Edited Transcript of the Reserve Bank of India's Post-Monetary Policy Press Conference: April 5, 2024

Participants from the RBI:
Shri Shaktikanta Das – Governor, Reserve Bank of India
Dr. Michael D. Patra – Deputy Governor, Reserve Bank of India
Shri M. Rajeshwar Rao – Deputy Governor, Reserve Bank of India
Shri T. Rabi Sankar – Deputy Governor, Reserve Bank of India
Shri Swaminathan J. – Deputy Governor, Reserve Bank of India
Dr. O. P. Mall – Executive Director, Reserve Bank of India
Dr. Rajiv Ranjan – Executive Director, Reserve Bank of India

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

Yogesh Dayal:
Good afternoon everyone. Hello and welcome to the First Policy of 2024-25. Today with us we have Governor, Shri Shaktikanta Das, Deputy Governors, Dr. M.D. Patra, Shri M. Rajeshwar Rao, Shri T. Rabi Sankar, Shri Swaminathan J., and two Executive Directors, Dr. O. P. Mall and Dr. Rajiv Ranjan. So, as is customary, I would request the Governor to make some opening remarks and then we will go for Q&A.

Shaktikanta Das:
Namaskar. I guess I will not be off the mark if I say that the policy overall is on expected lines. So, it demonstrates, I think, the Reserve Bank, the market participants, the market players and perhaps, the media and analysts and all, every stakeholder, thinking is at the moment, well aligned so far as Monetary Policy is concerned. But having said that, I just want to make five observations:

i) Inflation is moderating, and the GDP growth is robust.
ii) The Monetary Policy Committee remains focused on aligning inflation to the target on a durable basis. We derive satisfaction from the progress made under disinflation, but the task is not yet finished.
iii) The financial sector continues to be stable.
iv) The external sector also continues to be resilient.
v) As we move towards RBI @100, the Reserve Bank will continue to focus on preserving financial stability and promoting a financial sector and a payment system that is robust, resilient, and future-ready.

Thank you.

Yogesh Dayal:
Thank you Sir for those opening remarks. I will, before inviting all of you, request you to please restrict to one question per person and if time permits, will go for another one. I will call out the names. I will start with Mr. Ankur Mishra from ET Now.

Ankur Mishra, ET Now:
Good afternoon, Governor. Thank you, Yogesh Sir. My question is, you have mentioned that you want elephant to stay in the forest on a durable basis. Is it still outside the room or has it already reached the forest? Why I am asking, because in your projections, you have said that in Q3 and Q4, there is going to be slight uptick in inflation. So, what is your assessment?

Shaktikanta Das:
You see the elephant moves at a slow pace. So therefore, the last mile of disinflation is always challenging and sticky. And as I have very clearly stated, we would like inflation to align with the target on a durable basis. So, that is what we are looking for.

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

Mayur Shetty, Times of India:
Governor, in your speech, you specifically mentioned the need to build up foreign exchange reserves, and this is something that RBI has been doing and the rupee has been stable. So, is it that the currency stability has moved up in the list of priorities for RBI?

Shaktikanta Das:
It has always been the priority of the Reserve Bank to ensure stability of the Indian rupee and I have myself stated about it, on a number of occasions. My colleagues have also talked about it on number of occasions. So far as building up of reserves is concerned, I think consciously, we have over the last four or five years, we have been building up reserves, whenever as the market moves, depending on the prevailing market situation. And that endeavor continues. Because it acts as a buffer against future risks, especially in a situation when the cycle turns and if there are significant outward flows of dollars. So, I have said it earlier also. So, it is by way of a buffer that we are building up reserves. It adds and this is very important, this whole approach adds to the strength of the national balance sheet.

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

Anup Roy, Bloomberg:
Sir, just trying to understand a little bit about your thinking on the heat wave warnings. You have not changed your inflation forecast that much, but will you be watching out for the heat wave warnings first. What is the impact that is going to be before taking a call or you have seen and decided that it is not that materially important?

