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Shaktikanta Das: Good morning to everyone. I will first read out my statement after which we will entertain questions and other interventions. My colleagues and I will try to answer the questions after the statement is made.

The Monetary Policy Committee (MPC) had discussions during 3rd, 4th and 5th December, 2019. It deliberated extensively on the current and evolving macroeconomic and financial conditions, and the outlook. Based on its considered assessment, the MPC voted unanimously to keep the policy rate unchanged. It, however, decided to continue with the accommodative stance as long as it is necessary to revive growth, while ensuring that inflation remains within the target.

I express my gratitude to the MPC members for the insightful deliberations and assessment, which went into the policy decision and are captured in the Resolution which has just been released on the RBI's website.

I also want to thank our teams in the RBI for their continued high quality support to the MPC's deliberations with their hard work, research and logistics.

At the outset, I shall briefly explain the main considerations underlying the MPC's decision. The MPC noted that since its meeting in October 2019, global economic activity has remained subdued, though some signs of resilience are becoming visible. Growth has shown signs of picking up in some advanced economies (AEs) and emerging market economies (EMEs). Crude oil prices have moved in a narrow range in both directions, reflecting the constantly changing sentiments relating to the progress of the US-China trade talks. Inflation has generally remained benign in major AEs and EMEs in Q3 of 2019. Global financial markets were buoyed in October by risk-on sentiment stemming from renewed optimism on a trade truce between the US and China and possibility of a Brexit deal. However, selling pressure took hold in the second half of November on renewed fears of US-China trade talks getting stalled on the Hong Kong stand-off. While the US dollar weakened against other major currencies, EME currencies have been trading with an appreciating bias.

Turning to domestic developments, real GDP growth moderated to 4.5 per cent year-on-year (y-o-y) in Q2:2019-20, extending sequential deceleration to the sixth consecutive quarter. The slowdown in GDP growth was cushioned by a jump in Government Final Consumption Expenditure (GFCE). On the supply side, Gross Value Added (GVA) growth decelerated to 4.3 per cent in Q2:2019-20, pulled down by contraction in manufacturing. Growth in the services sector moderated, but agricultural GVA growth increased marginally.

Beyond Q2, there are several positive developments which could turn out to be green shoots, depending on how they evolve. Rabi sowing is catching up from the setback caused by delay in Kharif harvesting and unseasonal rainfall in October and early November. By November 29, Rabi sowing was only 0.5 per cent lower than the acreage covered a year ago. North-east monsoon precipitation was 34 per cent above the long-period average up to December. Storage in major reservoirs, the main source of irrigation during the Rabi season, was at 86 per cent of the full reservoir level as on November 28 as compared with 61 per cent in the same period a year ago.

Although there was contraction in output of eight core industries – which constitute 40 per cent of the index of industrial production (IIP) – for the second consecutive month in October, the output of fertilisers rose sharply, reflecting expectations of robust sowing activity in the Rabi season. Overall business sentiment remained in pessimism in Q3:2019-20; however, the purchasing managers' index (PMI) for manufacturing increased from 50.6 in October to 51.2 in November 2019, driven up by an increase in new orders and output.

High frequency indicators suggest that service sector activity generally remained weak in October. However, foreign tourist arrivals posted improvement for the second consecutive month in October 2019. Steel consumption also showed a modest revival on a y-o-y basis in October 2019. There has been steady support to aggregate demand from Union Government expenditure in the month of October 2019. The PMI for services, which had remained in contraction in October (49.2) due to a decline in new export business and turning down of business expectations, moved into expansion zone to 52.7 in November on a pick-up in new business.

As regards the external sector, exports contracted in September-October 2019, reflecting the persisting weakness in global trade, but non-oil export growth returned to positive territory in October after a gap of two months. Imports contracted faster than exports and as a result, the trade deficit narrowed in September-October 2019. On the financing side, net foreign direct investment rose to US$ 20.9 billion in H1:2019-20 from US$ 17.0 billion a year ago. Net foreign portfolio investment was of the order of US$ 8.8 billion in April-November 2019 as against net outflows of US$ 14.9 billion in the same period last year. Net investment by FPIs under the voluntary retention route have amounted to US$ 6.3 billion since March 11, 2019. Net disbursals of external commercial borrowings rose to US$ 11.5 billion during April-October 2019 as against US$ 1.2 billion during the same period a year ago. India's foreign exchange reserves were at US$ 451.7 billion on December 3, 2019 – an increase of US$ 38.8 billion over end-March 2019.

Consumer Price Inflation (CPI) increased sharply to 4.6 per cent in October, propelled by a surge in food prices. Fuel group prices remained in deflation, while inflation in CPI excluding food and fuel moderated further from its level a month ago, reflecting the underlying weakness in domestic demand conditions. Survey responses indicate that households' inflation expectations increased by 120 basis points over the 3-month ahead horizon and 180 basis points over the 1-year ahead horizon as they adapted to the spike in food prices in recent months. Manufacturing firms expect weak demand conditions and reduced input price pressures in Q3:2019-20 and Q4, but they also expect muted output prices reflecting further weakening of pricing power.

Taking into account these developments, the MPC revised the CPI inflation projection upwards to 5.1-4.7 per cent for H2:2019-20 and 4.0-3.8 per cent for H1:2020-21, with risks broadly balanced. Real GDP growth for 2019-20 is revised downwards from 6.1 per cent in the October policy to 5.0 per cent – 4.9-5.5 per cent in H2 and 5.9-6.3 per cent for H1:2020-21.

