are coming from deposits as well as the borrowings. The CD ratio as of now for the banking sector has increased a little bit, but still reasonable within the range. The liquidity coverage ratio is still at a very comfortable level, much higher than the regulatory prescription of 100%.

Yogesh Dayal:
Thank you, sirs. I will invite Ms. Latha Venkatesh from CNBC-TV18 to ask a question.

Latha Venkatesh, CNBC-TV18:
Thank you, Yogesh. Well, Governor, 2, 3 questions, please.

Shaktikanta Das:

It will be good if you can ask one.

Latha Venkatesh, CNBC-TV18:
The real policy rate you said that now 5.6% inflation and 6.5% repo rate, but the 1-year T bill is trading at 6.95%. So effectively, if you take 5.6% inflation, the real rate is already about 140 basis points, 130 basis points. Will you be guided only by the pre-COVID, which was I think 230 basis points difference real positive rate? So, what will guide your decision to pause? Or will it be also the actions of other central banks? And if I may, sir, what is the total exposure of the banking and the NBFCs to the Adani Group because we just heard that REC has ₹7,000 crore. So, is there a number that you will have already assessed? If you can tell us whether you would be cautious that the number should not increase.

Shaktikanta Das:
The first part of the question relating to the real rates and all, Dr. Patra can take, and then I will take over the next part of the question.

Dr. Michael D. Patra:
As you pointed out, we have nudged the real policy rate into positive territory. What its level will be, will be decided by the evolving macroeconomic configuration. So, it is not necessarily guided by pre-pandemic levels or anything, but by the evolving growth and inflation trajectory.

Latha Venkatesh, CNBC-TV18:
But 130 is a big, real rate.

Dr. Michael D. Patra:
No. Actually, we are talking about the real policy rate, right? So you take the policy rate and adjust it for inflation 4 quarters ahead, as we have always done, and you get less than 1%, (0.9 per cent). About foreign banks and all that, we take into account all developments in the world, but monetary policy has an exclusive domestic orientation, it will react to domestic developments.

Shaktikanta Das:
Now with regard to the other part of the question about the exposure of the banking sector to one particular business conglomerate. We have issued a press release on last Friday. I have nothing more to add to that. Individual cases and their numbers, as you are aware, we do not discuss in the public domain. Having said that, let me mention in addition because so many questions are being raised in the public domain. In the last 3 to 4 years, the Reserve Bank has taken a number of steps to strengthen the resilience of Indian banks. We have come out with clear guidelines to regulate the governance in Indian banks. We have issued guidelines about the functioning of the audit committees. We have issued guidelines for the functioning of the risk management committees. We have now made it mandatory for appointment of Chief Risk Officer in banks. We have also made it mandatory for appointment of Chief

Compliance Officers of the banks and we have given through our regulations, the desired level of autonomy to the Chief Risk Officer and the Chief Compliance Officer with regard to his functioning within the bank.

The Chief Risk Officer, for example, reports directly to the Audit Committee. And there are so many other regulations which I am not going into. We have also rationalised in the last 2 years, the large exposure norms and all that. I would like to add at this point of time that the Indian banking sector, including the NBFC sector since you referred to a couple of them, continues to be resilient and strong.

Yogesh Dayal:
Thank you, sir. I will move on to Mr. Anup Roy from the Bloomberg. I request him to ask his question.

Anup Roy, The Bloomberg:
Sir, a couple of countries in the Southeast Asia region are now warning about inflation and the resurgence of inflation. And you are also seeing the core inflation to be sticky. Do you fear a resurgence of inflation back, sir?

Shaktikanta Das:
No, we have given our roadmap, and we have given our projections for 2023-24. We have factored in and we have also highlighted all the upsides and the downsides. Beyond that, it is not possible for me to say anything else. As regards the level of inflation in other countries, that does not impact our decision-making. Our decision-making will be governed by domestic factors. One more point that has to be kept in mind is that the gap between the inflation target in several countries and where their current inflation is, the gap is much wider compared to our target and where our inflation is.

