

Edited Transcript of the Reserve Bank of India's Post-Monetary Policy Press Conference: December 5, 2025 (Friday)

Participants from the Reserve Bank of India:

Shri. Sanjay Malhotra – 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. Poonam Gupta – Deputy Governor, Reserve Bank of India
Shri Shirish Chandra Murmu – Deputy Governor, Reserve Bank of India
Dr. Ajit Ratnakar Joshi – Executive Director, Reserve Bank of India
Shri Indranil Bhattacharyya – Executive Director, Reserve Bank of India
Shri Sanjay Kumar Hansda – Executive Director, Reserve Bank of India

Moderator:

Shri Brij Raj – Chief General Manager, Reserve Bank of India

Brij Raj:

Good afternoon everyone. Welcome to this Post Policy Press Conference, fifth for the financial year 2025-26. We have with us Governor, Reserve Bank of India, Shri Sanjay Malhotra; Deputy Governors, Shri T. Rabi Sankar, Shri Swaminathan J, Dr. Poonam Gupta and for the first time Shri Shirish Chandra Murmu. We also have with us today Executive Directors, Dr. Ajit Ratnakar Joshi, Shri Indranil Bhattacharyya and for the first time Shri Sanjay Kumar Hansda. I also welcome my other colleagues from the Reserve Bank. Before we begin, we have a few housekeeping announcements.

Sir, there are 26 participants from the media. I will request the media participants to please stick to one question so that everybody gets a chance. I would also request everyone to switch on the mic while speaking so that those watching the live telecast are able to listen clearly. And once you have finished speaking, please switch off the mic. Sir, with your permission, I will now call out the names.

Thank you Sir. I will request Ms. Latha Venkatesh from CNBC-TV18 to please ask the first question.

Latha Venkatesh: Thank you, Mr. Brij Raj.

Sanjay Malhotra: You are the opening batswoman.

Latha Venkatesh, CNBC-TV18:

Opening batter, they have made it these days. Governor, let me begin with the inflation forecast, since you have brought it down, from the earlier two policies ago. You had forecast Q1 next year at 4.9, now with this, the forecast is 3.9, and then 4.0 for the next quarter. Also, you are saying that if you remove gold, it would be 50 basis lower. Would you say that gives the MPC further space to support growth? And why let it if you can also give us your comment on the currency, do you think it was undervalued? What is the RBI's approach to the currency?

Sanjay Malhotra:

So, two questions. Whether there is more space going forward? We are at neutral today. We believe that as you have also alluded and as I mentioned in my speech and in my assessment, the important thing is that inflation is very benign. It has been benign, 3.0-3.5%. If you exclude food which has been volatile, last two years it has been 3.0-3.5%. And going forward too, if you exclude gold and precious metals, silver, our expectation is that it is going to be very benign.

Now whether that opens up policy for further rate cuts, that will be getting into speculation. I do not want to get into that question. For me, the more important thing now is that having reduced the policy repo rate by a further 25 basis points, we have to now concentrate on the monetary policy transmission. And considering the fact that inflation is going to be very benign, I think let it first transmit into the real economy. And then we will see as to how inflation behaves, how the growth-inflation dynamics behave. And we take it policy by policy.

Second question on the rupee. See, our stated policy always has been that we allow the markets to determine. I mean we do not target any price levels or any bands. We allow the markets to determine the prices. We believe that the markets in the long run especially are very efficient. It is a very deep market. We saw this earlier in February, the rupee to dollar had climbed up to almost 88. And within a period of three months, it came back to below 84. So, these fluctuations, this volatility does happen, can happen. Our effort has been always to reduce any abnormal or excessive volatility. And that is what we will continue to endeavour.

Our external sector, as I also mentioned in my statement, is very strong going forward. We do believe that we are having sufficient reserves. Current account is very manageable at about 1% or so. And given the strong fundamentals of our country, we should get good capital flows as well going forward. So, I think we are in a very comfortable situation in so far as the external sector position is concerned.

Brij Raj:

Thank you, Sir. We will take some more questions from our left side before we move here. So, for the next question, I will ask Mr. Mayur Shetty from Times of India. Mayur, please.

Mayur Shetty, Times of India:

Thank you, Governor. Historically, the current account deficit of around 2% was seen to be manageable because we had these capital flows. But now with these flows coming down, is there a change in what you see as manageable? Is it around the present level? And the second part of the question was, you cut the rate despite the recent volatility in the rupee. And many forecasters have revised their expectation. So, is it reflecting your comfort with the situation in the forex market?

Sanjay Malhotra:

See, as mentioned even earlier in one of my post-MPC conferences, the MPC is mostly driven by growth-inflation dynamics, especially given the fact that ours is a domestic demand driven economy. I mean our dependence on the external sector, it's a small percentage of our total GDP. So, we continue to do so. And that's why

while these factors are of course considered by the MPC, but given the growth inflation dynamics, this decision was taken.

Your first question, I think I do not have more to add to what I told in my response to the first question by Latha, which is that we are at a very comfortable... I do not expect the CAD to be as high as 2%. Some of the numbers that you are giving out. And so, on the external sector side, we are very comfortably positioned.

