

**Edited Transcript of the Reserve Bank of India's Post-Monetary Policy Press
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Participants from the Reserve Bank of India:

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Shri T. Rabi Sankar - Deputy Governor, Reserve Bank of India
Shri Swaminathan J - Deputy Governor, Reserve Bank of India
Dr. Poonam Gupta - Deputy Governor, Reserve Bank of India
Shri Shirish Chandra Murmu - Deputy Governor, Reserve Bank of India
Dr. Ajit Ratnakar Joshi - Executive Director, Reserve Bank of India
Shri Sanjay Kumar Hansda - Executive Director, Reserve Bank of India
Shri Indranil Bhattacharyya - Executive Director, Reserve Bank of India

Moderator:

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

Brij Raj:

Good afternoon, everyone. Welcome to this Post-Policy Press Conference, Sixth for the Financial Year 2025-26. We have with us, Governor, Reserve Bank of India - Shri Sanjay Malhotra along with Deputy Governors - Shri T. Rabi Sankar, Shri Swaminathan J, Dr. Poonam Gupta and Shri Shirish Chandra Murmu. We also have with us today, Executive Directors, Dr. Ajit Ratnakar Joshi, Shri Sanjay Kumar Hansda and Shri Indranil Bhattacharyya. I also welcome my other colleagues from the Reserve Bank.

Before we begin, we have a few housekeeping announcements. Sir, there are 24 participants from the media. I request the media participants to please stick to one question so that everyone gets a chance. I also request everyone to switch on the mic while speaking, so that those watching the live telecast are able to hear clearly. And once you have finished speaking, please switch off the mic. Sir, with your permission, I will now call out the names.

Sanjay Malhotra:

Yes.

Brij Raj:

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

Latha Venkatesh, CNBC TV18:

Thank you, Mr. Brij. And thank you, Governor, for the opportunity. Well, the worry is not so much with inflation and GDP with the numbers in transition. The worry is with the way in which near-term call rate and repo rate have fallen. The call rate and Tri-party Repo Dealing System (TREPS) rate have fallen way below the repo rate. I mean, they are almost a percentage point between 4.25 and 4.75 actually. So, what is the thinking behind allowing that kind of a fall?

Before, on the 1st of February, the question we would have wanted to ask you is how will you manage this large borrowing programme? The market was rightly worried, and yields shot up. So, that question as well. The immediate short-term fall in call rate and TREPS rate, is it intentional? What is your view of how it may evolve? And separately, this medium term, how are you going to help it? Will it be OMO in liquids? What is the expectation?

Sanjay Malhotra:

So, let me say, as mentioned in the Monetary Policy Statement, liquidity is something that is our duty to provide - ample liquidity, sufficient liquidity, as is required to meet the productive needs of the economy. That is the first task. And the second task, to be able to ensure that monetary policy transmission happens - not only in the overnight market but in all other markets - the money market, in the Government security market, the corporate and the credit market. So, whatever we do with regard to liquidity is keeping this overarching goal in mind.

Now the tools that we have for liquidity, you are aware. We have a number of tools for them, especially OMOs, long term, short term, VRRs, VRRRs, so as to be able to ensure that we give liquidity, and we keep the overnight liquidity at the policy repo rate. That is the immediate target to keep it over there. And then hope that this will transmit into all other markets.

The transmission, you are aware, has been quite good, especially till December in all markets. After December, there was slight hardening, as I have mentioned. There was some hardening in the money markets. But overall, transmission has been excellent. We will continue, as I mentioned in my statement, that we will continue to provide liquidity proactively and pre-emptively. The exact details are not something that we always or by rule mention in the policy statement or only in the policy statement. Liquidity is a continuous operation that is done.

So, you have seen that we have provided liquidity even outside the policy statement, as we did later when we felt that there was a requirement for liquidity in the second half of January, we followed it up with whatever we had announced in the Monetary Policy Statement, we followed it up with liquidity.

So, all I can say is that we will continue to provide sufficient liquidity with an aim that the Monetary Policy transmission happens in all markets.

Latha Venkatesh, CNBC TV18:

Sorry to intrude. But there is no mention of the word switches or buybacks by you or by the Government. So, the market is worried in the medium term. Right now, it is a little stupid to ask about long term. The liquidity is so plentiful now. But in the medium term, do these things still...