Shaktikanta Das:
No, there is a statement coming out from the IMD that the temperatures; I have not said heat wave, I have said the high temperatures. The IMD has stated that there will be high temperatures and perhaps they have used a different word, they have not used the word, 'heat wave' but the temperatures are going to be above normal in the months of April, May and June. So, we have to really watch, what impact it has, especially on food crops and in that I have mentioned specifically about certain key vegetables. Now, so far as wheat crop is concerned, our information is that by and large, the harvesting is over; in central part of India, it is fully over, excepting may be a few areas and even in other places also, by and large, the wheat harvest is over. So, therefore, the wheat availability will not be affected as much as, it did some two years ago when there were heat wave conditions starting March. So, therefore, regarding wheat, there is not so much concern, but vegetable prices have to be watched and any other impact that heat wave conditions that may produce.

Yogesh Dayal:
I will move on to Ms. Ritu Singh from CNBC-TV18.

Ritu Singh, CNBC-TV18:
Thank you Sir for the question. Governor, just a comment, on the exchange traded currency derivative rules. It is very clear that RBI stance has not changed, yet the market, of course, has grown to almost USD 5 billion of notional turnover, on a daily basis. Now, that this deadline has been extended, but still the fact remains that you are asking for the underlying to be there, when these trades are undertaken. We just wanted to understand, what are the concerns RBI had about risks whether it comes to the financial stability or the currency because of which this deadline was put in in the first place, for a rule that has stayed in place for now, 10 years?

Shaktikanta Das:
I understand that there could be some more questions on this issue. If there are any, you could just mention so that we take it all together and give a common reply. She has already mentioned certain points, other than that, but related to this matter, if you have any questions, you can just put it so that we take it altogether.

Manojit Saha, Business Standard:
The question is that yesterday, you extended the deadline after 5:30 (pm), after the trading hours. The market has died by that time, but you still have extended the deadline. What is the reason for extending the deadline by one month? Is there a scope to review your decision, that is the question?

Swati Bhat Shetye, Reuters:
Are you okay with the volumes completely dying down in this market and, globally, the underlying is not a requirement, in most markets. So, why is that rule being made especially, for India and why have we had that position for the last so many years?

Shaktikanta Das:
Okay, I think I take, these are the questions. So, may I request DG Michael Patra to reply to that question and I will, if necessary, will supplement.

Michael D. Patra:
Thank you, Governor. So, let me, just quickly, review the whole thing so that everything is in perspective. Please also read our press release of yesterday. We typically issue it after market hours. So, it is in keeping with RBI's style. The RBI's policy on foreign exchange risk management has remained consistent over the last few years and there is no change in the policy approach. That is what I want to emphasize at the outset. So, in 2008, when exchange traded currency derivatives (ETCD) were introduced for the first time, they were introduced under the aegis of the Foreign Exchange Management Act and the regulations of FEMA clearly stated that ETCDs are for hedging only. And when you state that, it implies that you must have an underlying exposure. In 2014, the RBI, to promote the ease of doing business, provided a relaxation in the sense that while you must have underlying exposure, up to USD 10 million of that exposure, you need not produce documentary evidence of it. Since then, over the next few years, that limit was raised to USD 100 million, just to provide an incentive for market turnover and to expand the size of the market. But the moot point is that it is only for hedging and underlying exposure is a mandatory requirement. The January 5, 2024 circular was in pursuance of a commitment made in the monetary policy statement of December 2023, in which we said that there are all these stipulations all over the place, we will bring it together into a Master Direction and the January 2024 circular was a Master Direction. It just reiterated what has been there since 2014, so there was no change in that. Now, some market participants have been misusing this to understand that relaxation in documentary evidence is tantamount to no underlying, which is not the case, and that is a violation of the law.

Shaktikanta Das:
Just I want to supplement by summarizing what the Deputy Governor said, is that, there is no change pursuant to yesterday's circular or even earlier. There has been no change in RBI's policy. This policy, of this need to have an underlying, has always been a part of RBI's policy for last so many years. So, there was a number change. And this is something which every market player knew. You cannot say that this is something new. If you read the past circulars very carefully, it has been always there. So, therefore, if somebody says it is new, it is not correct. I would like them to refer to the circulars and, in fact, that is the purpose for which we issued the circular yesterday. Because there some kind of a narrative was building up in certain quarters, we wanted to make it very clear that there is nothing new. This has been the requirement all along. Market players knew about it. It is a part of FEMA regulation, the need for an underlying. And all that we have done is to, sort of, issue this circular and may be there is a possible question, what was the need for extension. Let me pre-empt that and say that we received feedback and requests from several market participants that they need more time. The Master Direction was issued in January and let me also say why

the Master Direction was issued. In the December Monetary Policy Statement, the regulatory and the developmental part of the monetary policy statement, we had very clearly said that a comprehensive Master Direction would be issued, and the Master Direction was issued in first week of January and it was said there very clearly, it takes effect from 5th of April. So, everything was crystal clear. But because of requests which we have received, and because of the kind of narrative which was being built up as if it is something new, what we did is to just reiterate the earlier position and say that it is nothing new, it has been always there, and number two, because of requests which we received from several market players that they need more time, we extended the time for the implementation of that January circular. So, instead of April 5th, we have now made it 3rd of May.