The MPC was of the view that economic activity has weakened further and the output gap remains negative. However, several measures already initiated by the Government and the monetary easing undertaken by the Reserve Bank since February 2019 are gradually expected to further feed into the real economy. The impact of external benchmarking of lending rates by banks will further play out in the coming days and months. Inflation is rising in the near-term, but it is likely to moderate below target by Q2: 2020-21. In order to have greater clarity with regard to the overall outlook, the MPC considered it prudent to carefully monitor incoming data. The forthcoming Union Budget will also provide better insight into further measures to be undertaken by the Government and their impact on growth. Against this backdrop, the MPC judged that there is monetary policy space for future action, but felt it appropriate to take a pause at this juncture.

Let me now further elaborate on the macroeconomic situation and outlook. First, inflation has indeed risen sharply in November and may remain elevated for a few months. However, the forces driving up inflation appear to be transient. The spike in inflation is essentially due to food prices impacted by unseasonal rains that have caused damage to the standing kharif crops. Meanwhile rabi sowing is catching up rapidly, and full reservoir levels will provide a cushion against the vagaries of the weather. Therefore, there is a case for looking through the current food price spike, but it would be prudent to await greater clarity on how the inflation path evolves, given the likelihood that several food prices may stabilise by Q4:2019-20.

There are also some indications that the capex cycle may be turning up. Unaudited results of 1,539 listed private manufacturing companies suggest that funds mobilised by these corporates during H1:2019-20, including possibly the saving on account of the corporate income tax cut effected in September, were mainly used for fixed assets formation and deleveraging (reduced borrowing). These companies were investing in financial instruments such as investment and loans and advances during the last couple of years in the face of subdued demand. This shift to investment in fixed assets under the head 'capital work in progress' in H1:2019-20 appears to be broad based and even after excluding a few large companies from the sample, the preference for fixed assets is noticeable. Furthermore, pipeline projects sanctioned by banks/financial institutions in the preceding years envisage an expansion in capex spending for the year 2019-20. While these developments are still tentative, they would need to be carefully monitored with incoming data to look out for a durable revival in the capex cycle.

Monetary transmission has been full and reasonably swift across various money market segments and the private corporate bond market. As against the cumulative reduction in the policy repo rate by 135 bps during February-October 2019, transmission to various money market and corporate debt market segments ranged from 137 bps (overnight call money market) to 218 bps (3-month CPs of non-banking finance companies). Transmission to the government securities market has been 113 bps for yields on 5-year government securities and 89 bps for yields on 10-year government securities. In the credit market, the 1-year median marginal cost of funds-based lending rate (MCLR) has declined by 49 basis points. The weighted average lending rate (WALR) on fresh rupee loans sanctioned by banks declined by 44 basis points. Going forward, transmission is expected to improve with the introduction of the external benchmark system, as most banks have linked their lending rates to the policy repo rate of the Reserve Bank. Already, the weighted average term deposit rate has fallen by 16 bps. Overall liquidity in the system remains in sizable surplus. This augurs well for transmission to lending rates, going forward.

In line with the slowdown in the economy, GST collections so far have fallen below budgeted targets and a similar scenario with regard to direct taxes and customs duty collections cannot be ruled out. It is also likely that the Government may initiate some more counter-cyclical fiscal and other measures to arrest the slowdown. The forthcoming Union Budget will provide greater clarity on all these aspects. At this critical juncture, it is of paramount importance that monetary policy and fiscal policy continue to work in coordination to achieve the best results in the national endeavour to revive growth.

The RBI has been pre-emptive in easing monetary policy, with the easing cycle commencing as early as February 2019. Rate reductions have occurred in quick succession in every MPC meeting since then. In its decision today, the MPC has committed to maintaining an accommodative stance as long as it is necessary to revive growth, while ensuring that inflation remains within the target. This forward guidance in itself indicates that there is space available for further monetary policy action. However, there is a need to optimise the impact of rate reductions. The key consideration has to be the timing of further actions, even as we monitor the impact of actions already taken so far. It is in this context that the MPC decided to pause for now and evaluate the developments with a readiness to act, if the unfolding situation so warrants.

Now, I shall address developmental and regulatory policy measures undertaken for strengthening regulation and supervision, broadening and deepening financial markets, and improving payment and settlement systems.

On regulation and supervision, guidelines relating to urban cooperative banks (UCBs) on exposure norms for single and group/interconnected borrowers, promotion of financial inclusion, priority sector lending, and the like would be amended with a view to reducing concentration risk and to further strengthen the role of UCBs in promoting financial inclusion. A draft circular in this regard will be put up in the public domain for stakeholder consultation. These measures are expected to strengthen the resilience and sustainability of UCBs and protect the interest of depositors. UCBs with assets of ₹500 crores and above will be brought under the Central Repository of Information on Large Credits (CRILC) reporting framework to inter alia strengthen offsite supervision and early recognition of financial distress. Furthermore, it has been decided to prescribe a comprehensive cyber security framework for the UCBs in a graded approach. This would bolster cyber security preparedness and ensure that UCBs are brought at par with commercial banks in addressing cyber security threats.

