

Edited Transcript of the Reserve Bank of India's Post-Monetary Policy Press Conference: April 9, 2025 (Wednesday)

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
Dr. Rajiv Ranjan – Executive Director, Reserve Bank of India
Dr. A. R. Joshi – Executive Director, Reserve Bank of India

Moderator:

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

Puneet Pancholy:

Welcome to this Post Monetary Policy Press Conference, first for this financial year, and in this new set-up. Friends, we have with us the Governor, Reserve Bank of India, Shri Sanjay Malhotra; Deputy Governors, Shri M. Rajeshwar Rao, Shri T. Rabi Sankar and Shri Swaminathan J. We also have with us Executive Directors, Dr. Rajiv Ranjan and Dr. Ajit Joshi, as also other colleagues from Reserve Bank. Sir, with your permission, we will move directly to questions and answers.

Sanjay Malhotra:

Yes.

Puneet Pancholy:

So, before we begin, I will request all of you to please wait for your turn. Before asking question, please switch on the mic, which is in front of you because otherwise, people who are listening to this live feed would not be able to listen to you and also request to switch it off once your query is over. In the interest of time, as I always request, please stick to one question per person and we will see if time permits, we can take the other one. Sir, there are 26 people from media today, and with your permission, we can commence the question and answer. I will request Shri Lalatendu Mishra from The Hindu to ask his question.

Lalatendu Mishra, The Hindu:

Thank you very much, Puneet sir. Governor sir, good afternoon, and everybody good afternoon. Sir, my question is about the trade war you already made a reference to in your statement, about the noisy trade war that is happening. It started with reciprocal tariff, then retaliatory tariff, then again counter-retaliatory tariff. I could call it a revenge tariff. So, how, whether we should be worried about it or not? And what is your assessment of the situation, sir? Thank you.

Sanjay Malhotra:

I think this question, we fairly covered in my statement as to what its impact really is going to be globally as well as for the Indian economy. Globally, you are aware that most of the forecasts now for the global GDP growth rate have come down, by at least 20 to 30 basis points, not only for this year but even for next year. And similarly, for

inflation, there is a mixed response globally for inflation. Especially for the US, its projected forecast to go up because of the tariffs that they will be imposing. For other countries, the impact would be different, depending on the situation that they are in. For India, we have given our assessment. As you can see, the growth rate we have reduced by 20 basis points this year, primarily arising out of the uncertainties, channels through which I elaborated in detail in my statement. And on the inflation front, we have said, it can actually move both ways, because of the surplus, because of the demand that is going to shrink as a result of the trade tariff friction. It may help on the inflation front. You are seeing that the crude prices have also gone down. So, all in all, more than inflation, we are concerned about its impact on growth. And accordingly, you can read the statement for further details. Thank you.

Puneet Pancholy:

Thank you, sir. Next, we have Ms. Latha Venkatesh from CNBC-TV18.

Latha Venkatesh, CNBC-TV18:

Thank you very much for the opportunity. Governor, you had said that the real rate for you (Indian economy) should be 150 basis points, in a previous conference. Now, per your forecast, throughout this year, inflation is going to be below 4%, in which case the real rate today is actually 200 basis points. So, do you think there is a chance for a double rate cut - should have been already, like 50 basis, because we are very far away from that 150 real rate, we are at 200. And what do you think the real rate itself should be 5 quarters because you are expecting inflation to be even below 4%? How would you assess that? And just a related question, liquidity in the past, the Reserve Bank guided on the liquidity amount that helped the transmission basically. They (bankers) have said that we want liquidity to be 1% to 1.5% of NDTL or negative 1% to 1.5% of NDTL. Would you want to give the bankers some comfort zone like that, my liquidity threshold is ₹2 lakh crore or some percentage of deposits, so that transmission happens?

Sanjay Malhotra:

So, this (real rate) figure of 1.5%, I do not recall having made it, maybe some of my predecessors may have made that statement. I think from studies that we have, the real rate is to be in the range of, different studies are there, from 1.1% to 1.9%. So, 1.5% is quite a plausible real rate or a natural real rate, as you call it, over there. In so far as the policy rate is concerned, now going forward, as you can see, we have changed the stance from neutral to accommodative. So, obviously, the trend is going to be downwards. As regards inflation, the average is 4% this year. The average next year, we really don't know, right?