Anup Roy, The Bloomberg:
Today, you have hiked by 25 basis points and a lot of analysts were thinking that maybe you will give a clear tone that we are going to pause, but you are in no mood. So, inflation is very much there in your mind. So, will you ever give an indication that we will pause here?

Shaktikanta Das:
Currently, our mood is the mood of optimism.

Yogesh Dayal:
Thank you, sir. I will move on to Ms. Anshika Kayastha from The Hindu Business Line.

Anshika Kayastha, **The Hindu Business Line**:
Sir, you mentioned that you will be issuing directions on penal charges for financial institutions. Just wanted to understand what prompted this and what has the RBI observed so far? And second, just a quick question, what is the sort of preparedness level? I know you have started getting feedback on the ECL draft framework. What has been the feedback and comments so far and by when could we expect the final guidelines? What is the general preparedness level of banks as of now according to you?

Shaktikanta Das:
I would request DG Rajeshwar Rao to take both the questions.

M. Rajeshwar Rao:
Regarding the first issue of penal charges, the supervisory reviews, which have been conducted by RBI, have revealed that most banks use a penal rate on top of the nominal interest rate in case of payment defaults and non-compliance with the terms and conditions sanctioning the credit facilities. The reviews indicated there are diverging practices and there were excessive charges in some cases and they were leading to grievances and disputes. We are trying to frame guidelines which will ensure that there is a transparent and uniform approach to this issue. That is the background under which we are proposing to issue guidelines on the penal charges. Now, as far as the ECL norms are concerned, it is generally assumed that the ECL norms may be higher than what is there under the current approach, but that may not be necessarily the case in all situations. That is first point. Secondly, if you look at the position of the banks, the current position is that in terms of the financials, the banks are well prepared to absorb it. In fact, the PCR ratios have improved to about 71.5% in September 22 as compared to 68.1% last year. And the discussion paper has been placed in public domain, we are expecting the comments to come in by February end and maybe shortly thereafter, we will propose to issue the final guidelines taking into account the feedback being received from the public.

Yogesh Dayal:
Thank you, sir. I will move on to Mr. Ajay Ramanathan from The Financial Express.

Ajay Ramanathan, The Financial Express:
Good afternoon, Governor. This is regarding the national financial information registry. It was announced in the budget and we believe that the draft is ready. I just want to know how this will differ from the credit information bureaus that we already have?

Shaktikanta Das:
DG Rajeshwar Rao can take that question.

M. Rajeshwar Rao:
There have been consultations between RBI and the Government on this NFIR Bill 2023. Further course of action will depend once the bill is passed. As far as the NFIR's role is concerned, we expect it will contain ancillary information over and above what is already being held by the credit information companies.

Shaktikanta Das:
There will be lots of additional information, which will be part of this new registry that we are envisaging and it is under discussion with the Government. A lot of discussions have already happened based on which the Government has announced it in the budget.

Yogesh Dayal:
Thank you, sirs. I will invite Ms. Chloe Cornish from The Financial Times to ask a question.

Chloe Cornish, The Financial Times:
International banks were key financiers of the Adani Group. Moody's and other agencies have said that the Indian banking system is not badly exposed to the Adani group unless they start to become major lenders to the group which may become less able to avail financing from international lenders. Fitch actually said there is a tail risk that fallout from the controversy could broaden and influence India's sovereign rating.

Will you be giving any guidance to domestic banks about their exposure to the Adani group going forward?

Shaktikanta Das:
Different agencies make their own assessments. We, in the Reserve Bank, have made our own assessments and whatever I just said a little while ago and whatever we said in the press note based on our assessment; the large exposure guidelines prescribed by the Reserve Bank are fully complied with by all the banks. So far as the Indian banking system is concerned, the strength, the size, and the resilience of the Indian banking system are now much larger and much stronger to be affected by an individual incident or a case like this. The banking system is strong. This whole perception is coming because of the market capitalisation of the shares of the group. When banks lend money to a company or to a group of companies, the banks do not lend on the basis of the market capitalisation of that particular company. The banks lend on the basis of the strength of their company, the fundamentals of their company, or the strength and the fundamentals of their analysis if it is a greenfield project, the anticipated cash flows, and so many other things that go into the appraisal of the banks. The appraisal methods of Indian banks have significantly improved over the years. I would just reiterate again that the banking system is stable and continues to be strong. DG, Jain, would you like to add anything?

