Edited Transcript of the Reserve Bank of India's Post-Monetary Policy Press Conference: February 7, 2025 (Friday)

Participants from the Reserve Bank of India:
Shri Sanjay Malhotra – Governor, Reserve Bank of India.
Shri M. Rajeshwar Rao – Deputy Governor, Reserve Bank of India
Shri T. Rabi Sankar – Deputy Governor, Reserve Bank of India
Shri Swaminathan J. – Deputy Governor, Reserve Bank of India

Moderator:
Shri Puneet Pancholy – Chief General Manager, Reserve Bank of India

Puneet Pancholy:
Hello and good afternoon. Welcome to this Post Monetary Policy Conference, the First of this Calendar Year 2025. Friends, we have with us the Governor, Reserve Bank of India, Shri Sanjay Malhotra, Deputy Governors, Shri M. Rajeshwar Rao, Shri T. Rabi Shankar and Shri Swaminathan J. We also have with us Executive Directors, Dr. O. P. Mall and Dr. Rajiv Ranjan and other colleagues from the Reserve Bank. To begin with, as is the practice, I will request Governor to make his Opening Remarks. After that, we will have the questions and answers. Governor, sir

Sanjay Malhotra:
Well, good afternoon and welcome to this press conference. I already made my statement, which we have also uploaded and I am sure you would have already gone through it. I do not have anything more to add. The MPC resolution, the rationale for it and some of the other additional measures that we have brought in are very clearly communicated over there. So, I think we can directly move towards the Q&A, I think that will give more time for all of you to ask additional questions. So, we can begin with the Q&A directly.

Puneet Pancholy:
Thank you, sir. Just before we begin, a couple of announcements, as always. I will request you all to please wait for your turn and restrict to one question per person and if time permits, we can always go back for the other one. You can see my colleagues on the aisle with mics in their hands. They will give the mics to you. Please speak into the mic so that people outside can also hear you. Sir, there are 27 participants from the media today. And with your permission, I will call out their names. I will request Latha from CNBC TV18 to ask her question.

Latha Venkatesh, CNBC TV18:
Thank you, Governor, and deputy governors. So, I just want to first clarify a language part and then my question. Because in para 7 where you are announcing the rate cut, you say that the MPC remains unambiguously focused on durable alignment of inflation while supporting growth. So, inflation first, then growth. In the immediate next paragraph, you are saying the growth-inflation dynamics open a policy space for the MPC to support growth while remaining focused on aligning inflation. So, should we read this as deliberate or casual? The question I have is, rate cuts normally get passed

on when liquidity is surplus. So, would your stated policy be to keep liquidity surplus in the inter-bank system or just adequate?

Sanjay Malhotra:
So, let me come to your second question first. I think that was attempted in the statement also that we made. And you would have observed in the last couple of months and even before that, that it has been the endeavor of the Reserve Bank to provide as much liquidity as is required. And when we say liquidity, as I also mentioned in my statement, it is both, overnight as well as durable liquidity. We have taken a number of steps. You are aware that we introduced perhaps for the first time a regular pre-announced every day overnight repo rate operation. So, this was primarily to give confidence to everyone that this window is always available in so far as the transient or the overnight liquidity is concerned. Even for the longer-term durable liquidity, we have announced steps of about ₹1.5 lakh crore, some of which have already been put into operation, ₹20,000 crore of OMOs have already been done, another ₹40,000 crore later on, today, we are going to have a 56-day VRR for ₹50,000 crore. We are always watchful. We will be nimble. I want to assure that we will be very proactive in providing whatever liquidity requirements are needed. That is one of our jobs and we will do it. Coming to your first question, everything, every statement, every word that is mentioned in the MPC statement and especially the resolution, because you were pointing at the resolution, is very, very well crafted, thought out and deliberate.

Puneet Pancholy:
Thank you, sir. Next will be Swati from Reuters.

Swati Bhat, Reuters:
Thank you so much, sir. Sir, your growth forecast for next year is at 6.7%. This is yet again at the upper end of the government's range; they have given us a 6.3% to 6.8%. And as we saw last year as well, RBI had to lower their projection towards the end. What gives you so much optimism on growth, especially when you are saying that you remain neutral purely because inflation risks could come up again with the heat waves, *etc.,* so what gives you the optimism on growth? Thank you.

