Edited Transcript of Reserve Bank of India's Monetary Policy Press Conference: April 6, 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

Yogesh Dayal:
Welcome to the first bimonthly post Monetary Policy press conference of the fiscal year 2023-24. We are glad to have with us Honorable Governor and respected Deputy Governors. Before we go ahead with the press conference, sir, with your permission, we will request you for some opening remarks and then we will go ahead with the press conference.

Shaktikanta Das:
Good afternoon. Good to have all of you here as on the previous occasions also. To begin with, I would like to make four points.

i) Firstly, if I have to characterize today's monetary policy in just one line, I will say: It is a pause, not a pivot.
ii) Secondly, there has been an effective rate increase of 290 basis points over the last one year, including the SDF 40 basis points rate increase. This 290 basis points increase, in fact, has translated to a monetary policy transmission by way of an increase in the overnight call rates, I have given the numbers in my statement. The overnight call rates have gone up from the daily average of 3.32% in March 2022 to the daily average of 6.52% in March 2023 by 320 basis points. The effective increase has been in the order of 320 basis points. It is, therefore, now necessary to assess the cumulative impact of our actions taken so far.
iii) Thirdly, the MPC remains watchful and will not hesitate to take further action in its future meetings as may be necessary. So, the job is not yet finished.
iv) Fourthly, given that there is overall macroeconomic and financial stability, our priority continues to be price stability.

Thank you.

Yogesh Dayal:
Thank you sir, for those opening remarks. I will begin the press conference by inviting Mr. Ankur Mishra from ET Now to ask his question.

Ankur Mishra, ET Now:
Thank you Governor. Sir, with the emphasis which you have given on the pause if I want to understand and take away from that in cricketing parlance, is it a pause like you are watching a good over, Do you want to continue watching it and then play the shot later; or this does not leave out the possibility that you will continue to make strokes if at all it is needed later?

Shaktikanta Das:
To use cricketing parlance, it will depend on each ball. On a more serious note, we are watchful of how it is playing out. Monetary policy, as you know, is always forward-looking. We are watchful of the impact of the action taken so far. There are so many other external developments also taking place, both with regard to inflation, with regard to growth and so many other things. So, we will be watchful of the overall situation. Monetary policy being forward-looking, we will take further action whenever we think appropriate.

Ankur Mishra, **ET Now**:
Sir, another question I wanted to ask is one on SVB financial crisis. You have already given a statement earlier that banks need to be watchful. But in Indian conditions, as a regulator, do you feel that such a crisis cannot happen at least in India?

Shaktikanta Das:
I would request Deputy Governor Shri Jain to take this question.

M K Jain:
Thank you Governor. Governor said in his statement that as of now, the Indian banking system remains sound and healthy with strong capital and liquidity position, improving asset quality, better provision coverage along with improved profitability. Governor said in his statement also that it is an evolving position, and we are living in an uncertain period. But one thing I would like to add is that the prudential regulations across the commercial banks are uniformly applied whether it is SLR, CRR, LCR, NSFR, investment fluctuation reserve and stress testing. So, there is no differentiation just because of the sheer size of the asset of the bank. Thank you.

Yogesh Dayal:
Thank you sirs. I will move on to Mr. Lalatendu Mishra from The Hindu.

Lalatendu Mishra, The Hindu:
Thank you Governor for taking my question. Sir, the RBI is using data to decide whether to increase rates or take a pause. You have taken a pause, it is a great thing; as we all know, increasing interest rate continuously has a risk for financial stability and that is playing out in the US. So, my question to you sir, is that at what point in terms of data

will the RBI concede that using interest rate alone to tackle inflation has its limits? Thank you sir.

Shaktikanta Das:
I would request Dr. Patra to take that question.

