Governor's Interview with ET Now on March 6, 2024 (Edited Excerpts)

ET Now:
From fragile five to top five, the Indian economy is now enjoying a pedestal positioning. Growth is headed in the right direction, inflation is coming under check, the NPA cycle is weak, and fresh capital formation has started. The Reserve Bank of India Governor and his team have made the impossible look easy. The Indian financial system is now resilient despite all the shocks. But, are the problems of yesterday behind us or will they haunt us? What about global external shocks and the preparedness of the Indian financial system? To get all these answers, I have with me the man of the moment, Mr. Shaktikanta Das, Governor of the Reserve Bank of India.

Governor, it is an honour and the channel's pleasure to have you on ET Now. Thank you Governor. I guess the introduction was the question in itself. Ever since you took over as the Governor of the Reserve Bank of India, in December 2018, is this the best macro in the economy setup we have seen?

Shaktikanta Das:
In a long time, not just in the last five years. Of course, in the last five years, we have seen several turbulent moments, initially coming from the collapse of the ILFS, followed by COVID and so many other external developments. So, we have gone through a very turbulent period. But for quite a while, if you see over a period of time, over a period of years, the confluence of factors that we have today, it is perhaps one of the best. Look at the GDP, you look at the fiscal consolidation, which of course is on the fiscal side. You look at the current account deficit, you look at inflation, and you look at the fact that inflation has been brought under some kind of control without sacrificing or without paying the kind of heavy price which perhaps some of the economies have paid to bring back inflation under control. So, if you look overall in terms of growth, in terms of inflation, in terms of other macro parameters, like the current account deficit or economic activities, in all respects, and in terms of the overall stability of the financial sector, the overall stability in the banking sector, the NBFC sector, it is perhaps one of the best confluence of factors.

Having said that, this is a philosophy which we follow internally that there is no room for complacency at all because a problem can suddenly arise from any corner of the world which may really complicate the challenges for us. So absolutely no room for complacency and we need to remain focused and committed to our goal of maintaining financial stability and supporting economic activity in the country.

ET Now:
But, looking at the current set of data points, the macro circumstances, and the permutation in the combination, can I say that you do not see a problem which is on the horizon? If there is an external shock, something unknown that we are not privy to right now, that could be an episodic issue?

Shaktikanta Das:
More or less, you are right in accepting that in a geopolitical crisis, new flashpoints can originate anytime. There are weather-related challenges which can happen and which do happen without much-advanced notice. Excepting that at a structural level, I do not see any major problems. But as I made a reference in the last MPC statement of mine about the global debt, it is not so much a problem in India because our debt to GDP is at a certain level and it is expected to moderate, which I have talked about in the last MPC statement. When I say our debt to GDP, the country's debt *vis-a-vis* external lenders and the debt of the State Governments and the Central Government put together. These are all within manageable limits. They are set to moderate in the coming years. But if you look at global public debt in some of the advanced economies, with their large fiscal deficits and with their large percentage of borrowing, i.e., with their large percentage of debt to GDP ratios, if this continues, it can sort of pose bigger challenges, particularly to the emerging market economies (EMEs). But that is not something which will affect India immediately. Also, among all EMEs, India is much better prepared to deal with such challenges.

ET Now:
Governor, the Reserve Bank of India was ahead of the curve when they released their GDP projections for FY 2023-24. The RBI number was 7%, while the consensus number was 6.3-6.5%. Will the RBI remain ahead of the curve and upgrade their FY 2024-25 GDP estimates also? Is there a case for it?

Shaktikanta Das:
The next Monetary Policy is just about a month away and our research teams are working on inflation and GDP numbers. I do not want to preempt what conclusions they will come up with. But as I look at the growth outlook, we said last year, sometime towards the end of October, in one event that the GDP would be in the order of 7%. You are absolutely right. The market was at 6.3%-6.5% and slowly the market adjusted to that. But today, the number for the current year given out is 7.6%. Now, once the NSO gives a particular data, we work on that number because that is the final authority which gives the GDP number.