Brij Raj:

Thank you, Sir. I will now request Ankur Mishra of ET Now to ask the next question. Ankur please.

Ankur Mishra, ET Now:

Thank you so much for the opportunity. Good afternoon, Governor. I want to draw your attention towards the growth revision this time. You have revised it upwards. While surprises are always welcome, but last two quarters, the growth has been much more than what RBI has forecasted. So therefore, I want to understand what have been the reasons for that? And more importantly, last time when I asked you a question about the aspiration, you mentioned 7% plus should be the aspiration. Now that you have forecasted more than 7%, 7.3% now, do you think the aspiration should move towards 8%?

Sanjay Malhotra:

So, you could also have said 9%. 7% plus can mean anything, right? So that is the baseline. When I said 7%, that is really the baseline. Because these are difficult things to actually estimate as to what our potential GDP is. Of course, aspirations can be very high. And so, having delivered, of course, 8% now on an average last 3-4 years, this is certainly well within our reach and we should certainly aspire for anything which is in that region.

Brij Raj:

Thank you, Sir. I will now request Anup Roy of Bloomberg to ask his question. Anup please.

Anup Roy, Bloomberg:

Thank you for the opportunity. Sir, the markets were expecting some kind of rupee measures in this policy. And in October, we have seen RBI was probably intervening heavily, but it stopped intervening and then rupee rapidly moved to 90. So, are you comfortable with this kind of level for rupee?

Sanjay Malhotra: I don't have anything more to add. I think you people don't have more questions.

Anup Roy:

Sir, I will then ask that how does dollar-rupee swaps help in this context? Because it is not infusing...

Sanjay Malhotra:

It is more of a liquidity measure. It is not to support the rupee. And your first question I already answered that we don't target any level, whatever levels are there. So, we

don't target any level and we just let the rupee find its correct position, correct level and band just for an orderly movement.

Brij Raj:

Thank you, Sir. I will now request Hamsini Karthik from Moneycontrol to ask her question. Hamsini, please.

Hamsini Karthik, Moneycontrol:

Thank you, sir. Good afternoon. What would your message to banks be in terms of credit growth? Usually, the barometer is that credit growth is 2x GDP. That is the ballpark with which we normally work, right? But GDP is now a ballpark of 8%, credit growth is just around 11%. And what is that number? You have done a lot of front loading now, 125 basis points reduction in repo. Transmission has also been quite healthy, healthier than what we have seen in the last cycle. What would your message to banks be? And what is that magic number in terms of credit growth that you would like to see will bring a smile to your face?

Sanjay Malhotra:

I do not know where you get the 2x figure of credit to GDP growth rate. Last 10 years, it has been more or less 1x. More or less, it has been 1x. And we have done well. The growth rates are also, you know, about real growth rates are about 7%. When one talks about 2x, those are the times before 2011-12. Earlier we used to have very high credit growth rates and you did see what impact it had on bank asset quality. So, I don't think 2x is the kind of number that we are looking at. We don't target any particular growth rate for the economy.

Let's keep in mind that these things are mostly dependent on the structure of the economy. The Monetary Policy has a role only in the short term, not in the long run. We can't accelerate or decelerate the rate of growth of the economy and at the same time of credit.

Hamsini Karthik:

Thank you, Sir.

Brij Raj:

Thank you, Sir. We will now take a few questions from this side. I would request Sangita Mehta from Economic Times to ask her question.

Sangita Mehta, Economic Times:

Thank you, sir. Sir, in the policy statement you have said that growth is expected to soften somewhat. Could you elaborate why do you expect growth to soften? And you have already answered the aspiration question, so that was my other question?

Sanjay Malhotra:

See, we are going by whatever are the high frequency indicators that we track. So, it is basis that that we feel that the growth that has been about 8% in H1, will not be of the same order. We have already given out our numbers for this quarter and going forward.

If you look at the various sectors, I do not have those details right now, but we can give you separately those details on which sectors will probably not do as well as

historically or in the past they did. Do you have some numbers you would like to add over here?

Poonam Gupta:

I think the main thing that I can add is the base effects will play out as well. You know, currently the growth rate is very, very high. So, when one is talking about softening, it is from these very high levels. Sectorally, I think the outlook is highly resilient on each one of the sectors. So, this small softening that we are talking about will be distributed across sectors primarily based on the base effects.

Sanjay Malhotra:

And some of it is also export-led. So, we had earlier reduced the growth rates because of the high tariffs. So, all those sectors which are tariff impacted, for example textiles, leather, to some extent gems, jewellery, shrimps - these sectors certainly, although they have a very small component in our total economy, they will certainly be impacted.

Brij Raj:

Thank you, Sir and thank you Madam. I will now request Manojit Saha from Business Standard to ask his question.

Manojit Saha, Business Standard:

Good afternoon. You have not mentioned there is space for supporting growth in this policy. So that was mentioned in last policy. So, from a real rate point of view, which according to RBI's last report (is) 1.4 to 1.9, is there any space from a real rate point of view? And also wanted to know whether implicit in the assumption behind today's decision was there no trade deal with US, was it also a consideration, that very unlikely...

