Edited Transcript of the Reserve Bank of India's Press Conference After Central Board Meeting on February 12, 2024

Yogesh Dayal:

Good afternoon and welcome to this Press Conference after the Central Board Meeting where the FM addressed the RBI Central Board. Also, we had the launch of UPI today in two countries. Before we go ahead with the questions, I will request the Governor to give his Opening Remarks.

Shaktikanta Das:

Good afternoon. I would like to welcome all of you to this Press Conference.

Today, we had two major events. We had the meeting of the Central Board of the Reserve Bank this morning and the Finance Minister addressed the Central Board of the Reserve Bank. As is the normal practice, after every budget, this meeting is held in Delhi, wherein the Finance Minister addresses the Central Board of the Reserve Bank and also interacts with the entire Board. It was held in the morning. The Finance Minister touched upon the key priorities of the document as highlighted in the budget, the way forward which the budget has projected for the various future policies and measures that the Government proposes to take in various sectors. The members of the Central Board congratulated the Finance Minister for presenting a very responsible and forward-looking budget. They shared their ideas and thoughts on the budget with the Finance Minister. The Finance Minister was accompanied by the two Union Ministers of State for Finance, the other secretaries from the Finance Ministry and the Chief Economic Advisor. The names of participants, *etc.*, are getting released in our Press Notes so you will see that.

The second major event that we had is precisely the reason why we had to reschedule this Press Conference to the afternoon because as you would be aware the Prime Minister launched the linkage of our UPI with the Fast Payment System of Mauritius, and the similar system in Sri Lanka. The Press Note for that has already been released a little while ago. The Finance Minister could not again come back in the afternoon and that is the reason why we had to reschedule the press conference. What was today launched in the presence of the Honourable Prime Ministers of India and Mauritius and the Honourable President of Sri Lanka were two things.

With respect to Sri Lanka, those, who have UPI facilities on their mobile phones, can use the QR Codes in various merchant establishments in Sri Lanka to make a digital payment through UPI.

With respect to Mauritius, you can use what has been enabled today. Utilising the mobile phone and the QR Code with merchants and other establishments in Mauritius and reciprocal arrangements over here also. If there is a visitor from Mauritius, he can also use his mobile and use the UPI QR Code over here and make payments, so it is reciprocal. It is in both countries.

Similarly, the RuPay card also. An Indian traveller to Mauritius carrying a RuPay Card will be able to utilise it for making both payments as well as at the ATMs to draw cash in Mauritius. Similarly, residents of Mauritius, when they visit India, even if they do not visit, will also be issued similar RuPay Cards by banks which are in Mauritius. So, Mauritius travellers to India carrying RuPay Cards issued by the banks in Mauritius can use the RuPay card for both digital payments in the POS machines and they can also use it in the ATMs to draw cash. Broadly, these are the facilities which have been launched.

Very interestingly, I would like to point out that Sri Lanka is the third SAARC country with which India has entered into this arrangement. The other two are Nepal and Bhutan, where we already have had this facility for quite some time now.

Mauritius, as was pointed out by the Honourable Prime Minister in his address that Mauritius is the first African country with which UPI is now going to operate and we have entered into that kind of arrangement.

It is very important to note that all these measures are in pursuance of the G20 Principles agreed during the Indian Presidency to increase the footprint and the role of digital public infrastructure across countries. India has played a very pioneering role in promoting digital public infrastructure within India whether it is the UPI or other digital infrastructure like CoWIN or so many other examples. You are all very aware. Now, it is our endeavour to enter into collaboration and cooperation with other countries so that the digital public infrastructure benefits are available to people across the countries. Being the first African country with which we have entered into this arrangement, it also can act as a gateway for taking our UPI payment systems into other African countries but that is a work in progress.

I would like to stop here. These are some of the initial observations I wanted to make. Now it is open to questions or comments.