Latha Venkatesh, CNBC-TV18:

For the calendar year, it is below 4%?

Sanjay Malhotra:

For the calendar year, yes, it is below 4%, but for the next quarter - the first quarter - it is more than 4%. We will look at the evolving situation, as we have already mentioned, and basis our forecast and outlook for growth and inflation. As you are aware, these are uncertain times. And so, we will take a call as to where the policy rate should actually move to. With regard to liquidity, I already made a mention in the statement,

without giving any numbers over there, that we will keep it sufficiently in surplus. I again reiterate that we will provide sufficient liquidity for the purposes of monetary policy transmission. I do not want to give a number, really, as to what kind of a surplus, but sufficiently in surplus. And you mentioned linking it to NDTL. Well, yes, that is the kind of number, about 1% or so, in the surplus range, now that we are on the easing cycle. That is the kind of number that we will be looking at, and we will keep it sufficiently surplus. The aim, really, is to look at the policy rate. So, if we are able to transmit it to the overnight rate, hopefully, it will then transfer to the other short-term, medium-term, and long-term interest rates. Transmission, you are aware, it takes a little while. It will not happen immediately. We have seen that transmission in the past when we increased the repo rate by 250 basis points. It took 6 to 9 months, at least, for the interest rates to decrease in response to the policy repo rate decrease. And they also did not decrease to a corresponding amount. The decrease was about 204 basis points only, as against the 250 basis points increase in the repo rate. So, we are watchful. We will provide sufficient liquidity to the system so that this transmission of the policy rate into the interest rate happens quickly. Thank you.

Puneet Pancholy:

Thank you, sir. Moving on to Vishwanath from NDTV Profit.

Vishwanath Nair, NDTV Profit:

Thank you for the opportunity, Governor. I am, must say, happy to be back in this room. It is looking a little better now. I wanted to ask you, since you mentioned transmission, I just wanted to get a view that there was a view from the RBI, or at least reports suggested that there was a view from the RBI that credit-deposit (C-D) ratios at private banks were way too high and that they needed to come down. Now that we are talking about transmission, eventually, obviously, that will have to translate to higher lending. Are you happy with the credit-deposit ratio at this point in time? And the second part is, there is a view that RBI will have to do, or the monetary policy will have to do, the heavy lifting in supporting the economy in the current macroeconomic set-up. Do you agree with that? Do you think that you have a bigger responsibility to manage in the current scenario?

Sanjay Malhotra:

So, coming to your first question, the C-D ratio. See, when we were in the districts, then we would look at C-D ratio, basically to see as to whether the credit as a percentage of the deposits is sufficient, whether the lending is going on sufficiently. At that point of time, I am talking about 25-30 years, we used to think that 70-75% is very good. So, some regions have low because they are savers, somewhere there are more borrowers, you have high C-D ratios. Coming to your question on C-D ratio, well, we do not have any such prescription of a C-D ratio. You are aware that there are no regulations for C-D ratio. However, we do have regulations for asset liability management, that's more important. We have regulations for liquidity management, and there are regulations for liquidity for the short term - in the form of the LCR guidelines that you are aware of, over the 30-day period requiring banks to maintain, and even NBFCs to maintain high quality liquid assets. And similarly, for a longer - one-year duration, there is this NSFR ratio that we have prescribed. There is no ratio or no guideline with regard to C-D. The banks have to be actually mindful of managing their asset liability, which is important. They have to be mindful and ensure that they

have liquidity, both short term and sufficient funds over medium- and long-term so that there are no mismatches and there are no liquidity-related issues. So, they can look at their own assets, and liabilities, and make a business plan according to them. We do not have any prescription for C-D ratio. It is for the banks to decide. Your second question, who does more of the heavy lifting, et cetera. It is a joint effort. The Government has done its bit, I think, in the budget that you saw recently, a large number of measures, whether it is in terms of the increased capex, whether it is in terms of the tax rebates on the personal income tax side, and we have reduced repo rates. We have changed the stance going forward, which means that the direction of the policy repo rate is downwards - where it will reach, Latha, of course, asks that question, we really do not know. I am Sanjay, but I am not Sanjay of Mahabharata, to be able to foresee that far. I do not have that divine vision that he had, but we will jointly try to manage the growth and the inflation dynamic in our country.