Sanjay Malhotra:

Are you referring to the Government? See, the Government programme, I think, again, we have been looking at the gross numbers, which I don't think really is the correct way to look at it, frankly. The way to look at it, so we have been looking at ₹17 plus lakh crore or something. But there are much more redemptions this year, coming year,

next year, than they were last year. So, as a result of that, the gross calendar will obviously be higher.

But if you look at the net numbers, ₹11.53 lakh crore is the number for this year Government securities borrowing programme. Next year, it is budgeted to be ₹11.73 lakh crore. It is only ₹20,000 crore more, which is, I mean, one would have expected at least if the budget size is going up by almost 9% or so, 8-9%. GDP is expected to grow at 10%. One would expect a 10% growth. The growth is much less. We should be really looking at net.

Number two, also, you find that this year or in the year to come, money will be raised also through the treasury bills, which will help in further, I think it will help in managing the yield curve better. And we also find that the budgeted numbers for small savings are also quite conservative.

So, I think, the kind of numbers, the borrowing programme that the Government is looking is much on the lower side. And they should be able to raise these kind of resources at very reasonable prices.

I will request Shri T. Rabi Sankar to further add onto the switches, some ₹2.5 lakh crore of switches have also been planned. That will also further help on the liquidity and the management of the yield curves.

T. Rabi Sankar:

That right. And buybacks are not factored in at this point in time. They are factored in during the course of the year. To the extent there will be buybacks, the gross borrowing number, to that extent, will come down.

Governor explained all the factors clearly. I just wanted to draw the attention to the sense that the gross borrowing is large. We should put them in context. Look at 2007-8. We were borrowing ₹1.9 lakh crore per year. Two years later, 2009-10, we were borrowing 5.8, 3x the gross borrowing. Was that managed? That was managed.

You look at relatively. Look at 2020, 2021. We were borrowing about 7 lakhs. In two years' time, we were borrowing 15 lakhs, right? So, these numbers go up. If you compare to that, the increase is nothing significant at all. I am certain Reserve Bank will be able to manage the Government borrowing program quite efficiently. Thank you.

Brij Raj:

Thank you, Sirs. We will take some more questions from our left side before we come to the right. Next, I will ask Manojit Saha from Business Standard to ask his question. Manojit, please.

Manojit Saha, Business Standard:

The TREPS rates have collapsed, which has created some pain for the non-banks. But at the same time parking in Standing Deposit Facility (SDF) has gone up very significantly over ₹3 lakhs. Is there a plan to tackle lazy banking? Is there a discussion on whether you can cap how much banks can borrow from SDF or widening the corridor, bringing SDF down so that banks are forced to lend to productive resources?

And consequently, do you think the CD ratio of more than 80%, 81% is a new normal now, given the constraints of deposits that we have seen?

Sanjay Malhotra:

See, we did review the liquidity management framework. Your question is actually linked to the liquidity management framework that was done recently, and not many changes were announced.

Let us keep in mind that this is a complex subject, because these three markets - TREPS, call money markets, and the repo market, there is very high linkage. We mentioned that when we decided not to change it. In the medium to long term, there is a very high correlation. And so that is why we continue to target the call money rate, which is called the weighted average call rate (WACR). Over short periods of time, on day-to-day basis, there can be fluctuations. There can be non-alignments. But on the whole, I think, as of now, we are not looking at making any changes, immediately.

However, as you have also pointed out, there can be different ways of looking at it, which, at the moment, as I mentioned, we are not looking at whether to change the corridor and how to better manage it. As I mentioned, this is complex. We are right now not looking at making any further changes.

To your second question on CD rate, see, this is cyclical. At a period when your credit is more than deposits, it is quite expected that the CD rates will go up. And at times when credit is not growing so much, then the CD ratios will come down. And we have seen this happen over and over again. There is a time when the CD ratios go up, and then there is time when the CD ratios come down, depending on where we are in the business cycle of the banks.