Let me split it this way. First, let me talk about the current year, then about the next year. So far as the current year is concerned, the momentum of economic activity has been robust, and we are now in the first week of March. Given the kind of momentum of economic activity, the growth momentum which we are witnessing, and the kind of high-frequency indicators, the data points which we keep getting on a continuous basis, I would not hesitate to say that there is every possibility of the 7.6% growth for the current year being exceeded. Now, we have the numbers for the first three quarters, and the implicit growth for the fourth quarter is 5.9%. Our sense and understanding of the high-frequency indicators and the momentum of economic activity tells us that this 5.9% growth in Q4 could be exceeded. When that happens, obviously the growth will be more than 7.6%. There is quite a good chance of the GDP growth number for the current year being very close to 8%.

Now, coming to next year, we have given a gross projection of 7%. Other forecasters, including international agencies, have given much lower projections for next year. For next year, we are sticking to 7%. But I will wait for the next MPC, and our research teams to do their analysis. But at the moment, as I speak to you, I would stick to 7% which we have projected for next year.

ET Now:
Sir, if high-frequency data points are so strong, then internal data purely is pointing towards a strong economic expansion. Can I at least infer that?

Shaktikanta Das:
There is definitely a strong economic expansion. You take 2021, which was the COVID year when we had negative growth. Thereafter, the revised number which NSO has given out is 9.7% for FY2021-22. The next year (FY 2022-23), which was earlier 7.2%, has been revised slightly downwards to 7% and this year (FY 2023-24), NSO is giving a 7.6% target. So 9.7%, 7% and 7.6%. If you take the average, it is 8% and the 7.6% can be closer to 8%. So, the momentum is continuing to be very strong and we are quite optimistic about next year. I say it with a reasonable amount of confidence based on our internal analysis and research that 7% next year is very much on the table.

ET Now:
When the Reserve Bank of India makes a comment, he knows the data and he has gone through the data and he is sure. Otherwise, he will never indicate that in a public forum.

Governor, when we spoke last time, the elephant in the room, in a sense, was inflation. Now inflation has come down. A lot of measures have been taken by the RBI. Commodity prices have also been benign. Now that inflation is moving towards your guided band, which is below 5%, more towards 4%, is it time for the Reserve Bank of India to change its stance?

Shaktikanta Das:
Since you use the analogy of the elephant, I would like to tell you and your viewers that as it looks like the elephant has gone for a walk, the elephant can come back anytime. Why I am saying the elephant can come back anytime because there are a couple of major uncertainties. One is geopolitical, how the geopolitical situation evolves, what kind of supply chain challenges it will pose; and the second thing is weather-related events which immediately impact our food prices. So, these are the two major uncertainties and in the latest inflation print which we have for January 2024 that was released in February 2024, the inflation was 5.1%. We are still 110 basis points away from our target of 4%. We are completely focused. We are analysing all the incoming data to see the inflation outlook.

Having said that, let me say that the direction of inflation is not just the monthly numbers, it is also the direction in which the inflation numbers are evolving. Immediately after the Ukraine war, the inflation was 7.8%, which was in April 2022. From 7.8%, it has come down to 5.1%. In between, it touched 4%, it touched below 5%, but it is now at 5.1%. So we are now focused on taking inflation to the target of 4%. Given the uncertainties that we have, we would like inflation to be durable and around 4%. It cannot be just one one-off number or just one month number touching 4%, which will give us satisfaction. It has to be sustainable and durable at around 4%. That is something which will give us greater confidence. But the direction is very clear. Inflation is on a downward trajectory.

ET Now:
If I have to use the cricket terminology with you, you always refer to cricket. Post-war the RBI had no option but to adopt a T-20 format. They had to go for speed, power and impact. Are we back to the classic test match style now where it is about form and not speed? It is about style durability and sustainability.

Shaktikanta Das:
We play ball by ball. Using a cricket analogy, we play ball by ball. If you see the pattern of T-20 around the 10^{th} to $13/14^{th}$ over, usually there is a kind of slight moderation in the pace. But on a more serious note, yes at that time, front-ended action was required, and we took front-ended action, including an off-cycle meeting of MPC that was held in May 2022, where we announced a repo rate increase of 40 basis points. The market was taken by surprise, but I was surprised because if you read the April 2022 MPC statement, we had given clear indications that we would be moving very fast. But that is all history. So that was a time when front-ended action had to be taken. Now, it is a pause for several meetings, both in terms of stance and in terms of the rate front. So, we are watching the numbers, and incoming data points with regard to prices. We make our evaluation of the evolving outlook and based on that, the future action will be decided.