Puneet Pancholy:

Thank you, sir. I now invite Anurag Shah of ET NOW Swadesh.

Anurag Shah, ET NOW Swadesh:

Hello Sir. Sir, RBI was worried about personal loans, what is the stance now? Because we have seen in FY25 that the biggest segment has been that of personal loans. So, now, the way technology is changing within personal loans, different segments are also emerging, in which we have seen that common people are participating in it. Like health care, insurance premiums et cetera, are also coming under the personal loan segment, and interest is also being charged on a large amount there. So, is the co-lending related announcement that you have made today, giving relief in that context or can a separate segment be created where people who take loans related to essential things can be given relief? And sir, there will be another small question. Sir, the earlier stance of RBI was that you were allowed only up to 20% share in the subsidiaries of banks, insurance subsidiaries. But in the last 3-4 months, we have seen that one bank has been allowed up to 26% in 2 companies. Now a bank has bought up to 30% stake. So, has the stance changed a bit?

Sanjay Malhotra:

Your first question sought to know if we are worried, let me say that there is no worry. Our system is very good and secure, and quite strong. Whether you talk about the total Banking sector, NBFC sector or whether you talked about Personal Loans. I want to clarify here that we had recently increased the risk weight for personal loans, we had made it 125%. We should not look at that as an increase. Because of the risk weight that was there before COVID-19, we had reduced that risk weight during COVID to increase credit further. So, now we have brought that level, that risk weight back to that level which was there pre-COVID. We have not increased it. We have brought it above the original level. Secondly, I would also like to say here that if the risk weight of the loan is reduced today, as some people demand that it should be reduced, then the same should be done for other personal loans. Because the risk weight that we increased was basically for the unsecured personal loans, 125% was brought back to the old level. So, you will agree that there should be some difference in the risk weight between a secured loan and an unsecured loan. So, we have brought back to the difference that was 25% earlier. So, there is no cause for concern in today's date. Secondly, the question you asked is that we may have increased the percentage

of investment of some banks in insurance companies. As far as I know, there has been no increase in this. Even earlier, no percentage was fixed in this. As of today, there is no fixed percentage for this, and we have not made any changes to it. You can invest in banks, NBFCs, and insurance companies, and can invest 51% or more or even less than that i.e., 30%. Some changes in it, we have already published draft regulations for it. There is no change proposed in that too in this context. What is the overall form? What should it be like? How can banks invest in other subsidiaries and companies? We will soon take an appropriate decision about that.

Puneet Pancholy:

Thank you, sir. Next will be Mr. Mayur Shetty from The Times of India.

Mayur Shetty, The Times of India:

Thank you, sir. Governor, I had a question on gold loans and the development measures that you mentioned. You said there will be harmonisation of rules, but will that be tightening by making them more tighter or easing them?

Sanjay Malhotra:

In my statement, I never said tightening. The word used is harmonisation. Markets are reading it their way and is based on emotions etc. Someone said, I think it was Benjamin Graham, that said "the stock market is a voting machine in the short run and in long run it is a weighing machine". Let's wait, I think for the guidelines to be issued soon. To our mind, there is no tightening. It is a rationalisation only. It's broadly an extension on the conduct side primarily, whatever were the guidelines for NBFCs those have been extended now to the banking sector also. You will shortly see, we will publish. And these are draft guidelines, subject to further consultation and then finalisation.

Mayur Shetty, The Times of India:

And so, clarification on the 1% NDTL. So, you think that the goal is to have 1% surplus liquidity in the system, that's around ₹2.7 lakh crore?

Sanjay Malhotra:

I would not like to pin myself down to, 1% exactly. But yes, that is the kind of range, near about that range. If more is required, we will do more. If less is required, we will do less. Main aim, as I mentioned, is to ensure proper transmission of the repo rate into the interest rates.

Mayur Shetty, The Times of India:

Thank you.

Sanjay Malhotra:

Anything you want to add on gold loan guidelines or we wait for the publication?

M. Rajeshwar Rao:

No, I think you have covered it. I think the draft circular will be out shortly in the public domain and you can see the details there.

Puneet Pancholy:

Thank you, sirs. Next is Mr. Manojit Saha from Business Standard.