A number of commercial banks, urban cooperative banks and other regulated entities are dependent upon third party application service providers for shared services for ATM Switch applications. Accordingly, it has been decided that certain baseline cyber security controls shall be mandated by the regulated entities in their contractual agreements with these service providers to strengthen the systems.

Drawing on the recommendations of the Task Force on Development of Secondary Market for Corporate Loans, the Reserve Bank will facilitate the setting up of a self-regulatory body (SRB) as a first step towards the development of the secondary market for corporate loans. The SRB will be responsible, inter alia, for standardising documents, covenants and practices related to secondary market transactions in corporate loans and promoting the growth of the secondary market in line with regulatory objectives.

International Financial Service Centre Banking Units (IBUs) will be allowed to open foreign currency current accounts of their corporate borrowers, subject to the provisions of FEMA 1999 and to accept fixed deposits in foreign currency of tenor less than one year from non-bank entities with a view to facilitating ease of operations.

The aggregate limits for both borrowers and lenders across all NBFC peer-to-peer (P2P) platforms will be increased from ₹10 lakh to a cap of ₹50 lakh while doing away with the current requirement of escrow accounts to be operated by bank promoted trustee for transfer of funds having to be necessarily opened with the concerned bank. This will provide more flexibility in operations.

‘On tap’ Licensing Guidelines for Small Finance Banks are being issued today.

As regards financial markets, after due stakeholder consultations, certain changes are being effected in foreign exchange hedging facilities. Users may undertake over the counter (OTC) currency derivative transactions up to USD 10 million, without the need to evidence underlying exposure. Banks shall be provided with the discretion, in exceptional circumstances, to pass on net gains on hedge transactions booked on anticipated exposures. Safeguards will be strengthened to ensure that complex derivatives are sold only to users that are capable of managing the risks.

Finally, in the area of payment and settlement, Prepaid Payment Instruments (PPIs) have been playing an important role in promoting digital payments. To further facilitate PPI usage, it is proposed to introduce a new type of PPI which can be used only for purchase of goods and services up to a limit of ₹10,000. The loading / reloading of such PPI will be only from a bank account and they shall be used for making only digital payments.

Thank you.

Latha Venkatesh: Sir, this is a shocker. Why didn't you cut if you are anyways expecting that the inflation trajectory goes to 4, to 3.8 by July 2020 or so, if it is anyway expected to fall? And is there any other fear, because you said that you will want to watch the forthcoming union budget. Do you fear that there will be more fiscal loosening and therefore you should not cut, what will you look for in the budget and what will make you cut it in February?

Shaktikanta Das: As I have explained in the first part and then also I went on to elaborate, I said that there is a case for looking through the current spike in headline inflation, which is mainly due to the spike in food inflation. But our calculation shows that during Q4, that is from January to March 2020, the food inflation in particular is likely to remain very high, and its moderations in the coming months would depend on several factors and also with regard to the core inflation, it is expected to remain in the current zone as it is, below 4%, but there is again some evidence that certain decisions relating to telecom and other things may play out- the telecom tariff, etc. They may have some impact on the core inflation.

So broadly what I am saying is it is expected that inflation will come to about 3.8% in the Q2 of next year, but there are several uncertainties and the MPC would like to have greater clarity with regard to that and let us also keep in mind the fact that inflation targeting price control is the prime objective of the Reserve Bank Monetary Policy as prescribed in the RBI Act and the RBI is also required to keep in mind the objective of growth and that has been given due weightage and the MPC has in fact given a very clear unambiguous forward guidance that there is space for further rate cut and the Reserve Bank will act if the evolving situation so warrants. So one aspect is greater clarity with regard to inflation scenario playing out. We do expect it to moderate, but we would like to wait, pause at this juncture to see how it plays out.

Second thing is with regard to growth. We have seen some green shoots. I have listed out certain green shoots, things are improving, but it is again too premature and too early to assume or to take a view on how sustainable they are.

With regard to the budget it is not a question of worry that there will be more fiscal deficit or something like that. It is not at all a worry. In fact I have gone to the extent of saying that in situations like this when growth itself has fallen, the monetary and the fiscal authorities will continue to work together in greater coordination. So therefore, we would like to have greater clarity. I am not saying that we are worried, but we would just like to have greater clarity with regard to the kind and nature of the countercyclical fiscal and other measures, if any, to be announced by the government in the budget. So that will give us greater clarity. It is not a question of worry, but the MPC wants to have greater clarity.

The fourth and the other aspect and the final point, which I would like to say at this point of time is that government has taken number of steps in the last four to five months. For example, the corporate tax rates have been cut significantly. It is a major development. Government has also taken several measures to ease the problem and to generate the demand in the automobile sector, government has also announced its intention and they are going to setup a last mile fund for the real estate sector, particularly housing. Several measures have been announced by government. The Reserve Bank on its part has reduced the policy rates consistently since February. The liquidity has been in surplus mode since June. The full impact of our policy rate cut is also playing out. Till now it is 44 basis points with regard to new loans. We should give some time for rate action which has been taken by the RBI so far 135 basis points. We should allow some more time for greater reflection in the lending rates. So we should also allow some more time for the combined impact of the measures undertaken by the government and the monetary easing which has been undertaken consistently so far by the RBI. We should allow some more time for their full impact to unfold and play out.