Manojit Saha, Business Standard:
So, ruling out any review of the position, right?

Shaktikanta Das:
No, this has been a consistent position. It is a legal requirement, as per FEMA regulations. So, where is the question of a review of that? It has been there for last so many years.

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

Lalatendu Mishra, The Hindu:
Good afternoon, Governor. What is fueling the food prices inflation? And whether it is a new normal? And the second question is, in an election year, what are the factors the RBI is watching out for?

Shaktikanta Das:
We have given our projections for inflation and growth for 2024-25, up to the fourth quarter of the year. Inflation, we have said, it will be 4.5% for the whole year. Growth we have said, it will be 7% for the whole year. And when 7% growth happens for the current year, it will be the fourth successive year of 7% or higher growth. Beyond that, on elections, I would not naturally like to say anything. And with regard to food inflation, let Dr. Michael Patra reply to that.

Michael D. Patra:
So, food inflation has been highly volatile. In fact, in February, it was 7.8% and the indications are that, in view of adverse climate events recurring, it will remain high. The actors keep shifting; at some stage, it was cereals, then went to vegetables and currently it is proteins - eggs, meat, and fish; while there is still some firmness in rice prices. So, these are short-duration spikes. But since they occur in multiple occasions, they give a persistent character. So, what we are worried about is that there should not be any spillovers to the rest of CPI. So, we watch very closely.

Shaktikanta Das:
And before we go to the next question, I mentioned about this above normal temperature. I have the IMD release with me. It says that ‘during 2024, hot weather season April to June, above normal maximum temperatures are likely over most parts of the country’. So, it talks about hot weather season, it talks about above normal maximum temperatures.

Yogesh Dayal:
Thank you Sirs. I will move on to Mr. M. Govardhan Rangan from Economic Times.

M. Govardhan Rangan, Economic Times:
Thank you Sir. Thanks for the no-surprise policy, to start with. One of the things that is happening is that the real rates almost doubled what an RBI paper itself had suggested in 2021-22; almost 200 basis points. So, one of the MPC members in the last minutes had also indicated that probably we may be sacrificing growth if we are not reducing the interest rates. Is it, this high rates almost double of what the real interest rate suggested by the RBI research itself? Is it kind of sacrificing growth at this point of time?

Michael D. Patra:
No, you should assess the level of the real rate, in terms of the distance, at which inflation is from the target. Even going, 12 months forward, inflation is not at target. So, that is our primary objective, that, we must align inflation with the target, and till then, the real rates are not so high, as you say.

M. Govardhan Rangan, Economic Times:
Real rates do not matter till it reaches 4%, is that what?

Michael D. Patra:
No, they matter, but we need to see the alignment of inflation with the target. That is the primary objective of monetary policy.

Shaktikanta Das:
You see, under the law, the primary objective, as he has rightly pointed out, is price stability, it is the inflation targeting framework. And talking about the real rate, the earlier study by the RBI was done about three years ago in 2021-22. So, that is about three years ago, it was done. Much has happened since then. Our potential growth also appears to have gone up. In fact, going by the NSO's forecast of 7.6% growth for the year 2023-25, the average for the three years, that is, 2021-22, 2022-23 and 2023-24, the average will work out to 8%. So, when your average growth over a three-year period is 8%, naturally, the potential growth appears to have gone up. We will undertake a study after the final GDP numbers for the year 2023-24, it is released end of May. After it is released, we will again undertake a study to assess this potential

growth and the real rate and may be thereafter we can sort of provide you some additional information. So, therefore, the potential growth and the real rate has to be seen in that context. I am not reaching any conclusion, but I am just saying that the real rate has to be looked from that perspective. But, essentially as rightly pointed out by the Deputy Governor, it is the level of inflation going forward. One year ahead, where the inflation is likely to be, is what really guides us, in our journey of attaining price stability.