Dr. Michael D. Patra:
First of all, in the fight against inflation, interest rates alone have not been used. They have been used in conjunction with supply-side measures because, alongside demand pressures, there have been multiple overlapping shocks on the supply side. So, first of all, that is the fact. Then we have an assignment where regulatory micro-prudential policies are assigned to financial stability. So, there are separate tools which ensure that banks are sufficiently buffered against the kind of shocks that you see.

Yogesh Dayal:
Thank you sir. I will move on to Ms. Lata Venkatesh from CNBC TV-18.

Lata Venkatesh, CNBC TV-18:
I have just a set of questions on inflation. Now, if inflation proceeds as per the Reserve Bank's statement, then will you still have to hike or is it a pause? If that is the assumption, 5.2% is the Q4 inflation, so your real positive rate becomes 130 bps. Is that the comfort zone? If it is, then for FY24-25, the MPR says your range is between 4.7% and 4.4%. So, technically, in a few months, you should be cutting because otherwise real positive interest rate will be 200 bps. Is that the way we should understand it? But first, if it evolves as per trajectory, is there no hike needed?

Shaktikanta Das:
The average inflation we have given for the current year is 5.2% and our target is 4%. Given the confluence of factors which prevail as of today, we have taken this policy decision in today's meeting. Our target is 4%. If you see the monetary policy's withdrawal of accommodation, it says to progressively align with the target. We have to always keep in mind that 4% is the target and we will work towards that. Beyond that, with so many uncertainties remaining, it is not possible for me to make certain assumptions and say that if these assumptions work out; I will act accordingly because there may be so many other developments also happening. In an extremely uncertain environment like the one we have today. Just last week, you had the OPEC plus cut and I have referred to it. With so many other developments taking all, I would not like to commit myself to; if this happens I will do this. I would rather wait and as in a game of chess, we keep on thinking about our forward moves, and we will act when the time arises. Dr. Patra, would you like to supplement anything?

Dr. Michael D. Patra:
Just to supplement, we had this conversation in the last meeting where you raised a similar question. I would like to add to Governor's remarks by saying that relative to the last meeting, we are much better off. If you recall at that time, we were 0.9 percentage points above the 4 quarters ahead rate. Today, we are 1.3 percentage points. So,

economic theory says that if you are a disinflationary central bank, you should react more than proportionally to the change in inflation, and we have achieved that in this meeting.

Yogesh Dayal:
Thank you sirs. I will invite Mr. Benn Jose from PTI to ask his question.

Benn Jose, PTI:
Good morning Governor. While everybody has a lower forecast for growth, you have increased the growth forecast by 10 basis points. What is the rationale for that? There have been quotes by certain analysts that, we have to decouple from the US Fed, I mean its monetary policy. Is this the beginning of that decoupling from the Fed policy rate?

Shaktikanta Das:
With regard to coupling with the US Fed, it has never been so. For some reason, sections of the market have been seeing it that way. I have repeatedly been stressing that our monetary policy is determined primarily by domestic factors. We were never really coupled with the US Fed action. It is for you to interpret. With regard to the growth numbers, let Dr. Patra reply to that.

Dr. Michael D. Patra:
You should see the forecast as compared with the re-estimated actual for 2022-23. So, we are actually downgrading our growth outlook for 2023-24 by 50 basis points from 7% to 6.5%.

Benn Jose, PTI:
From the last policy to 6.4%?

Dr. Michael D. Patra:
From 6.4% to 6.5%, one important change is that there is a change in the oil price assumption from US$90 per barrel to US$85 per barrel.

Yogesh Dayal:
Thank you sirs. I will move on to Ms. Chloe Cornish from Financial Times.

Chloe Cornish, Financial Times:
Some bankers are considering that 6.5% will be the terminal rate despite what you said about the willingness to take further action. I am just wondering what you would say to them, I mean, is it the terminal rate or should they understand that you are serious about taking further action as needed?