So therefore MPC decided that at this juncture, at this point or during this MPC, it is better to wait and take a temporary pause. When it has better clarity on all these fronts during its February meeting, it will be probably better placed to take a call on whether further increase or whatever needs to be done.

Ira Dugal
Bloomberg Quint: The mandate of the committee is a flexible inflation targeting mandate, which can allow you, in periods of weak economic growth, to perhaps let inflation run a little bit above that midpoint for a period of time. At a time when growth is at 4.5% and even your projections are showing relatively shallow recovery, could the committee not have weighed in favor of growth right now? The mandate does give you some flexibility.

Shaktikanta Das: I will not dispute that point, or I will not rather enter into a debate on that point. In my statement, which I just read out, I said that the timing of the rate cut is also very important. Number one, we should allow the measures already undertaken by the government and RBI to play out, we should allow some more time. Number two is that the timing of the rate cut also is very important to optimize its impact. So, you must cut when the impact will be maximum. 135 basis points, let its impact play out even more and then we reach a position, we time the next decision in a manner that as and when a rate cut is undertaken considering that there is a space available, the impact should be optimized and should be maximized. So, therefore, it is a question of timing also, which is very important rather than going on mechanically cutting rates on every occasion.

Pradeep Pandya CNBC Awaaz: Governor, if you see the accounts of government which have just come out, government has reached 100 percent fiscal deficit. And for the next year; because this year's revenue growth is quite less, because the nominal GDP is quite less, future revenue growth prospects are also not looking good. So, in such a situation the government looks to RBI when it has very less margin to support growth. And you are saying that you are waiting and watching out for the budget. So who will take the responsibility of growth, RBI or the Government?

Shaktikanta Das: See, it is a responsibility for both. As I have said, Reserve Bank and Government will continue to work in a coordinated manner. As of now, there is good coordination between the RBI and the government, between the fiscal and monetary authorities, there is a good coordination. So far it is going on. Now, what you are saying that government is looking at us and we are looking at the government, it is not like that. Both are committed to revival of growth. I have clearly said today that the government and the RBI will continue to work in a coordinated manner to achieve the national objective of reviving growth, it's a national objective. This is not just RBI's problem or just the Government's problem, it is a national issue. So therefore, we are working in a coordinated manner.

And on what you have said about the budget that till date 102% fiscal deficit has been achieved, because I am a bit experienced in this area; every time in the second quarter and third quarter of the year, fiscal deficit is always on the higher side, because the revenue inflow picks up, direct tax collection particularly picks up in Q4, and other tax collections also pick up in Q4, but the expenditure is evenly balanced throughout the year. So, therefore, in the first two quarters fiscal deficit always remains high, and in the second quarter since expenditure is evenly spread but revenue collections go up, fiscal deficit automatically comes down. In situations like this, it is for Government to take a decision. All that I said is that there is coordination between the RBI and Government. But we will have greater clarity about the kind of new measures or the counter cyclical measures that the Government would announce, which will give us more clarity with regard to the growth projections also.

Pradeep Pandya: So are you anticipating some measures from the Government that would increase the growth?

Shaktikanta Das: Now, this depends on the Government. We all expect that something measures should be taken which can revive growth. Government has already taken many measures. So it will be wrong to say that Government will not do anything in the future. So hopefully, Government will announce some more measures.

Anup Roy
Business Standard: Sir, in your monetary policy statement you have said that the need at this juncture is to address impediments which are holding back investments. One is that. And, so can you please elaborate what are these impediments? Also in your statement you were saying that we need to work together, so do you expect more measures coming from the Government? Because there is a clear fear, it looks like that if the inflation crosses 5% and you cut your policy rate and it comes down below 5%, there is a negative interest rate territory we are entering into. Is that the fear also there?

Shaktikanta Das: I won't like to go into the issue of this real interesting rate towards which you are indicating. I don't want to go into that area, because monetary policy cannot have multiple targets. I had said this in the previous MPC press conference as well. Monetary Policy Committee cannot pursue multiple targets. Target is price stability that is inflation, keeping in mind the objective of growth. So, naturally when we adjust policy rate, we will have to keep in mind how much low it can go, keeping in mind the inflation also. So, there are several aspects which are taken into consideration.

And what you said about the impediments, the reforms which are to be taken, in this session Government has introduced a bill for certain labor reforms particularly with regard to contractual appointments, etc. So, with regard to ease of doing business also I think a lot of measures have been undertaken. So, this is a continuous process. So, therefore, when we say that impediments to growth, it is basically things like this- labor reforms, improving the ease of doing business which are receiving already attention of the government. We are progressing towards that, it is just a statement of fact.

Sahil Joshi

Aaj Tak: Sir, you just said that you have decided to take a pause, it is necessary to take a pause at the moment so as to measure the impact of the decisions that have been taken. But it has been now more than three months, still we can't see any impact.

Shaktikanta Das: Impact of what?

Sahil Joshi: The decisions that the government had taken, or the decisions taken in the monetary policy. Do you think that there would be some impact in the coming days, because in your report also it has been mentioned that sentiments are downwards. So what more can the Government do as per you, because you have decided to wait and watch at the moment, so what can the government do? Because, in the Parliament we hear speeches such as GDP does not have an effect, such type of speeches are being hurled. So what do you think is the seriousness of the issue and what can more be done?