But I may mention that, for us, it is not the CD ratio which is important. What is important is liquidity. There is a liquidity coverage ratio (LCR) framework for it. There is a Net Stable Funding Ratio (NSFR), which is there for medium-term liquidity. There is an LCR for the immediate or the one-month liquidity that we are looking at. Both of them - for the banks, as well as for the non-bank financial companies, are at very comfortable levels. So, there is no issue over there.

Manojit Saha, Business Standard:

If I can just ask one clarification. There was no mention of INR or BoP deficit in the policy. Is it because you are pretty much comfortable with the trade deals and the inflows and all? Is that the reason?

Sanjay Malhotra:

See, our macroeconomic fundamentals of the country, including the external sector, are very strong, very robust and very healthy. Whether you look at growth, inflation, whether you look at the current account on the external side, or you look at even the capital account side, I think, near-term, medium-term outlook is very healthy, is very favourable.

You are aware that the Government has taken a series of measures to increase our external position. Number of bilateral as well as multilateral deals have been signed.

EU, EFTA earlier, Oman earlier, UK. And now the prospective US deal. All of these will help on the top of a very, very comfortable current account that was last year - 0.6% of our GDP. First half of this year - only 0.8% of the GDP. On top of this, with all these deals, agreements, it should only further help, not only on the current account - the trade side, merchandise and services, but also on the investment side, because a lot of them have investment commitments. Like, for example, EFTA, I think, had \$100 billion, New Zealand had \$20 billion.

On top of that, even on the investment side, the Government has been very proactive. It has taken a number of measures. First of all, let us keep in mind, these are not in our domain. These are in the domain of the Government. The regulators are there primarily to facilitate whatever economic activity is going to happen, whether it is domestically or whether it is in the external sector. But I want to remind everyone that the Government has been very proactive, both on current account as well as capital account. Latest example on capital account being opening up of the insurance sector to 100% FDI, that will help. Lastly, this year, we have witnessed record deals in the banking space and the NBFC space, about \$15 billion of announcements or FDI already that has come in. And then a number of other measures that now the Government is taking, I was very happy to see in the budget - the tax holiday, for example, for data centers. That should bring in a lot of investments in our country.

Safe harbour rules were in the works for some time. The safe harbour rules now in place for IT. I would like to draw attention to all of you and to your viewers. I think this has not perhaps gained the attention that it deserves. It is a very big move towards tax certainty, simplicity, ease of doing business within our country.

All these global capability centers (GCCs) that you see are being set up, they will vastly gain from, and these are only some of the measures that I have mentioned to you. In the near term, in the medium term, as mentioned, even in the Monetary Policy Statement, we are very confident of meeting our external sector responsibilities, whether it is on the current account, you are aware we mentioned 11 months of imports. Now, that is imports. If you look at deficit (my DG tells me one should be looking at the deficits) - if it is \$10 billion, \$20 billion, let us say - then we have sufficient reserves for many decades, not just 11 months of import, but many decades of deficit. Similarly, our short-term borrowings, debt, twice the reserves of our short-term borrowings, twice. So, on the external side, we are very comfortable, and I did make a mention of that in my Monetary Policy Statement. Thank you.

Brij Raj:

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

Ankur Mishra, ET Now:

Thank you, Brij ji. And good afternoon, Governor. I want your attention towards the inflation-growth dynamics. On one hand, when you are talking about growth - of course, you have revised your guidance upwards, and you mentioned about the deals as well, which augurs well - but on the inflation front, you are inching over 4% in the next two quarters, but you have also given a caveat that precious metals is accounted for that. So, in that scenario, last time when you mentioned the same thing you used

about Goldilocks, the sweet spot scenario. Are we still in the sweet spot or you think the situation is slightly different?

Sanjay Malhotra:

We are certainly in the same sweet spot, may be even better because growth is looking up. Growth is looking even better, and inflation is the same. If one is looking at headline, 0.1%, 0.2%, 20 basis points here and there - is a very small number, point number 1; point number 2, it is headline. As mentioned in my statement it is primarily to do with base effects, it is primarily to do with the volatility in the food prices. Core inflation, underlying inflation, barring precious metals, is very benign, continues to be benign. So, we are in the same position, more or less same position in so far as inflation is concerned. Growth seems to be better than earlier, so we are in a better position than we were when we met last. Over that a number of developments have happened, we are all aware as to the reasons as to why we are in a better position now today than we were earlier.