Shaktikanta Das:
Everyone should take seriously what I have said. It is a pause, not a pivot and the MPC stands ready to act, should the situation so warrant in future meetings. Banks or anybody else can draw their own inferences, but it will be better, it will be desirable that

they take our words seriously, and they do take our words seriously and they price in their future actions accordingly.

Yogesh Dayal:
Thank you sir. I will move on to Mr. Govardhan Rangan from Economic Times to ask his question.

M. Govardhan Rangan, The Economic Times:
Good afternoon Governor. You mentioned about OPEC's decision that has actually caused the volatility. But if you look at the statement, you actually decreased the crude oil price assumption from what it was in the past. Your action under the forecast, like for the first time you used the phrase that for this meeting only, which I do not think you have ever used in the past. So, your forecast and your actions are kind of a bit contradictory or contrasting. How does one read all these projections which take inflation down? At the same time saying that this is not a pause in the sense, we are not going to stop here. How does it add up?

Shaktikanta Das:
You see US$85 per barrel is the average for the whole year. Today, the prices have gone up to US$85 per barrel and today morning they were just a little below US$85 per barrel. But this assumption is for the whole year and the year has just started. So, we have to wait and see, and we have reasons to believe that it will be around the assumption of US$85 per barrel.

M. Govardhan Rangan, The Economic Times:
You have used the phrase 'for this meeting only'.

Shaktikanta Das:
We want to emphasise and drive on the point that it is a pause in this meeting; do not take it as a pause for several meetings in the future or for all times to come.

M. Govardhan Rangan, The Economic Times:
But all your forecasts, whether it is inflation or the real positive rates, growth forecast, so everything points to a fact that it could be a bit longer than this one meeting alone?

Shaktikanta Das:
Let us see, the future will decide. Monetary policy is forward-looking. We will wait for that. We will make our analysis about the evolving outlook and take a decision. Beyond that, I do not think I would like to tie myself up and tie myself down to any specific commitments.

Yogesh Dayal:
Thank you sir. I will move on to Ms. Swati Khandelwal from Zee Business News.

Swati Khandelwal, Zee Business News:
Thank you Governor. First of all, what you have said that is establishing clearly that RBI will be watchful. You will be cautious and intervene when the time comes but you also

admitted that the global challenges are pretty big as OPEC's production cutting is beginning again. Despite that, you have increased your forecast for GDP growth. Are you over-optimistic about this? If these challenges were to remain then how are we going to meet this target?

Shaktikanta Das:
We have given our forecast. It is for you to interpret whether we are over-optimistic. As a central bank, the Reserve Bank is always prudent and always on the conservative side, like any other central bank. At this point of time, we do believe that these are likely numbers, and we have come out with that. The underlying, *i.e.*, the growth momentum, the high-frequency indicators and economic activity continue to be resilient. As Dr. Patra just mentioned, the current year's growth is 7%; next year, we are reducing it from 7%, to 6.5%. So, where is the over-optimism? But overall, we are optimistic about the Indian economy.

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

Mayur Shetty, The Times of India:
Governor, you mentioned that the cumulative rate hike equals to 6.9% including the SDF, but the SDF operates only on one end of the corridor. Sorry, you said 2.9% rate hike. What happens when the rates move outside the corridor and what would be the relevance of the reverse repo rate? Recently, there has been a lot of news on countries moving away from the US dollar for trade. So, I was wondering if you could give an update on India's move to internationalise the Indian rupee for trade.

Shaktikanta Das:
The first part of the question, Dr. Patra can take; and the second part on the rupee, DG Rabi Sankar can take.

Dr. Michael D. Patra:
If you recall during the pandemic, RBI managed liquidity in such a way that the call money rate, which is the operating target of monetary policy hovered around the reverse repo rate and that was like close to 335 bps. So, the lift of the rate has to start from 335 bps. The first stage of a lift was to take into the SDF, which was placed 40 basis points above the fixed rate reverse repo rate. That is why the Governor mentioned not just the 250 bps, which was done with the repo rate, but the 40 bps also which was done without the repo rate by just doing the SDF. That is why 290 bps. Yes, rates need not always fall within the corridor. They sometimes fall out of the corridor depending on liquidity conditions, but the idea is to give it as aligned to the corridor as possible.