Shaktikanta Das: See, what measures Government needs to take that the Government will spell out. I cannot really speak on behalf of the Government. But whenever we have any suggestions, we do internally convey it to the Government.

Anirban Nag

Bloomberg: Governor, did the MPC even consider that bank credit growth is now half of what it was in December, what are the reasons for that? And my second question is, the concerns about the shadow banking sector that is impacting consumption. Is the RBI cognizant of that and will the RBI be taking further measures in the shadow banking sector?

Shaktikanta Das: With regard to flow of credit and with regard to the problem of NBFCs, etc., which you have mentioned, that is an RBI issue, it's not really MPC issue. With regard to the credit flow, so we have taken measures in the past MPC, to ensure greater credit flow from the banks to the NBFCs, we have increased the single exposure limit, we increased it from 15% to 20%. We have also permitted banks to provide lending to NBFCs for on-lending to certain categories of private sector lending, so banks can lend through the NBFCs. So, we have taken a number of measures to ensure that the credit flow from banks to NBFCs grows. Now, the bank credit to NBFCs till about the end of November has grown by about 26.5%. It is of course lower than last year, but 26.5% or 26% or so is the growth in bank credit to NBFCs. So, RBI can take regulatory measures to ensure that there is credit flow. We have taken certain measures in the past for ensuring more credit flow and we are constantly monitoring that.

With regard to the NBFCs, let me once again categorically say, as stated earlier also, that the top 50 NBFCs are regularly monitored by the Reserve Bank of India, by our supervision teams. In fact, much more closely and intensively than anyone outside can expect. We are, wherever required, making deep dive into their books, into their balance sheets and other numbers. And these 50 NBFCs roughly represent about 75% of the asset size of the NBFCs. And, we exactly know, I can say with some amount of confidence that we have a fairly good idea of where the vulnerabilities lie, which are these NBFCs which are vulnerable, and we are monitoring it very intensively. The management of these NBFCs, the promoters of these NBFCs are asked to come to Reserve Bank at periodic intervals. Discussions are held between the RBI and the promoters and the management of the NBFCs. We clearly tell them our expectations of the measures which they should undertake to strengthen and to get over the problems.

The liquidity situation in the NBFCs, at least for a period of three months is also being monitored, whether they have adequate liquidity coverage for their liquidity requirement in the next few months is being monitored. I am repeating myself, but we know where the vulnerabilities lie. And, the Reserve Bank wherever necessary will not hesitate to act, to ensure that we do not allow any large or systemically important NBFC to collapse and produce any adverse or negative impact on the system. Recently, you know, after Section 227 of the

Insolvency and Bankruptcy Code, the Government issued certain rules. And pursuant to that, we have appointed an administrator and referred one major housing finance company to the NCLT. The NCLT has already admitted that case, the Committee of Creditors is now being formed, the insolvency professional has also been appointed. So, RBI will intervene as and when it is required. I can say that the NBFC sector is being monitored and the credit flow is slowly reviving in the NBFC sector. The better performing NBFCs are able to access funds from the market at pre-IL&FS rates. The market today is differentiating between the good and the not-so-good NBFCs. And naturally, the market will have to differentiate and provide money wherever required as per it's soon assessment of the strength of NBFCs.

Anurag Shah Zee Business: Can you dismiss it completely that interest rates have not changed because there was danger of real interest rate to be negative? On one question you have said we have not taken that into consideration. And do you see there has been some drastic change in last two-three months, because the RBI's target of GDP was more than 7% and now we are talking of 5%, so has something changed drastically in last two-three months, which was not considered in previous prediction and is being considered now?

Shaktikanta Das: See, I don't want to repeat myself, I just want to say that we get a lot of data, we have done our own surveys also in which we get a lot of details and data, which are considered by the central bank. And I have just said, we want the earlier rate card to play out fully and we cannot be sort of mechanically reducing the rate every time, we have to see that the rate cut whenever it is undertaken, it is done in a manner that it has maximum impact.

Participant: Sir, how much time will it take for transmission to happen?

Shaktikanta Das: It will depend on the evolving situation. I have said that 44 basis points transmission has happened, it should now be faster because we have introduced the external benchmark from 1st November onwards. So, it will depend on the evolving situation and then the MPC will take a call.

Vishal Manve

AFP: Sir, when the on-tap licensing or small bank window be open to the payment banks that want to convert themselves into small financial banks?

N. S. Vishwanathan: You will see in the draft that we had proposed that they can do it after five years of functioning as a payment bank. There were comments received and the final report will also be saying what we intend to do. There is a provision for conversion of payment banks into small finance banks after five years of operation as a payment bank.

Purva Chitnis

NDTV: Sir, speaking on data, what kind of data we have as far as the income growth is concerned, the rural as well as urban? Because in the statement you have said that you expect spending to be changed at all. So what kind of income growth are we expecting? And in connection to it, since we have slashed the GDP growth as well, is there any fear of job cuts, and if yes, how many?

Shaktikanta Das: No no, there is no such fear. I request my colleague, Dr. Michael Patra to reply to that question.

Dr. Michael D. Patra: As far as income growth is concerned, we have set out projections of GDP, where we expect a gradual recovery right into the second half next year. Our surveys are conducted regularly with a two months interval and they suggest to us what rural and urban demand is like, what employment conditions exist, and is what the state of financial assets. And on this basis we make our policy decision.