Yogesh Dayal:
Thank you Sir for those opening remarks. I will invite Shri Lakshman Roy, CNBC Awaaz.

Lakshman Roy, CNBC Awaaz:
Sir, this is with reference to the UPI agreement we have with the two countries. Could you tell us about how many countries we are under discussion of making similar agreements within the next calendar year and would this impact the forex as well? Secondly, since we are giving impetus to UPI, there is one issue which is coming up after this action on, Paytm, though I would not like to talk about any specific company. I would like to know what message the RBI wants to give to fintech companies after this incident? Though Paytm has taken certain measures to analyse this so will the RBI review their decision?

Shaktikanta Das:
As far as the second question is concerned, what the RBI thinks about fintech. Perhaps you might not have attended/seen the press conference we held in Mumbai last week after our Monetary Policy meeting. Many of your colleagues were present physically and many of you must have seen this on television as well or you must have seen it on the RBI's YouTube channel. The RBI is always supportive of the fintech sector. Not just supportive but the RBI's intention and objective is that the fintech sector should

grow more and more. But the fintech sector has an important role to play because lakhs and crores of customers are involved in that and many of the facilities are such that they put money in wallets. The interest of depositors and customers is of prime importance. Financial stability is of prime importance. If you are operating in a regulated environment, then you will have to abide by the regulations to run the business. The RBI has always been supportive of fintech and has been promoting it. Going forward also, the RBI will be promoting the fintech. If you look at our track record over the last few years, you will see that the RBI has played an important role in spreading awareness about UPI. We have introduced a Regulatory Sandbox four years ago. If there is any new, innovative idea or any new technology or any new fintech application, they can trial that in the Regulatory Sandbox and can get authorisation from the RBI and can take it forward. We have set up the RBI Innovation Hub in Bangalore. You can see that digital loans and digital lendings are getting popular all over the world. There are very few central banks which have issued digital lending guidelines and that is done by the RBI. So, the RBI is always supportive and will promote the fintech ecosystem and as I have said the other day in the press conference there are no doubts that the RBI will not support the fintech.

As you asked the question about Paytm, we have said that this week we are going to release FAQs. My request is that you wait till the FAQs get released. The decision we take in the Reserve Bank takes after a long thought process of around one year, or two years. We keep engaging all the relevant entities whether it is banks, payment banks, NBFCs, or cooperative banks. I am not talking about Paytm. I am talking in general. If we take any action against any entity, we interact with them for months and sometimes the interaction goes on for two to three years. When we do not see any effective corrective measures by them, then only we take action. So after thinking about it a lot, we have taken this decision. The word which you used “review” is not an appropriate word here and along with that, I would like to say that FAQs which we are issuing, please wait for that. Our priority is that depositors or customers should not face any kind of inconvenience, that is why we have given time of one month. We have taken the action on 31st January, and we have given time till 29th February. The time is given because the depositor’s interest or the customer’s interest is the utmost priority for us. We have given one month's time because if the depositors or the customers want to make any adjustments or transitions, they can do so.

Yogesh Dayal:
Thank you Sir. Now I will invite Shri Prashanta Sahu from The Financial Express.

Prashanta Sahu, The Financial Express:
This was the first board meeting after the budget was presented on 1st February. The budget has promised faster fiscal consolidation than was anticipated. So, what implications does it have on the overall economy and also Monetary Policy?

Shaktikanta Das:
The Government embarks on a path of fiscal consolidation and adheres to the fiscal road map that it has set out. Obviously, it means that the borrowing is kept within certain limits, and this year's borrowing numbers are also lower than what initially the markets had expected. A lower quantum of borrowing would basically mean two things:

Firstly, it would ensure that more resources are left in the banking system to meet the requirements of the private sector which will be a growth-inducing measure. More credit should be available to the private sector to make their investments.