ET Now:
Governor, what is the RBI's view on the state of the economy? All kinds of alphabets have been attributed to describe the post-COVID recovery. Is the post-COVID recovery really unreal? Is there stress on the rural economy and do you see that changing?

Shaktikanta Das:
Overall the economy is doing very well. During the last three years including the current year, the average growth is 8%. Now you cannot reach 8% growth just like that. Even for the number which has now been given out, 7.6% for the current year, various theories are being given around. I am not dismissing the analysis which is being explained. For example, there is a belief that because subsidy expenditure has come down, so GVA plus tax, gross tax collections minus subsidy, because subsidies are less. So, the GDP number is looking high. Various explanations are given, but I would

again like to go back to what I mentioned about the momentum. The momentum of economic activity continues to be strong. You mentioned about the rural sector. Now the demand for two-wheelers, which is an indicator of rural demand, is again back. It has been recording high growth for the last couple of months. Tractor demand is slower, but it is little slower. It is not negative. The growth is a little less compared to previous months. But on the back of double-digit growth for several months, a slight moderation should not be seen as an indication of slowing rural demand. So, two-wheeler demand continues to be strong, tractor demand is quite stable and then the demand for MNREGA also has come down. Whatever gap was there in the net sown area in the Rabi crop has also been filled up and the Rabi crop is expected to be good. Wheat crop is expected to exceed last year's. But then we have challenges with regard to a few other crops like pulses, etc. So, overall rural demand is showing signs of revival or perhaps, let me put it this way, that the rural demand has definitely improved compared to what it was one year ago.

So far as urban demand is concerned, urban demand continues to be very strong. Investment activity continues to be strong driven by the Government capex and private capex is also beginning to pick up, particularly in certain key sectors like steel and those sectors related to construction activity, textiles, and chemicals. So private investment is also picking up. Capacity utilisation is also very high and this is not just reflected in the RBI's survey but also in the various industry associations and chambers of commerce. They do a survey among their members. Yesterday, we had a detailed interaction with various industry and trade bodies and the apex associations at the All India Associations. Their internal survey among their members also shows that the capacity utilisation is very high and there is an expectation that private investment will also pick up. Demand for bank credit has also picked up. So, if you put all these things together the economy is doing very well and compare ourselves to other countries. You have to see it in a comparative sense. If today we are recording let us say around 7.6% or between 7.6% and 8% growth, please see where the other countries are. If other countries were doing 9% and 10% growth and we are still at 8% or a little below 8%, it is not good. But look at the other countries. So, the economy is doing very well and we are quite optimistic about the outlook, the growth outlook for India.

ET Now:
I would like to draw your attention to liquidity. Given the growth parameters and the inflation and the growth dynamics, is the system now ready for liquidity injection? Because liquidity on a net basis in the last 24 months is actually less. Is the system now ready to accept that back in?

Shaktikanta Das:
Liquidity was in surplus till about September last year or so. Thereafter it has turned into a deficit and there are various factors external to the Reserve Bank. By external, I do not mean foreign, but external to the RBI. For example, the currency in circulation, which plays an important role in impacting the quantum of liquidity, Government

expenditure and the inflow of foreign exchange. These are the factors which are external to the RBI. As pointed out in the last Monetary Policy Statement, we have been quite nimble in our liquidity actions. During the last fortnight or one month, we are almost simultaneously injecting liquidity by way of variable-rate repo operations and also periodically taking out liquidity by way of variable-rate reverse repo auctions. In fact, over the last few weeks, we have been doing more than one auction on the same day. That is the kind of nimbleness which we have demonstrated to manage liquidity. But for the last four weeks or so, liquidity has been in surplus and that is reflected in the fact that the overnight call rates which were earlier hovering around 6.75% to even sometimes touching 6.8%, came down to about 6.6% - 6.7%. Yesterday, it was below 6.5%. So, liquidity has been adequate. There is a good amount of liquidity in the system and it is clearly reflected in the overnight call rates.

ET Now:
Paytm, I would like to establish for our viewers what a channel view has been that the Reserve Bank of India has acted in the public interest to safeguard the public interest. when it comes to Paytm, the framework was compromised and the Reserve Bank of India had no choice but to impose restrictions. Governor, that is one month old. After that, has Paytm taken corrective action? Have they earned the out-of-jail card? Could there be a review of that decision?