Sanjay Malhotra:

No, that is not a consideration. See, as I mentioned to you, ours is mostly domestic demand led economy and whatever is the impact of the tariffs, higher tariffs that has been already included in our projections. So, it is not on account of the higher tariffs. It's a totality of things that we look at. Space, as I again mentioned, it will depend going forward. It will be data driven as to whether there is further need, scope. First of all, scope and then whether there is a need. All I can say is that going forward, we expect benign inflation. And so, if the inflation continues to be the way it is, we expect the rates, the policy rates to be low and not high. What rate it will be, that will be getting into speculation. But going forward, we expect benign inflation and so we do expect low policy repo rates rather than higher policy repo rates.

Brij Raj:

Thank you, Sir. I will now invite Vishwanath Nair of NDTV Profit to ask his question.

Vishwanath Nair, NDTV Profit:

Good afternoon, Governor. The comments on rupee that you made, we don't want to target levels, step in when volatility. Has that threshold of stepping in changed at all? As in, is there a point in the volatility where you are saying, okay, this much volatility is fine because the market force is at play, but beyond this is where, we will step in?

And the second part to that is then this historically low inflation and blistering growth does not seem to be felt on the ground level. So, I am just trying to understand where the dissonance is, people on the ground not feeling the inflation come down that much, nor that the pace of growth is as fast as it is?

Sanjay Malhotra:

I do not know where you get this because we do rely on the numbers that are given out. I think there is a good growth. Inflation is certainly very low. And especially if you take out precious metals, I think it is being felt on ground as well. Of course, there can be, because there is a geographical distribution to it, some states it is lower inflation, some states it is higher. The consumption basket, again, of various sectors, segments of society is different. So, there can be differential realisation, but on the whole inflation has certainly come down. You look at, historically it used to be about 7% and 5% and now it is even much lower. So, inflation has come down. Growth, of course, if you look at the improvement in the living standards of people, that has certainly over the years it has improved. So, undeniably, I think it is being felt on the ground. It is very hard - your first question, it is very hard to put a formula as to how... it is more an art than a science over there. So that is what we try to do in managing.

Vishwanath Nair:

Has your tolerance increased of the volatility in forex...

Sanjay Malhotra:

For me, it has remained the same and I think even for the RBI, I do not find that there is much of a change. We will have to see as to - one can go back and look at the numbers and calculate for oneself as to whether volatility has - the number is there, one can calculate what the volatility has been there and you can find out if the volatility index, VIX or whatever you calculate, you can calculate it and find out as to whether volatility has actually increased or decreased over the years. But we don't think that there has been any conscious attempt to change our tolerance to volatility.

Brij Raj:

Thank you, Sir. I will now request Swati Bhat Shetye of Thomson Reuters to ask her question.

Swati Bhat Shetye, Thomson Reuters:

Thank you, sir. Governor, today you have reiterated multiple times that the underlying pressures on inflation are really low. I just wanted to understand what are these factors? I mean, yes, food prices down, precious metals like you mentioned, but is the consumer demand also not picking up particularly in urban areas? Is that also leading to low inflation?

And secondly, related to that, are we also feeling the spillover effect of the Chinese overcapacity kind of leading in? It is happening in other Asian economies. Are you also feeling that in India? And also, is such low inflation really a good thing for an emerging economy? 0.25% is really low. We are way below 2% as well. So, is this the right level of inflation for an economy like India? Thank you.

Sanjay Malhotra:

Certainly not. I mean, 0.2% is not the right level of inflation. We target 4%, and so it is that kind of inflation that we try to achieve. At the same time, I don't think we should be looking at really 0.2%, because there are going to be fluctuations. There is going to be volatility in markets, whether it is forex markets. We should not ask that question. Or whether it is the Sensex, stock markets, or whether it is prices in general, that volatility will be there. And some of the impacts are also because of the base effects. Earlier, you had very high food inflation. And so now, because of the base effects, it seems to be low. But underlying inflation, as we have said, is certainly on the lower side, and that's why we gave this rate cut.

Swati Bhat:

Sir, consumer demand and the Chinese deflationary pressures, can you please...?

Sanjay Malhotra:

Yeah, I mean, all these things, it is both the supply and the demand side factors, and both of them are at play. And it will be sector to sector, it will depend. So, if it is food, it is more the supply side factors. It is not so much the demand side factors. And so, it will depend on sector to sector. There cannot be one answer as to whether it is only demand or only supply, or which one is more. I think it is a combination of both demand and supply factors. And because there are demand side factors as well, that is why we have reduced our repo rate. We have been in an easing cycle to further support demand.

Brij Raj:

Thank you, Sir. I will now invite Piyush Shukla of Hindu Business Line to ask his question.

Piyush Shukla, Hindu Business Line:

Yeah, good afternoon, Governor, DGs. Sir, two questions. First is on your rate cut. You mentioned about transmission happening. Banks are caught in a fix because there is increasing competition on deposit growth that is there. CASA, there is a challenge to build. Do you feel today's rate cut will translate into lowering of deposit rate as well? That is one.

