

Edited Transcript of the Reserve Bank of India's Post-Monetary Policy Press Conference: June 6, 2025 (Friday)

Participants from the Reserve Bank of India:

Shri Sanjay Malhotra – Governor, Reserve Bank of India.
Shri M. Rajeshwar Rao – Deputy Governor, Reserve Bank of India
Shri T. Rabi Sankar – Deputy Governor, Reserve Bank of India
Shri Swaminathan J. – Deputy Governor, Reserve Bank of India
Dr. Poonam Gupta – Deputy Governor, Reserve Bank of India
Dr. Rajiv Ranjan – Executive Director, Reserve Bank of India
Dr. A. R. Joshi – Executive Director, Reserve Bank of India

Moderator:

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

Sanjay Malhotra:

Namaste, and Good noon.

Puneet Pancholy:

Hello, and Good afternoon. Welcome to this Post Monetary Policy Press Conference, second in this financial year. Friends, today we have with us Governor, Shri Sanjay Malhotra; Deputy Governors - Shri M. Rajeshwar Rao, Shri T. Rabi Sankar, Shri Swaminathan J., and Dr. Poonam Gupta. I would take this opportunity to welcome Dr. Gupta to this press conference, after taking charge as the Deputy Governor.

We also have with us Executive Directors, Dr. Rajiv Ranjan and Dr. Ajit Joshi, and other friends from Reserve Bank. Before we begin, I will request all of you to please either switch off your mobile phones or keep it on silent.

Please restrict to one question per person, so that everybody gets a chance, and then may be going forward, we can take another question if time permits. And when you are asking questions, please see that you switch on the mic which is in front of you, because that is how people listening to this transmission would be able to hear whatever is transpiring here. And once you are done, please switch it off to avoid the interference.

Sir, there are 23 participants from media today, and with your permission, I will call out the names. I will ask Latha to ask her question.

Latha Venkatesh, CNBC-TV18:

Thank you, sir. Latha from CNBC-TV18. Governor, thank you very much for the opportunity and for a policy that is giving us a lot of headlines. Okay, I wanted to clarify things on the liquidity front. In the last few weeks, the call rate was not at the repo rate. You gave enough liquidity, and the call rate was 25 basis points below the repo rate.

Now that you have given a 50-basis cut, will you use liquidity in such a way to align the call rate more to the repo rate, which means you will do more VRRRs - reverse repos? Or will the reverse repo have to be suspended, because your \$40 billion short positions will mature? So, if you can give us a little more colour on liquidity.

And on the stance, itself, is it fair on the part of the market to assume an extended pause? Or because the positive real rate, if you assume that 1.4 to 1.9 positive real rate is what you are also going by, then with inflation at 3.7 (per cent), you still have space to cut. So, should the market assume that the terminal rate can still go down after the pause?

Sanjay Malhotra:

Yes. First of all, thank you all of you for coming here as usual and taking our message to everyone across the country. So, thank you very much. You have asked three questions in one question, but we will try to attempt to answer all of them.

So, first question is a very good question. In fact, what do we do with liquidity? Where do we actually maintain now the call rate? The call rate today is hovering at the lower end of the LAF, as it was till yesterday. So, it was at about 5.75%.

Whether we now maintain it at 5.25% or at the policy rate, which is at 5.5%, that is as I said, we will see how the situation goes. Of course, liquidity is abundant, and if we do not do any VRRRs, then it is going to stay at 5.25%. If we do VRRRs, then we can bring it anywhere between, depending on the amount. So, we will see how the situation evolves, and we will take a call. We have not really given it a thought on that. So, we will decide, and you will come to know in the coming few days. I will not be able to give you a very precise answer. But having the policy at 5.5%, and the stance now going to neutral, all that will certainly come in the picture. We will take a call as to where we will try to have the call rate.

The second question is on where do we see the terminal rate? The MPC, I think, has very clearly articulated that in the statement, in the resolution that has come in, we have changed the stance from accommodative to neutral. And it has mentioned that there is now very limited space for the monetary policy, actually, given the current circumstances. And you are aware of the current circumstances, which is that growth is at about 6.5%, inflation we are projecting at 3.7% for this year, and next year it is above 4, it's 4.5% or roundabout. So, given these current, if these were to play out, there is very limited space is what MPC says and that is why it has been reduced now, we have changed now to neutral.

MPC also states that we will continue to monitor the incoming data, and basis that, given especially the uncertainties, what way now we will move will depend primarily on what the data suggests to us. There was a third question. That's it. Thank you. So, I have answered all.

Latha Venkatesh, CNBC-TV18:

That's what I wanted. Yes. If you can allow me another question, I will ask?

Sanjay Malhotra:

Yes. We will come back later and see, if there is time.

Puneet Pancholy:

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

Mayur Shetty, The Times of India:

Governor, you spoke about the uncertain environment, and a lot of uncertainty is coming from the behaviour of the US administration, and that is also resulting in a lot

of volatility in dollar assets. So, given this, how would you balance between rebuilding the forex reserves and managing exchange rate volatility?