Sanjay Malhotra:
See, all the parameters we analyse very regularly the high frequency indicators that we have. And whether one looks at agriculture with good reservoir levels and I have made detailed assessments even in my MPC statement, you can go through them as to what are the actual reasons, they are all given over there. So, in interest of time, I am just very briefly indicating them, whether it is in terms of agriculture, whether it is in terms of consumption. Now you also recently had the Nielsen survey the consumption numbers over there at 7%-plus, which augurs very well. And this is the kind or the range of projections that we do have for personal consumption. And similarly, the manufacturing activity is also kind of picking up, the PMI levels that we got were very comfortable over there. So, all this gives us the optimism that we will have what the numbers we have projected. I also mentioned in my statement that we will continue to improve our macroeconomic models, our nowcast and forecasts so as to be able to give as precise a number as possible. Please bear in mind that these are just forecasts, everyday situations change and as you know people say, as your facts change, your opinions also change. So, it is subject to that. Thank you.

Puneet Pancholy:
Thank you, sir. We will move to Manojit from Business Standard.

Manojit Saha, Business Standard:
Thank you, Governor. Is it fair to say that at this point in time, the priority is growth over inflation and what could be the real rate at this juncture of growth-inflation dynamics?

Sanjay Malhotra:
See, the RBI Act has given us a very, very clear mandate. See, in some countries, as you are aware, it is a very explicit dual objective to have both price stability and growth. In our case, the primary objective -- that is not to say the other objective is not important -- the primary objective is inflation, is price stability, keeping in view the growth objective. So, we will continuously focus on that, trying to meet these objectives. We will try to align the inflation with the target that has been given to us, at the same time supporting growth. At present as the resolution also says, we felt that time has come that we can be more supportive of growth because inflation is coming down, it is expected to go down. However, it also says that we will maintain a neutral stance so that we are able to proactively respond to the evolving macroeconomic conditions. Thank you.

Manojit Saha, Business Standard:
What will be the real rate, according to you given the current growth, inflation dynamics? The real interest rate?

Sanjay Malhotra:
See, today, we are at 6.25% (repo rate) and the inflation is 5.2%. That is the CPI inflation. The WPI is lower. So, that would give you a real rate of about, let's say 1.5% or so. That is what it is at present.

Puneet Pancholy:
Thank you, sir. Moving on, we have Anup from Bloomberg.

Anup Roy, Bloomberg:
Sir, coming back to the inflation target again. We have 2% to 6% inflation band. You have that convenience of the band. Also you mentioned the flexible inflation targeting and at the same time your original target is 4% for the medium term. So just wondering will you be comfortable if inflation remains within the 2% to 6% range or you will want to see inflation durably settling around 4%?

Sanjay Malhotra:
Anup Roy, I will ask you. When you go to an exam, in that exam, the maximum marks are - let us say 100, the passing marks are 40. What do you aspire for? Do you aspire to pass or do you aspire to do extremely well? Well, some may like to just pass. In RBI, we like to be on top of everything.

Puneet Pancholy:
Thank you, sir. May I have Ankur from ET NOW?

Ankur Mishra, ET NOW:
While the economic survey says that 6.3% to 6.8% is the growth forecast for the next financial year and you have taken the upper end. When I asked this question to CEA that, is there a possibility of 7% plus growth, he said, yes it is possible. I want to ask you now as per your assessment, is there an optimistic possibility of that? And one more question, sir. Regarding the ECL provisioning and project financing norms, you have mentioned in the statement right at the front but you also said phased implementation. Now, these implementations are as soon as from next month or 1st of April, as per the draft norms, of course. The final norms are yet to come. In project financing norms, it was mentioned that it should be 2% in the current financial year and then in FY 2026 and FY 2027. Similarly for LCR norms also, 1st April 2025 was the tentative date which was given. I want to understand where do we stand here - is there going to be a deferment or these will be implemented? Thank you.

Sanjay Malhotra:
Your first question - whether 7% is achievable? See, these are difficult questions to answer, but nevertheless, I would like to stick my neck out and say that certainly, India can achieve 7% and plus growth rate. We should aspire for that. Coming to your second question, which is related to some of the guidelines that we have issued LCR, ECL, project financing norms, etc., I made it very, very clear that we will be doing a balancing act. It is not only about stability, it comes with a cost. We will be very, very conscious of the costs that it brings in so that we make efficient use of our resources. I want to also clarify because you asked specifically about LCR and we did make a mention over there that we will give sufficient time. I do not think 31/3/2025 is giving sufficient time. So, certainly they will not be implemented at least before 31/3/2026. That is the kind of timeline that is needed at the minimum. The draft regulations were circulated. We have got comments. We are examining them. It will take time for us to examine. You see, liquidity is important for everyone. Let us please try to appreciate why we are doing this. We are doing this primarily so that there is no run on the banks. You would have witnessed it in 2023 there was a run on some of the US banks because they do not have such kind of regulations. Now, we have those regulations. But whether the liquidity that we have, provisions that we have, whether they are sufficient or not, and they need to always continuously be improved. So that is why we had provided for certain more liquidity to be kept *vis-à-vis* some of the deposits which we felt would perhaps have a higher runoff that has been provided in these draft regulations, at the same time, we have got now comments from other stakeholders that there may be lower liquidity requirements for some of the other deposits. So, we're examining that also. As soon as we are able to examine all the suggestions. And I am very happy to note, having come here to the Reserve Bank that we do an impact analysis over here. So that impact analysis has been done to some extent, but with the suggestions that have now come in, we are revising our estimates, our impact analysis and we will give time-frame as to when one can expect LCR. Similarly, the other guidelines also, we will give sufficient timeframe. You can be rest assured that they will certainly not be implemented as quickly as 31/3/2025 because that will certainly not be sufficient time. We do not want to cause any disruption. We will ensure a smooth transition. Thank you.