Second is on the annual report that had come out. It had mentioned about gold, RBI bringing back more gold, 64-odd tonnes of gold in H1, bringing back to India. Is there a conscious effort to bring back physical gold held in foreign countries? Considering that some of the foreign nations have brought back because of the war, they have held back on certain countries' gold. Is there a conscious effort by the RBI to bring back the physical gold held in other countries? Thanks.

Sanjay Malhotra:

We are diversifying. It is not good to have all your gold at one place. So, there is certainly a diversification effort that is behind this move. What was your first question, sorry?

Piyush Shukla:

Will today's rate cut...?

Sanjay Malhotra:

Depositors. See, we have to actually be looking at the real interest rates. When inflation is so low and going forward also it is going to be low, then even though the nominal interest rates may seem to be low, the real interest rates today are quite high. So that's true not only for borrowers but also for savers. And so, we do expect that going forward, especially after this repo rate cut, deposit rates will to some extent moderate.

Brij Raj:

Thank you, Sir. We will have some questions from the left side again. I will now request Ekta Suri of Zee Business to ask her question.

Ekta Suri, Zee Business:

Good afternoon, Sir. Sir, I have a question. We have heard on many platforms that SEBI Chief has said that banks should become a part of non-agri commodity derivatives. So, is there any change in banking regulation in the coming days? Is it possible? Because he has said this at more than one platform. And secondly, foreign investment is coming in via foreign banks. So, in PSU banks, do you think that the limit of FDI should be more than 20% so that foreign investment comes in there and PSU banks also grow more robustly?

Sanjay Malhotra:

The first question of yours is on?

Ekta Suri:

Can banks invest in non-agri-commodity derivatives?

Sanjay Malhotra:

The proposal that SEBI has sent. That proposal has just come to us recently. We will study it. But I would like to tell you that under the Banking Regulation Adhiniyam (Act), it is prohibited for banks to be involved in such activities. It is not allowed as of now. So, there will have to be amendments in the law. This is not limited to being a regulatory issue. Secondly, such a proposal had also come in the past. Then it was examined and then it was not considered appropriate. Has there been any change in the situation in the last 8-9 years? We will study it. It would not be appropriate for me to give you an answer without studying the pros and cons. This proposal has just come in very recently. So, it would not be appropriate for me to give you a response on it.

Ekta Suri:

And the FDI limit which is around 20% in PSU banks. Because money is coming in private banks...

Sanjay Malhotra:

This issue is in the purview of Government of India whether they think it is appropriate to increase it by 20% or not. So, I do not think it is appropriate to comment on it.

Brij Raj:

Thank you, Sir. I now request Anurag Shah of ET Now Swadesh to ask his question.

Anurag Shah, ET Now Swadesh:

Thank you, sir. First of all, congratulations Sir, you are completing 1 year. We have seen a reduction of 125 basis points. And we hope that it will continue in the future. Sir, my question is related to the AT1 bond...

Sanjay Malhotra:

Interest rates will keep increasing for depositors and interest rates will keep decreasing for lenders.

Anurag Shah:

Yes sir.

Sanjay Malhotra:

It should happen. There should be an increase in the efficiency of banks.

Anurag Shah:

Sir, my question is related to the additional tier-1 bond. These days there is a lot of discussion about the AT1 bond. Many government banks have linked money with the AT1 bond. And many investors have come forward who have complained that their money has become zero in one case. And Sir, we have seen that the insurance regulator IRDAI had also written a letter to the RBI. The Chief of IRDAI said that due to this decision, the life insurance companies have suffered a lot of loss. And there was money from the common people. So, what does the RBI have to say about that?

And the common investor has said many times that due to mis-selling, our entire life's savings have become empty. And no such tough action has been taken. And the RBI had also said that we will bring some guidelines related to the AT1 bond for retail investors. And Sir, mis-selling happens through banks. And apart from the AT1 Bond, we have also seen other things. The credit-linked products sold by banks, the bundled products, such as life insurance, health insurance, etc. They are regulated or banned in about 38-40 countries around the world.

So, do you think, the RBI should also take this into consideration? Mis-selling is a big concern. You have also given your opinion on this. The Finance Minister has also expressed concern on this. So, the common people can be trusted?

Sanjay Malhotra:

Absolutely. As far as the AT1 bond is concerned, the matter is still pending in the Supreme Court. So, when the matter is still pending, then it would not be appropriate to comment on it. So, I would not like to say anything about it.

But we have definitely said on mis-selling earlier as well. There are directions for all regulated entities and banks. And even when we go for supervision, this is also taken care of. Audit is done. That whatever rules and regulations we have made regarding mis-selling, the obligation we have done, that in mis-selling, if bundling, as you said, then there should not be any activity of that kind. This has been our constant effort.

And in the same way, as there is insurance, IRDAI has also brought the rules, that at least three products, three insurance companies, etc. should be tied up together. So, all the regulators, together with the regulated entities, we will try to improve our rules and supervision in the coming time. So that the complaints of mis-selling, which still

happen at some places, should be less. And in this way, whatever incidents of mis-selling come to us, against them, we also take the strictest action. And we will continue to do so.