Sanjay Malhotra:

See, our policy over there is very, very clear. It has been very consistent. And we do not manage or try to target any price, any level, any band, you are aware of that. If there is any abnormal - that's a standard response, right? - any abnormal volatility, if it is there, that is what we try to counter, and we let the prices be determined by the markets.

Now, this question, and I think that was something that even Latha alluded to, and that was the third point I think that you mentioned is this \$40 billion, etc. We are not unduly concerned about that. Even if you were to exclude that \$625 billion. If we were to exclude \$65 bln, including the one over year which is coming in, we are not unduly worried on that. It is a very, very comfortable level to be in. Yes, if there are opportunities and we can build reserves, that will happen, but that is not something which we will be unduly bothered about. Thank you.

Puneet Pancholy:

Thank you, sir. Now, I will request Mr. Anurag Shah to ask his question. Anurag Shah from ET NOW Swadesh.

Anurag Shah, ET NOW Swadesh:

Thank you, sir. Thank you. Sir, you have given such a big surprise, so what main question that I had, that also I will ask later, aside. Sir, what is the purpose of today's announcement, and what message do you want to give broadly?

Sanjay Malhotra:

Broadly, the message is that inflation is under a lot of control, and we can assume that we have won the war. This is the message, because we have reduced inflation forecast from 4% in our opinion to 3.7%. In the same way, the growth rate forecast is 6.5%. It is good, but there is still room for improvement. So, whatever we have to do, we believe that we should do it decisively, and at the right time.

And I think the certainty that is there in this uncertain environment, we certainly needed to give that certainty to the markets, banks, and the economy. That is why, as you saw, the MPC said that we have done a front load, so that there is certainty that yes we have to reduce the basis points by 50%, so we did it at the same time. In the same way, the CRR, if we wanted, we could have announced it 4 months later. We have announced it today itself, so that people, banks, are assured that liquidity that we have said is for sure, but it should be transformed into actions as well. So, we have transformed them into actions as well. Like we have announced the CRR today itself. So, the more certainty there is, the more we believe that our economy will get strength from it. And this is our message that our economy is doing well.

And keeping the economy in mind, and keeping the inflation in mind, it is our key message, we will not get distracted from that at all. That is our primary motive, that we should control the price stability and inflation, and we curb it. And whatever target is given to us; we should try to take it towards that target. When that happens, then we should also pay attention to the growth. That is what we have done.

Anurag Shah, ET NOW Swadesh:

The stance which you changed in the last policy, from neutral you came to accommodative. And this time, in the same policy, you went back to that stance. So, then are you not sending a wrong message?

Sanjay Malhotra:

Wrong message, I did not understand? Yes, you can say that. It was in our mind also, that we had made it accommodative last time. We had a choice that we should have kept it accommodative. We kept saying that it (stance) is accommodative, but we would not do anything. So, action is much more important, and whatever we are talking about should be transformed into action. That is why we had our statements of intent- accommodative was just an intent. If we would not have changed it, kept it accommodative only, so, would it have been better? Or should we give certainty that yes, whatever we promised you on accommodative, that we will reduce the rate, we will reduce it decisively. We have done that, and we have neutralised the stance.

In today's circumstances, the situation is such that there is very little scope, as the MPC noted, there is very little scope to reduce the policy rates. Very limited space. So, there is very limited space, so there remains very little scope for further reduction in policy rates. This is the entire message that we wanted to give, that is why we had kept in neutral.

Puneet Pancholy:

Thank you, sir. Moving to this side of the table, Mr. Manojit Saha from Business Standard.

Manojit Saha, Business Standard:

Namaste. Good afternoon. Thank you, Puneet ji. Again, on this stance, this policy had several surprises. The most surprising part is the stance. As you said in the last policy, the accommodative means the rate can go down or it can stay there. So, neutral would mean the rates can go up. Are you saying rate will not go up, but there will be a long pause? And whether there was a voting on stance, if you can share?

Sanjay Malhotra:

It will depend on data now. This is what neutral means. We had explained it in the earlier MPC statement that neutral will mean that it can go either ways. It will depend on how the data comes in. If the growth is weaker, it can mean that it will go down. If the growth is good, inflation is going up, it can mean that the repo rate, policy rate can go up. So, it will depend on how the data, both on inflation as well as growth turns out.

Manojit Saha, Business Standard:

Was there voting on stance this time?

Sanjay Malhotra:

Stance, see we have already mentioned that the statute does not mandate a voting. There was a discussion on it, certainly, because we need to give a sense, we need to give a guidance. It is more of a guidance that we have to give to the market participants. And so, there was a discussion, and everyone, all the 6 MPC members were of the view that we should change it to neutral. So, there was no voting, but the

view of all the MPC members is that going forward, the stance should be changed from accommodative to neutral.

Manojit Saha, Business Standard:

Also, if you can add just one more. Are you satisfied with the monetary transmission that has happened so far?