Manojit Saha, Business Standard:

Good afternoon. Thank you. You said an interesting thing that the stance should not be directly assessed. So, I mean RBI said this earlier, but not in as many words, that the stance should not be directly associated with liquidity conditions. If I understand correctly, you are aiming to have a surplus liquidity of around 1% of NDTL. So, what do you mean by this? I am aware that the liquidity framework has been revised, now can you throw some light? What are the considerations for the revised liquidity framework?

Sanjay Malhotra:

Let's wait. See, right now under the liquidity framework, we are primarily looking at the overnight rate in the money market. And so, whether it should continue to remain the same for the purposes of the transmission of policy repo rate, whether it should be just that we should be targeting or we should be targeting something else. That is something that we are consulting the various stakeholders and shortly we will come out. We really do not have any specific answer because that matter is still being deliberated. DG Rabi Shankar, would you like to add something on this?

T. Rabi Sankar:

Nothing. I think once we finalise. We are at this point of time discussing the issues, as the Governor said. And one of the things is what should be the target rate, that call volumes had come down significantly compared to other overnight volumes. And as usual for any revision of framework or rethink of a framework or review of a framework, we would look at all the tools that we use. Currently, we use a range of tools of different maturities, variable, fixed and all that. We will look at those rates and see what changes are required.

Manojit Saha, Business Standard:

The objective is also to speed up transmission. Transmission now takes two quarters. Is the objective also to speed up transmission? Do you expect banks to transmit this 50 basis point earlier, what are your thoughts on that?

Sanjay Malhotra:

Yes, obviously one would like that the transmission to happen as quickly as possible, but then it should not be disruptive. So, how do we do that? It is something again, I think we will look into it and we will take a call.

Latha Venkatesh, CNBC-TV18:

When sir?

Sanjay Malhotra:

Early. I will not be able to give a date because I have not reviewed it with my team. But we are looking forward to do it as early as possible.

Puneet Pancholy:

Thank you, sir. Next, we will have Ms. Swati from Reuters.

Swati Bhat, Thomson Reuters:

Thanks a lot. So, since tariffs have been the theme and something that was largely discussed, so just wanted to understand, China would most likely use yuan depreciation as a tool to get back at the US in the tariff war now. We have also seen FPI outflows from India in April. We could see the balance of surplus being negative. What would the RBI's currency management strategy be? Because the rupee would definitely be impacted by what happens to the yuan going ahead and in the same way, when we've seen previous periods of crisis like the GFC, Covid etc. We saw a lot more collaboration and coordination between global central banks. Is that something that is happening even now? Is there an effort being done on that? Thank you.

Sanjay Malhotra:

My understanding is, see, that the impact of these tariffs on India vis-à-vis some of the other countries - you mentioned, China and some of the smaller countries is much less. Our exports overall are about 12% of GDP, less than 1% I think, or 2% for the USA and you compare it with some other countries, even China. China is about 19%, Germany is 37% exports overall and even the EU is (+30%) and smaller countries have about 80%. I am not talking about those countries, Vietnam, Taiwan, etc. So, to that extent we are better placed than some of the other countries. That is why you are seeing that tariff, these reciprocal tariffs on India are lower than some of these countries because our surplus vis-à-vis with those countries is much less. And so, we have in some ways, I mentioned in my statement also that we have a comparative advantage. You may have a comparative advantage vis-à-vis some of these countries in so far as the USA is concerned. But overall, of course, it is certainly still a growth dampener. And in so far as the currency management is concerned, as you know we do not actually intervene in currency management. It is only for excessive or disruptive volatility that we do so. We do not try to manage or target any range or band or level of the Indian rupee.

Swati Bhat, Thomson Reuters:

Just clarifying that. So, it is fair to say that if there is a depreciating pressure on the rupee, RBI will let it slide or is it fair to say that if global currencies are falling, emerging market currencies are falling?

Sanjay Malhotra:

See, as I mentioned, if there is excessive (volatility)... We do not target any level. I think the markets in India are quite deep, quite wide and the market forces best know what the levels should be. Having said that, any excessive volatility, if it requires an intervention we will not be found wanting. We will certainly intervene wherever it is required.

Puneet Pancholy:

Thank you, sir. I will request everybody to stick to one question only so that everybody gets a chance to ask. So, next, I will request Mr. Ashish from PTI to ask this question.