Brij Raj:

Thank you, Sir. I will now invite Hitesh Vyas of Indian Express to ask his question.

Hitesh Vyas, Indian Express:

Hi Sir, good afternoon. I just want to check, is there any calculation being done on the impact on inflation in case rupee-currency falls by ₹1? And what that number would be?

Sanjay Malhotra:

No, we have our figures, I think 5% of depreciation leads to about 35 basis points of inflation. And on the other hand, it also helps exports and GDP growth by about 25 basis points.

Brij Raj:

Thank you, Sir. I will now invite Ben Jose of The New Indian Express to ask his question.

Ben Jose, The New Indian Express:

Yes, sir. The question is again on the inflation impact. You have revised down by 60 basis points?

Sanjay Malhotra:

Sorry?

Ben Jose:

Inflation is forecast for 2% for the year.

Sanjay Malhotra:

Right.

Ben Jose:

Do you expect the rupee to improve, or you have factored in at 2% the impact of the rupee at say ₹90 or what? What is the assessment of that?

Sanjay Malhotra:

Yeah, we have factored in the current levels of rupee in our estimates.

Ben Jose:

Okay, thank you.

Brij Raj:

Thank you, Sir. I will now request Mr. Mahesh Nayak of Financial Express to ask his question.

Mahesh Nayak, Financial Express:

Thank you very much, sir. Earlier in April, you mentioned that you are comfortable with the system liquidity of 1% of NDTL. In the last quarter, we haven't seen on an average which is below that level. Are you still comfortable or have you changed your view? And if yes, please explain. And if you are still maintaining, any projections or internal guidance until March, for infusing liquidity into the system?

Sanjay Malhotra:

See, as long as monetary policy transmission is happening, especially at a time when it is happening, I want to again reiterate that we will provide sufficient liquidity so that the monetary policy transmission happens. That's why it is a little surplus. It's on the higher side. Otherwise, you do not need so much of a liquidity perhaps. You need to only, perhaps you can do with lower than the kind of liquidity that we have been providing as of now, which is not of the order of 1%, but which has been of the order of between 0.6% and 1% or so. And sometimes going above also 1%.

I think with this almost ₹1.5 lakh (crore), it will go beyond 1%. So that's the range that we are looking at. I don't think the exact number should make too much of a difference, 0.5 or 1 or 0.6. Important thing is that we will provide sufficient liquidity to the extent it is needed for the banks to provide reserves. Why is liquidity needed? It is needed primarily to provide banking reserves to the Reserve Bank of India. It depletes because of currency in circulation. Because when you give currency, you take the deposits. To that extent, the deposits reduce, currency increases. Or when you do a forex, if you sell dollars, you take out from the banks those deposits. So, their liquidity, the amount that they can keep towards the banking reserves. Or otherwise, it changes because of the banking reserve requirements. Changes in banking reserve requirements because of higher deposits, etc. So, the banking liquidity is, as of now, more sufficient and we continue to maintain ample liquidity. I would not say that I am targeting a particular level of 1%, etc. I am only giving the confidence to the system, to the banking community that there will be ample liquidity. Especially as long as we are in this phase where the interest rates have to go down.

Brij Raj:

Thank you, Sir. We will take some more questions from this side. I will now invite Aaryan Khanna of Informist Media to ask his question.

Aaryan Khanna, Informist Media:

Thank you, sir. Good afternoon. Governor, you have spoken a lot about liquidity already. Just something on the nitty-gritties of it. In November, the RBI bought bonds in the secondary market. The market speculates it was tied to the maturity of a G-sec at that time. Is this going to be the RBI's policy going forward as well? And then would you also consider, in the OMOs to come to add longer-term bonds than 15 years, which has typically been the cap that you have held so far in the current year or state bonds, if you want to add that to your OMOs. On a related note, on the liquidity management framework, there has been only one auction under the new liquidity management framework of 7 days. The 7-day operation is now the primary operation under the new liquidity management framework. So, any comments on that going forward?

Sanjay Malhotra:

So, let me take your second question. So, in the new liquidity management, our effort primarily is to keep the operating target, which is the WACR (Weighted Average Call Rate) at the policy repo rate. And so, therefore, depending, so we have now the flexibility in the new liquidity framework to do a 1-day overnight, to do a 3-day, 7-day, depending on the liquidity conditions that we foresee. And accordingly, those VRR and VRRR operations are done.

Your first question related to the tenors of the G-sec OMOs that we will do, you will come to know shortly. You will come to know. It is a matter of few hours. We will put it out. Thirdly, I would also like to mention that it has been our endeavour that we give out a diversified, balanced supply of government bonds in various maturity periods - both short-term, medium-term and long-term, depending on the needs of the economy and the demand thereof. Previously, in the first half, over the years, of course, the average maturity has increased. In the first half, there was perhaps an excess of the higher maturity, higher period G-sec auctions. But going forward, I think that has been reduced. That calendar is also out with you. So, we will provide a balanced mix, depending on what the demand of the economy is.

Aaryan Khanna:

SDL also, will you buy?

Sanjay Malhotra:

SDLs we will not be buying.