Latha Venkatesh, CNBC-TV18:
Not until March 2026?

Manojit Saha, Business Standard:
Just to clarify, you said 31/3/2026 or 31/3/2025.

Sanjay Malhotra:
Yes. We are very, very clear. It is more than one year. Less than two months is too short a window for the banks, we realise that and so, we will give at least 31/3/2026. Does not mean it has to be 31/3/2026. We will aspire for that. But we want to make it very smooth and it will also be phased. It will not be that all the regulations, all the norms kick-in from Day one, which will be at the earliest, March 31st, 2026.

Puneet Pancholy:
Thank you, sir. Next is Hamsini from Moneycontrol

Hamsini Karthik, Moneycontrol:
Hi, sir. I will stay put on this part around regulations. Your language also today seems to indicate that there will be a lot more consultative process in the way that you would go about building regulations. You did clarify on LCR, but what we have also seen, especially in the last four years, and more so in the last one and a half years is certain banks and NBFCs facing bans on certain aspects of businesses. There are two large banks still waiting to come out of restrictive business policies. Would you rethink your approach on how you would want to target banks or work with them to rectify some of the follies? And as a clarification, you did mention about LCR, but what about project finance and investment guidelines that banks are permitted to take in subsidiaries, *etc.?* Would you want to defer or there has been a request for a deferment on that as well? Would you want to consider those proposed policies also favourably, sir?

Sanjay Malhotra:
See, ECL was only a discussion paper. Even the draft is not out. So, there is no timeframe for implementation of ECL guidelines. Similarly, project finance, you can rest assured, I think they will need more time, 31/3/2026 is the earliest. Moreover, they need to be seen in conjunction with each other. There is a certain amount of overlap between ECL and project finance. So we are examining, because for project finance, the draft regulations were certainly published, comments have been received, suggestions have been received, we are examining them and we will come out with something, I want to assure all of you, that which balances the interests of the public, the depositors, the financial stability which is very, very important for our country and at the same time the concerns of the banks - keeping in mind the efficient use of resources. And to your second question, some two banks, where we have cease and desist measures. See, these measures are taken after great consideration, after great thought, after giving opportunity to these entities. Whether it is these banks or others, I am not making reference to any particular entity, and these are measures of last resort, we would not like to use them too often. This is a measure of last resort to be used in the rarest of the rare circumstances when all other measures have actually failed and they are again in the interest of the public and we will keep this policy going forward as well. Thank you.

Puneet Pancholy:
Thank you, sir. Next will be Gopika from the Mint.

Gopika Gopakumar, Mint:
Thank you, Puneet. Thank you, Governor. My question is on inflation forecast. You have retained the inflation forecast for this year and next year. But, have you factored in the impact of rupee depreciation while calculating or looking at the forecast? My second question is on the new Deputy Governor for Monetary Policy. When can we expect the appointment?

Sanjay Malhotra:
For second question, you have to ask the Government, it is not for me. Your first question - yes. The latest Rupee-to-Dollar rate was taken into account while making all our projections and we also do various sensitivity analysis. So yes, brief answer to your question is yes, that was certainly considered while making our projections.

Puneet Pancholy:
Thank you, sir. Next, I invite Ekta from Zee Business.

Ekta Suri, Zee Business:
Good afternoon sir. Sir, we have heard in your speech that you have talked about the frauds indicating that the domain name of the banks will be 'bank.in'. But there are so many issues that customers face if we talk about the frauds. First of all, if someone reports the fraud, they do not get their money back quickly. Secondly, pesky calls are being made from normal mobile numbers. So many times, you have said that do not advertise home top up loans as personal loans but still it is happening. 1600-140 numbers, also, as you have said, will be for transactions and for marketing but no one is listening. So, in such a scenario will RBI will take strict action on the banks so that the customers can be protected in such scenarios?