Ashish Agashe, Press Trust of India:

Thank you, sir. So, you mentioned about you can't possibly predict the way forward on the rates. But sir, what would be the stance if major central banks really continue to hold for long? You have taken a shift with the stance, but will it allow us the room to cut further?

Sanjay Malhotra:

I mentioned in my policy statement what the impact really could be globally of these global tariffs, etc. and uncertainties, and what the impact could be on India. And primarily, we believe that domestic inflation and growth are what is going to drive and determine our stance and our policy repo rates. So, we will continue to look at our domestic... while being vigilant of course and they will certainly have an impact. The global environment will have an impact. But as I mentioned we are in a better position because our export-import, our interconnectedness with the outside world vis-à-vis some of these smaller economies and even China - larger economies is much less.

Puneet Pancholy:

Thank you, sir. Next, we will have Mr. Anup from Bloomberg.

Anup Roy, Bloomberg:

Governor, the tariffs have set in. Do you expect a currency war in the region considering that we have different rates of tariffs here and how will you respond in such a situation?

Sanjay Malhotra:

I don't understand, what do you mean by a currency war?

Anup Roy, Bloomberg:

Competitive devaluation of currency sir.

Sanjay Malhotra:

I really do not know what will happen. On the currencies, our currency is quite stable as I mentioned, we have sufficient reserves, almost USD 700 billion now inching up over there and our deficits are also, again very sustainable, both this year and going forward the next year - 1%. So, I really do not think we are under any kind of stressful position. Again, I mentioned and that's what I think is relevant over here that our interconnectedness, especially on the trade side is less. Capital flows again, we need good growth to come in over here. That will help and we will see as the situation evolves.

Puneet Pancholy:

Thank you, sir. Moving on, we will have Ankur from ET Now.

Ankur Mishra, ET Now:

Thank you so much for giving me a chance. Governor, we have seen in the past that the Reserve Bank of India has been a little concerned about the co-lending arrangements and there have been few scrutinies also. Today you have announced that the arrangement between banks and NBFC that will be extended to all other

regulated entities and also priority sector lending was the first preference earlier. Now you are saying that all other loans can also be utilised. Is there a shift of stance of the Reserve Bank of India on these norms, both priority sector lending because I saw that there were norms which were revised where thresholds were increased earlier in PSL norms and now this arrangement between banks and other entities in co-lending?

Sanjay Malhotra:

I do not understand the shift that you are talking about. I will request the DG to come in, in case there is a shift. But I believe that the co-lending arrangement has actually helped in the priority sector lending because it was restricted to priority sector lending. And now what we are doing is expanding it to the other segments, outside priority sector lending as well. Moreover, we are expanding it, right now it was only REs, only the banks and the NBFCs which could enter into this arrangement. Now two banks together can also enter into this arrangement. The benefit we see basically of co-lending is that on the one hand, you get benefits to borrowers, you get benefits of lower interest rates because the banks have funds at lower rates and what they do not have in reach is compensated, is provided by the NBFCs. So, it is a win-win, primarily for the banks and NBFCs. So, we are expanding it. You want to add something on the co-lending. Has there been a change in our stance?

Swaminathan J.:

Nothing much sir. I do not think there has been any change in the stance. It is essentially as you said, we are expanding the participants by extending this to all regulated entities. And we are also seeking to extend the coverage beyond PSL and also a bit of harmonisation in terms of when more players come, and more segments open up, there has got to be more clear guidelines. So, the guidelines will be soon out, and we will take again the feedback and in case if it requires to be fine-tuned, we will do so. But it has been a beneficial arrangement for the market. While the AUM is not yet significant, probably by broad basing the participants and the segments, we expect this to pick up. So, the guidelines will be more facilitative in terms of ensuring that the borrower ultimately gets the benefit of someone who has a cost advantage, someone who has a reach. The benefit of both should reach the ultimate end consumer. That's our intent.

Puneet Pancholy:

Thank you, sir. Now I will invite Ekta Suri from Zee Business to ask her question.