Brij Raj:

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

Anup Roy, Bloomberg:

Sir, Reserve Bank of India is selling US treasury for some time now. In 2 years, the treasury holding...

Sanjay Malhotra:

Who told you this?

Anup Roy:

The data shows that it is down 26%...

Sanjay Malhotra:

I do not know where you have got this data from.

Anup Roy:

US Treasury data...

Sanjay Malhotra:

No, no, certainly not. There is no such...

Anup Roy:

So, the treasury holding data there shows that it is now \$174 billion which is...

Sanjay Malhotra:

See, you are aware that our forex reserves had come down. So, as a result of that overall, when they come down, then all holdings would come down. So, they will change, so those are fluctuations on a day-to-day or a week-to-week basis that we give out, but there is no reduction in our holdings of the US treasuries.

Anup Roy, Bloomberg:

Sir, can I ask another question on the rupee, that, sir, when the rupee was depreciating...

Sanjay Malhotra:

Let us keep in mind that there are so many other people, we are taking their time. So, if your question is not asked by others, then we will come back to you.

Anup Roy:

Yes.

Sanjay Malhotra:

Okay.

Brij Raj:

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

Hamsini Karthik, Moneycontrol:

Thank you. Good afternoon, Governor, and everyone. My question is with respect to transmission of repo rates. It seems to be that bank lending transmission has happened much more effectively versus on deposits. I agree on deposits we have had transmission, but much of the transmission is at the lower end of deposits. The middle segment which actually matters to the retail depositors is continuing to remain high, and as an allied we also saw CD of India's largest bank being raised at 6%. It does put a lot of cost pressure at a time when repo is being on a pause at this point in time or has reduced over the last 1 year. What are your thoughts around this?

And I have a second question slightly unrelated, but what got my attention in your speech is your reference to precious metals this time around. We have also seen that gold loans as a segment has gone up by 86%. Much of it is coming due to the price volatility and not really the tonnage adding up to the growth in the segment. At RBI, are you a little concerned or would you want to look at how this does not have societal ramifications, should there be higher auctions as gold price is correct?

Sanjay Malhotra:

So, let me correct you that precious metals did find a mention if I remember correctly even in the last policy, not only this policy statement. But on the gold loans, we are very comfortable. We have been reviewing all the portfolios, whether it is gold loans, whether it is MSMEs, whether it is personal loans - all categories they show good asset quality, low slippages and no cause for any concern. The loan-to-value (LTV) ratios for the gold loans are quite low, although we have a higher limit, going up to even 85%, 70% to 85% depending on the amount of loan, but the LTV ratios being maintained by the banks as well as the NBFCs are on the lower side. As to policy transmission, your first question on deposit size, it is expected and that has been the case always that on the deposits, the policy transmission happens slower because on the advances side, credit side, we have rates which are linked directly to external benchmarks like the repo and T-bills. So, over there it is faster and in the deposit rates it is slower. So, that is to be expected. It has improved, it is improving. From every policy statement, we

look at it even more closely. We gave out the numbers to you - policy to policy statement wise, but they have been improving and we are hopeful that they will further continue to improve.

Hamsini Karthik, Moneycontrol:

Precious metals will ease over a time. Is that your estimation, Sir, in that case?

Sanjay Malhotra:

Over a period of time, certainly they will decrease.

Brij Raj:

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

Sangita Mehta, Economic Times:

Thank you. Governor, could you elaborate on the policy, you have spoken about empowering customers, you have spoken about a lot of things on mis-selling and the compensation for unauthorized transactions. On those things, could you elaborate? On this compensation, I also wanted to know whether if a person gives OTP, will he still be compensated?

Sanjay Malhotra:

I am so happy that you asked these questions. People have been busy asking questions on markets, but obviously there are many people in this room who ask questions directly related to customers. Every policy and even outside, it has been our conscious effort that we continue to improve customer centricity, the customer experience, the customer delight that all of you, including us, as customers expect from banks, NBFCs and the regulated entities. Mis-selling, yes, this has been a concern. We have been mentioning it, there have been directions with regard to mis-selling and this time we have codified them. We will be issuing the draft guidelines with regard to mis-selling.