Secondly, when the borrowing is less, naturally, it has an impact on the bond markets, and on the bond yields. The quantum of borrowing is very important for the Monetary Policy also. I have mentioned in various Monetary Policy Statements that different segments of the bond market have reacted differently to the Monetary Policy actions of the Reserve Bank. The transmission varies from segment to segment. So, the quantum of borrowing is very important for the Monetary Policy. While making Monetary Policy, it is one of the factors which is taken into consideration. I would say it is growth-inducing and it has some positive impact in the sense that it will help to sort of stabilise inflation. How much it will help to stabilise, I would not like to quantify, but it does help to stabilise inflation and it should help in moderating the inflation levels.

Yogesh Dayal:
Thank you Sir. I will now call Ms. Sapna Das from CNBC TV18.

Sapna Das, CNBC TV18:
Good evening Governor. You mentioned that market borrowing is good for the market, however, if you look at the interest payments in terms of borrowings they have been inching up year-on-year. There are historical reasons also. The fact remains that we do not have a debt benchmark anymore. It was 40% for the Central Government, 20% for State Governments, put together 60% in the pre-COVID period. We are somewhere around 81-odd, this is what you indicated in your press conference last week. Is it a concern that there is no debt benchmark to be reached, like the fiscal deficit? Any thoughts on this front and how this stickiness can come down and anything that you have been suggesting to the Government of India?

Shaktikanta Das:
What we have been, as the Reserve Bank, suggesting to the Government of India is bilateral and that is direct communication between the Central Bank and the Finance Ministry. So, I would not like to touch upon that. But, the two other aspects which you have mentioned are the rising interest payments and the Government debt.

When the inflation is high, naturally the Central Bank has to take monetary policy action by increasing the rate. So, the Government Borrowings which are done during that period, naturally the borrowing costs will be higher because the yields would be higher. As we move forward, as inflation has started moderating, logically the final point will be where the bond yields also come down. Looking at the 10-year bond yield, in May 2022 when we started this rate hike cycle, the 10-year bond yield was 7.14% or so. Today the 10-year bond yields are hovering in the range of 7.17-7.18%. But in between the bond yield had gone up to 7.30-7.40% and it had remained there for some time. So, it is a function of your inflation level and the quantum of liquidity available in the system. If you recall, in the first year of COVID, due to the efforts of the Reserve Bank and all those steps we had taken, the borrowing cost was one of the lowest so far as the Government borrowing was concerned. In the intermittent period, the interest payments are linked to the bond yields. So going forward, when inflation is brought under control, bond yields will soften and the borrowing cost of the Government debt also should come down. The 10-year bond yields have already started softening and the 5-year yields also. The bulk of the Government borrowing is in these two buckets.

The other point which you mentioned was about the debt benchmark. At the peak of COVID, the General Government Debt-GDP ratio, *i.e.*, the Central Government and the State Governments put together, was about 88%. That was the peak which was at the time of COVID pandemic. That is because the Government had to give a lot of fiscal support to the people and various sectors of the economy because of the challenges coming from COVID. So, the Debt-GDP ratio of the General Government had gone up to 88%. Now it has come down to about 81% or so. With the fiscal consolidation roadmap, the Government is following the target of reaching 4.5% in 2025-26, I would expect the debt-to-GDP also to start moderating.

Incidentally, it is a very important point which was mentioned in my Monetary Policy Statement. I had devoted one paragraph to the problem of the Government debt in the context of the global economy. The global Debt-GDP ratio is expected to cross 100% by 2030, but even now the Debt-GDP of advanced economies is far higher than the Debt-GDP of emerging market economies (EMEs). EMEs are today in a position to respond far better to the needs of fiscal consolidation and India is definitely at the forefront of that path of fiscal consolidation, which EMEs as a group are now following.

Yogesh Dayal:

I will move on to Shri Siddharth Upasani from Moneycontrol.