Ekta Suri, Zee Business:

Good afternoon, sir. Sir, recently on a few instances you said that KYC should be an eased out process for the customers, they should not get frequent phone calls. So, what should we expect regarding this? Because there are a lot of discrepancies in CKYC, a lot of repetition is there, and the data is old. Secondly, if banks have to be trusted, there are a lot of digital frauds but now also if the customers go to the banks with their genuine fraud, then also, they face a lot of problems in getting their money back. Will there be any strict stance there, is Mule Hunter helping there or are bank APIs being integrated with IC4, is there any attempt to speed up that process? What can we see KYC can be eased for customers in banking and it's more trustworthy, so that their faith is regained?

Sanjay Malhotra:

KYC for us is very much an important priority, on how we can make it Saral, Sugam, Sasta (simple, easy and inexpensive). For that we need to work with banks, and the CERSAI which maintains CKYCR. We have to work with how to improve our coordination with them. But this is not that easy because we have big number of regulated entities which are doing KYC in various locations. So, how can it be made a unified database which has an individual's KYC done by any regulated entity under any regulator or any commission and, if the KYC is done then they don't need to again get done the KYC in other regulator entities. CERSAI is working to upgrade CKYCR and has taken steps towards CKYCR 2.0, and they have around 100 crore of records with them. They have already done it in quite a big number that we can leverage, going forward. Quality issues, as you have mentioned, we have to improve that. The Government of India has given the directive, and they have made a rule, and we also directed all the regulated entities that it has to be followed before doing the KYC they need to check the CKYC, if the documents are already available in the CKYC if the KYC is already done then they should not take KYC documents again. So, it takes time to follow the rules and the directives because banks need to change their IT system. The process of change is going on because this is our priority and the priority of the Government of India so I believe that definitely in the foreseeable KYC will be easier, simple and inexpensive. On the issue of frauds, we have taken several steps. I will request DG Swaminathan to elaborate on what steps we have taken for fraud and on MulkeHunter where we want to reach in the next one year and where we are as of today. So, many questions you have asked at once.

Swaminathan J.:

Just to sum up the responses, basically, digital fraud has been a major concern for all of us and we have been working to ensure that the fraud risk management and the proactive risk management systems that are operational at the bank level are improvised so that fraud can be prevented. Well, of course, you also mentioned that if it occurs what the compensation should be? There are liability limiting guidelines that are already in place. What we also have to bear in mind is that such money moves very fast, and it doesn't remain in the control of the regulated entities often times. But wherever possible, they are being impounded and refunded while success rates depend on how quickly the complaint is lodged and how quickly it is acted upon. You also mentioned I4C integration. Today, we have all the banks very actively, and proactively integrated with the I4C system and all the banks have also been mandated to have a 24x7 helpline and dedicated officials who will handle these calls so that at any point in time the action is taken very quickly. Golden hour is what is believed in the medical system, the same thing is what we believe in digital frauds as well we should adopt. The third is in terms of Mule Hunter, the pilots have been extremely successful. The results that are coming out in terms of having the whole system level data, the fraud prevention system in the banks work on their own bank data while Mule Hunter facilitates system level data. The pilots that we have done with large banks have been highly successful. The outcomes are almost near real time and the models have proved to be effective. But these are AI/ML based models, they need time to learn. They need more data to digest and then become more successful. So, we will take this pilot into production as quickly as possible. Innovation Hub has been working. Most of the large banks that have been participating. It is our intention that we become as near real time as possible to ensure frauds are prevented as much as possible and

should a fraud occur and recover as much and as quickly as possible. That's the aim. But this will be a journey because we have to remember that the fraudsters are always one step ahead. So, we are invariably on a catch-up game, but we will probably catch up better.

Puneet Pancholy:

Thank you, sirs. Next, we will have Gopika from the Mint.

Gopika Gopakumar, Mint:

Thank you, sir. Good afternoon Governor. Since the time you took charge, we have seen three crises at three different institutions. One at a private sector bank, a new cooperative bank and a housing finance company. These three crises have happened under RBI's nose over a long period of time? What are RBI's learnings from this? And secondly, in the private sector bank, IndusInd Bank per se, RBI would have received the internal review report. Are there any concerns that we have to be worried about? And the management has been allowed to continue. So, could you tell us your views on this?