Sanjay Malhotra:

I think going by past trends, the transmission has happened much faster. In the money markets in fact, you can see a huge transmission - more than what we have done, more than 50 basis points in the money markets, especially at shorter-term levels. And on the credit side also we are now seeing some initial signs. Deposit rates, in fact have been reduced - retail as well as wholesale by most of the banks, about 40 basis points. The average of course is about 27 basis points, has been reduced over there. 17 basis points is the reduction on the credit side, on the outstanding credit. And in terms of fresh loans, that is a little slow, but it has started, it is about 6 basis points as per data that we have. So, that is slow, but it is much faster than other times. Normally, it takes 6 to 9 months. It has only been 4 months from the first policy cut. So, from first policy cut of 25 basis points, against that if 27 basis points on deposit side, 17 basis points on the credit outstanding side, and 6 basis points on the fresh loans, I think this is a very good transmission. However, we need to do it faster, and that is why we have front-loaded some of our actions.

Manojit Saha, Business Standard:

Thank you, so much.

Puneet Pancholy:

Thank you, sir. Next, we will have Mr. Vishwanath Nair from NDTV Profit.

Vishwanath Nair, NDTV Profit:

Good afternoon, Governor. A couple of questions actually. The first one with respect to your GDP forecast, which has not changed, the estimates have not changed at all. What is the growth boost that you are expecting from this cumulative 100 basis point rate cut that you have accorded, and thereby, would there be a revision for FY 2025-26? And the second part is on the stance itself. I am asking you again, in the past there has been criticism that the stance is more or less becoming meaningless, because we kept saying withdrawal of accommodation, but it was a prolonged pause. Is this a way to then bringing it back into relevance?

Sanjay Malhotra:

So, your first question is what impact it has on growth. Obviously, it has a positive impact. It will be very difficult to assess as to how this transmission from monetary policy to the credit rates, and then to the real economy, how that transmission happens. As you are aware, it takes a minimum of, going by history, 6 to 9 months. We would like, of course, to expedite it, but we will see impact of this only in the later half. So, for this year, in terms of numbers, especially when there is so much of an uncertainty, we would not be in any position to give you... to what extent it will impact the GDP numbers.

On your second question, I cannot actually speak about the past, what has happened, but our policy will be very, very clear, whatever we are saying, we mean it, every bit of it, and you will continue to experience that.

Also, to be kept in mind is whether it is past or present or future, a lot of it is dependent on data. So, if the data kind of changes, even if it is say accommodative or tightening, it does not necessarily mean that next policy itself you are going to tighten it or you are going to reduce the policy rate. It does not mean that. It depends on how the data is actually coming in, and what that data is showing. So, if that data demands that you have to actually stay put, even if it is accommodative, that is how it will be done.

Puneet Pancholy:

Thank you, sir. Next will be Ms. Swati Bhat from Reuters.

Swati Bhat, Reuters:

Thank you, Puneet sir. Sir, I just wanted to understand, you have front loaded the rate cuts and the certainty obviously helps, but we have seen that despite the massive surplus liquidity that has been there in the market, there is very limited scope to lend, because there is genuine lack of demand from companies and corporates. There is not much capex happening as well. How does this liquidity really translate to boosting growth? What is the advantage of having so much flush of liquidity in the banking system? Similarly, on the CRR front as well, obviously you planned it in advance and announced it now, but CRR historically has been at the 4% sacrosanct level to some extent. Is there a renewed thinking on the CRR front, which is why you have gone ahead and cut it to 3%? Thank you.

Latha Venkatesh, CNBC-TV18:

Can I just add, nowhere you have told us why you cut the CRR? What was the RBI's thinking?

Sanjay Malhotra:

So, let me take the second question first. I think the monetary policy statement that I read out, it did mention that it has two objectives. The first objective is that we need to continue to provide liquidity, and I will come to your first question relating to liquidity. And then, we also mentioned that it will not only improve liquidity, but it will also help reduce cost of funding for the banks. So, that is the other objective. And see over the years, last 12-13 years data I have seen, and one can even go back, the CRR has mostly remained at 4%, as you have rightly pointed out. During COVID, we reduced it by 1%.

Now these reserves are basically kept for liquidity management. So, the experience as of now, does not suggest that perhaps we do not need 4%, 3% can perhaps suffice. Having said that, we do not know what the future holds. So, please do not hold me to this number that we are going to maintain this 3%, but as of now it seems that 3% is a comfortable reserve ratio to have. And so from a liquidity management perspective, so that is why apart from providing liquidity, it will also reduce their costs and improve their NIMs by about 7 basis points, at least it should help, is our estimate. Why do we provide liquidity? So, that there is a better transmission, there is a faster transmission, and it is primarily basically for that. Thank you.

Puneet Pancholy:

Thank you, sir.

Sanjay Malhotra:

We will take the next question.

Swati Bhat, Reuters:

Sir, liquidity would it actually translate, that bit is unclear. Yes, because so far banks are not lending. So, how does that demand come in?

Sanjay Malhotra:

See, it will depend. We have said even in the statement that this is not a sufficient condition. Monetary policy is not a sufficient condition. It is a necessary condition; we have provided that. We are confident that it will certainly translate into better credit growth. I am not able to give you a number. Obviously, and certainly with confidence one can say that it will certainly increase the flow of credit. And so that is why this liquidity is important, reduction in repo rate is important. To what extent, and what time frame it will take, that will be difficult to say.