Aaryan Khanna:

One part of my question was that the maturity of the bond that perhaps the RBI was holding is what the market estimates. Would you continue doing that? Would you buy bonds to replace maturing securities on your portfolio?

Sanjay Malhotra:

We will be buying right now, 1 lakh (crore rupees).

Aaryan Khanna:

Correct. There is another maturity in January.

Sanjay Malhotra:

You are getting too ahead of times. I have already mentioned that we will provide sufficient liquidity. It is dependent and I have made it very clear in my speech, that it is for liquidity reasons that we do OMOs and not for any other reasons primarily. The primary reason is to provide liquidity and depending on the demand-supply position, which are the securities we target. Going forward, it will again depend on what the liquidity needs are and then we will decide as to whether we need to do more OMOs or not.

Brij Raj:

Thank you, Sir. I will now request Shyama Mishra of Doordarshan to ask her question.

Shyama Mishra, Doordarshan:

Namaskar, Sir. My question is on online fraud. Usually, we see that there are many ways to prevent it, but once a person's money is lost, there is very little hope that he can get his money back. Even when they go and complain very soon, it is difficult to recover money. In this direction, is RBI taking any hard steps?

Sanjay Malhotra:

First of all, this is a serious issue. What you have raised is a very topical and serious issue. RBI is trying as much as possible to prevent frauds. RBI, banks, law-enforcing authorities, MHA have taken many steps as you know. We have launched awareness campaigns for public awareness. As far as recovery is concerned, you are absolutely right that once fraud occurs and money is lost, only a portion of it is recovered. This issue is currently being discussed in the courts. Some judgments have been made. A judgment has been made by the Kerala High Court, in which they have given some instructions to RBI. A judgment has been made by the Nagpur Bench, High Court, Maharashtra, in which they have also given some instructions. This case is now under consideration in the Supreme Court.

Especially on the issue of how to recover the money when fraud occurs and money. RBI, Court, MHA should work together not only to prevent fraud, but also to ensure to recover the money as soon as possible. This is a very serious issue for RBI, the government, the Supreme Court and the banks. We will together try to find a solution to this issue as soon as possible.

Brij Raj:

Thank you, Sir. I will now invite Subhana Shaikh of Mint to ask her question.

Subhana Shaikh, Mint:

Thank you. Good afternoon, Governor. Sir I wanted to ask our estimates on nominal GDP are far more accurate than our estimates on real GDP. And now with IMF also they have graded India as C on their data quality on GDP. How does that make the RBI's assessment? What does your assessment say? How difficult does that make your job and also they have also reclassified India's de facto exchange regime from a stabilised system to a crawl-like arrangement. What is your view on that?

And Sir one last on transmission I wanted to ask if there has been an increase in interest rates on new loans in October that shows that the transmission of rate cuts via banking system has reduced. So, with the new rate cuts, do you expect an impact on transmission and also bond yields have relatively slowed down. The transmission on bond yields, we have not seen as much. So, any view as to how this would evolve going forward?

Sanjay Malhotra:

So let me take your last two questions and your first two questions on GDP and exchange rate, I will ask my DG to come in. She deals with IMF more regularly and our estimates. Although I believe that our estimates, GDP, inflation, GDP especially which comes out and CPI which the MoSPI gives, they are fairly accurate. Of course, there is scope for improvement. I will leave that question including the crawl-like

exchange for DG Poonam Gupta. I will answer your other two questions. You asked three-four questions in one, very smart of you.

So interest rates, you said, have gone up. Lending side, vis-a-vis, I think you are comparing last two months data. So, as I also explained in my statement today, interest rate effect is now 79 basis points. But if the proportion of higher interest rate loans, like, for example, retail loans which are unsecured, or gold loans, for example, you know, because gold loans are, so they are very high interest, they are higher interest rate loans. If their proportion goes up, the average interest rate goes up. It does not mean that transmission has slowed, okay?

Subhana Shaikh:

Okay.

Sanjay Malhotra:

The interest - so that's why, you know, we are now giving, so the number for you, the number that you should be looking at is actually the interest rate effect, whether the interest rates have come down or not, for different segments of loans. But all segments do not have the same interest rate. Housing loan may be as low as 7.5% or 8%, whereas some of the unsecured loans may be much higher, 10-11%. If the share of those loans goes up going forward, then the average interest rate goes up, even though the interest rate on each and every segment of the loan has come down. I hope I was able to explain that point.

Subhana Shaikh:

Yes, yes.

Sanjay Malhotra:

Second thing, bond yields. This has engaged the attention of everyone for a very, very long time. As I mentioned, first of all, the primary target that we have is our operating target, and then it transmits on to various other interest rates, including your bond yields. If you compare your bond yields now with the bond yields earlier and the spreads, they are more or less similar. They are not - the spreads are not higher.

Please keep into account that when the policy repo rate will be lower, the spread will be higher. Please keep that into account. You cannot expect that the spread, what it was at 6.50, the same spread for a 10-year bond to have the same spread as you know at 5.50 or 5.25. So - but historically, if you look at what the spreads were, when our repo rate was 5.5, 5.2, 5.15, 5, etc., the bond yields today or the spreads today are not very different. They may on an average have been lower than they were earlier. This is one point I want to clarify to everyone because this keeps coming up.