Shaktikanta Das:
I do not want to comment on a specific entity. It will not be proper now for me to comment on a specific entity because there is correspondence going on between the RBI and the regulated entity. In this case, it is Paytm that you have mentioned. So specifics of where it stands, I would not like to mention. But since you mentioned Paytm, can I sort of slightly expand the scope of my reply and bring in a few things which perhaps would be of interest to your viewers?

The first point I want to say is that the Reserve Bank's action is against a regulated entity. In this case, the regulated entity is a payment bank. The Reserve Bank's action is not against any fintech company. I fail to understand and do not see any reason why a narrative is building up or was built up, as if the Reserve Bank has taken some measures against fintech companies. We have not taken any action against any fintech companies. Fintech companies are not regulated by the Reserve Bank unless they are NBFC lenders. If they are NBFC lenders, yes, they are regulated by us. In this case, the action is against a payment bank. Now, you may say that I am being defensive and all that. It is not being defensive at all. I see this kind of narrative in certain sections of the media. The financial sector players understand the situation very well, but for the understanding of the wider cross-section of your viewers, we have done nothing so far as fintechs are concerned. Fintechs are free to grow. We are supporting fintech companies. We have set up an innovation hub. We have formed FinTech Department. We have a regulatory sandbox. We are going towards forming what you call SRO, a self-regulatory organisation for fintechs. So the RBI is and remains fully supportive of fintechs. I am saying this only to instil a sense of clarity in the minds of the people and the fintech players that the RBI is all for fintech to grow. So far as the RBI's regulated entities are concerned, fintechs provide a third-party service. So as a third-party service provider, as far as we are concerned, we fix the responsibility on the bank or the NBFC, which is utilising the services of fintech to follow the rules of the game. That is one point which I wanted to clarify.

The second point is that the financial sector; when you come to a regulated environment, there are regulations, there are rules of the game, and you have to follow the rules of the game. If you want to drive a new, fashionable car on the road, you have to follow the traffic rules. You cannot say that I am the owner of a new car, and traffic rules do not apply to us. Traffic rules are for everybody. Why are traffic rules put in place? Because there are children crossing the road, elderly people are using the road. There are two-wheelers on the road. There are cars of various speeds on the road. So, it is the responsibility of the traffic police to ensure that there are no accidents. The Reserve Bank is similarly placed as a regulator, which is entrusted with the responsibility of regulating a large part of the financial sector. Our endeavour is to ensure, to the best of our ability, that there are no major accidents. Accidents can still happen, but our endeavour is to ensure that there are no major accidents.

We have now deepened our supervision to the extent that we are able to anticipate problems and risk buildup. All our actions are determined with the objective of maintaining financial stability, protecting customers' interest, and protecting depositors' interest, and wherever we see a risk building up, we have to necessarily take action in the overall public interest. So, this is the overall background for all the regulatory actions which the Reserve Bank has taken, not only in the case of Paytm but in the case of a few other regulated entities. Whenever we take action you have to see from where we are coming from.

ET Now:
Are you likely to extend the deadline of 15 March for Paytm wallet, just because of the kind of accounts and the pure size it has?

Shaktikanta Das:
Initially, when we gave a time of about a month, we issued these orders on 31st January, and we gave time up to the end of February. We had made an assessment and our understanding was that it would take about 30 days for the whole thing to stabilise. We then issued an FAQ, as I mentioned at the Monetary Policy Day, in the middle of February. We thought, since the FAQ is being issued in the middle of February, giving clarity on a number of issues and questions which we had received, so, we thought it is again appropriate to give one more month of time.

In our assessment, the time given up to March 15 is sufficient because if you take into account the total number of users of the Paytm payment app, each payment app or wallet is linked to a bank account, a large part of the users – about 80-85% of the customers – of the Paytm payment app, are linked to other banks along with Paytm bank or to entirely different banks. So, about 80% to 85% of the customers who are using the Paytm payment app will not be impacted at all because their app is also linked to another bank account of theirs and their payments can go on in a non-disruptive manner.