Sanjay Malhotra:

Individual entities, you are aware, we do not get into the specifics of the individual entities. At a system level, I would say that, and I mentioned this in my statement whether it is the cooperative banks, whether it is the NBFCs or the scheduled commercial banks etc., system level we are very safe, secure, robust. The system is resilient. The other thing is that let's keep in mind that it's a very, very large system. There are a large number of players, almost 10,000 NBFCs. There are about 1,500 cooperative banks. I was looking at data in last eight or nine years, some 70 cooperative banks out of 1,500 cooperative banks... So, that makes it about, you can calculate. So, it's very small. In numbers, it may seem. So, these things will happen. Our effort is to minimise the impact, to minimise them. And I think it is quite reasonable, it's quite low. If you look at it, I will not have data to support that, but I have, I will tend to believe that, and I will not call them total failures also. These are episodes, right? They're not even failures. These episodes will happen. We have to ensure through various means that these events, incidents happen less in frequency. They happen lesser in frequency. And for that, we have various tools. We have the regulations. We have our supervision. The banks themselves have multiple layers. They have three layers, the business unit layer, their compliance layer, and then their audit. So, all of them, we have to all work together and continuously try to improve the system.

Puneet Pancholy:

Thank you, sir. May I have Sangita Mehta from The Economic Times.

Sangita Mehta, The Economic Times:

Thank you, sir. Sir, related to Gopika's question, on IndusInd, can RBI take any action on auditors? I mean, because they have been saying that this has been happening for five to seven years. How did auditors miss this completely?

Sanjay Malhotra:

As I mentioned, I would not like to get into any individual entity or an individual auditor or anyone. We have good systems in place to be able to detect wherever possible as

early as possible. Non-compliances, risks and then we take pre-emptive as well as wherever required corrective action.

Swaminathan J.:

Just to supplement on what the Governor said in terms of both the questions, without getting into any particular entity. One is, of course, we never waste a good crisis. There will be learnings. And the supervisory tools will get better with each episode as they play out. It is our intention to minimise and, more importantly, ensure that the customers remain protected, even if accidents play out. So, in each of these crises, we have taken adequate steps to ensure that the customer inconvenience is minimised, and customer money is protected to the extent as much as possible so that these episodes are dealt with independently. Coming to your question, essentially whenever such failures happen, it is part while of course we take risk mitigants in terms of protecting the customers. On the other side, we also direct the boards to ensure that proper forensic and accountability studies are held and then whomsoever is accountable whether they are internal, external or service providers, all of them will get covered in that and actions will play out and it will take its due course in terms of if there were any lapses and they will be dealt with appropriately. I do not want to say in specific reference to any particular episode but in every episode, there will be, apart from the repair that gets carried out, there will also be an accountability which will follow. We will wait for that outcome. We do not need to speculate about that here, that will be...

Sangita Mehta, Economic Times:

You said forensic and one more report... an accountability report?

Swaminathan J.:

Accountability report, it is a part of that. It could be essentially to see whether there were any lapses, and if lapses, then who should be held accountable. It is something which is part of every such episode that plays out. We are more concerned in terms of ensuring that the rectification is done as expeditiously as possible and that there is no loss to, loss or inconvenience to the customers. These are our priorities essentially. That is something which we deal with on priority. Then deal with fixing people.

Puneet Pancholy:

Thank you, sirs. Sir, with your kind permission, the last four questions.

Sanjay Malhotra:

Yes.

Puneet Pancholy:

Thank you, sir. We will have Mr. Piyush from the Hindu Business Line.

Piyush Shukla, The Hindu Business Line:

Good afternoon, Governor, DGs, thanks Puneet sir. Sir, on gold loans, essentially NBFCs have LTV of around 70% to 80% and banks have around 60% to 70%. So, when you say you will harmonise the norms, will you bring that to a common level? Separately, sir, you spoke about the failures of the relatively lesser number of failures of banks. In terms of NICB, you have given some relaxation as well. But have you

assessed what is actually the fraud that happened, the amount? And will you actually let the bank accept customers again? I mean, will you remove the restriction, or the impact is so severe that you may not be able to do so? Thanks. Just a clarification, the accommodative stance, is it unanimous or there was a..?

Sanjay Malhotra:

I mentioned this in my statement that it is unanimous.

Swati Bhat, Reuters:

There was no mention in the statement.

Sanjay Malhotra:

So, it was unanimous certainly. All the members decided unanimously. There was no vote on that, but all of them decided unanimously that they feel, going forward, the trajectory is actually an easing trajectory. LTV, you will soon have the guidelines. Let us not speculate. You will soon have the guidelines with respect to the gold loans. What was your other question that you had?