Puneet Pancholy:

Thank you, sir. Next will be Mr. Ankur Mishra from ET Now.

Ankur Mishra, ET Now:

Thank you, Puneet sir. Good afternoon, Governor. I want to understand from you that you have given a statement in the monetary policy that today's steps should be seen towards propelling to a higher aspirational trajectory, and you are talking about growth. You have kept your target intact at 6.5%. Is there a scope of further revision ahead, which should be expected with the kind of actions you have taken?

And also, I will once again ask on the stance front, but in a cricket analogy if you can explain, it was a roller coaster kind of a policy. The expectation was 25 basis point, you announced 50 basis point cut. Similarly, for CRR, the expectation was 50, you announced 100. But on the stance front, you got back to the crease and said I will wait and watch. So, how should one understand?

Sanjay Malhotra:

Well put. See the target you are saying, 6.5% is not the target, 6.5% is the forecast that we have made. And the aspiration is certainly much more, between 7% and 8%. We would like to grow as fast as possible. You have said it all. I don't have to say anything more. You have put it out very well, as to what this monetary policy, because everyone here in India, they may not understand our monetary policy, but they will understand the cricket lingo. So, you have put it out very well for your viewers.

Puneet Pancholy:

Thank you, sir. Now I will invite Ekta Suri from Zee Business.

Ekta Suri, Zee Business:

Good afternoon. Sir, the policy has been very well received by the markets. However, I want to ask questions which are little different from the market, how they have received it. Sir, my first question would be, in the last policy we had talked about the

draft of gold loans. From that policy up to today's policy, you have thought of some changes, because many people also feel that if we are going to keep the gold as mortgage, it is possible that we may not have any proof of ownership, because we may have got it from our mother or someone else or it may not be hallmark. So, such tweaks, you must be thinking of changes in the rules.

And second thing also because now we are seeing that foreign banks are very interested in Indian banks. So, with regards to FIIs are you also thinking of some changes in the rules, the 26% voting right though the government has it, or how much stake can foreign banks take in Indian banks?

Sanjay Malhotra:

Well, you have asked a good question on the gold loan, which was also being discussed a lot. I feel this would be of interest to everyone, so your question certainly is justified. And I would like to tell you, first of all, the regulations on the gold loan that we had issued, they were only drafts, they were not final.

I would also like you to know that we have now issued a notice for making a framework for regulation making, which we have informed everyone about through a public notice, that whenever we issue any major circular or regulation or direction, before that we will do two things. The first thing is that we would do consultation. Second thing is we would study the impact of the same.

So, considering that we have introduced this regulation about the gold loan. Second thing I would like to inform you that whatever we have introduced, there is nothing new about it, we have only consolidated our old regulations, and we have reiterated the old regulations. We saw that some of the regulated entities were not adhering to the regulations because there was no clarity in that and we informed them about this. That's why though there was nothing in about but also when we came to know that in black and white, we received comments about that. I think we will issue this today or at the most by Monday.

And you talked about the ownership documents (for gold). The draft which we have issued is written very clearly in that if you don't have the invoice of that then you can give a self-declaration of the same so there was nothing to worry about. We will provide more clarity about the same.

Second thing which has come is credit appraisal that there should not be credit appraisal for small loans. That also we are including in this. Those smaller loans up to ₹2.5 lakhs where the collateral comes from the gold, there is no need of credit appraisal. The third one was about end-use that we have to do the monitoring of end-use. There also we have clarified that end-use monitoring will be necessary only when you want to take advantage of that in priority sector lending. Fourth one which was an important question about LTV, we have said that principle of LTV will only be implemented on consumption loans. In everything else you will do credit appraisal, other incomes, other securities according to that if you give more than LTV ratio then it can be given after assessing the repayment capacity. The fifth one and very important question which was related to LTV that we have issued the draft of 75% today, that 75% we are going to make it up to 85% for smaller loan which are below ₹2.5 lakhs per borrower but in this 85%, the interest also has to be included. Earlier it was only 75% of principal and interest which mostly public sectors banks were given at 75% including interest, that is why they were given the principal only 65%, 66%, and 67% but a few NBFCs or other smaller banks were giving 75% principal and

including interest especially in bullet repayment loan it goes till 88% because if the loan is of 18% and if you reverse calculate it then it goes to 88%. For smaller loan which are up to ₹2.5 lakhs including principal plus interest this whole clarity we will give it in our circular. We hope that we can regulate this gold loan category quite efficiently.

Second question of yours was that are we increase the limit of FIs or foreign banks so I would to say that already the limit is 74%, 49% limit is on automatic approval route and another 25% through government approval route, so they can go up to 74% so, as of today we are not considering any changes in that. I don't know where we are getting this question that we are changing this. Related to that only that we are allowing 15% for the non-residents but depending on case-to-case basis it can go beyond 15%. So, there is no immediate change which is going to be there in that. Yes, we have said this much that perhaps you must have seen or heard that this whole ownership structure or the eligibility conditions under which for non-residents it is 15%, we are examining this whole thing. It will not happen immediately. It will take time.