Sanjay Malhotra:
Certainly, it will be our full effort and endeavour to provide all the banking services to our customers and the public in the most convenient way possible, whether it is related to banking fraud as you mentioned, or if they receive pesky calls. We need to work on how to guide them and what actions to take against it. This will definitely be taken into consideration. Additionally, you have asked many small things in detail, for which I will request our DGs to tell you more about it because we have taken several steps in this regard. In brief, I will ask Swaminathan Ji and Rajeshwar Rao Ji to explain more about it.

Swaminathan J.:
Sir, just to supplement on that, yes, you also mentioned about the steps that we have already taken. So as far as the regulated entities are concerned, instructions are already in place to use certain series of 140 or 1600. We also do a lot of awareness campaigns to educate the consumers to stay away from pesky or fraudulent calls. As it is also put in place from a regulation perspective, limiting the liability of customers in unauthorised electronic banking transactions is in place. The provision to give us shadow credit pending full investigation is also kept in place and adherence to this is also examined when we do the onsite supervision. But oftentimes, there are also pesky calls that emanate from unregulated entities and apps and platforms. This is something which only an active collaboration of the government, regulator and the law enforcement will be able to work on. But this is something which we are conscious of

and we will take every possible step to ensure that the consumer's interest is protected and wherever there has been a loss, it is our endeavor to work towards an earlier redressal.

Ekta Suri, Zee Business:
Sir, I know you have mentioned a lot of things that are already in place, but even if RBI like continuously keeps on saying that you have to do this, banks do not listen. Till date, banks have advertised home top-up loans as personal loans saying take the loan, use it for your marriage, use it for travel or when you go for a loan, they insist on taking, you have to take an insurance or a credit card, mis-selling is rampant. So, on these issues, any supervisory action?

Swaminathan J.:
See, there are two-three issues that you mentioned, each of them, of course, the framework is certainly in place. Oftentimes as the Governor also mentioned, many of these behaviours, which are not consistent with the regulations, we resolve through dialogue. Supervisory action which gets publicised is only in the rarest of the rare cases where there are egregious violations or the most outlier behaviour. Otherwise, oftentimes, the supervisors engage with the entities on a bilateral basis and ensure that the regulatory guidelines are adhered to. So that shall be our endeavour. You may not get to read them in the media, but wherever there is non-compliance, on an annual basis and also an ongoing basis, we deal with the entities and oftentimes they all are complied with over the course of time.

M. Rajeshwar Rao:
Just to add to DG Swaminathan, the guidelines are already in place regarding top-up loans, what are the end use, etc. If it is given for different purposes, it would be taken as unsecured lending and will have to be dealt with accordingly by the bank. That is one point. As regards this mis-selling and forced insurance, RBI guidelines are already in place regarding this mis-selling issues and we are also looking at comprehensively reviewing these guidelines. We should be trying to come up with some guidelines shortly on this area - also on the conduct of the banks in various areas.

Puneet Pancholy:
Thank you, sirs. I will invite Anurag to ask his question.

Anurag Shah, ET NOW Swadesh:
Thank you Puneet sir and thank you Governor. So, the way RBI has said the way banks are investing in insurance companies or different subsidiaries, by when the guidelines regarding the investment will come into effect? And would we see in that if there is a big insurance company who wants to buy the majority stakes in the banks, is there any provision for the same? And a few days back, the Finance Minister also expressed her concern of mis-selling through the banking platform, Chairman of IRDAI has also expressed his concern regarding the same especially related to the insurance so does the data from RBI also support that? What is RBI's view on that?

Sanjay Malhotra:
What DG Swaminathan has just told you that we are absolutely against mis-selling. If any such incident comes to our attention, then definitely there will be strict actions will

be taken against them. You should be 100% assured 100% about this, if there is any such complaint against anyone about mis-selling then the Reserve Bank will take action against that bank or entities. How the action will be taken as DG Swaminathan explained it is not like that, we tell the bank that we are closing your registration, or we close your license you would also understand that. But we are very serious about this and if any such incident happens then we will take it very seriously. And the first question which you have asked was how the banking companies and they have created so many of their subsidiaries, NBFCs, or insurance companies so about that one guidelines we have published and regarding that there were many suggestions or comments have come, and we are studying it. See, the way I have told you that we are just taking everything into consideration and keeping in mind their suggestions after studying deeply we would take any decision. I would say this much only that if any company or bank does the same business from a different subsidiary then we face two types of problems. One is conflict of interest will be there because it is the same company then business is done in this company or the other issue is that there will be a conflict of interest. And the second problem is that there is regulatory arbitrage here. The banks work under a different regulatory environment and NBFCs work under different regulatory environment because of that the risks of NBFCs do not come on the banks. That is the rationale and reasoning behind why we have published these guidelines. And we also know that so many companies and so many banks have legacy issues are there as they already have created different types of NBFCs and subsidiaries so what do we need to do about this? Also, because we only have given them permission to do that. So, after thinking through everything, how we can move forward together because we have to keep the well-being of depositors, at the same time we have to think of the banks and bank owners too, so taking all these into consideration, we will take any further steps.