T. Rabi Sankar:
On the rupee internationalisation, we are seeing interest. Volumes have not picked up as much, but those are teething issues that needed to be worked out. So, the number of countries and banks from which interest is coming is gradually increasing. The number of overseas banks that are opening those accounts is gradually increasing. So,

the initial processes are on. They are encouraging, but this is a long-term objective and we have to build toward that.

Latha Venkatesh, CNBC TV18:
People have actually exported and imported on the Indian rupee.

T. Rabi Sankar:
Some transactions have happened definitely, yes.

Shaktikanta Das:
It is the stakeholders on either side that are getting adjusted to it. It is a completely new paradigm for stakeholders, for importers and exporters, from both sides. For banks on both sides. Both sides mean India and whichever is the country at the other end. So, they are getting used to it, though it is something which we expect will improve steadily.

T. Rabi Sankar:
We are seeing a lot of official interest in this. Other central banks, and other governments taking note of this, and they are now trying to talk and find out and explore the opportunities as well.

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

Anup Roy, Bloomberg:
Sir, you have said that this is a pause, not a pivot. Why not give a longer duration guidance kind of thing? And what will trigger the pivot? Is your pause based on your internal assessment of CPI since there have been concerns about the overestimation of CPI in the last two prints?

Shaktikanta Das:
The decision is mainly premised upon the fact that we have done so much in the last 12 months. We started our SDF action last year in April and now we are in April. The reduction of the repo rate came in May and now we are in April, just about a year. We felt that it is now time to assess the cumulative impact of the actions, we have taken so far. With regard to giving guidance, if you recall in my minutes of the monetary policy meeting, I have said that in an extremely uncertain environment that we are now facing. It is not prudent to give specific forward guidance with regard to rates.

Anup Roy, Bloomberg:
Sir, what about the CPI thing? Is your pause based on the internal assessment of CPI?

Dr. Michael D. Patra:
CPI is the domain of NSO. We have brought to the public sensitivity that if there is no price, it should not be an issue of missing, like when mangoes go out of season, there is no mango price quoted. So, that should have been the approach. That is all we are saying. We are not going to tamper with CPI or assume that it will change methodology or anything like that. We take it as it is.

Yogesh Dayal:
Thank you sirs. Mr. Manojit Saha from Business Standard.

Manojit Saha, Business Standard:
Thank you. You have said that on the stance because there is a lot of discussion on the stance in the market also. You said the overall inflation is above the target and given the current level, the present policy rate can still be regarded as accommodative. Does that mean that until and unless inflation comes to 4%, there is no question of changing the stance to neutral because a neutral stance could be interpreted as a dovish signal? That is one.

The second is inflation; domestic inflation depends on the pump prices. Does it give you the satisfaction that since pump prices are not responsive to the crude prices of US$85 or 90 per barrel, so a sharp increase from US$85 to 90 to 95 and 100 per barrel, the pump prices may not change because it does not change with the 70? So, does that give you the comfort that even if there is a shock that your inflation projections will not change much?

Dr. Michael D. Patra:
Just to answer your question in specific terms, this stance is valid up to 10.00 am, June 8, 2023. At that time, the Governor will give you the results of our review of the whole situation including forward-looking.

Regarding your second question about the pump price; some time ago, the government decided to bring pump prices with the international prices. But that mechanism is now not in operation. This gives you the sense of the under-recovery of oil marketing companies and there is likely hidden inflation, which can surface if it is aligned again. But it is just to give the public the awareness that there is this difference.

Shaktikanta Das:
Just to supplement one more point, when you make a certain assumption about the crude oil price, it reflects that your import bill for oil will go down, and consequently oil import in value terms will go down. So, to that extent, the net exports also get impacted, and net exports are an important component of calculating our GDP growth. So, we do make certain assumptions about crude oil prices.