Siddharth Upasani, Moneycontrol:

A couple of quick questions. Post-budget the Finance Secretary had said that the 40% Debt-GDP ratio target that the review committee had suggested, is a historical relic and it is from the pandemic time. So there is a need for a reexamination. Where do you stand on that? And second, just on bond yields, will you expect any inflows into the Government debt to rise post-June once it is listed on JPMorgan in terms of the FAR security? While we know that the RBI takes a close look at the bond yields, especially when they are rising, what about when they are falling? If they do fall quite a bit once these inflows come in, is there any mechanism that you have in mind to manage sharp drops in yields?

Shaktikanta Das:

I am not aware of what the Finance Secretary has said. On the issue of 40%, whether it is valid today or not, I do not want to comment. There was a Government Committee which had been appointed which had recommended 40% plus 20%, 40% for the centre and 20% for States. So, the Government has to take a call. What is the level of sustainable debt as far as Government finances are concerned?

RBI is the debt manager to the Government and whatever view the Government takes with regard to their borrowing requirements, RBI's responsibility is to ensure a non-disruptive completion of the borrowing programme of that particular year. But certainly, the Debt-GDP ratio is a very critical issue in the fiscal consolidation roadmap. If you go by the fiscal deficit target, which the Government has itself followed against a budget estimate of 5.9%, the RE is 5.8% and the general expectation was probably the fiscal deficit would be this year 5.2%. The market was expecting 5.2-5.4%, but it is 5.1%. There is every reason to believe that the Government will adhere to the path of fiscal consolidation. Whether 30, 40, or 50%, I would not like to comment on that.

With regard to the JPMorgan Bond Index, various estimates are being made by the market. There are also suggestions by participants in the market that some of it has already come in. We have seen in the recent months constant inflows both in the FDI and in the FPI route. FPI route is very robust incidentally. I have given the figures in the Monetary Policy Statement. US$32 billion is the net FPI inflow against an outflow of US$6.5 billion last year in the corresponding period. So, FPI flows are robust. How much actually will come through JPMorgan? We will have to wait and see and it is not as if it is all going to come in a single burst. It will come over a period of time.

RBI has managed, both when there are outflows and when there are inflows. In both situations, the Reserve Bank has got an excellent track record of managing flows. Going forward, even this year also, we are confident of handling the, what you are referring to, the expected inflows. As and when such a thing materialises, we will be able to deal with it.

Regarding bond yields, as you will appreciate as a Central Bank Governor, I would not like to say how much should be the bond yield whether it will go up or go down, because that is a signal to the market. We do not like to give, or interfere in the market. The rates should be decided in the market. The Reserve Bank cannot and should not indicate that. It is only in a crisis like COVID, we announced the GSAP and all that. But that was an exceptional situation. But on a normal basis, the Reserve Bank likes to leave the market to determine what should be the bond yield. So, I would not like to comment on the yield curve in the future.

Yogesh Dayal:
We will move on to Shri Banikinkar Pattanayak from The Economic Times.

Banikinkar Pattanayak, The Economic Times:
Sir, what is your view on the budget's sustained focus on capital expenditure, I mean, for the fourth year in a row? I wanted to follow up on Lakshman's question. Two countries with which we had a UPI arrangement today, so are there more in the offing, and which are those countries?

Shaktikanta Das:
There are several countries with which we are under discussion, both the Reserve Bank and the NPCI International, which is the international wing of the NPCI. There is a subsidiary company of NPCI to handle their international business. We are in dialogue with a number of countries. The list of countries and the names I would not like to mention because there is a country on the other side. He may or may not like their country being mentioned in our press conference. So, as and when something gets finalised, you will automatically come to know about it.

With regard to CAPEX. It is a GDP multiplier. The research has shown that the GDP multiplier of capital expenditure is about 1.2, going up to about 1.4. It has a multiplier effect on the GDP. A thrust on capital expenditure is always welcome. I have stated in my Monetary Policy Statement also that Government capital expenditure will support the GDP growth.

Yogesh Dayal:
I will now request Shri Tarun Sharma from ZEE Business to ask his question.