Puneet Pancholy:
Thank you, sir. Next will be Vishwanath from NDTV Profit.

Vishwanath Nair, NDTV Profit:
Good afternoon, Governor. Thank you so much. I am Vishwanath from NDTV Profit. Two things made sort of a debut in your speech. First was the less restrictive monetary policy, which I think a lot of people expected a rate cut, but were not sure how long this is going to last. So, I just want to understand from you when you say that the MPC feels a less restrictive monetary policy is appropriate in the current juncture. Is it limited to this policy or are we talking about the next few quarters and the others, like the second part, which made a debut and that is in continuation with these regulatory moves, is the cost of regulation, which I have never heard the RBI talk about, at least the RBI always talks about the need for regulation, not so much the cost for regulation. I just wanted to understand from you, so far, a lot of my colleagues here have written about how the RBI is a no-nonsense regulator, sort of an iron-fist type of regulator, are we changing that face at all?

Sanjay Malhotra:
No, I cannot talk to you about the past. It will not be correct on my part to sit on judgment. But I would certainly say that RBI as an institution has been able to, over the years, carry out the mandate that has been given to it. And I would also like to say that I do think that the cost of regulation you may not have been heard of it. It is a

different thing. But I think back consciously or unconsciously, I think consciously, this would certainly have been a factor in determining what they are going to do. You may not have heard it. That is a different thing, so I cannot say about that. But what one can see, having been outside the RBI and having interacted with RBI, being on board of the RBI, all these factors are certainly considered while making any regulations. So, it is not only about financial stability, it is also about the cost at which these things come in. I only made it very clear so that everyone is assured about that. So, this is one. And second, you said whether this policy is only for this, well, obviously, when we are keeping a neutral stance, and as was mentioned, the rationale for that is the tremendous uncertainties that we are facing today that do not call us to change our stance. Our stance remains neutral. This less restrictive policy is only for this particular MPC meeting and not going forward. This stance continues to be neutral. Thank you.

Puneet Pancholy:
Thank you, sir. Next, we will have Chris from Financial Times.

Chris Kay, Financial Times:
Hi. Thank you very much. I was wondering how concerned you are about the recent pressure on the Rupee going forward and are you also worried about imported inflation?

Sanjay Malhotra:
Well, the rate that the Rupee settles at is a function of the demand and supply, number one. Number two, I would also like to say that we should really not be looking at it, but that is perhaps our job and so we do it. We should not really be looking at day-to-day kind of volatility. It is more the long-term rate that we should be looking at and when I say this, I say this not only for the Rupee but also for other asset classes - whether it is the Sensex or the NIFTY or whether it is the gold prices or the asset prices. Day-to-day movements may not be all that important. As I mentioned, this was certainly factored in while deciding on the rate cut and the stance that we are maintaining. It was certainly factored in. That is one thing I would like to say, and the second thing is of course, as you are aware that a depreciated Rupee certainly puts pressure on inflation, but at the same time, global uncertainties are also. I think the higher worry for us would be the global uncertainties as to how that pans out. So global uncertainties, even if you know the trade wars, the tariff trade wars were not to be carried out, but just the uncertainty in itself is something which is worrisome because that has direct impact on growth, that has direct impact on investment decisions, that has direct impact on consumption expenditure decisions which get deferred. So, let us keep in mind that and lot of appreciation of the Dollar and the depreciation of the rupee is actually linked to this uncertainty. So, this uncertainty being the underlying cause to a great extent of the Dollar strengthening, Rupee depreciation is not good for growth. And it is not good for imported inflation. So that is something which we all need to be cognisant about. Thank you.

Puneet Pancholy:
Thank you, sir. Next would be Siddharth from the Informist.

Siddharth Upasani, Informist:
Thank you, sir. Good afternoon, Governor.

Sanjay Malhotra:
Good afternoon.

Siddharth Upasani, Informist:
So, question on liquidity. With the Government's high cash balance in recent years, has the RBI's job of managing liquidity been difficult. In the FY2025-26 budget, the WMA limit has been increased substantially to ₹5 lakh crore. The Economic Affairs Secretary also said the government will aim to keep a lean cash position.

Sanjay Malhotra:
Which limit you said has been increased to ₹5 lakh crore?