The challenge is with regard to those 15% or 20% of the users who have linkage only with a bank account in the Paytm payment bank. Paytm payment bank has been advised to shift these customers to other banks. Other banks are also proactively onboarding customers and NPCI has also been working closely with the various banks. Customers, who are exclusively dependent on payment banks – 15% to 20% of the customers – are getting onboarded to other banks. I do not foresee a problem beyond March 15 and through your channel, I would like to appeal to everybody that if your Paytm app is linked only with Paytm payment bank, please link it to another bank account of yours so that you can use Paytm payment app non-disruptively.

ET Now:
When do you think NPCI will take a decision on the Paytm license?

Shaktikanta Das:
I cannot say that. NPCI has to do its internal due diligence. So far as the RBI is concerned, we have informed them that we have no objection if NPCI considers the Paytm payment app to continue because our action was against the Paytm payment bank. The app is with the NPCI. So our action was against the payment bank. NPCI will take a call. I would presume they should be taking a call shortly.

ET Now:
To quote your last interview, you said that fintechs are like Ferrari. India still needs an efficient small car. So can I assume that now that SROs have been set up, the RBI is essentially looking at extending the regulation in fintech? Is the soft touch era over?

Shaktikanta Das:
If I can digress a little, the Indian speed today is not like a small car. India's economic growth and the way India is growing like the Tejas aircraft speed. But coming back specifically to this question, we do not want to slow down any economic growth. We do not want to slow down the growth of the financial sector. We are completely focused on the growth of a robust financial sector on a sustainable basis. Growth has to be sustainable in the long run. If you grow at a very high speed, just for a few years, and then if there is a crash, that is not on. As a regulator of the financial sector, it is our effort; it is our responsibility to ensure that the financial sector grows at a good speed but in a sustainable manner.

In recent years, we have deepened our supervisory processes and approaches and we are now keeping a very close watch on activities of not only sectoral, and sub-sectoral activities but also monitoring activities of the individual banks or the individual NBFCs, the larger ones, particularly the top 100 NBFCs, which control roughly about 80% to 90% of the NBFC space. So the monitoring, the supervision are now much more active. On the regulatory side, we have completely overhauled the regulatory architecture in the sense that for NBFCs. We have positioned a scale-based regulation, we have digital lending guidelines, and we have issued ownership guidelines as well as governance guidelines for scheduled commercial banks. So, we have brought in a lot of changes on the regulatory side to ensure that our financial sector remains strong and healthy. On the supervision side also, we have deepened our supervision to the extent that we constantly monitor what is happening, both through offsite as well as onsite methods, including a lot of online information, which we get to ensure that the Indian financial sector remains strong and healthy and grows in a sustainable manner.

ET Now:
Governor, looking at AI, can I say that compliance now will occupy centre stage, and the Reserve Bank of India could also revisit the total penalty which is there in the system, which currently is minuscule, considering the global standards for non-compliance?

Shaktikanta Das:
There are three principles which we highlighted. You can call them the tripod of stability. In any financial institution, the tripod of stability that is the management of risk is ensuring good compliance, ensuring reasonable compliance, and the third aspect is taking the internal audit seriously. Making the internal audit functions very efficient and that is why as a part of our governance reforms in banks and NBFCs, we have mandated the creation of dedicated senior-level positions of chief risk officer to look after risk management. Chief risk officer, chief compliance officer and the head of internal audit, all these three functions we have spelt out what are the areas they should be looking at. We have sort of mandated that there should be sufficiently senior officers having the required capability. Ultimately, compliance is an essential part of good governance. From the Reserve Bank, we are giving a lot of emphasis on these three things – risk management, compliance and the findings of the internal audit, and how they are being addressed.

ET Now:
There is a war of liability within banks right now, and banks in a sense, are making a case that, look, we are not getting traditional savings because a lot of money is being channellised to stock markets. As an RBI, what is your view? Are savings getting diverted into stock markets?

Shaktikanta Das:
The whole position is slightly nuanced. If savings are going into stock markets, they are coming back to a bank. When you buy a stock, let us say if I am buying some shares in the secondary market or I participate in an IPO, I make the payment. But where does that money go? It does not remain as loose cash. It comes back to the banking system in somebody else's bank account. From the point of view of the banks, probably one set of depositors' deposit rates are coming down. The money is shifting

from one account to the other account. But having said that, the broader point that you are making, and with which I quite agree, is that the growth rate of deposits is in the order of about 12%, whereas credit is growing at about 16% to 17%. So there is a kind of a mismatch.