Tarun Sharma, ZEE Business:
Sir, I have two questions. Firstly, the green energy print. The Government has a plan to net zero by 2070 and the recommendation from the Power Ministry to the RBI to include green energy funding as a priority lending above ₹30 crores. There is some relaxation in the provisioning for green energy finance. Second, recently you issued the discussion paper on the capping of dividends part. Is there any discussion in the Board meeting because the DEA has some concerns about the dividend capping plan, especially for the PSU?

Shaktikanta Das:
You have said what the Power Ministry has said, what the DEA views are and so. I am not aware actually of all these. But keeping that aside, we examine these aspects. Ministries of the Government have their views. They share their views with us. We will take them into consideration. Whatever decision appears to be appropriate, we will take that. But it will naturally be based on a lot of discussion with various stakeholders. Ministries of the Government are certainly stakeholders. I do not want to speculate on the request or suggestion of the Power Ministry or the Finance Ministry on dividends, etc. January 31st was the last day. We get comments in the hundreds. So, they have to be examined carefully. As and when we make a decision, you will know about it.

Yogesh Dayal:
I will call now Shri Radha Raman Mishra from PTI-Bhasha.

Radha Raman Mishra, **PTI-Bhasha:**
My question is related to what someone has asked earlier. Do you see other countries showing interest in the RuPay card?

Shaktikanta Das:
Yes, there is a lot of interest.

Radha Raman Mishra, **PTI-Bhasha:**
Sir, one more question and it is a little bit different. My colleague has lost, due to a fraud, around ₹1.50-1.75 lakhs a few days back from his bank account and it took him half an hour to reach to the customer care. He could not reach to the customer care for half an hour and till that time his money was debited from his account. Do you have any plans to launch a platform where we complain of a fraud and they take cognisance of the same immediately?

Shaktikanta Das:
For cybercrime, a platform is already there. There is one common platform 1930, where you can lodge a complaint. Cyber security is a genuine problem and there are two types of situation. One situation is such where the customer believes that this is a genuine message as they get a message from the bank, and sometimes absentmindedly and by mistake they share the OTP or share their personal data and

then the fraud happens. That is why you must have seen that banks keep on sending SMSes to the account holders and on behalf of the RBI, we have already advertised that do not share any kind of personal information. If you get the message from the banks that if you click on this link your KYC will be done, banks never do that. You should contact directly with the branch where you are holding the bank account. This is one type of situation where customers by mistake do such a thing and the fraud happens and money gets debited. We have mandated that if you directly complain to the bank within 24 hours of fraud at the bank's complaint management portal and if the mistake is made by the bank then they will refund you your full money. We have issued that circular but that is the situation of cyber security.

The second situation is where they commit fraud by hacking. In that direction we have taken a lot of measures. In the Reserve Bank and related ministries of the Government, we keep on discussing these issues on how to strengthen the system, and how can we prevent fraud. I would like to tell that you we have been blocking lots of hacking attempts and fraud attempts but those information we do not divulge into the public domain and do not publicise. There are a lot of hacking attempts happening. All financial institutions face a lot of hacking attempts but we build a firewall to protect those. In this direction, many efforts are to be made and a lot of work is to be done. We are going forward in that direction through consultation with law enforcement agencies and concerned ministries like the Home Ministry, Finance Ministry and Ministry of IT. We all participate in that to discuss how to strengthen this and what measures to be taken and we are giving high priority to this.

Lakshman Roy, CNBC AWAAZ:
One small clarification regarding the Paytm question. Have we understood correctly? You said that there is no or there is little scope for review of the Paytm decision?

Shaktikanta Das:
I only said that we take all decisions after a lot of consideration, after a lot of analysis. That is all I have said.