Siddharth Upasani, Informist:
And secretary also said that they will try to keep a lean cash position, but much of the cash holdings are drawn to the state's surplus and their investments in 14-day T-bills. I think the end of FY2024 was in excess of ₹2.5 lakh crore. Is there anything happening between the government and the RBI to discourage states from holding surpluses, maybe reduce the interest from these T-bills further, allow them to participate with banks, their money with banks maybe? Second, you mentioned tremendous uncertainties that we face today, so does this make a case for the RBI to perhaps increase contingency risk buffer over 6.5% recommended by the Jalan Committee? Thank you.

Sanjay Malhotra:
Say again your second question first and then first question. I will ask DG Rajeshwar Rao to come in because there has been some engagement with the State Governments which he is better aware of, so he will answer that or Shri T. Rabi Sankar, he will take care of your question.

T. Rabi Sankar:
I will take that.

Sanjay Malhotra:
Coming to your second question. See, the Bimal Jalan Committee has given a 5.5%-6.5% ratio of the balance sheet to be maintained as buffer for us. We are at 6.5% on 31/03/2024, that is the overall framework, is being reviewed and basis that if the committee feels that there is any change, could be upward or downward. I am not suggesting that because of uncertainties, it needs to be increased, I am not suggesting that. That is under process and basis that we will take a decision as per the recommendations of the committee which is reviewing this. For your first question, I request Shri Rabi Sankar to answer it.

T. Rabi Sankar:
Thank you, sir. I will start off with a clarification. The ₹5 lakh crore number you are referring to is probably the usage. That is every time something is withdrawn, it is cumulatively added. So that does not give an idea of the limit. The limit has remained where it is, quite consistent in the first half and second half and that has been adequate so far. But depending on how the Government's cash position evolves, those limits will

be fixed going forward for the first half and second half of the year. Transient day-to-day liquidity changes because of many reasons, but the larger changes there happened mainly because of the Government's cash balances. So, managing day-to-day liquidity is essentially managing the impact of the Government's expenditures and revenues and resulting cash balances. That is a job that we do. That is a job that we will continue to do on a day-to-day basis. As far as how State Governments surplus affects Central Government's cash balance and therefore has an impact on liquidity in the system, this is something that we have always been sensitising State Governments whenever we interact with them, as you would know, we are the debt managers for State Governments as well. We discuss with them on ways to manage cash as efficiently as possible. But at the end of the day, their expenditure decisions are their decisions and the resultant cash surplus is something we have a system under which it is currently managed. Some of it comes into treasury bills that are auctioned in the non-competitive section. Some of them go as ad hoc treasury bills. So that arrangement has worked fine, and we believe that as we go forward, State Governments also will be able to manage their liquidity more efficiently. Thank you.

Sanjay Malhotra:
I may supplement over here that this is our job. The State Governments and the Central Government should be, and many of them are, managing their liquidity efficiently and whatever support we can give to them we are providing. But, we are not looking at liquidity being provided by the Government. No, they have to do their job. They have to manage their cash balances efficiently and taking that into account we will provide as much liquidity as is required. We are not looking at the Government really to be providing that liquidity. That is not their job. That is our job and we will continue to do that job.

Siddharth Upasani, Informist:
Just a clarification from a first answer. You said it is being reviewed. We do not know whether the CRB will be reviewed?

Sanjay Malhotra:
I think every 5 years or so.

M. Rajeshwar Rao:
I think the Jalan Committee recommendations were for the period till 31st of March till June 2024 - 2019-2024. Internally, we are reviewing the whole thing and seeing whether any changes are warranted, etc. Then internally, we will take it up appropriately through the process and then if we need to engage with the Government or the Board, we will do it at a later point in time. But the internal review is on and is in the process.

Siddharth Upasani, Informist:
So is this the entire economic capital framework which is being reviewed?

M. Rajeshwar Rao:
Yes.

Puneet Pancholy:
Thank you, sirs. I request Sangita from the Economic Times.

Sangita Mehta, Economic Times:
Thank you, sir. Sir, given that the rate cut will immediately bring down the home loans and all the loans that are into external benchmark-based lending rate (EBLR), that is given. In your assessment when do you see the transmission of rate cuts in deposit rates and lending rates - the MCLR and the other rates in the system - by when do you see that happening?

Sanjay Malhotra:
See many of these deposit rates, etc. they are those deposits which are already there, they are already fixed. New deposits that are going to come in, it is only with respect to those so that these changes will actually take effect. So, obviously, many of them are 5-year deposits. So, there will be no change with respect to those people who have already taken those deposits. So, it will take some time depending on the tenor, the average tenor that the deposits already have. It will be our effort that we provide whatever support and liquidity is required that this transmission happens as quickly as possible. MCLR, I think, happens on a 6-monthly basis. So, the last one I suppose, most of the banks would be doing it in June and December to make it effective from January and July. So, the MCLR I think most of the banks, the policy is mostly to do it 6 monthly. And so come June, one should see some revisions.