Yogesh Dayal:
Thank you sirs. Before I invite the next participant to ask a question, I request you all to limit yourself to one question, and if we have time, we will go on for another. Now, I will invite Ms. Anshika Kayastha from The Hindu Business Line to ask her question.

Anshika Kayastha, The Hindu Business Line:
Good afternoon. The RBI has been asking banks to make additional provisions for top exposures. I wanted to understand rather than leaving it at the discretion of banks, are you possibly considering a provisioning buffer to ensure there is an adequate and uniform provision buffer that banks have, especially given the transition to ECL? The

second question if you allow me, the proposal for pre-sanctioned credit lines on UPI is very similar to the BNPL model. Is the RBI warming up to the model? Are we integrating it with the UPI network sort of help to avoid the issues of the past?

Shaktikanta Das:
Deputy Governor Shri Rajeshwar Rao may take this question.

Dr. M. Rajeshwar Rao:
Banks are required to make provisions for expected losses; and for the standard asset, they are required to make additional provisioning based on their ability to make provisions. This has already been conveyed to them, and there is no change from what we have prescribed on that particular issue.

As regard the BNPL issue on the pre-sanction, the guidelines are very clear. It is supposed to be a sanctioned limit in the account, and thereafter, the transfer will take place. There is no real linkage to the BNPL concept as it stands today.

Shaktikanta Das:
It is a pre-sanction credit line. That means a credit line has been sanctioned by the bank, and the customer can now operate it through the UPI. That is all we have said. Rabi Sankar, do you want to add something?

T. Rabi Sankar:
BNPL is just one type of transaction you are thinking about. Think widely. Think of the UPI, which currently involves transactions between deposit accounts or wallets, which will now expand further to accounts on credit lines given by banks. So, you can reduce the number of cards that you carry and do those transactions on UPI rails. It is more than just what you mentioned.

Yogesh Dayal:
Thank you sirs. I will move on to Mr. Piyush Shukla from Financial Express.

Piyush Shukla, Financial Express:
Good afternoon Governor, sir. I want to talk to you about AT1 bonds. A lot of AT1 bonds have been pleasantly issued by PSU banks, and after the Credit Suisse crisis, they leave it on the sustainability of such instruments. So, are we looking to provide some sort of feedback to lenders, especially the private ones, on their exposure to such bonds? Secondly, if you could also tell us a little bit about the approach to the SRO being formed for Fintechs. I believe, FACE has also come up with the proposal to the RBI for creating an SRO for Fintechs. Can you just give us guidance as to what is the progress on that?

Shaktikanta Das:
The AT1 bonds ecosystem in India remains quite robust and stable, and it is a part of the Basel regulations, and we have adopted that in our country also. There is nothing more to say with regard to AT1. When the banks market AT1 bonds, the terms and

conditions are given out, and the investors are expected to read them. By and large, the large number of investors are high net-worth individuals. There is nothing more to add to the AT1 bonds.

With regard to the SRO part, I cannot comment on individual applications. This is not the first time we have talked about an SRO mechanism. We expect the sector itself, the regulated entities themselves to take certain ownership and to decide certain micro aspects of going about their business. There are certain things which we prescribe on a regulatory level, at the macro level. At the micro level, we would like the SROs to play a more proactive role.

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

Pankaj Aher, Informist Media:
With MPC taking a pause on rate hikes, do we now see the RBI monetary policy playing out more through the liquidity channel? Secondly, 5.3% of inflation is there in the public domain now, does the RBI somewhere fear whether the headline will align to the core rather than the other way around? Core has been stubborn for quite some time and seems to be driven more by the supply side.