Piyush Shukla, Hindu Business Line:

NICB sir, will you remove them?

Sanjay Malhotra:

Specific entities we do not get into. Our effort, what is there, DG Swaminathan has already mentioned. What our effort is to protect the consumers, the customers, to protect their interests. And going forward, see how best we can salvage the situation and improve the situation. That is our effort for all entities. And similar will be the case, even in this case.

Puneet Pancholy:

Thank you, sir and now towards the right Mr. Siddharth from Informist Media.

Siddharth Upasani, Informist Media:

Thank you, sir. Good afternoon Governor. The RBI has assumed an exchange rate of ₹86 per dollar for FY26 and for its CPI, and GDP projections and there will be no major structural policy changes. Are we to take from that that the RBI expects very little pressure on the rupee from the ongoing tariff war, if you want to call it and India and the US may not be able to strike an agreement of any sort in this year? Second on liquidity, why is the RBI still conducting VRRs when there is so much surplus liquidity-excess of almost ₹1.5 lakh crore? Is there any threshold? Is there any framework governing that or is it that you think the distribution is skewed and there is increased preference for holding onto liquidity from banks? Thank you.

Sanjay Malhotra:

Your second question first, liquidity, the VRR actually. It is one particular entity, or a bank that may need liquidity while the whole system is in surplus. Of course, we would like the banks amongst themselves to lend and borrow so that this VRR and I think in my last statement also, I made a mention of this so that we do not have to do this. But still, some banks prefer to come to the Reserve Bank and so that's why we do not want to curtail that opportunity for them. So, that is why that is there. The second

question is a very difficult question as to what going forward the exchange rate is going to be and how things are going to play out. I already mentioned we believe that it is, so this is our baseline assumption, and we have said that there are risks on both sides and you have seen it. In the past three, four months also, rupee going one end and then going the other end. You really do not know how (things are) uncertain so that you really can't take a bet on what's going to happen in the near or the medium term.

Puneet Pancholy:

Thank you, sir. Next, we will have Mr. Sachin Kumar from Financial Express.

Sachin Kumar, The Financial Express:

Good afternoon, Governor. My question was on similar lines.

Sanjay Malhotra:

It relies on sentiments. Things are changing overnight, one day each day.

Sachin Kumar, Financial Express:

So, sir, my question is on that despite the severe liquidity deficit in January, February, and March, we saw banks parking nearly ₹1.5 lakh crore in the SDF. And this is despite, last time you mentioned that banks should be actively trading among themselves. So, what is your, do you think there is a need for some regulatory intervention to prevent this trend?

Sanjay Malhotra:

I do not think there is any regulatory need for it. The markets will play out. We need to make markets more efficient, I think that this intervention from the Reserve Bank is not required. And it is a very small portion. It is not very high. The VRR yesterday, it was about ₹23,000 (crore) when we had a surplus of about ₹1,50,000 crore. It is not negligible, but it's not very high also.

Puneet Pancholy:

Thank you, sir. At the end, Ms. Shyama from Doordarshan, you ask your question.

Shyama Mishra, Doordarshan:

Namaskar sir. Recently there was an incident at a large urban cooperative bank, after that you met the UCBs so what would you say about the health of the cooperative sector banks and how would you reassure the common customers?

Sanjay Malhotra:

As I have already said that we have a whole banking sector and when I am talking about the banking sector, banks under that our urban cooperative bank sectors are there that come under the whole banking sector. So, in totality, the financials of the banking sectors are very good, and they are quite strong. And if you talk about urban cooperative banks their credit CRAR is also very strong, it is above 15%. At the same time, you see they are playing a very important role as of today they are taking ₹5 lakh crore to ₹5.5 lakh crore deposits they are taking from the people, and it is increasing continuously. It is not like it is shrinking. Any sector which is growing over the last 20 years, as a system, it shows its strength and its importance. As I have said, sometimes it can be a bank or NBFC or it could be UCB where these kinds of episodes could

be cropping up once in a while and whatever actions would be required, we would do that accordingly.

Puneet Pancholy:

Thank you, sir. With this, we come to the close of this conference. I thank the Governor and the Deputy Governors for taking the questions. Thank you all and I wish you all a pleasant day.