M. K. Jain:
Governor has already explained that our domestic banks' exposure is against the underlying assets, the operating cash flows and the projects under implementation and not based on the market cap. The exposure as of now is not very significant across all the banks and the NBFCs as well. The exposure against shares of the domestic banks is insignificant.

Yogesh Dayal:
Thank you, sirs. I will move on to Mr. Ben Jose from the Press Trust of India.

Ben Jose, Press Trust of India:
Is 6.4% an achievable target given the external risk? Last time you lowered the target many times. Are you in a comfortable position to repeat the same? Even with the nominal GDP growth, the budget has been pegged at 10%, down from 15.5% this year.

Shaktikanta Das:
Last year, we had initially given 7.8%. Then, of course, the war started in Europe and so many other developments took place. I will leave it to Dr. Patra to take that question.

Latha Venkatesh, CNBC-TV18:
Sir, if I may just add, that first quarter, we are up from 7.1% to 7.81%.

Dr. Michael D. Patra:
We recognise that the global situation may result in net exports becoming a drag on growth and therefore if you see 2023-24 relative to 2022-23, there is a deceleration from 7.0% to 6.4%; that factor in a drag from net exports.

As of now, given current projections of world trade, world output by international agencies, which are factored in here, it is achievable. These are year-on-year forecasts. So, they have momentum and a base effect. Some of it is coming from the base, that is 2022-23.

Yogesh Dayal:
Thank you, sir. I will invite Gopika Gopakumar from Mint to ask a question.

Gopika Gopakumar, **Mint**:
This is with respect to liquidity. You have said that the liquidity remains surplus, although it is lower compared to last year, and you are looking at different liquidity operations on both sides of the LAF. Where would you want to see the liquidity? Is there some level, you are looking at before it starts normalising?

Shaktikanta Das:
In the beginning of this financial year (in April 2022), the liquidity was about ₹7.87 lakh crore to ₹8 lakh crore. Now, the average daily LAF is ₹1.6 lakh crore. During this period, on a couple of occasions, we undertook variable rate repo operations for very short periods when there was a little bit of stress in the liquidity situation. Our effort and as my colleague, Deputy Governor, M. K. Jain pointed out, the LCR, the liquidity coverage ratio of the banks is more than our LCR norms. They have that much of liquidity to support their lending. The CD ratios are also at reasonable levels, so there is a lot of capacity with the banks to continue with their lending operations.

What is your next question?

Gopika Gopakumar, **Mint**:
What kind of levels do you see because we have the TLT redemptions?

Shaktikanta Das:
It is difficult to pinpoint and give out a number, it will depend on the evolving situation and the credit offtake, the needs of the economy, we will be responsive to the needs of the productive sectors of the economy so far as liquidity is concerned. Under that broad principle, we will act. It is difficult to give an exact number because there are several moving parts.

Yogesh Dayal:
Thank you, sir. I will move on to Mr. Manojit Saha from the Business Standard.

Manojit Saha, Business Standard:
Thank you, sir. Monetary policy acts with a lag, we all know. 250 basis point hike in a matter of 6 months, 8 months, is a large hike. And some of the external members have suggested, we can step back and see how the previous hikes span out. What is holding you against that? Is it core inflation that you are not bothered about and that is why you are not indicating any future guidance on a pause or something?

Shaktikanta Das:
I have said in my statement, and the MPC resolution also says so, that at this point of time taking into account where the mix of factors and the data that we have ahead of us, a 25 basis points hike is considered as appropriate. But data is always backward looking. We have also looked at the outlook, which is more forward looking. So at the current juncture, the MPC felt that a 25 basis point hike is warranted very much. I have also said that since we have moderated the pace of hike, 50, then we did last time 35, now we have done 25. This gives us an elbow room to assess the impact of the actions undertaken so far. It is a constant exercise which is going on and we will continue to

assess that and take an appropriate call as we go into the future. I can reply only on the basis of the MPC's decision, which is based on a majority decision. So far as individual members who have given a different point of view, you have to wait for the minutes, the respective minutes of each of the members to come to draw your conclusions.