Dr. Michael D. Patra:
No, our decision is until the next meeting, which is a standard practice among the central banks, when you will hear our review. As far as core and headline are concerned, we also have done a lot of research, and we find that actually, headline aligns with to core over a period of time. But it depends on specific circumstances, like if there is abundant liquidity, the headline aligns with the core. But if there is a liquidity shortage, then it happens the other way around. Our sense is that both will moderate towards the 4% target.

Pankaj Aher, Informist Media:
Would you like to give a timeframe for that, broadly?

Dr. Michael D. Patra:
Until the next meeting.

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

Hitesh Vyas, Indian Express:
Good afternoon. Just wanted to check about the new umbrella entity. Last February, you said that your evaluation process is on, but there has been no announcement. Just want to know why there is a delay in granting the license.

T. Rabi Sankar:
We had a look at applications. The objective was to introduce through the new umbrella entity mechanism, introduce some innovative infrastructural value add facility into the system because our digital ecosystem is already quite active and innovative. We wanted to bring in new ideas. We did not want something which is either incremental or a substitute of existing ideas or technologies. Now, of the proposals that we have received, we did not see any innovative or infrastructural solution that had come up. That is where it lies at this point.

Yogesh Dayal:
Thank you sir. I will invite Mr. Sachin Kumar from New Indian Express to ask his question.

Sachin Kumar, New Indian Express:
You have mentioned in your speech that RBI is looking for a durable decline in inflation. If you can please elaborate on how much fall in inflation will qualify as durable.

Shaktikanta Das:
Durable means it has to be a sustainable decline, not that one-off, in one or two months it goes down and again it goes up. So, durable means, inflation should go down on a sustained basis and progressively align with the target. These are the exact words which we have used. So, we will wait. We will see how it moves towards the target of 4%. The idea is to take it closer to the 4% target.

Yogesh Dayal:
Thank you sir. I will move on to Mr. Shishir Shelar from Doordarshan.

Shishir Shelar, Doordarshan:
Just want your comment on the recent development where the IMF said that India has taken a good move as far as digital payments are concerned. So, want your comment on that what probably the future scope of digital payment in India that probably RBI is thinking of.

Shaktikanta Das:
Digital payments have come to stay, and in the last few years, India has made phenomenal progress in the digital payments space. During the last Finance Minister, Central Governors' (FMCBG) G20 meeting at Bangalore, we showcased various aspects of our digital payments including the UPI, and the CBDC. UPI, we had also launched a few days before the Bangalore meeting. We have launched this facility of enabling travelers from foreign countries to also utilise the UPI to make local payments even though they do not have bank accounts in India.

The linkage with Singapore PayNow and RBI's UPI had just been also launched four, five days before the FMCBG G-20 meeting evinced a lot of interest. Now there is the phenomenal success of UPI in a large and populous country like ours has evoked a lot of interest. Going forward, the RBI and the NPCI are already in discussion with a number of countries to have similar arrangements as we have with Singapore and to also enhance the footprint of the UPI.

e-Rupee, our version of the Central Bank digital currency, was seen with a lot of interest. An eminent person from the international financial sector went to the extent of complementing the design of our CBDC and added that the only thing he missed in the CBDC was the smell of a new currency note.

Yogesh Dayal:
Thank you sir. I will move on to Mr. Vishwanath Nair from BQ Prime.

Vishwanath Nair, BQ Prime:
Governor, one of the criticisms of central banks during the unfolding bank crisis in the US and Europe was the quality of the stress tests that they were doing on these lenders, and they were not up to the mark. You specify that Indian lenders continue to be robust and healthy and that your supervision has evolved over time to nip the problem in the bud. But has there been any sort of tweaking of these stress testing that you do of the lenders in India?

Shaktikanta Das:
I would request Deputy Governor Shri Jain to take this question.

M. K. Jain:
We have issued the guidelines to the banks that there should be Board approved policy to use various scenarios to do this stress testing, not the single factor, in the multiple factors as well. As part of the Financial Stability Unit and the Financial Stability Report, we do use various techniques to do these stress testing. In supervision also, we are keeping on stress testing of the entire portfolio on various parameters, not only the single parameter. So, we do evaluate on various parameters.