These are very deeper questions. If we use cricket analogy, we should not see it as 20-20 match. We will take the decision after considering all the aspects of what is appropriate for our economy because for a common person, he trusts his money with the banks so it is important that that kind of trustworthy owner or manager should be there in the bank. For that, what kind of eligibility criteria we should keep, what kind of conditions we keep for that, we have to talk to everyone because definitely our economy is growing, our economy is getting stronger and we need more banks for that so considering that whatever necessary changes needs to be made we would make.

Puneet Pancholy:

Thank you, sir. Now I will request Ms. Sangita Mehta from Economic Times to ask her question.

Sangita Mehta, Economic Times:

Most of my monetary policy questions are taken away, so I am going back to the Annual Report, which was very insightful. It had a lot of data points also. But there is one thing about the Annual Report, where you have said that in FY2025-26, RBI would be considering differentiated regulatory framework for Type-I NBFCs which are without public funds and non-customer facing NBFCs.

Sanjay Malhotra:

See, it is our policy as far as possible customise the rules, basis the risk profile and so it is only in continuation of that particular policy that mention has been made in the Annual Report. I will request DG in case he would like to add something more to this.

M. Rajeshwar Rao:

I think review is done as a regular process and Type-I is ones which does not face outside to the system. So, we are having a look at the regulations. That is an ongoing process, we are doing that.

Sangita Mehta, Economic Times:

This would be kind of new guidelines for this kind of NBFCs on fundraising.

M. Rajeshwar Rao:

No. Type-I typically doesn't have outside liability, so that it will be depending purely on the internal accruals from them.

Sangita Mehta, Economic Times:

Are there any new guidelines coming for this Type-I type of NBFCs?

M. Rajeshwar Rao:

We will review and then see what kind of regulations are needed.

Sanjay Malhotra:

It means a review will be carried out. If at all there is a need, then we will do it. So, that's the third part of our regulation making framework that we announced. I mentioned about two important elements. Because I answered that in Hindi, I think it is important for everyone to know and understand that we have issued a regulation-making framework now. There are three critical elements in it, one that we will do a public consultation. And when I mean a public consultation, it is not only in letter, let me assure everyone it's not only in letter, but also in intent. So, the important stakeholders, their views we get from all important stakeholders.

The second thing is that we will also do an impact, to the extent possible. It may be qualitative - every time it may not be possible to do a quantitative impact analysis what will be the impact thereof on the banking system, on the regulated entities, on the customers, and on all the stakeholders, that is the second element. And the third element is that we will regularly review our regulations, directions, etc., because it is dynamic. Policies have to change with the times and so it is only in that context that we are going to review some of these policies related to Type-I NBFCs.

Puneet Pancholy:

Thank you, sir. Now I will request Mr. Anup from Bloomberg.

Anup Roy, Bloomberg:

Sir, Anup here from Bloomberg. Interesting choice of words. Monetary policies left with very little space to support growth. Does it mean that you would expect fiscal authorities to support rest of the growth and your growth aspirations that India should have and also even after all these measures that banks are...

Sanjay Malhotra:

I believe in doing my work, right and we have done that bit. And obviously it is expected that everyone else will be doing their bit. So, that is not something for me to say, right. It is not appropriate. I believe in doing my job and that's what we will continue to do.

Anup Roy, Bloomberg:

Right sir. Sir, one more question. If despite everything that you have done for banks they have ever asked for, banks really do not do the transmission. Can you take actions? Or what kind of actions can you take?

Sanjay Malhotra:

Ultimately, we have said this in our policy statement also that monetary policy is a necessary but not a sufficient condition, right? So, for monetary policy transmission to happen, there are so many other things, including demand which has to be there and so it will depend on the macroeconomic conditions and the appetite and the demand for credit. Only then it is market forces ultimately- see we have to leave it to market forces. We cannot start regulating that. No, you give credit, or you reduce rates. No, you can't do that. It's a market. We believe that our markets are deep. Credit markets, there are so many banks, there are so many NBFCs, there are alternative investment funds now vying for credit, there's private credit, and so the market forces will certainly be able to push prices, basis demand for credit.

Puneet Pancholy:

Thank you, sir. Hamsini from Moneycontrol.

Hamsini Karthik, Moneycontrol:

Thank you. Hi, I'm Hamsini from Moneycontrol. My question is with regard to the health of the banking system. Sir, you mentioned in your speech earlier today that you are convinced, you remain quite confident about the health of the banking system. Because one of the private sector banks with where the auditors have recently qualified certain developments as likely to be fraud, has that been escalated to RBI? What sort of actions are you planning to take on that and it's been about 4 months since we saw RBI issue a statement in favour of the bank saying the deposits are healthy. What is your assessment of the picture right now, sir?

Sanjay Malhotra:

Well, normally we do not comment on individual banks. As I said, the system as a whole banking system is very, very robust. And I also mentioned that these events or episodes I would call them this will happen. They should not bother us too much as long as they are far and few between, and limited. I think the bank has taken enough number of steps to put their, to improve their accounting and other practices. And on the whole, I think the bank is doing well. I will request DG, Mr. Swaminathan, if he would like to throw more, give more details to the extent necessary.