Govardhan Rangan

The Economic Times: Sir, the fact that the decision has been unanimous, and then you have forecast the inflation to come below target only in the second quarter of the next fiscal. Does that mean that for the next three or four meetings, the rate cut is completely off the table? And the fact that you also mentioned that it depends on the unfolding situation, what is the situation that is unfolding that will make you really change your stance or to go for a cut even without inflation falling below the target?

Another thing is that, is there a TARP in the works as some kind of relief programme?

Shaktikanta Das: See, on the Troubled Assets Relief Programme (TARP), I also read something in the newspapers. Let us leave it at that for the time being. And with regard to growth and inflation, all that we want to say is that we have certain projections, based on the available data. We feel that, we need some more time to have greater clarity and less uncertainty about our projections. We just want to be convinced that whatever projections we have made at this point of time with regard to inflation and with regard to growth, the coming months will play out in the same line. So, there is need for greater clarity, there is need to be more certain about it, to reduce the element of uncertainty in our projections, then the MPC will decide.

Shaktikanta Das: You have been quite critical of this pause, this temporary pause that has been taken, please go ahead.

Mythili Bhusnurmath
ET Now: Thank you, Governor. Hope you will reward us for our patience, all us lefties waiting very patiently for you to look this side. I have a question, in your comments right now you explained the logic, which to my mind make sense. Yes, you need to give time for the monetary policy action so far to play out but the policy statement is quite at odds with the action. In fact, even if you look at the second half inflation projection is 5.1% to 4.7%, well within the target of 2.6% if you were to interpret it as flexible inflation targeting. So clearly, somewhere along the line you have shifted from looking at it as flexible, which you used to do earlier, as maybe even bought over by the RBI and bureaucracy.

Shaktikanta Das: Yesterday somebody wrote in the newspaper that my heart is still in the government. I clearly don't know where is the heart and where is the mind, I think they are both with me.

Mythili: So, it seems to be interpreted as very inflexible unless there is something that you have not mentioned. The exchange rate worries, because there are strong forex inflows, and that unless you wanted to allow the rupee to appreciate it will mean further increase in the money supply. So is that an anxiety which is weighed by the MPC, which has not been expressed here? Number one. Number two, you talked about taking a large NBFC to the NCLT. My point here is, RBI is a regulator, I mean, it has become even more effective regulator than earlier. Is it the job of a regulator to take anybody to the NCLT, which is what the RBI is trying to do in the case of the non-financial group companies? And then there was too much of a hue and cry saying it is for an aggrieved creditor to do so, RBI is not a party as far as large NBFC is concerned. So shouldn't it not have been for a creditor to take it to the NCLT?

Shaktikanta Das: You see, with regard to taking it to the NBFC, as a regulator, you are right. RBI's role starts and ends with referring it to the NCLT. Thereafter, the insolvency professional and the Committee of Creditors, they take over.

Mythili: My question is should you be referring it at all?

Shaktikanta Das: I am coming to that. We only refer it to the NCLT. And then the NCLT takes over. Under NCLT's broad oversight, the Committee of Creditors and the insolvency professional will work on the resolution of that particular stressed entity. So, RBI role is only to analyze the situation and refer it. The other thing is, today, let us look at the whole situation in a pragmatic manner. We cannot add greater disruption and uncertainty to the system. I think, the regulator is best placed to assess the current state of affairs in a NBFC. Because as I have said, it's RBI, which is monitoring and supervising, monitoring very closely the top NBFCs. The RBI is also in charge of; overall it is the FSDC, the Financial Stability and Development Council, which looks at financial stability. But RBI, as the regulator of banking and non-banking and other sectors, it has the prime responsibility with regard to financial stability.

So, when RBI is monitoring the NBFCs closely, when RBI is in charge of financial stability, definitely the RBI is better placed and perhaps best placed to refer certain cases, identify the vulnerable entities and refer them to NBFCs. It's a pragmatic decision, which I think underlies the notification that was issued by Government under the Insolvency and Bankruptcy Code. So, that is a background in which we are doing it.

With regard to the other question which you asked, about the flexible inflation targeting and all that. Underlying that 5.1, the food inflation is pretty high, our projection of food inflation is pretty high. The moderation of that food inflation is dependent on several factors. The core inflation also, as I mentioned, it is expected to remain within that 4%, around 4% or below 4%. But then there are certain uncertainties. You have to really read the MPCs resolution in totality, or whatever statement I made, you have to look at in totality. It would not be correct to just look at various points that have been made in the MPC's statement and in my statement in silos. I mentioned that on inflation, we want a greater certainty. With regard to the action taken by the Government and the RBI, we want the situation to play out. We don't want to be mechanically reducing the policy rate again and again, we would like to time it in a manner to produce the maximum impact.

So, all aspects of the MPC resolution and the statement which I read out, which in any case will be uploaded after this press conference in the RBI website. So, you have to read the statement in totality and then that should explain. So, it will not be correct to just pick up one point and argue on that basis.

Mythili: So, the strong forex flows play a part because that will certainly impact your monetary base if you want exchange rate stability or you do not want rupee to appreciate.

Shaktikanta Das: No, forex flows again depend on so many global factors, like, for example, Q3 in U.S. has improved vis-à-vis its Q2 numbers. In Q3 in the case of EU countries, they have sort of stabilized, there is no further decline. So, therefore, it's an evolving situation. We don't take a decision based on likely foreign exchange inflow or outflow, because that is subject to so many international and external factors. That is not a point to which we look at.