Perhaps why, you know, this question keeps coming up is because they had gone down very low to about 6.25 or so, or 6.15, 6.17. Latha has all the numbers. So, they had gone down. Why did they go down is a question that all of us need to sit down and think. I think one major reason was that we did a lot of OMOs at that point of time. And so, it is also a demand and supply thing, ultimately, end of the day. It is, of course, your expectation of your policy rate path long-term. It is of course an expectation. That is one factor. But keep in mind also that it is primarily, ultimately, end of the day, it will be the demand and supply.

And so, you know, we had created that excess supply through these OMOs that we did, which pushed it down, which I would feel perhaps was lower than otherwise they would have been. I mean, that can be one explanation for why they had, apart from other things, which have changed over a period of time, apart from other things. That's not, you know, that's not to say that's the only reason. Yeah, DG Gupta.

Poonam Gupta:

Thank you. Thanks for those two questions combined. So first on the data quality issue. We engage with the IMF as a part of Article IV for consultation, but also throughout the year. The point that they are making on what is perceived to be the quality of our statistics is a very limited one. They have a taxonomy based on whether the data provided to the IMF has some gaps, which hampers the surveillance. It is not about the quality, some gaps which hampers the surveillance. And then they looked at, based on this criterion, a number of data series for India, inflation, IIP, fiscal accounts, and national accounts. As for their taxonomy, they gave a taxonomy of A or B to most of the series, and only a C to national accounts. And when one digs further into their footnotes, it is about the base revision. It is not about the quality of data. It is not about the sanctity of the numbers that are put out. It is about a base which has been perceived to be dated. With this revision, I think they would be satisfied on this count.

On exchange rate, so again, what the IMF does, and what others do, is they put exchange rate regimes into three different categories. Fixed, floating, and managed float. Only a handful of countries currently have a fixed exchange rate. Most of the advanced economies have free float, and all the emerging markets have shades of floating - managed floats. And this is what India practices. Now, within the managed float, which is that, RBI tries to curb undue volatility on each side of a reasonable level. IMF looked at the past 6 months of the data, and they found this volatility to be contained in a range that they have in mind and based on that, they had a sub-classification which is called crawling peg.

Again, I would not read much into it. It is just based on the cross-country comparison of India having this much volatility compared to some other countries. The fact remains that India is a managed float, just like most of the emerging markets are.

Subhana Shaikh:

Thank you.

Brij Raj:

Thank you, Sir, and thank you, Madam. I will now request Krishn Kaushik of Financial Times to ask his question.

Krishn Kaushik, Financial Times:

Thank you so much. My question was about rupee management, but that's been answered, sir.

Sanjay Malhotra:

Okay, great.

Brij Raj:

We will now have some questions from the left side. I will now invite Lalatendu Mishra of The Hindu to ask his question.

Lalatendu Mishra, the Hindu:

Thank you, sir. Thank you, Governor. What has been the impact of the tariff on the economy, and if the trade relief measures have addressed certain concerns of the exporters? If you can please comment on that.

Sanjay Malhotra:

So, impact, as I said, I think I answered this earlier also, that ours is mostly - it's a minimal impact. It's not a high impact, because ours is mostly a domestic demand-driven economy. Yeah, a few sectors are certainly impacted by it. You are aware of those sectors. And we have given out a relief package. The Government of India has also given out a relief package. I think this is an opportunity for us, and the exporters have already started looking out, improving not only their productivity, diversifying, etc. And we should be able to come out of this stronger, going forward.

Brij Raj:

Thank you, Sir. I will now request Riddhima Bhatnagar of Business Today to ask her question.

Riddhima Bhatnagar, Business Today:

Thank you. Governor, my question to you is that RBI has flagged certain concerns about the unsecured personal loans. So, what indicators are being seen as of now to combat that? And will there be any, I mean, interventions by RBI on the personal credit segment, retail credit segment?

Sanjay Malhotra:

I will ask my DG, Swaminathan. I think he looks into this more closely than me.

Riddhima Bhatnagar:

And my second question was on how is the retail CBDC shaping up? I know it's too...

Sanjay Malhotra: I will ask my other DG, Rabi Sankar on the left, to answer this, if you don't mind.

Swaminathan J:

Yeah. What are the parameters that we track in terms of any portfolio is, one is the growth, year-on-year growth rate, and also its relative growth vis-à-vis the other segments. The point in time when we took some macro-prudential measures on unsecured loans was the time when that portfolio was growing almost twice as that of the rest of the portfolios. Currently, as you would know, the overall credit growth is around 11%, 10% is the large industries, home loans are growing at 11%, personal loans are growing at 14%, and within which the growth has been seen more on the secured segments - like gold loans or home loans. Unsecured loans have significantly moderated.