Swaminathan J:

Sir, thank you. I think you have summed up in terms of what is the current situation as far as this particular entity is concerned. You would recall that in the last MPC press as well, we had said 2-3 things that all of them have been sort of complied with at this point in time. Number one was our priority to have that accounting done properly, accounting for all the discrepancies duly supported by both internal and external audit. And it must be accounted for in quarter four itself. So, that has been accomplished by the bank already. Second, we said that forensic audit and accountability must be held, so that people are held accountable and the examination of fraud has to be completed, and law enforcement should take over from there. So, that has been accomplished already. And third of course, our priority is always to ensure that no customer is put to any loss or any inconvenience. That is something which has been insured and there is no systemic impact arising out of these kind of episodes. And fourth, we have also said that each of this crisis gives us some lessons. So, we sharpen our supervisory tools and we calibrate our supervisory approach

basis the lessons that we learned from this, so we are going forward. We will look for these kind of red flags so that we are in a position to anticipate them much in advance, so. The last in terms of succession planning anyway, all of you know that the Board and Management has been chatting with you their updates. So, as the Governor said, whatever that was supposed to play out over the last 3 months has been, is more or less on track. And I am sure that it should be. If not immediately, but at least very soon, it should settle down and then be back to normal, and we will keep monitoring this, not only this but, but the system as a whole.

Hamsini Karthik, Moneycontrol:

Thank you, Sir. If I can be allowed to ask one question. On the deposit front, a large part of transmission would be dependent on what banks decide on.

Sanjay Malhotra:

You are taking away someone else's time, so hold on. If your question is not taken up by someone else, then we can come back.

Hamsini Karthik, Moneycontrol:

Thank you.

Puneet Pancholy:

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

Gopika Gopakumar, Mint:

Thank you, sir. Good afternoon, Governor. You have lowered your FY2025-26 inflation forecast to 3.7%. What would be your FY2026-27 inflation forecast? Did you mention it in statement?

Sanjay Malhotra:

6.5%, sorry 4.5%.

Gopika Gopakumar, Mint:

Right. So, you are expecting it to go beyond 4%?

Sanjay Malhotra:

Yes.

Gopika Gopakumar, Mint:

And also on CRR, you are expecting it to be staggered from September to November. What is the global situation? I know you are giving a clear indication to the banks, but what if globally, the environment changes, inflation shoots up? I mean if there is some risk. How would you sort of then ensure that the CRR is...?

Sanjay Malhotra:

We have enough tools. See, CRR is not the only tool for monetary policy or liquidity. You have the OMOs, you have the swaps. And you have the VRs and the VRRs so if liquidity has to be managed, which we actually do not today feel that there would be a need to reverse any of those things. We have sufficient tools to do it.

Gopika Gopakumar, Mint:

Hamsini's question on the private sector lender? How will RBI ensure accountability from the board? So far, we have not seen any action at that level, but don't you think the board is also responsible for what has happened?

Sanjay Malhotra:

See individual... So, you are talking about the IndusInd Bank, etc. I see the MD, CEO has resigned. And it (resignation letter) says for taking moral responsibilities. So, I thought that should be good enough. Do you expect that all the Board members? I mean, what are you hinting at? I think, you know the MD, CEO, who is also a member of the Board if he has taken responsibility, that is at the Board level itself.

Ankur Mishra, ET Now:

Sir, sorry for the interruption. Just even SEBI has now issued an interim order saying that there is some kind of insider trading which might have happened and where the notices have been issued. The Bank is claiming that fraud has happened to them. So, I want to understand, sir. Have they reached out to you particularly because they mentioned in the call that they will reach out to the regulator or the investigative agencies due to the fraud scenario. So, I mean this is something which is related to one bank, but it is the system of trust.

Sanjay Malhotra:

See if there are other criminal acts that have happened then the law will take its course. Please be assured. And in case, the RBI has to step in and take any action, then the RBI will not be failing in his duty. Let's leave it at that.

Sanjay Malhotra:

No, let's not be. There are other people, you have already asked your question.

Puneet Pancholy:

Thank you for listening.

Sanjay Malhotra:

And let's not pre-empt. Let's not pre-empt. And let's not be speculative about it.

Puneet Pancholy:

Thank you so very much, sir. Next, we will have Mr. Piyush from the Hindu Business Line.

Piyush Shukla, The Hindu Business Line:

Good afternoon, Governor, DGs. Thanks, Puneetji. So, on unsecured loans, you said the personal loans, the stress has come down a little bit. But MFI stress continue to be present. So, are you looking at taking any other measures to address this? So, there have been a couple of payment banks that had applied for SFBs license, around more than 18 months ago. Then 2 SFBs has now applied for Universal Licence. Is there any timeline sir? In all the other things, RBI has a timeline of approval. So, is there any timeline where you will give the approval. You did not issue any statement on developmental and regulatory policy?

Sanjay Malhotra:

Three questions you are asking.

Piyush Shukla, The Hindu Business Line:

This is our clarification. We did not see those response.