Sanjay Malhotra:
You want to add, yes, please.

Swaminathan J.:
I just wanted to supplement on that. Essentially the external benchmark link rates are about 40% on the loan book on which we will see a more immediate impact. In respect of the book linked to MCLR which is almost equivalent to the EBLR book, it typically takes about two quarters for the effect to play out basis our past experience because the reset periods are mostly 6 months. But there are also loans that are linked to 3 months or 1-year benchmarks as well. So, typically, our experience is that it takes about two quarters and as the Governor clarified, the existing deposits will have to be carried on the contracted rate. Only for new deposits, the rates will change. So, in terms of monetary policy transmission to the deposit rates, it again takes at least about two quarters. So, that's a general trend that we have observed.

Puneet Pancholy:
Thank you, sirs. Sir, with your permission, last three questions?

Sanjay Malhotra:
Yes.

Puneet Pancholy:
Thank you, sir. Next, I will request Ben from The New Indian Express.

Ben Jose, New Indian Express:
Thank you, Governor. My question is about the 1 trillion tax giveaways in the budget. And if that really takes the consumer, those who are benefiting from the tax exemption limits, if that really gets translated into consumption, what could be the impact on inflation? Of course, the budget, from the fiscal point of view budget is not expansionary. So, that makes your job easier. But from a consumption point of view, of course, consumption is if those 1 crore or 50 lakh beneficiaries would be mostly from urban areas where the consumption has been lagging. So, what could be the impact? Have you taken into account or some reports say that the benefit is not 1 trillion but it is at best it could be ₹25,000 crore? So, it is not big enough to take into account for the monetary policy or you have looked at it and taken a call on the industry right now?

Sanjay Malhotra:
All factors as I said, have been considered by the Monetary Policy Committee in making its judgment. Obviously, the budget was announced, it was out in public, it was done, it was analysed and that was also taken into account in deciding about the repo rate cut. Overall, I think, the budget is an excellent budget, both from the growth perspective as well as I would say from the inflation perspective, especially as you also mentioned given that the deficit has been curtailed at 4.4% and not even at the glide path rate of 4.5%. And I am especially very, very pleased to note that in agriculture, you are all aware that 46%, about 46% of the CPI basket actually is comprised of food. Agriculture gets the prime focus in this, of course, it will help not only on growth but in the medium-to-long-term it will also help us in controlling inflation. Especially, I would like to drive your attention to the programme on vegetables and fruits. Vegetables, please keep in mind has a 6% contribution in the CPI. Fruits have a 2.9% contribution, so 8.9%. There is a scheme, there is going to be a programme for food and for fruits and vegetables specifically. I think the inflation pertaining to fruits and vegetables would certainly have—I'm not privy to what would have gone into their minds, but I feel that would certainly have—played in their minds. Similarly, I'm very happy to note that a mission on pulses, pulses again I think has a weight of about 2.5% or so, 2.4% I think if I remember correctly. And pulses also have played a major role in the inflation that we have seen in the recent months. There is a programme for, there is a mission now which has been announced for pulses. And then there are a number of other programmes which have been announced for agriculture. This 1 lakh crore of tax relief, I think it was very much desired. Everyone was wanting it. Now that it is there, now counter questions are being asked whether it will increase inflation, this, that, and all. I don't think those questions are really apt. And I don't think that this is going to have personally an impact, an upward impact in inflation. There is sufficient productive capacity that we have today also the capacity utilisation levels are 75%. And with this tax relief, it will only help us in our growth. And it should not have any major impact on inflation.

Ben Jose, Indian Express:
So, can I have one clarification on the economic capital framework of the Jalan Committee. The Jalan Committee was an external committee where RBI had members. But is RBI doing this internal reviewing or there is an external committee that is reviewing it?

Sanjay Malhotra:
Internal. It is an internal review, which was required to be done, which we will do because that is the time period as DG Rajeshwar Rao mentioned the time is over. So, it was due for a review. So, that will be done internally.

Ben Jose, Indian Express:
Thank you.

Puneet Pancholy:
Thank you, sir. Next, we will have.Shyama from Doordarshan.

Shyama Mishra, Doordarshan:
Hello sir. Sir my question is, does (the US President Donald) Trump's pro-crypto stance worry India? And if it does, then what will be the RBI's approach to it?

T. Rabi Sankar:
RBI's thinking on cryptocurrencies has been articulated very clearly and there is no change in that thinking because that thinking is based on what our understanding of crypto is. And our understanding of cryptos will not change because some policies have been taken by some countries on it. So, that remains unchanged. That is our stance. Having said that, as some of you may be aware, there is a group which is looking at what the country's approach to cryptocurrencies will be. And that group will give its recommendations, based on which decisions will be taken by the Government, and we will all follow that. Thank you.