Manojit Saha, Business Standard:
Do you think that the bank should be proactive and prudent to increase standard asset provisioning to that particular group because they are in a position to do that? Generally, the RBI's stance is that when the going is good, you should increase your provisioning.

Shaktikanta Das:
We have given our regulatory guidelines. The first question, when you say that banks should be more prudent, presupposes that the banks are not prudent. Let me make it very clear that Indian banks are very prudent. During the COVID time, most of the banks, both public and private sector banks, built up their capital. It was a suggestion made by us and the banks utilised the opportunity of liquidity surplus in the market. Most of the banks have built up additional capital. They are all well capitalised. They are prudent. The banks' management will take their own decisions wherever they feel there is a need for additional provisions to be made. Why do you see it only in the context of this case? There are so many cases, where the bank assesses the situation. I am not talking about the case you are referring to. There are so many other cases where the banks proactively make advance provisions. It is a part of the regular risk management on the part of the bank. Let us look at things objectively.

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

Swati Bhat Shetye, **Reuters**:
Governor, you are remaining focused on withdrawal of accommodation going ahead and you said the liquidity surplus has come down significantly, it is just at about ₹1.6 trillion, with the Government has announced a record market borrowing for next year. Do you think you are going to be able to manage it effectively and would you require open market operations or purchases going ahead to manage the borrowing? Are you open to that?

Shaktikanta Das:
I will request DG Rabi Sankar will take that question.

T. Rabi Sankar:
The market borrowing last year was considered high and it was managed smoothly. It will be managed smoothly this year also. We are jumping the gun talking about two OMOs and all at this point of time. There is adequate demand, markets are deep enough so we should not have any problem irrespective of the liquidity conditions.

Shaktikanta Das:
If you look at the net borrowing number, it was about ₹11.08 lakh crore last year, this year it is ₹11.80 lakh crore on an expanded nominal GDP base.

T. Rabi Sankar:
Both the net borrowing is slightly about 7% high, gross borrowing is about 8% higher compared to last year. If you look at the increase last year vis-a-vis the previous year they are moderate. So, we are fairly confident that there would not be any problem in mobilising government borrowings this year.

Latha Venkatesh, **CNBC TV18:**
But sir you all have announced a measure that you are proposing to allow lending and borrowing of G-secs, is that a new thing? Now lending and borrowing those who are in the CSGL can do, other parties also can do, is that the new step?

T. Rabi Sankar:
Lending and borrowing of securities can be done in many ways. One of the simple ways of doing it is through repo markets, which happens even today, but some particular entities are not permitted to borrow money, like insurance companies and all that, and they have a lot of stock of securities. So, allowing lending and borrowing directly against securities and not through the repo market will enable them to lend. All these will add liquidity into the market, will add efficiency into the market, and will improve price discovery in the market.

Swati Bhat Shetye, **Reuters**:
Sir, just one clarification, from when will the market timings move back to 9.00 am to 5.00 pm?

Shaktikanta Das:
The notification will be issued today itself, you will know.

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

Mayur Shetty, The Times of India:
Governor, is to allow lending and borrowing of government securities aimed at enabling short selling? On the government borrowing programme, are you hoping to widen and deepen the market considering that most of the banks, we speak to, are saying that they will liquidate SLR to beat the gap between deposits and lending?

Dr. Michael D. Patra:
DG Rabi Sankar answered that question; the idea is to add depth and liquidity to the market to allow efficient price discovery and that is the enabling conditions which will allow all the programmes to go through smoothly that is the idea.

Mayur Shetty, The Times of India:
And short selling?

Dr. Michael D. Patra:
Short selling is part of the market. We have allowed short selling a long time ago, so it is part of the market, but what we are trying to do is to encourage depth in liquidity and price discovery in the market.

Yogesh Dayal:
Thank you, sir. I will move on to Mr. Pankaj Aher from the Informist Media to ask his question.