Vishwanath Nair:
That has been changed now after the tests.

M. K. Jain:
It is not required to be changed because whatever parameters were required, have already been factored into this present situation as well, like interest rate risk in the banking book. So, those kinds of things are already part of our regular stress testing exercise.

Shaktikanta Das:
Dr. Patra, would you like to add anything?

Dr. Michael D. Patra:
If you have noticed in the Financial Stability Report, we do an exercise called interconnectedness, how interconnected system and how contagion can spread? We do what is called solvency contagion analysis and which we recently revisited, and we

find that if you take the NBFCs with the maximum potential to cause losses and if there is an idiosyncratic failure of those NBFCs, there will be losses to the banking system, but no bank will go below the minimum capital requirement.

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

Swati Bhat Shetye, Reuters:
Thank you sir. I had two very small questions. One was the withdrawal of liquidity. You said that it would be a multi-year approach. I just wanted to understand if we would achieve the withdrawal of liquidity that we have envisaged by the end of this fiscal year, *i.e.*, by the end of FY 2023-24? Secondly, you had said that the 4% target on inflation would be met in the next fiscal year. As per your internal projections, does that still hold after the pause today?

Shaktikanta Das:
I would request Dr. Patra to take that question.

Dr. Michael D. Patra:
Second question first. The forecasts are all the information that we have put into and we do inflation forecast targeting. In the next round of our review, we will factor in the impact of today's move. The move so far has started to take effect, as you can see credit risk slowing, and rate-sensitive sectors already showing the impact of monetary policy. As we progress with this cumulative action, it is possible that the forecast path will change towards 4%, which we hope, and that is what we will review in the next meeting.

Swati Bhat Shetye, Reuters:
As of now, does it still get achieved in FY 2024-25 or does it not?

Dr. Michael D. Patra:
Yes. The baseline forecast suggests that we will reach 5.2% by the end of this year absent today's action. The cumulative action of past actions going through, what we have seen so far, they will continue to play through and today's action will also play. So, it might change the path of the inflation rate in the next year.

Swati Bhat Shetye, Reuters:
Sir, the first question on the liquidity, will you achieve the withdrawal by end of 2023-24?

Dr. Michael D. Patra:
Actually, liquidity has already flipped. If you notice, we are already into repo transactions. The main operation became a 14-day repo followed by a fine tune. At the current time, the Government's spending is so much that the system is flushing liquidity. SDF is now gone up to may be 3 lakh crore. So, we will see as it goes.

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

Ryosuke Hanada, Nikkei:
Good afternoon. The next week, the spring meet will be held in Washington, and I understand the Governor is going to attend it; what kind of discussion do you exactly expect at that meeting, especially regarding the new regulation of the financial framework? Thank you.

Shaktikanta Das:
The spring meeting of the IMF will be preceded by the G-20 meetings of the Finance Ministers and Central Bank Governors and the points you mentioned are expected to be discussed in the G-20 meetings. We have highlighted and stressed our priority in the last meeting of the FMCBG and taking into account the developments which have taken place in the intervening period and also taking into account some of the legacy issues which are persisting from previous presidencies. In other words, let me say that taking into account the legacy issues which are persisting from the previous presidencies and the priorities of our presidency.

Broadly, we will discuss the following points, namely,

i) Recent incident of stress in the banking sector in some advanced countries to be precise the US and Switzerland.
ii) Making non-banking financial intermediaries more resilient.
iii) Financial risks from climate change and the need for climate finance.
iv) Micro-financial risks from crypto assets or cryptocurrencies.
v) Managing risks from third-party dependencies including big tech and fintech.
vi) Enhancing cross-border payments.
vii) Better reporting of cyber incidents.
viii) Issues relating to financial inclusion.