Sanjay Malhotra:

Clarification. What do I clarify if it is not like that? But I will only say this that we believe in actions, we do not believe only in making statements. There is already enough work that we have on our hands. And so, we will first, we will try to because lot of drafts you are aware, you know a lot of drafts are like gold loans you mentioned and there are others. Thank God you are not asking me about those. You are not asking me about those, you know. What about those drafts you are asking me to give more and more and more. So, we will rather be trying to therefore consolidate whatever we have already put in the pipeline, what we have already tried, we have promised and so we do not have to necessarily speak if there is nothing to be, nothing to be spoken, right. What were your other questions? Banks licences? See, I do not think there is a timeline, but it does not mean that we do not have an internal timeline. Let me assure you that work is in progress in all those, all those applications that you have mentioned and very soon you will find our decisions. We have already articulated decision on one of them, which we have rejected, one of them is already rejected. If you are not aware, then let me mention it is already there and the others also we will quickly.

Piyush Shukla, The Hindu Business Line:

Which application was rejected?

Sanjay Malhotra:

It will be coming out. As a press release, it will be coming out. You will know.

Piyush Shukla, The Hindu Business Line:

Today it will come out?

M. Rajeshwar Rao:

It will come out. But we will try.

Piyush Shukla, The Hindu Business Line:

MFI sir, will you take any more measures? Thank you.

Sanjay Malhotra:

There are no specific regulatory measures planned for MFIs. There are none. There is something else related to MFIs, but that is not for this particular purpose. On the supervisory side, if you would like to add anything on the MFI because they have been actually recalibrating their business, we have been engaging with them through supervision. And so if you would like to add on the MFI portfolio that will, I think help.

Swaminathan J.:

Thank you, sir. But I think that has been already articulated in the MPC statement in itself that the entities that are predominantly in this particular segment has already been identified, recalibrated their business models, stepping up upon their collection

methodologies. And you have also seen a shrinkage of that portfolio on account of that because of their recalibration. So, may be over a period of time, may be over the next couple of quarters, this should stabilise like the other two segments also, we saw outlier growth. We took some steps and then it moderated. So, this also should be going forward, but it also depends on the overall economic conditions, income level, because MFI book is to the most vulnerable segment. So, that is something which we will have to bear in mind, give it a little more time for normalizing, but we will keep watching those numbers, but as the Governor said on any none of these segments, there are any regulatory actions or measures that is warranted at this point in time.

Puneet Pancholy:

Thank you, sirs. Sir, with your permission last 3 questions.

Sanjay Malhotra:

Yes.

Puneet Pancholy:

Thank you, sir. Next, we will have Mr. Ashish Agashe from PTI.

Ashish Agashe, PTI:

Thank you so much, sir. Sir, this is a follow up to Piyush's question on the unsecured lending bit. So, given that it is an explicit intent to push credit growth, so should we expect some bit of going back on the risk weights order as well of November 2023 and so secondly...

Sanjay Malhotra:

Whatever had to be done has been done on that account. Whatever was there, see prior to COVID, whatever were the risk weights, some relaxations were given during COVID which were withdrawn. And that's all. If there is any tightening which has happened, that has also been withdrawn. So, there is nothing more on the risk weights.

Ashish Agashe, PTI:

And sir, following the Supreme Court pronouncement on the crypto matter, has there been some conversation regarding like the RBI stance has been clear from the past itself, but given the...

Sanjay Malhotra:

There is no new development so far as crypto is concerned. There is a committee in the government which is looking after this. Of course, you are aware, we are concerned about crypto in case because that can hamper financial stability and monetary policy etc.

Ashish Agashe, PTI:

Thanks.

Puneet Pancholy:

Thank you, sir. Shyama from Doordarshan, you may please ask your question.

Shyama Mishra, Doordarshan:

Namaskar sir. Sir, your docu-series is out, and it's good. I want to know that generally RBI is known as conservative. So, this idea of telling your own story, where did it come from?

Sanjay Malhotra:

I think I will have to ask those people, who were involved in, so maybe DG Rabi Sankar, you can throw more light on how this idea came.

T. Rabi Sankar:

Yes, this came in the context of the RBI@90 events that we held. As we continued holding those events, and we also held events for international policymakers, other central banks and all that. So, the feedback we got in the process of doing that was that there is a lot of scope for Reserve Bank to convey, particularly to the general public about its functions. General public has an idea of currency, of prices and monetary policy. What we wanted to expose RBI's workings more to the general public and in that context, we thought of this docu-series, the idea of this docu-series is to show what RBI does in a language and visually that an average person understands. Thank you.

Anurag Shah, ET NOW Swadesh

So, only one episode is out yet. So, how many total episodes are there and why when?

T. Rabi Sankar:

There are 5 episodes. They will come one after the other, okay?

Puneet Pancholy:

Thank you. Thank you, sirs. Lastly, we will have Mr. Hitesh from Indian Express.

Hitesh Vyas, Indian Express:

Good afternoon, sir. Sir, in your Annual Report, you mentioned that one of the agenda for you would be studying monetary policy transmission as part of it, you will be revisiting optimal level of system liquidity. So, what is that liquidity level which you are looking for, that transmission is effective?