Yogesh Dayal:
Thank you Sirs. I will move on to Mr. Dinesh Unnikrishnan from Moneycontrol.

Dinesh Unnikrishnan, Moneycontrol:
Thank you, Yogesh ji. Thank you, Governor. I just wanted to know, what is your view on the electoral bonds data that is published by the Election Commission of India, following the Supreme Court directive? So, if you look at it, there are many cases where companies have bought electoral bonds, many times more than their net worth and profit. And also, there are quite a few cases where companies, which are even in losses, they have bought quite a few, about ₹600 crore worth electoral bonds. Have you looked at this data? Is there a possibility that RBI, looking at these companies, probably would have been used by others as a channel for funding?

Shaktikanta Das:
No. On electoral bonds, we have no comments. It is a Supreme Court judgment which has to be complied with and which has been. In pursuance of the Supreme Court judgment, I think, the State Bank has taken the required action. So, we have no comments on the Supreme Court judgment or on the issue of electoral bonds. And, with regard to the issues you are pointing it out, that the net worth *vis-à-vis* how much they have contributed, these are issues which are not in the domain of the Reserve Bank.

Yogesh Dayal:
Thank you Sir. I will move on to Mr. Vishwanath Nair from NDTV Profit.

Vishwanath Nair, NDTV Profit:
Thank you, Yogesh Sir. Governor, you spoke about the real rates in detail, but the bottom line is you are not seeing 4% in FY25, at least according to your projections, at this point in time. There was hope that when the US Federal Reserve, supposedly is going to cut rates in June, then RBI might follow. Are we looking at any indication of a rate cut this financial year or not? That is my primary question.

Shaktikanta Das
You see, with regard to the rate cut this year, I cannot give you a forward guidance. In fact, countries which give dot plots also, the dot plots keep changing from meeting-to-meeting. So, with regard to rate cut or whatever rate action, I mean, let me not say

rate cut, but whatever rate action, it is linked to the evolving path of inflation. So, on that, I cannot give you any forward guidance. And the other point, which you mentioned about expectation linked to US rate cut, I think, as I have said on number of occasions earlier, our monetary policy is primarily guided and determined by our domestic situations. So, we do not just follow the footsteps of the US Fed. In fact, if you just recall in the past few years in particular, I can talk about our rate cut which we did in 2019 or the beginning of the rate increase which we did in 2022, they actually preceded the US Fed action. So, therefore, our policy is governed and determined primarily by domestic circumstances.

Yogesh Dayal:
Thank you Sir. I will move on to Mr. Anand Adhikari from Business Today.

Anand Adhikari, Business Today:
Sir, the one year inflation forecast is at 4.5%, and you have the used the phrase that the elephant is out of the room and appears to be moving towards the forest. So can a rate cut happen when the elephant is in the forest or it can also happen when the elephant is on its way to the forest?

Shaktikanta Das:
I think, I said very clearly that we would like the elephant to return to the forest and stay there on a durable basis, and I, reiterated by saying that we would like inflation to align with the target on a durable basis. So, I think that needs no further elaboration.

Yogesh Dayal:
I will move on to Mr. Shayan Ghosh from the Mint.

Shayan Ghosh, Mint:
Good afternoon, Governor. The Prime Minister, on Monday, spoke of RBI's priority of growth. He, of course then went on to add, trust and stability. Does the government now want RBI to prioritize growth over inflation, is that the reading?

Shaktikanta Das:
I think, you have answered the question. The Prime Minister talked about growth. The Prime Minister also talked about stability and trust. So, therefore, my understanding is that what the Prime Minister said is in line with what is provided in the RBI Act, with regard to inflation targeting. He also used the word ‘balance’, if you recall.

Shayan Ghosh, Mint:
Thank you. If I may add Sir, he led with growth and then went on to add, so I thought.

Shaktikanta Das:
Well I mean, you can make any nuanced question. He also used the word ‘balance’. If you recall, he also talked about ‘balance’. So, that's it.

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

Swati Bhat Shetye, Reuters:
Thank you, Yogesh Sir. I have a very small question. Do you think the moderate falling core inflation is indicative of weak consumer demand. Is that something that is a concern at your end? And you have already answered the question on forex reserves earlier. Just a side note, Sir. There is a cost to building reserves. Are you considering that cost as well, and how are you looking at that, and are you looking to continue building gold reserves?

