

## **RBI: Stability, Trust, Growth**

A strong and resilient financial system is the bedrock on which the edifice of economic prosperity of a nation is built. Reserve Bank of India is the custodian of our financial system. It completed 90 years of its journey yesterday. The theme for our 90<sup>th</sup> year was 'Stability, Trust and Growth'.

It embodies all that RBI stands for. It is apt we introspect on the past and how we can better discharge our mandate of ensuring monetary and financial stability; enhancing trust in the financial system; and supporting economic growth and improving the well-being of our people.

### **Price stability**

Stability refers to stability of prices. This is important as inflation erodes the value of money. It hurts people; it hurts the poor even more. However, not all inflation is bad. Experts believe that a moderate level of inflation is healthy for economic growth. If inflation is too low, the economy faces stagnation risks. If it is too high, prices become unpredictable, making it difficult for consumers and businesses to plan and invest. We have chosen a target of 4% with a band of 2% for CPI inflation.

CPI inflation has mostly stayed aligned with the target. The flexible inflation targeting is due for review. We will collaborate with govt to not only improve the framework but also to obtain, through appropriate monetary and fiscal policies, 'Goldilocks conditions' for inflation and growth.

### **Financial stability**

Stability also refers to financial stability, which complements price stability in meeting growth and other developmental objectives. We have had a stable financial system – a system that has smoothly supported real sector economic activities even during periods of stress. Financial institutions have performed well. Banks and NBFCs are stronger and well capitalised to carry out financial intermediation effectively.

## **External stability**

Stability includes stable foreign exchange rates, important for not only importers, exporters and investors but also the general public. India's forex market has the required depth and liquidity to weather pressures, such as those seen in the last few months.

Healthy levels of forex reserves and a manageable current account balance are also reassuring. Reserve Bank shall continue to be supportive, to manage excessive volatility without targeting any particular level or band of exchange rate.

## **Trust**

Trust is important for multiple reasons to a central bank. Currency will serve its purpose only if the public trusts it to be safe to use. The public relies on trust when they deposit their hard-earned money in banks. Monetary policy requires trust to keep inflation expectations anchored. Trust is important for financial stability. It is integral to the integrity of financial markets and payments and settlement systems. We'll continue to strengthen the trust the public has reposed in us. Ensuring quality customer service and experience is vital to retaining people's trust. We'll partner with financial institutions to improve services and reduce grievances.

Independence of a central bank is important to generate trust. However, independence demands transparency. Independence doesn't preclude consultation, whether with the general public, regulated entities, other financial regulators or govt. In fact, it becomes even more imperative. Independence also requires higher accountability. We have been deeply conscious of this and will endeavour to further improve transparency, enhance consultation, coordination and collaboration and raise accountability through various measures.

## **Growth**

PM has envisioned a Viksit Bharat by 2047. This entails inclusive and accelerated economic growth. Policymaking has to be both pragmatic and visionary for India's growth to leapfrog. RBI has a track record of introducing innovative policy measures while ensuring stability. Its response to the pandemic is a case in point.

We'll continue to be proactive, agile and flexible in our attempt to support economic growth. While we have come a long way in improving financial inclusion, we'll work with financial institutions to expand access, especially to the bottom of the pyramid. We'll encourage banks and NBFCs to leverage data and advanced tech to enhance their capacity for lending. This has the potential to accelerate supply of credit in the economy, without compromising on financial stability, to drive investment and economic growth.

Moreover, as we grow and further integrate into the global economy in our journey of becoming a developed economy, our payment systems and currency have to be widely recognized worldwide. We've already taken some steps in this regard. We'll continue to take initiatives to internationalise the rupee and globalise India's payment systems.

## **Tech**

Rapid advances in tech have facilitated RBI to fulfil its mandate of stability, trust and growth. Digitalisation of various banking services, UPI, and Account Aggregator are a few examples in this regard. It is imperative we harness tech and support innovation to further deepen and widen financial inclusion; improve monetary policy, banking, and currency management including central bank digital currency; universalise payment systems; expand credit including through Unified Lending Interface; and enhance customer experience.

On this occasion, I would like to reassure all that we'll continue to maintain the highest standards of professionalism and uphold the values of public service – integrity, impartiality, industriousness, objectivity, accountability, decisiveness, and transparency. We shall continue to foster a safe, secure and stable financial system to meet the aspirations of our country and its citizens. The aspirational goals Reserve Bank has set for itself to become a leading central bank are undeniably demanding, yet rewarding and inevitable.

As Mahatma Gandhi had said, "The future depends on what we do in the present." RBI rededicates itself in the service of the nation.

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