All these issues are part of the priority of the Indian presidency, and they will be discussed at length in the G-20 meetings of FMCBG in Washington, D.C., which will happen in the preceding days of the IMF spring meetings.

Yogesh Dayal:
Thank you sir. Sir, with your permission, last few questions I will take before we close the press conference. So, I will now invite Mr. Anand Adhikari from Business Today.

Anand Adhikari, Business Today:
Good afternoon Governor. My question is on the small finance banks (SFBs). If you look at these banks, they are focusing on unsecured micro-loans serving the non-salaried class, and even if you look at the geography, they are concentrated in smaller geography. If you see the kind of NIMs they are offering, it is much higher than the banks. They are able to offer higher deposit rates also because in a way are also moving to small finance banks but in a small way. My question is do not you think this kind of model could pose a threat to financial stability may not be in the next 2 to 3 years, but let us say 5 to 10 years down the line?

Shaktikanta Das:
I would request Deputy Governor, Shri Jain to take this question.

M. K. Jain:
Let me respond in a couple of ways. First of all, these SFBs are converted from NBFC MFI. Earlier there was a lot of concentration geographically as well as in the business. Now there is a road map where they are diversifying, and it cannot happen overnight. They require more time to diversify. They are on the right path. Now as far as raising the funds at a higher cost and offering a better NIM, we do track the business model of the SMEs. We also conduct stress testing, and whenever we find that risk built up, we do advise the banks to take care of the risk build-up.

Yogesh Dayal:
Thank you sir. I will move on to Manish Suvarna from Moneycontrol.

Manish Suvarna, Moneycontrol:
Good afternoon Governor. Sir, my first question is on the earliest inflation forecast for FY 2023-24; there is little change despite a big drop in your crude oil assumption to US$85 per barrel. Does this mean factors like monsoon and exchange rate are expected to make inflation management difficult? The second question is on the unclaimed deposits. You have said that you are going to develop a web portal. When can we expect that portal to be rolled out?

Shaktikanta Das:
Dr. Patra may reply to the first part and Shri Rao may reply to the web portal.

Dr. Michael D. Patra:
On our forecast, a big change is actually in the second half of the year that you can directly link with what is happening right now. With the high inflation of the current period, there is going to be a base effect playing. Because of high inflation now you will get a favourable impact then. That is what has changed between February and today because we got a print in between.

M. Rajeshwar Rao:
Regarding portal one, it is for the unclaimed deposits and accounts which are transferred to the DEA Fund and are maintained by the RBI. We expect the portal to be ready in the next three to four months.

Yogesh Dayal:
Thank you sirs. The last question to the Mint.

Gopika Gopakumar, the Mint:
Good afternoon Governor. My question is with respect to the transmission of rates through the banking system. There seems to be a disparity in the way the transmission is happening with most of the Public Sector Banks. Maybe 50% of their loans are linked to the MCLR, whereas Private Sector 50% is linked to the EBLR, which means that the

rate of hikes that the corporate loans are getting priced at is much slower than the rate at which the price hikes are getting priced in for the retail loans. Do you think this is the time for a sunset clause for MCLR because this is certainly a disparity between corporate loans and retail loans?

Shaktikanta Das:
Deputy Governor, Shri Rao may please reply to this question.

M. Rajeshwar Rao:
A point that you make is the MCLR, the reset between the borrower and bank normally takes place at an interval of at least once a year. So, the transmission may be slightly delayed to that extent. That is the point which can be noted, but having said that, I do not think there is any proposal being considered at this point to provide a sunset clause for the MCLR.

Yogesh Dayal:
Thank you sir. With this, we come to the closure of the first press conference of the bimonthly monetary policy for 2023-24. So, thank you everyone for participating in this press conference. I thank the top management of Reverse Bank, especially the Governor and the Deputy Governors who made time to be with you today, and till next time, stay safe, stay healthy. Thank you very much.

Shaktikanta Das:
Thank you.