Bijoy Idicheriah Cogencis: Couple of quick questions, Sir. One, you have again flagged the issue of small savings rates, lack of adjustment in spite of there being a formula to link it to money market rates. On money market rates, you mentioned that there has been fair transmission, but 89 basis points is the transmission on the benchmark 10 year Government bonds, and you have already cut 135 basis points. Is there a concern that not only in bank credit, but also in many markets there is a concern about how much space RBI has, going forward, to cut rates?

And second question, do you think the fact that you all have postponed your rate cut, as you were stressing right now, means that people who are sitting on the fence on credit could also postpone their credit decisions on whether to take a long credit decision or investment decision on that?

Shaktikanta Das: The second part question, it is very speculative, one doesn't necessarily lead to the other. I mean, the credit decisions people will take on the basis of their requirement and on their affordability and so many other aspects. With regard to the first question, where you said about small savings rates, every quarter there is a reset of small savings rate by the Government. Whatever views we have on the matter, we have internally conveyed it to the government. Government will definitely take a considered call in the matter.

Bijoy: On the 10 year benchmark rates, as I just said that 89 basis points was the transmission on the 10 year benchmark rates, but you have already cut 135 basis points. That's one point where you would have expected almost full transmission by now. Is there a concern that even the money market rates are seeing it as possibility that you don't have too much more space left for rate cut or concerns over fiscal, which is why they are not transmitting as much?

Shaktikanta Das: The 10 years G-Sec rates in the market is again guided by several factors. It depends on market perception about growth, market perception about the fiscal numbers. So, market has its own perception. And against 135 bps, I think 89 bps is so far it's from February onwards. So, it is for market to really decide and take a call on what kind of risks they perceive. And based on that, it will play out.

And with regard to RBI, this is something which you cannot say that it will guide our decision, but it is something which is definitely watched and kept in mind while taking a decision.

Ira Dugal: I think there's just a lot of angst in the market that the term premia is not coming down, the credit spreads are not coming down. And with this decision yield curve will probably steepen even further because liquidity will go to the short-end and the 10-year benchmark is already up some 89 basis points. Is the RBI at all concerned about it or are you just saying that it's a market function, credit spreads will adjust when they do, and the term premium will come off when it does.

Shaktikanta Das: We did have a lot of internal discussion on this matter. So Dr. Patra can address this question.

Dr. Michael D. Patra: The term premia actually have been coming down. And if you just go back a month or two, you will see that the 10-year benchmark rate has actually transmitted fully. And if you look at the term premium, which take off from the G-Sec like the AAA corporate bond, is actually higher than the bond market. So these are moving things. But transmission is going through and it is not that we are worried about low transmission there, it is actually faster than in the credit market.

Shaktikanta Das: See, as you said that one aspect is that the market has its own perception. The RBI definitely closely monitors this. It is not as if we just, I mean, let the market decide. In any case, we don't try to sort of manipulate or intervene to sort of have a particular premium which the market would demand, it is a function of the market. But having said that, as a central bank, we look at it from the point of view of the liquidity. What kind of liquidity support is required to keep the market rates stable. And today, in fact, right from June onwards the liquidity is about hugely surplus, it's about ₹2.5 lakh crore or so, every day which we are absorbing. So, the excess surplus liquidity, the high liquidity also is putting a lot of pressure on the bond yields to, sort of, moderate. So therefore, it is definitely a matter on which RBI definitely give a lot of attention.

Mayur Shetty

The Times of India: Governor, you said that you are waiting for some decisions on telecom, which may impact core inflation. So do you expect the higher tariffs to impact the demand? And the question I had on real-estate, there have been reports on the ₹1 lakh crore of stressed real-estate assets that the stress is flowing to the NBFC sector. The lenders are saying that there is a need for 2008 kind of dispensation so that these projects can be completed. Has the RBI given any thoughts to that?

Shaktikanta Das: As I said, I have also seen some newspaper reports, which have appeared. And if and when RBI takes any decision for that matter, it will be put out in the public domain. So, so far I would not like to respond to a report which has just appeared. I also saw it; I think I replied to that question. I also saw that newspaper report. And the earlier part of your question was on tariff increase, we have to see that what impact it has on this thing. And with regard to education, health, etc., Michael, would you like to supplement?

Dr. Michael D. Patra: If you look at the core inflation numbers, you would see that transportation fares and education fees have actually gone up. So a large part of core inflation is service related inflation. So we will, as Governor mentioned, look at how the tariff plays out in the telecom sector and whether it impacts core.

Manojit Saha

The Hindu: Just want to know that will the banks have to make 50% provisioning for the financial services companies which has referred to NCLT because that was the case when the other companies were referred to NCLT.

Dr. Michael D. Patra: Now that guidelines are based on the June 7, 2019 circular; earlier what we said is, when we refer specific cases under our powers, then we had asked them to make the provision. Now the current system is as per the ageing norms that we have put in place. It is the requirement as per the June 07 circular.

Gopika Gopakumar

Mint: The Finance Minister had said that the government and RBI are working to amend certain regulations for better regulation of cooperative banks, which includes multi-states, the dual regulations. Has any work started against this? And what is the assessment of the PMC Bank crisis as of now.