Let me be very clear. There is no review of the decision. If you are expecting a review of the decision, let me very clearly tell you that there is no review of the decision. FAQs which we are proposing to issue are targeting the inconvenience or the issues faced by the customers and the depositors like all the FASTag holders, the wallet users or the account holders. Whatever issues are under the customer interest, we are dealing with in the FAQs, but the review of the decision is not on the table. Please do not make any headlines out of this because this is a routine process. Two very big positive steps have been taken, one is the discussion we had about the budget in the Central Board and the international linkage of UPI which is very important. You are asking, again and again, that is why I have said that do not expect any reviews in the FAQs. We are addressing all the questions from the customers' point of view.

Yogesh Dayal:
The last two questions. Aanchal Magazine and Asit Ranjan Mishra.

Aanchal Magazine, Indian Express

My question was the follow-up of that only, that you are saying there is only a review of the decision?

Shaktikanta Das:
Now you are saying. I did not say.

Aanchal Magazine:
Okay.

Shaktikanta Das:

Let me explain what I meant. What I meant was that a decision is taken after much consideration. It is not as if we decide today and start reviewing it tomorrow. When we take a decision, we examine all the pros and cons, all angularities; and all aspects are examined. After a lot of thought, internal deliberation, internal discussions, and interactions with the regulated entity, decisions are taken. Decisions are not taken in a casual manner. Decisions are taken in the most serious manner in the public interest. That is what I wanted to highlight.

Aanchal Magazine:
I was on the fact that whether there has been an extension for the customers?

Shaktikanta Das:
Wait for the FAQs, please.

Aanchal Magazine:
And the other part is, today we are expecting inflation data.

Shaktikanta Das:
Let us see. Off the record, I can tell you how much we are expecting. But you should wait for another 1.5 hours. You will know the figure. We have our own internal estimate, but I would rather wait for the official number.

Yogesh Dayal:
I will call now Shri Asit Ranjan Mishra from Business Standard.

Asit Ranjan Mishra, Business Standard:
Sir, since you have the Paytm issues. Since you are saying there is no review, does it mean that nothing is…?

Shaktikanta Das:
Now, you are saying. Please leave Paytm and move on. There are so many positive things happening in the country. So many things the RBI is doing on financial inclusion and digital payments. Nobody asked me about this KFS, the Key Fact Statement which we have mandated. That is a very big step in the interest of small borrowers, retail borrowers and MSME borrowers. The Key Fact Statement, I explained at the Monetary Policy Press Conference. That is a major customer-centric measure. So many good things are happening. So, let us move forward.

Asit Ranjan Mishra, Business Standard:
Yes. I have a small clarification only. Sir, since there is no review, then the logical next step will be the withdrawal of the license.

Shaktikanta Das:
I do not want to speculate on this thing.

Asit Ranjan Mishra, Business Standard:
On the GDP, you have projected 7% growth, but most of the analysts are saying between 6 to 6.5%. The Finance Secretary on the record has said he had factored in 6% for the Budget Statement. So, what gives you the confidence that 7% growth will be achieved next year?

Shaktikanta Das:
We explained it in great detail in the Monetary Policy statement. The momentum of economic activity continues to be strong and whether it is the aggregate demand or on the investment side, the overall momentum of economic activity continues to be strong. Our analysis shows that the GDP growth next year, i.e., 2024-25 will touch 7%. Only the future will tell what is the right GDP growth for '24-'25.

But if you just look back over the last two years, we were ahead of the analysts and the analysts had to subsequently adjust their numbers to our numbers. The actual number even for the current year is coming a little higher than what I had said in October. At that time, many people thought that the RBI was over-projecting.

But on a serious note, the future will tell us what the actual number is. We have confidence that it should be 7% in 2024-25 mainly because the overall momentum of economic activity is strong. I do not want to repeat the points which are already there in the MPC statement which I made last Thursday.

Yogesh Dayal:
With this, we come to the close of the press conference. Thank you all for being here. Till next time, thank you and all the best.

Shaktikanta Das:
Thank you.