Similarly, there is a framework which we will now be taking out for compensation for small frauds because we have observed that while in value, they constitute a very small proportion, but in terms of numbers, I think 65% of them have less than ₹50,000 or so in terms of amount. So, as long as they are defrauded, whether on their own accord or anyone's accord, no questions asked, ₹25,000 or 85%, you will have the details very shortly which will be there. It is a draft, and we will compensate them as long as it is unintended, and they have lost that money. Would you like to, Shirish, would you like to bring in more details?

Shirish Chandra Murmu:

Like the Governor said, the guidelines will come out soon. Basically, both in terms of your question about mis-selling, emphasis is on product suitability, customer appropriateness and also consent. These are the pillars on which we will be giving the detailed guidelines. And as far as compensation, which is first time we are proposing the guidelines, ₹25,000 is the limit. Of course, there will be some rules, and it will be one time. So, details will be out very soon.

Sangita Mehta, ET:

Sir, will the customer be compensated if OTP is given? That is very simple. Okay, thank you.

Sanjay Malhotra:

If he loses the money, no questions asked as long as he has lost the money, making checks that it is not kind of malafide. So, there are checks in the system to ensure that. That is why we have kept the amount very small. There is skin in the game for the customer, 15%. There is skin in the game for the banks, 15%. And the remaining amount we propose that we will provide from the Reserve Bank. And the amount is very small. We will see how it goes. But for the small customers for whom this actually means a lot, this is a way of providing some immediate relief, some immediate solace.

Brij Raj:

Thank you, Sirs. I will now request Alexander Mathew of NDTV Profit to ask his question. Alexander, please.

Alexander Mathew, NDTV Profit:

Good afternoon, Governor. Good afternoon, everybody else. You have covered quite a bit of ground. Let me ask you about what you said on credit growth. And you spoke about system-wide closer to 14%, and you said several pockets are seeing growth. My question to you is allied with what some of my peers have already asked. One would assume that the trajectory would increase heading into the new year as the impetus to growth increases. But is there going to be a curtailing of the extent to which it can grow by the fact that the CD ratios remain high? Have you factored that in? And there is an argument that has also been made that a large part of this spurt in credit growth we have seen in the recent past is gold-loan linked. Is that something that you have witnessed? And also, if you can comment on why you considered the measure that you did on Real Estate Investment Trusts (REITs) and MSMEs at this point, and may be give us a little more detail on that.

Sanjay Malhotra:

So, the first question I will leave to DG, because whatever I had to say on credit growth I already mentioned. I will ask DG Swaminathan to maybe add a little bit more flavor to the credit growth and to the gold loans, of course, which have witnessed huge growth rates to the extent of about 200% or so. Your second question, let me touch base on that, which is on MSMEs.

So, MSMEs are the growth engines. They are a very important component of our economy, especially from the point of view of generating employment. And so this limit of ₹10 lakh has been there for quite some time, I think 2010 or so, since 2010 is this limit. So, it's basically indexing for inflation. That's what it is from ₹10 lakh to ₹20 lakh. The second one is on REITs. Again, we had already allowed lending to Infrastructure Investment Trusts (InvITs). And so now we are in the same vein, allowing lending even for REITs. This will further help the real estate sector. DG Swaminathan.

Swaminathan J:

So, on credit growth, of course, as you mentioned, overall, it is 14% year-on-year. But there are different components as you look at it. Agriculture has grown at what, December data shows, at 12%; Industry has grown at 13%; Personal loans have grown slightly upwards of 14%. So, it's more secular. It is not that any one particular segment has contributed less or more. Gold loans as a proportion to the total lending book is something that we will have to see. The percentages can be misleading. And that increase is not something which is unexpected, because primarily in the previous years, the unsecured personal loans had a major role in terms of contributing to the overall growth.