Puneet Pancholy:
Thank you, sir. And the last question would be for Sachin Kumar from Financial Express.

Sachin Kumar, Financial Express:
Good afternoon, Governor. After RBI hiked risk weights on unsecured loans in 2023, there has been a significant moderation in growth of personal loans. So, is RBI satisfied with the moderation in growth of personal loans or more moderation is desired?

Sanjay Malhotra:
I think the short answer is yes, we are satisfied. I do not think more moderation perhaps is required, but I request one of the DGs in case they would wish to supplement.

Swaminathan J.:
I think that answer you have given already, just to give a rationale behind it. It was an intended impact; regulatory measures were taken when a certain amount of outlier growth was seen in a few segments. As we had anticipated, it is the very same segments which are witnessing additional stress or slippages at this point in time and year related. So, the measures were well thought out and it has had its intended impact. And as the Governor clarified this moderation is alright at this point in time. But as a regulator, we keep our watch on the incoming data and if that warrants a measure, we will take it, taking into account materiality and proportionality. Otherwise, at this point in time this moderation was expected, and it is playing out on the same lines.

Sachin Kumar, Financial Express:
So, is it correct to assume that now banks can resume higher lending on these segments?

Swaminathan J.:
It is primarily the business model that will be pursued by the business entities. It is not our intention to prescribe any particular rate of growth or a product-mix. This varies from entity to entity. And there are well informed boards that guide the management in terms of what should be their growth aspirations. All that we see is whether they are in tune with their risk appetite framework, whether any excess heating happening in the system or any possible risk build-up is occurring or a concentration risk appearing in any particular area. That is where we would like to intervene. Otherwise, it is not our intention to prescribe any model. And just to supplement use this opportunity to supplement to what Vishwanath as well asked. So, every measure there is an impact and cost analysis - that we do, and we take decisions accordingly. So, it is not that we will prescribe something which is not felt necessary.

Sanjay Malhotra:
Let me just supplement that. See, we had not stopped. We had not prescribed or mandated or asked the banks or the regulated entities to stop lending. No. The risk weights I believe were prior to Covid, they were 125%. They were brought down post-Covid. When we saw, that there is now sufficient and perhaps more than the desirable level of credit growth, the risk weights were brought down to what they existed prior to Covid. So, it is not as if we have done something which is kind of abnormal. It is just bringing it back to what the risk weights were in normal times. Thank you.

Hamsini Karthik, Moneycontrol:
Sir, if I can ask a question in continuation to that? While I understand this 125% on unsecured (loans) is normalisation. What about NBFCs sir, because there was a proactive increase in risk weight in order to sort of curb NBFCs also concentrating in the sector. And today when we are talking about a growth-oriented approach, and they play a very important role in last mile credit dissemination, would you relook at risk weights and NBFCs? This is where growth is really getting hurt.

Swaminathan J.:
Maybe I can clarify, sir. Essentially that particular segment was brought in because of the inter-connectedness risk that was building up. See, NBFCs have essentially three types of resources - their own equity, their market borrowings and then bank finance. Bank finance, which used to be about less than 30% had gone almost close to 46%-47% of their balance sheet as a resource. So, as I mentioned, we saw a concentration risk building up resulting in an inter-connectedness between two financial entities. So, we brought certain additional risks so that that gets moderated. Now if you look at it, the resources for NBFC are more or less now distributed as one third each. So, again, it had a certain purpose, which is something which is holding good even today at this point in time. So, I do not think there is a reason as to review any of these measures at this point in time. But as we clarified we will keep watching the incoming data at any point in time. It is not our intention to stop any particular form of lending or business.

It is our intention only to moderate, to ensure an orderly growth, keeping in mind financial stability. That is what that we would do.

Viswanath Nair, NDTV Profit:
You kept microfinance companies out of the loop when the risk weights were raised in November 2023. Yes. Look, I just want to understand. Since then, we have seen a lot of stress and a lot of overleveraging by these microfinance companies which the FSR also noted. Any thought process there? Would you consider something?

Swaminathan J.:
If you read the same regulatory inspection that we brought in November 2023, we excluded the growth-oriented sectors like housing or vehicle loans or education loans. We also excluded the small borrowers from the burden of any additional compliance. So, at this point in time, there is no other further measure that is contemplated. For handling this stress, in any case, there are other methods to prescribe and handle entities where there are any outlier numbers are seen. But a macro-prudential measure at this point in time is not under our contemplation.

Puneet Pancholy:
Thank you, sirs. With this we come to the close of this press conference. I would like to thank the Governor and the Deputy Governors for taking your questions. I would request all the friends from the media to take exit on the left-hand side at the back of the hall and thank you all and have a very pleasant day.