Shaktikanta Das:
We are building up gold reserves, the data is released from time-to-time, you can compare, year-after-year, what is the gold reserve that the Reserve Bank is holding. So, that's a part of our reserve deployment. And what was the other question?

Swati Bhat Shetye, Reuters:
Will you continue raising gold reserves?

Shaktikanta Das:
No, all aspects while building up the reserves are assessed and then we take a decision.

Swati Bhat Shetye, Reuters:
On (rural) demand?

Shaktikanta Das:
You say, demand, weaker consumption. You have asked 3-4 questions, including the exchange derivative thing. No, I think in the policy statement, I have said very clearly that urban consumption remains strong and rural consumption has recovered and is gaining. So, it's there in the policy statement.

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

Manojit Saha, Business Standard:
Thank you. The growth projection for FY25, you have kept it at 7%; at the same time, you have earlier said FY24 could be closer to 8%. What will slow down growth in the current financial year, as you also said, the average growth was closer to 8% in the last three years, but this year you are projecting 7%. So, what will slow down growth in the current financial year from 8%?

Shaktikanta Das:
The MPR has been released today. The monetary policy report should be getting uploaded now. As MPR is already uploaded, so you can have a look at it. So, may be Dr. Michael Patra can further amplify.

Michael D. Patra:
The 8% will provide a base effect on to FY 24-25. But the momentum is very strong; still as strong as it is in FY 23-24, because it’s a year-on-year growth rate.

Yogesh Dayal:
Thank you Sirs. I will move on to this side now. I will invite Mr. Ashish Agashe from PTI.

Ashish Agashe, PTI:
Thank you so much, Sir. Sir, you at the end of your speech, mentioned about the goal being in sight on inflation. You also gave us your expectations for FY 25. So, if 4% is the goal, like what sort of path do you see on inflation, going ahead?

Shaktikanta Das:
We have given the quarterly projections also, for the next year. We have given the quarterly projections. I think Q2 it comes to 3.8%, but thereafter again it goes up and there are so many uncertainties between now and each of these quarters. So, we will be watchful of the current prevailing inflation as well as watchful of what the outlook appears, how the outlook appears. So, based on that, we will take a decision.

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

Piyush Shukla, Financial Express:
Good afternoon, Governor, DGs and Yogesh ji. So, very quickly, just you have allowed SMEs to deal in rupee interest rate derivative products today. There is also an ask that they want to shed their small finance tag because people feel a bit hesitant towards banking with such names. Apart from that, there are certain regulatory relaxations also being sought on PSLC earlier. So, what is your view in this regard, Sir? And separately, SRO draft framework has come out. When can we expect the final framework to come out? Are you on board with them having dual mechanism; you had said in your circular that there needs to be a consensus on the membership criteria and dual SRO?

Shaktikanta Das:
Thank you for moving to the Part B of the MPC resolution because there are seven other announcements which have been made, each of them very important and on the first part about the SFB thing I will request Deputy Governor Rajeshwar Rao to reply. And on the Fintech SRO, I would request Deputy Governor Rabi Sankar to reply.

M. Rajeshwar Rao:
Thank you, Piyush for that question. See, SFBs actually have been conceptualized as a differentiated bank with a specific objective and the tag of having an SFB after the name is a key part of that differentiator. So, I don't think there is any requirement to modify that at this point in time. Also, the objective of the SFB is to further financial inclusion among the underserved and the unserved through using high tech and low-cost operations and meeting the priority sector norms, etcetera is a key part of this entire process. So, I think the norms continue to be at that levels for the SFBs.

T. Rabi Sankar:
On the SROs, we have received the comments. The last date was, as you know, the end of February.

Shaktikanta Das:
This is Fintech SROs?

T. Rabi Sankar:
Yes, Fintech SROs. We have received the comments. We are examining those comments. We will be out with a framework and based on which, entities can apply for SROs. The details of that framework, please wait until we announce it. The various issues that we had put out in the draft framework were, whether there would be one or more SROs and what would be the membership criteria. and so on, we will finalize based on the feedback. Please wait for the final framework to come out. Thank you.

Shaktikanta Das:
And let me supplement by saying that the framework, we propose to release it before the end of April. And, as mentioned by me in the last Global Fintech Festival that in 2024 Global Fintech Festival, we would like one SRO relating to fintech to be operational. So, we are working towards that.