Pankaj Aher, **Informist Media:**
Why is core inflation so sticky, is the RBI thinking of any specific measures to bring this under control including perhaps advising the Government of India on this and does one understand that as long as the core is sticky, RBI will continue with the tighter monetary policy?

Dr. Michael D. Patra:
Yes, the core is sticky and typically core inflation is associated with excess demand which is why monetary policy acts to bring down the core. That is why we have been raising rates so far. We expect our rate actions, as they pass through into the economy, to modulate demand and modulate core. If you see our projections embedded in the headline is a core trajectory which is going to be slightly lower than what it was in 2022-23. It will be sticky, but slightly lower.

Pankaj Aher, **Informist Media:**
So, one does expect that the tighter monetary policy will continue for a longer time?

Dr. Michael D. Patra:
No, you cannot expect that because you are seeing the headline moderating to 5.3%, so, obviously core is also moderating not at the pace which we would like, but it is certainly moderated.

Pankaj Aher, Informist Media:
With the projection of 5.6% for next year's fourth quarter, does that not give the comfort that you are seeming to continue to communicate?

Dr. Michael D. Patra:
Yes, we are in an extraordinary situation with overlapping shocks as the Governor terms it and, therefore, these effects have not been seen in the past. We will expect the core to reflect those concerns, but the core will moderate if monetary policy remains resolute on its course.

Shaktikanta Das:
There is also the base effect in the next year’s fourth quarter inflation, which Dr. Patra talked about earlier.

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

Ankur Mishra, ET Now:
Sir, my question is regarding the stance part you have continued to remain on withdrawal of accommodation. One of the expectations was that you may shift to neutral, but I want to understand how far or near we are from that shifting of stance part and what will be the favourable conditions?

Shaktikanta Das:
I have answered this but you may put it in your words now.

Dr. Michael D. Patra:
Please look for a decisive moderation in inflation and a propensity to align with the target.

Ankur Mishra, ET Now:
Recently the government has taken some stringent steps on lending Apps. Whether it has been done in consultation with the Reserve Bank of India? Further, the RBI had

also issued guidelines on digital lending and there were some concurrent issues which were to be discussed with the government, what is the progress over there?

M. Rajeshwar Rao:
We have not asked to ban any Apps for digital lending. What we have done is we have shared the list of Apps, which are used by the entities regulated by RBI, with the Ministry. The Ministry has requested the Playstore to remove these apps which are not operated by the regulated entities. That is the position as it stands today.

Latha Venkatesh, CNBC TV18:
So, what is not on the list is green?

Shaktikanta Das:
These Apps are not RBI-regulated entities. Our regulated entities that have got the Certificate of Registration of RBI are primarily NBFCs. In turn, NBFC uses many Apps. We took the list of Apps from the NBFCs that they are using because there are many illegitimate and illegal Apps which are not appointed by any NBFCs but they promise to lend by sending mobile messages. So, on behalf of the NBFC sector, those who are in the lending business and doing digital lending, whatever Apps they are using, a list of the same was shared with the government, and the government has taken these steps on that basis.

Yogesh Dayal:
Thank you, sir. I will move on to Mr. Hitesh Vyas from the Indian Express.

Hitesh Vyas, The Indian Express:
I want to know the progress on the retail digital rupee, what is the volume and value of transactions that had happened in retail CBDC?

Shaktikanta Das:
I will request DG Rabi Sankar will take that question.

T. Rabi Sankar:
In retail CBDC, there are more than 50,000 users now, and more than 5,000 merchants who are participating. There are 8 banks that are participating, we are planning to increase it further to another 5 banks. Over time we will increase to all major banks. There are 5 cities in which it is being done now. We are going to add another 9 cities and gradually we will be increasing that. The total number of transactions, a couple of days back, was roughly about 7,70,000. I do not have the exact fixed amount, but these are small value transactions. Having said all this and the risk of being tried let me just reiterate that we want the process to happen gradually and slowly. We are in no hurry to make something happen very quickly. We have our targets in terms of users, in terms of merchants and all that. We will go through it slowly. As I have already told we do not want to do something without actually understanding what the possible impact is and that impact is rightly managed.