There will always be a mismatch because it is not that you get ₹100 by deposit and the same 100 alone will be given out as a loan. Out of that ₹100, incidentally, the bank has to provide for CRR and SLR and other requirements. When one loan gets sanctioned, money creates money, which is called the money multiplier. So, you cannot say that credit cannot grow at a rate higher than the deposit growth. It will always grow at a rate higher than the deposit growth. But, there has to be some correlation between credit growth and deposit growth. Now the deposit growth is in the region of about 12% to 13%, and historically, the deposits have grown around 13%-14%. So, to some extent, there has been some dip in deposits, perhaps because the propensity to spend more is now. People's consumption expenditure is picking up, but eventually, that money comes back again to somebody else's bank account. As economic growth takes a greater foothold, one can expect the savings rate to improve. If retail savings are not growing, it is perhaps because of things like investments in mutual funds, investments in shares, or a greater amount of spending which is undertaken by households.

ET Now:
But is the RBI worried about the kind of options activity which are there in the system? Loans against securities, is that something which is a bit of a fly in the ointment? Is it a concern?

Shaktikanta Das:
The RBI has given guidelines about loans against securities to banks and NBFCs. Two years ago we came out with some guidelines on NBFCs financing IPOs. Earlier, NBFCs could give any amount of loan for IPO financing. But, we have set a limit of one crore per borrower. So, that is one area where we are constantly monitoring like any other sector. These are all under our constant monitoring. As and when some action is required, we will take them. At the moment it is under our surveillance and that is it.

ET Now:
What about real estate? In the past, the Reserve Bank of India has flagged off concerns in the real estate sector. In the previous cycle, they have taken preemptive measures. Where do you see the real estate sector is headed? Are you worried?

Shaktikanta Das:
At the moment, I am not unduly concerned about the real estate sector as a whole. Construction activity continues to be strong and the real estate number may look high because the HDFC's assets got merged with the HDFC Bank. So both put together, if you compare year-on-year basis, the real estate sector growth looks high. But if you

net out the HDFC component, then the growth of the real estate sector is not something which worries us at this point of time.

ET Now:

The near-term question, *i.e.*, bond inclusion. India will be part of the MSCI index. Bond inflows will pick up. How is the Reserve Bank preparing the bond market for inflows?

Shaktikanta Das:

Bond market inclusion can act as a double-edged weapon. If there are inflows, there can be situations where there are outflows also and that can cause volatility in the yields. If you are alluding to the expectation of heavy inflows, I would like to say that so far as JP Morgan bond index inclusion or yesterday's announcement by Bloomberg; we are still about a year away from that; these will come over a period of time. They are not going to come in one shot. The Reserve Bank will be able to manage not only with regard to the inflows but also should the cycle turn. I am saying should. It is not a probability. But you cannot rule out such a scenario. So the Reserve Bank will be able to handle the kind of inflows or outflows that one can generally associate with bond inclusion mainly because we have a strong buffer of foreign exchange reserves.

ET Now:

Governor, I will take the liberty of just asking a few questions. Two large questions, which will have real long-term structural implications. First is the Rupee trade as the trading is now becoming bigger. We understand that Indian refineries are also now ready to get oil imports partly paid in the Indian Rupee. Do you see that change increasing? Do you see now that the Rupee-denominated trade will grow exponentially?

Shaktikanta Das:

One has to understand why we are doing Rupee-denominated trade now. Dependence on one currency for international trade obviously involves a bigger amount of risk. When your import and export or when your global international trade is dependent on more than one currency, the risk of exchange rate fluctuation in that single currency, to that extent, gets minimised. We have made a beginning with regard to the Rupee, that is a local currency settlement or a rupee-denominated settlement. There are two different things. One is through the *Vostro* account mechanism, where the settlement is entirely through Rupees. The other one is local currency denominated, meaning if there are two countries, the respective currencies can be utilised for settlement. So, our effort is mainly in that kind of context. We are trying to build it up with countries with which we have a large trade volume. So, we expect this to steadily improve. It cannot happen overnight. We expect it to steadily improve. Our officials have had meetings with the oil companies, and oil marketing companies also, and the effort on both sides. We have signed the agreement with the UAE. You will very soon see action with a few other countries also as India and the other country, local currency-denominated trade agreements being taken forward. We are working in that direction and I expect it to grow. The Rupee footprint should grow, especially *vis-a-vis* the countries with which we have a larger amount of trade and where there are countries from which we have a great amount of remittances by Indians, who are working there.