Yogesh Dayal:
Thank you Sirs. Now I will invite Shri Jeevan Bhawsar from Akashvani,

Jeevan Bhawsar, Akashvani:
Good afternoon, Sir. We are eager in knowing what is the current status about CBDC pilot project which has been running. Along with that now, CBDC is now interoperable with UPI, how much transactions are there in that and by how much it has risen?

Shaktikanta Das:
To answer this question, I will request Deputy Governor T. Rabi Sankar.

T. Rabi Sankar:

After doing interoperability, the volumes have been increased. As I have said this earlier that objectives of pilot is that various alternative technologies options available and various alternative used cases around, it should be tried. Like we have said in previous year, we wanted to test how much resilient the system is if the transaction were to increase to 1 million. In that it had been tested, that target had been set for the end of the year and it has been achieved and to achieve that target, interoperability with UPI has been very handy. After that it is seen that volumes are not that much and it has decreased, but one thing we are able to see that volumes have shifted from P2P to P2M because more merchants are available. As per current data record, around 46 lakh users are there and 4,00,000 merchants are there; so total about 50,00,000 participants are there. Total transactions till now are around 2.2 crore.

In previous policy, we had announced programmability. The first used case of programmability has started today for that we will discuss later. The first used case is for CBDC transfer to farmers which they can use it for their own inputs and other cases it is in progress and gradually we will introduce it. One more thing which we have announced is offline users of CBDC, these offline users in closed group within banks, it has been tested and it has been developed and test is going on and once it gets settled then we will open that.

Yogesh Dayal:

Thank you. Now I will invite Brajesh Kumar, Zee Business News.

Brajesh Kumar, Zee Business News:

My question is that, in recent times, you have taken action in two NBFCs. One is connected with gold loan and another one is from capital market financing. Do you think for the gold loan issue, there is a problem in industry wide practice, and you should introduce some new policy and this kind of policy expectation related with capital market NBFCs, for that also it has been thought of?

Shaktikanta Das:

We avoid discussion on individual entity related cases in press conference. But generally, I would like to say that our supervision machinery in RBI, either for banks or NBFCs or lenders, we regularly do the supervision for them. Wherever we see there is some major deviations in some compliance and in regulatory requirements, first our intent is to deal directly, bilaterally with them, sensitive them, to work with them and to impress upon them to take corrective action. While working with them, when progress is not up to the mark, then on top of that, we apply supervisory restrictions, but as a part of supervision, we regularly supervise the system and review the major players. So, I would not like to say that this is a system wide problem because we have supervised every entities. We take action in outlier cases.

Ritu Singh, CNBC-TV18:
Any larger message, Governor, from these spate of regulatory actions against these financial entities and it is not one entity. For instance, Muthoot could say that the cash disbursals for gold loans are also high. IIFL also write after that action from you, said, this is the common practice, but you are saying it is not one player for us, it is a wider practice. So, any larger message?

Shaktikanta Das:
Today, in my statement, there is a paragraph where I have talked about focus on governance, focus on compliance to regulatory requirements. And I have also ended that para by saying that financial stability is a joint responsibility of all stakeholders and stakeholders would include the regulator as well as the regulated entities. We supervise all entities, all major entities. Wherever we see problem, we first directly engage with the particular entity to see that corrective actions are taken. Where we see that the problems are huge or the problems are persistent, then only we act. Now let me say that I am not commenting on the cases where we have taken action and this whole perception that against how many entities, we have now supervisory restrictions imposed. We have about 90 odd banks. We have more than 9,000 NBFCs. Our action is against two NBFCs and one payment bank. So, spate of regulatory or supervisory action, I think, would not be correct way of describing the situation. I think it has to be seen in the total context.

Yogesh Dayal:
Thank you Sir. Now, I will invite Anurag Shah from ET Swadesh.

Anurag Shah, ET Swadesh:
Namaste, Sir. The question which I am going to ask is the same which I have asked in previous policy also. I had asked two questions and because of time restrictions you replied to only one answer. So, again the same question I am repeating, Sir. With regard to Personal loan related concerns, RBI increased the risk weightage on it and apart from that, we are aware about the way loan is being distributed; everyday three or four calls come for personal loan to everyone victim and and now banks are saying openly that you take top-up of home loan and after that with that amount, you can go on vacation, that is openly happening. So, end use of funds not happening, is Reserve Bank concerned and what does the Reserve Bank believe regarding this?