Yogesh Dayal:
Thank you, sir. We will take the last three questions if you permit because there are four, five people who have not yet asked the question, so, I will start with Mr. Brajesh Kumar, Zee Business News.

Brajesh Kumar, **Zee Business News:**
Sir, my question is about the overseas borrowing limit of mutual funds, which is US$7 billion. Are you planning from your side to increase this limit or have you received any requests from other regulators or industry participants? The second question is about the penal charges which you are talking about. Will you set the limit from your end or will those entities be free to set that but in a transparent way?

Shaktikanta Das:
The draft circular on penal charges will come very soon and I do not wish to prejudge that. Let the draft circular come then you will come to know what is there. If you see in the last few years, RBI usually issues principle-based guidelines. We do not give any set numbers, except for the regulatory guidelines like CET1, Tier-1 Capital should be this much, GNPA should be lower than this, etc., Apart from this, we issue principle-based guidelines only, but I will request you to wait for the draft guideline it will come soon. The second question about mutual funds, we have got requests from some of the market players, we have examined them and we have not taken any decision yet, and when any decisions are taken, you will get to know. As of now, there is no such proposal to increase the limit.

T. Rabi Sankar:
This issue of increasing the overseas borrowing limit of Mutual funds has come earlier also around a year back and at that time it was decided to let it be like that only. The remaining is what the Governor has already said.

Yogesh Dayal:
Thank you, sir. Maybe the last question to Shri Manish Suvarna from Money Control.

Manish Suvarna, Money Control:
So, I have two questions, one is on the stance. Governor, as you said in your statement that overall monetary conditions remain accommodative and hence the MPC decided to remain focused on the withdrawal of accommodation. What will come first – the MPC changing its stance of withdrawal of accommodation or the monetary conditions not being accommodative? The second question is about the coin vending machine. What is the rationale behind it? Why has there a need been felt for you to announce this?

Shaktikanta Das:
The question you asked on monetary policy is a kind of chicken and egg question, so my reply is let the chicken decide. But on a more serious note, we cannot give any forward guidance of this nature. I have said it earlier also. We watch all the incoming trends and we will take appropriate decisions at the appropriate time. Beyond that I will not be able to give any forward guidance. We are quite open about our unwillingness and there is a reason for it. We do not want to create unreasonable or unnecessary expectations in the market. I would request DG Rabi Sankar to reply on the coin vending machine.

T. Rabi Sankar:
Regarding coins, we have a peculiar situation where the supply is very high. It is taking up a lot of storage space and it is not getting properly distributed. At the same time, there is demand in pockets. So, one way of increasing the absorption of coins into the system is to make coins available in places where there is demand. Now for that

purpose, we had earlier placed coin vending machines strategically at marketplaces like vegetable markets and so on, where there was a large demand. The problem then was that the currency that was being fed into these machines was found to be very often fake and all of that became an issue and those could not be checked at that point in time. So, the way out is something that we can plan which is to get rid of feeding in the currency entirely. Since we have UPI available with us and everyone can use a cell phone and there can be a simple QR code, therefore, instead of feeding in currency and getting your change, you just transfer money from your bank account to the concerned bank and withdraw your change. We took some time to develop that machine, we are trying it out in the pilot stage and we will expand that. We expect that this will improve the distribution of coins in the system.

Vishwanath Nair, BQ Prime:
You had pushed cash withdrawals from ATMs as well apart from maybe the largest bank in India and nobody else has made any major announcement on that front. Since you are focusing on coin withdrawal through UPI, I just want to ask you whether cash withdrawal from UPI is also going to be a reality soon.

T. Rabi Sankar:
There are other models that we are looking at, but let us not go into those at this time. If we come up with anything we will let everyone know.

Yogesh Dayal:
With this, we come to the closure of today's press conference and, of course, questions will continue and we will be interacting and meeting again. So, thank you all, especially our media friends for having made it to the press conference and thank you to the top management, Governor, Deputy Governors, Executive Directors and my colleague for making this press conference a success. Thank you so much.