ET Now:
You have called cryptocurrency dangerous, and there was a time when cryptocurrency was almost like a mania. Now that crypto and bitcoin prices are coming higher, do you see the level of participation is still low, or the level of participation of late after the price hike has also come back again in India?

Shaktikanta Das:
The exuberance which was there two years ago that exuberance is not there. There is greater awareness among the people about the risks and dangers associated with crypto. Some people will make money but a large number of people are likely to incur loss because it is a speculative product. We have nothing against technology. There has to be a clear line drawn between the technology on which cryptocurrencies are based and that technology is blockchain technology. We have nothing against it. Blockchain has many applications. It is already under use. We are using blockchain technology with regard to our Central Bank Digital Currency (CBDC). So, the underlying technology is a different thing altogether and that has to grow. We, ourselves, are using it in our CBDC, that is the e-Rupee.

Every underlying asset needs to have a matching liability. Cryptocurrencies do not have corresponding liability. This technology is used to develop certain products which are essentially speculative in nature and are traded without any underlying and corresponding liabilities. That is number one.

Number two, there is no underlying and it is a speculative product because without any underlying some trading is going on. I sell you something for ₹1,000, you sell it to somebody for ₹2,000, somebody sells it to another person for ₹3,000. But what is the basis? So, we call it a speculative product. We have interactions with other central banks also very frequently. There is now a greater awareness among the people, not only in India but internationally.

Yes, at the moment as you said, some of these products are again being traded at very high prices. So there could be some amount of interest which is perhaps more than what it was one year ago. But, if you compare it with where we were two years ago when there was a kind of an exuberance building up today. There is a greater amount of realism now.

ET Now:
When should we expect the full-fledged launch of the digital currency, i.e., retail digital currency?

Shaktikanta Das:
We are in no great hurry to launch the digital currency because we want to be absolutely sure about the safety, robustness and integrity of the digital currency. So, it is a pilot project which we are running and even the pilot project size itself is now very

high. The number of users, retail users of CBDC today is about 4.3 million, *i.e.*, about 43 lakh users of retail CBDC are there. The number of merchants, who are using CBDC, is about 40 lakhs. So, 47 lakh merchants and users are a part of the pilot project.

We are learning from our experience that new challenges and new issues keep cropping up, both in terms of technology, sometimes certain questions around the safety features, and certain questions about the speed of transactions.

We are developing the product ourselves and we want to ensure that when we are absolutely confident with the safety features and the integrity of the currency, that perhaps will be the right time to launch it in a full-fledged manner. But, we have no timeline or no target date. It all depends on when we feel that yes, we are ready to launch

ET Now:
Sir, there is no downtime in the RBI, but is there a downtime in the Governor's life? Do you ever get a Sunday?

Shaktikanta Das:
It is a part of the job and I cannot complain. If you have accepted a position, you have to also accept the challenges which are associated with it.

ET Now:
I am sure when you get a chance to watch TV. You prefer watching ET now.

Shaktikanta Das:
Yeah, of course. You want me to endorse ET Now. I will not endorse it, but I do watch ET Now and that is why I am here.

ET Now:
Governor, if a pantheon of great thinkers and great governors has to be made, your name will always be there on the pedestal. It is a very proud moment for us when there is a global acknowledgement as to kind of things which the RBI as an institution has adopted under your leadership. But Sir, you come, unlike your peers, not from a traditional economics background. We are living in a complex world. How do you simplify things? How do you start? How do you judge? What data points do you refer to?

Shaktikanta Das:
First and the foremost, one has to see the larger world. You have to first see the big picture and then you have to zero in on the micro details and you have to do a kind of granular analysis. One cannot emulate the great warrior Arjuna, but as long as you see the larger picture, as long as you are focused on the larger picture, what is the larger picture for the RBI? The larger picture is to ensure financial stability in the country and to support growth.

Of late, things like supporting innovation, supporting technology, making payments user-friendly and financial inclusion. One has to look at all these things, look at the larger picture and then zero in on various components of it and decide your action accordingly.