Shaktikanta Das: See with regard to the amendments, today we have announced certain regulatory changes, regulatory amendments that RBI would be undertaking which is in the RBI's domain. With regard to amendments in the law, we have given our suggestions to the Government and the Government is considering our suggestions, and Government will take a call and then go to the Parliament to amend such provisions as the Government deems necessary based on our suggestions. And with regard to the PMC Bank, I have said earlier and I would like to again reiterate that there is a forensic audit which is underway. The final report of the forensic audit is expected by the end of this month. Simultaneously, the PMC Bank, with the help of professional valuers is assessing the realizable value of assets, which have been mortgaged by the companies which have availed the loans. So, the assets which have been mortgaged by the companies and the other states which have been identified by the Economic Offences Wing of Mumbai Police, and the Enforcement Directorate. So with the help of valuers, the PMC Bank administrator and his team are assisting the realizable value out of those assets. We have also put in place a coordination mechanism between the PMC Bank; that is the administrator, the Economic Offenses Wing, the Enforcement Directorate and the RBI. We have put in place a coordination mechanism to monitor these things regularly and take steps for monetization of these assets which after obtaining the permission of the court as may be required under the law. So, therefore, once we get the forensic auditors report by the end of this month, and once we get the final number, after doing a proper assessment of the realizable value of the assets that are available, then a call will be taken with regard to the further course of action. But in the meantime and parallelly, this coordination mechanism will also work on monetizing the assets and putting the money into the bank so that the bank gets back whatever is due to it.

Shritama Bose
Financial Express: Earlier this week on one of the large private bank's net banking and mobile banking faced a major outage. And people could not move money out of their

salary accounts. Will the RBI consider a framework for penalizing such inefficiencies on the part of banks?

Shaktikanta Das: I think that problem was kind of a technical glitch. Would you like to respond, Mr. Jain?

Mahesh Kumar Jain: We are cognizant of that problem. It happened on the 2nd of December, and it was because of the technical glitches, which was restored on Tuesday. And yesterday, there were some media reports that again customers are not able to access the digital banking from that particular bank. Again, we checked it up and it has been restored quickly. Our team has gone to really identify the reasons and find out what we can give them as a direction.

Swati Bhat Shetye
Reuters: Governor, like you said, the Government has taken several measures, but all those measures are largely on the supply side bottlenecks, which is kind of helping out with. But on the demand side, demand consumption is low. Do you expect any measures from the Government on the demand side? And is there something from the RBI and MPC end, some kind of unconventional measures that you are considering to boost demand in the economy because that is the driver of economy in the recent years and that is what is failing right now.

Shaktikanta Das: What measures the Government will take on the demand side, I really cannot spell out. It's the prerogative of the Government and the Government will decide that. And with regard to the RBI, as I said, for credit flow we have been taking various measures and whatever measures are required we will take it. But demand side revival which you are pointing out, this would be part of government's action plan, I am not really in a position to answer that question. I think couple of more questions, then we should conclude.

Amol Dethe
ET, BFSI: The question is about the digital currency. We do understand your stand on crypto currency which you made very clear in the Sandbox Policy but most of the regulators from all over the world are looking at digital currency very

seriously including Hong Kong, Malaysia and MAS. What is the RBI's stand on digital currency? And also on the Regtech policies, which most of the regulators globally are adopting?

Shaktikanta Das: You see with regard to digital currency, there are two aspects. One is private digital currency. RBI is very clearly against any kind of private digital currency. And let me also add that it is not RBI which is against it, world over, the central banks and the governments are against private digital currency. Because currency issuance is a sovereign function, it has to be done by the sovereign. A private currency cannot overwrite what is in the sovereign domain. And there are huge challenges with regard to money laundering and other aspects. With regard to digital currency to be issued by a central bank, that is central bank digital currency, this is very early. Some discussions are going on. The technology has also not yet fully evolved, it is still evolving. This is still in a very incipient stage of discussion and at the RBI, we have examined it internally. And we are continuing to have internal discussions. And we do have consultations and discussions with other central banks also. But it's too early to talk about central bank digital currency. But as and when the technologically evolves, with adequate safeguards, I think it is an area which the Reserve Bank will certainly look at seriously, at an appropriate time.

Parnika Sokhi
Moneycontrol: I am coming back to the rate cuts only, there is space of further monetary easing. But I want to understand, is there a floor beyond which the MPC does not want to go? And you are kind of preserving that space for another rate cut in future, and you expect growth to actually fall down going ahead? And also, on the impact of interest rates- are there concerns that to what extent the rate cuts can actually help growth, considering you have already cut so much and you are not really seeing that kind of impact?

Shaktikanta Das: So essentially, you are asking that is there a bottom-line, is there a level up to which we can go or how low can we go? It will not be possible for me to mention that. It all depends on the evolving data, it depends on inflation level, and it depends on so many other numbers. And, I cannot walk into a giveaway trap. Thank you. Thank you very much.

Mythili Bhusnurmath: Sir, what was the government's reaction to your 5% GDP estimate?

Shaktikanta Das: I don't know. I think the Government always appreciates. The Reserve Bank takes a very considered call on all aspects and we work in very close coordination with the Government. And let me also mention that there is as per old standards, as per the convention, the Government does always value the numbers given out by the RBI, because it is done after lot of internal deliberation. Thank you.