Sanjay Malhotra:

So, the study will look into those aspects. That's why it's there. And if I knew the answer then it would not be there in the report. The study will go into those details as to what, how the liquidity should be maintained so as to be able to transfer or translate monetary policy into the money markets and into the credit markets.

Puneet Pancholy:

Thank you, sir.

Hamsini Karthik, Moneycontrol:

Governor, my questions have not been asked, therefore, if I can be allowed to ask my question.

Sanjay Malhotra:

How many are left? Only two?

Puneet Pancholy:

Sir, there are 3 actually.

Sanjay Malhotra:

Okay, we take last 3.

Hamsini Karthik, Moneycontrol:

Thank you. With respect to transmission, much of transmission will depend on how banks look at their deposit rates and where we are today. We have not seen much of a correction on the deposits front. Banks continue to keep deposit rates higher because the fight for deposits is still clearly there in the system. So, how do you expect this particular aspect to pan out, sir? In what sort of transmission do you expect to happen on the deposit side? How soon do you expect that to happen for the lending rates also to recalibrate?

Sanjay Malhotra:

I think this question was already asked and I already answered it also. But I will still repeat it. See, 27 (bps reduction in deposit rates on average) against 25 basis points cut that we did in February, there is a lag. It will not happen overnight. On the asset side, about 45% of our loan book is linked to external benchmarks, which get immediately transferred. But on the deposit side, there is no such mechanism. Despite that (it happens) and so there is a lag. So, we need to understand as I already mentioned that there is a lag. Despite that 27 basis points, it has already transferred on the deposit side against 25 basis points. Ultimately you see the other thing I mentioned is certainly this will have an impact. It will be with the lag, it will happen. This is what we have seen. Over the past 2 cycles of both tightening and easing that it happens, it happens with the lag of 6 to 9 months. And it will happen even this time around.

Puneet Pancholy:

Thank you, sir. I will request Mr. Lalatendu Mishra from The Hindu.

Lalatendu Mishra, The Hindu

Good afternoon, sir. Sir, we fought a war with Pakistan last month. There is a ceasefire right now. How is there any impact on the economy during this period after that? Because now both sides have also hardened stance going around the world telling our point of views and secondly about COVID, there's some rise in COVID cases. Is there a matter of concern there, sir? Thank you.

Sanjay Malhotra:

COVID is not a matter of concern as of now. I think it has become one of the viruses. Hopefully, you know it should stay like that. The conflict that we had was or a skirmish or whatever, you know, you may call it. That had a very, very limited, negligible impact on economic activity. Yes, it did have some impact for those days, especially in Northern India. Airports being closed, air passenger traffic did certainly decrease. But it was no major supply chain disruption, etc. So, it does not have any impact on

economic activity, growth, inflation. Some few days the prices in those regions, those sectors had gone up, but it's all normalised, it does not have any meaningful, any major impact on the economy.

Puneet Pancholy:

Thank you, sir. And lastly, Mr. Aaryan from the Informist.

Aaryan Khanna, The Informist:

Thank you, sir. This is Aaryan from Informist. So, this question actually is for the Governor as well as for DG Sankar and Gupta. This steeper yield curve has shown to deter transmission rate cut transmission to corporates in the past.

Sanjay Malhotra:

What has deterred?

Aaryan Khanna, The Informist:

A steeper yield curve, sir. Now today is the MPC actions today and the RBI actions today have steepened this yield curve further. So, are there any steps to curb this? And then secondly, in terms of the liquidity management framework, there have been some discussions in the market, any timeline on a draft for that coming up, sir? Thank you.

Sanjay Malhotra:

See liquidity management framework, there is no timeline that we have, but of course we would like to do it as early as possible. These are intricate matters which need to be understood in detail, because actually in our country the money market is not kind of unified. There are three different markets. The participants are different, collateral and non-collateral. So, from a transmission perspective, therefore, we need to understand these issues deeper. We have been examining this issue, and I cannot give you a timeframe really on this. First on the yield curves, and you can also supplement on the liquidity management framework.

T. Rabi Sankar:

Yes, as you know, government securities yields are affected by a lot of factors. One of those factors is monetary policy and expectations of monetary policy and liquidity is another factor. But there are also, it depends on demand in particular sectors and so on. Typically, what you would see is that in response to monetary policy, the short end adjusts quicker than the long end. Therefore, when rates are being cut, the curve tends to steepen; when rates are being raised, the curve tends to flatten. That happens, but the market over a period of time, these get adjusted. So, like we said, we do not target any particular rates in forex. Similarly in the government securities yields also, there are no rates, and the market will find its own level. If the market feels it is too steep compared to what it should be, they will adjust that so we would leave it to the market for such adjustments. On the liquidity, I think what the Governor said, we are looking at that once internal examination is over, we will come out with that framework. Thank you.

Aaryan Khanna, The Informist:

Thank you so much.

Puneet Pancholy:

Thank you, sir. With this, we come to the close of this press conference. I will thank the top management of the Reserve Bank for answering all the questions and making it quite interactive. Thank you all for being here and I wish you all a pleasant day.