Shaktikanta Das:
I will request DG Swaminathan to reply to that.

Swaminathan J.:
Absolutely, credit growth is one part, and we keep watch on the segmental growth as well and wherever the segments have shown an outlier growth, that we, initiate certain measures to ensure that they are contained. But your question regarding the end-use of funds is something which is part of our regulatory framework. Every regulated entity

is expected to monitor, the end-user funds and then finance only such of those activities, for which, the purpose is stated explicitly and it is not used for speculative purposes, etcetera. So, this is something which we will examine as part of our supervisory steps and in case we observe any egregious or outlier behavior, we will take action in proportion to the evaluation that we observe. That's what I would like to say at this point in time.

Yogesh Dayal:
Thank you, Sir. With your permission, the last two questions, Sir. Ms. Hamsini Karthik from the Hindu Business Line.

Hamsini Karthik, Hindu Business Line:
Thank you Sir. My question is with regards to transmission of rates and as much as this is at prerogative of banks, what is possibly also happening is that fresh lending is happening at rates lower than what prevailed last year and a lot of borrowers on the retail side are making use of it very judiciously. On the MCLR side, which is also the prevailing rate for most of the corporates, continues to be the prevailing rate for most of the non-retail loans, Banks are not nudging much, it is not changed in the last one year significantly, but on the other hand, the Reserve Bank of India is particular that there is a reasonable amount of transmission that continues to happen before which any action can take place. Are not we getting to a zone of stand-still as far as rate transmission is concerned?

Michael D. Patra:
Please look at the Monetary Policy Report where the data are provided. If you look at the transmission over a period of time, not in a single point in time, let's say, April to February, there is still transmission going on. In fact, in January, there were 13 basis points of increase in fresh loans. So, we are still seeing a little bit of transmission going through and we feel that as the mobilizing of deposits takes place at higher and higher rates there will be further transmission to lending rates. So, we are still seeing transmission.

Hamsini Karthik, Hindu Business Line:
Just a clarification. Should we expect that for deposits, there is still runway for banks to increase deposits because banks come back to us saying that they peaked on deposit rates. What do you see, how do you see the picture there?

Michael D. Patra:
No. We see a structural deficit between credit and deposits and that is why we are seeing a flurry of efforts to raise bulk deposits. So, there is still a need for deposits and these deposits come at a higher rate than the retail deposits. So, they will one day, they will try to protect their names and, therefore, they will pass a little bit more.

Shaktikanta Das:
Deputy Governor Swaminathan may like to add something.

Swaminathan J.:
Just to supplement on that. Ultimately, these kind of actions also have to be seen in terms of the proportion and the mix of the loans that we have. As you mentioned, even today 50% to 53% of the loans only are linked to the external benchmark where the transmission can be near real time. The remaining 47%, which is linked to various benchmarks, will happen over a period of time. The second aspect, is also that there is competition for good quality business. So, obviously the banks will take a business call in terms of what sort of spread they would like to maintain and if there is some sacrifice and spread happens, it may impact the effective interest rate. But as DG Patra explained that it is very clear that the transmission is playing out and we will have to see it over a period of time. And we would like this to continue in that manner. And as regards the deposits, we do see that banks are quite active in terms of their purpose in terms of mobilizing deposits because there is a 3.0 to-3.5% gap that is visible for more than a year's time now. And also, we are seeing that the customers are also becoming price sensitive. There is a significant movement towards the term deposits. The proportion of CASA is declining as a part of the total deposits. So, we will continue to watch the data in terms of its transmission, but moreover it will also be a business call in terms of what sort of market share and share in the incremental deposit or the loan market the entities would like to maintain. So, it will be a combination of that. Thank you.

Yogesh Dayal:
Thank you Sirs. The last question to Mr. Hitesh Vyas from The Indian Express.

Hitesh Vyas,The Indian Express:
Good afternoon, Sir. Sir, what is the crude price assumption you have taken in your projection?

Shaktikanta Das:
It is given in the MPR, I have mentioned it. We have taken USD 85 per barrel.

Yogesh Dayal:
Thank you Sir. With this, we come to the close of the first press conference of year 2024-25. Thank you all for being here and making it an interactive session. I thank the top management of Reserve Bank for patiently answering all the questions. Thank you and see you soon.

Shaktikanta Das:
Thank you everyone and best wishes to all of you for this Financial Year. Thank you.