So, there are no indicators at this point in time which are creating a concern for us. We also track the slippages that occur in the portfolio. Although there is a slight uptick

in September quarter, by about 8 basis points in the unsecured portfolio, overall retail loans have not shown any deterioration. And the third pointer is that the unsecured loans, if you are flagging it specifically, constitutes about less than 25% of the overall retail book. And as a percentage to the entire banking system credit, it's about 17%. So, it's not a few bps, marginal uptick is not a matter of concern. So, there are no measures that are planned at this point in time. And we will continue to keep monitoring this incoming data. And if there are some steps required, we will intervene. But at least I don't see a situation of something that requires a regulatory intervention at this point in time.

T. Rabi Sankar:

The retail CBDC is in good shape. Thank you. There are at this point in time about a little more than 80 lakh users. The volume of transactions are approaching about ₹12 crore. The value, if I remember right, is about ₹28,000 odd crore. But more importantly than these, as I have told earlier, we are focusing on creating a unique use case or unique use cases for CBDC. From that point of view, we are focusing on programmability. There are many such programmable experiments and pilots, particularly in coordination with schemes, etc., of both the central government and state governments, as well as specific products of banks. They are under experimentation, a large number of them. Going forward, we are hoping that some of them will settle down and become common use, acceptable to an average user. So that is largely the focus. The other focus is on getting cross-border arrangements in. So overall, it is proceeding as per expectations. Thank you.

Piyush Shukla:

Sir, 12 crore volume monthly or daily?

T. Rabi Sankar:

So far.

Riddhima Bhatnagar:

Brij Raj:

Thank you, Sirs. I will now invite Ashish Agashe of Press Trust of India to ask his question.

Ashish Agashe, Press Trust of India:

Thank you, sir. Governor, Sir, in your statement there is a mention of further reform moves by the government can help the growth process further. What would be the RBI's expectations from further reform, one? And secondly sir, was there any discussion on the nominal growth path? How does the MPC look at the nominal growth piece, in the whole thing, and did it influence the rate call today?

Sanjay Malhotra:

No, we don't see. What the government has to do, it is already doing. We do our job, we don't expect. But the government on its own has taken up a number of reforms, some of which have already seen the day of light, labour - being one which we saw recently. And so the reference was over there. There is no expectation on our side.

So, let me clarify that. Your second question is on nominal GDP. Nominal GDP is not I mean, for us, it is real GDP that we look at and that is what we looked at.

Brij Raj:

Thank you, Sir. I will now request Falaknaaz Syed of Deccan Chronicle to ask her question.

Falaknaaz Syed, Deccan Chronicle:

Good afternoon, Governor. Governor, to reduce the stock of unclaimed deposits, which are around ₹67,000 crore, the RBI came out with an accelerated payout scheme, incentivising banks to reduce that stock. How much of that stock has got reduced in the last three months?

Sanjay Malhotra:

I will request DG Shirish Murmu to answer that.

Shirish Chandra Murmu:

These unclaimed deposits we have a look at. Simultaneously, the government also came out with a campaign. And also from our side we have also incentivised banks. So, the result is clearly visible. If I have to give you some number, in October there is a reduction of around ₹760 crore of unclaimed deposits from the DEA Fund. And if you compare with that earlier experience, on an average, around ₹100 to ₹150 crore was the net. So, it is clearly visible. And going forward, we believe that it will further accelerate because we are putting in lots of effort, both government and RBI side.

Falaknaaz Syed:

Sir, sorry, this ₹100 and ₹150 crore is for what duration?

Shirish Chandra Murmu:

Monthly reduction in the unclaimed.

Sanjay Malhotra:

I may also add that we are also looking at a portal - to improve that portal, to make it more user friendly. So that will also further help in identifying the accounts etc. and reclaiming the unclaimed assets.

Brij Raj:

Thank you, Sir. We have two more media persons towards our right. I will request Shri Bhim Singh from Dainik Bhaskar to ask his question.

Bhim Singh, Dainik Bhaskar:

Inflation before for us is 0.25% and this time again there is a rate cut. So, my question is how low can RBI tolerate inflation? Isn't it a challenge for the economy?

Sanjay Malhotra:

The target for us is 4%, and the band is 2-6%. Since inflation is very low, and for the coming time, we have estimated the core underlying inflation to be very low. We have

predicted for next year, the core underlying inflation is less than 4%. So, we would like the inflation to be around 4%.

Brij Raj:

Thank you, Sir. I will now request C Prarthana from Akashvani to ask a question.

C Prarthana, Akashvani:

Thank you, sir. Good afternoon Governor. There are concerns of some online lending apps misusing consumer data. Is RBI doing something about it?

Sanjay Malhotra:

I can mention two and others can chip in on some of the recent measures that we took. One is that we have now full regulation in place for digital lending and use of digital means by the banks and the regulated entities. The other is that we also came out with an app or a store which in a way whitelists the various apps of the regulated entities. So that helps the people in coming to know, as to which ones are actually regulated or not. But if there are other initiatives - I think these are the two major initiatives that we have taken in the recent past, and I think it has helped. These measures have helped, and we will continuously be alert, to further actions that may be required on our part. Thank you.

Brij Raj:

Thank you, Sir. With your permission Sir, we will now conclude this press conference. I would like to thank you Sir and our top management for patiently answering all the questions and for making this interaction so engaging and interactive. I also thank all members of the media for their participation and wish you all a pleasant day ahead. Thank you very much.