When banks move more towards safety, when there are higher slippages seen in certain segments like MFI or personal loans which are unsecured, collateralized loans will see a pickup. So, there has been a shift, but that shift has been also aided by the spurt in the gold prices, which is all right. But system level, the LTV ratio is still below 70%. Well, of course, we have even permitted, as Governor mentioned, slightly higher LTV. System level, it is below 70%. So, there is absolutely no concern in terms of, number one, you will have to look at the percentage in terms of the overall pie that it has in the bank credit. And second is that LTV levels are even comfortable at this point in time. So, there is no worry. And MSME, as Governor clarified, 15 years now. So, it is time that we relook at the numbers, and also be supportive of this. You would recall that last year we increased for agriculture segment as well to ₹2 lakhs. So, this is keeping in alignment with that, so that the smaller customers are not deprived of access to formal credit for lack of collateral. Thank you.

Brij Raj:

Thank you, Sirs. I will now request Piyush Shukla of Hindu Business Line to ask his question. Piyush, please.

Piyush Shukla, Hindu Business Line:

Thank you. Good afternoon, Governor and DGs. Thanks, Brij sir. Sir, couple of queries. First is, possibility of uptick in commodity prices, rupee pressure. Of course, you said Goldilocks has even improved. But on inflation side, if there is an upside, do you see there is? Or with the current pause, it means we are at terminal rate at 5.25%.

Second is, Sir, in the Government Union Budget that our Finance Minister presented, the subsidy for UPI has been slightly lowered. I just want to understand, Sir, some people in the payments industry, including the self-regulatory organization (SRO) that you have recognized for the payments body, they have suggested that we should not on the customer side, you mentioned we are very pro-customer, but on the higher value P2M (person to merchant) transactions, merchants of a certain category with a higher turnover rates, Croma and all with 0.03% MDR, because anyways on certain credit lines there is already merchant discount rate (MDR). Do you feel that that could be, and you had earlier mentioned, somebody has to bear the cost in your earlier remark. And I know, I will not get an answer for this, but Sir, any update on Tata Sons?

Sanjay Malhotra:

I was only stating the obvious that someone has to pay for the cost, right? Having said that, see, it is in the domain of the Government now. And I am very sure that we will certainly be able to find out a way of not only sustaining, but improving this very important payments infrastructure, which is so very unique in our country in the years to come, and even further improve it. So, there should not be any concern, especially from the customer's point of view. Similarly, for all the stakeholders, there should not be any concern. I think we will be able to find a sustainable way of sustaining this and improving it, going forward.

Piyush Shukla, Hindu Business Line:

Are we at terminal rate?

Sanjay Malhotra:

See, this is a question for the MPC to answer. As I mentioned, we will continue to be data dependent. And we are at a neutral phase, other than one member who has not voted, because we do not vote, but who wanted to change the stance from neutral to accommodative. All others are at neutral, which means that given the state of economy that is today and that we foresee going down ahead over a 9-month period, 1-year period, this is the rate that we expect it to be there. I may mention, however, that as already mentioned even in my policy statement, that we are in a good spot, earlier mentioned as Goldilocks. Inflation, especially, you know, your underlying inflation is low. It's much lower, even our forecast going ahead is much lower than the target. Headline, of course, can go up and down.

As mentioned, underlying inflation is very, very benign. And so, I do expect that the policy rates should continue to be at low levels for a long period of time. Whether they will go down even further, I will leave it for the MPC to decide, going forward.

Brij Raj:

Thank you, Sir. I will request Mahesh Nayak from Financial Express to ask his question. Mahesh, please.

Mahesh Nayak, Financial Express:

Thank you. Good afternoon, Sir. Good afternoon, Ma'am. Thank you very much for the opportunity. I just wanted to understand, Sir you spoke about liquidity and supporting liquidity in the system, but to just assess, what would be your assessment on the system liquidity, will it be comfortable between 0.6% to 1% of NDTL? And second just to ask is, with the trade deal round the corner, do we see a reduction in monetary policy support? Thank you. These are my two questions.

Sanjay Malhotra:

Monetary policy support I already mentioned. Let us not look at it as a kind of a support, the real rate of interest today is not very low. If you look at the real rate today, it's still high. But going forward, yes, you know we are in an accommodative phase. We are more or less you know at neutral, because the neutral we say is 1.4 to 1.9. So, if inflation going forward is 3.5 - 4.0 we are more or less 3 to 4, 3 to 4 is the range that we have. Then we are more or less neutral or below neutral rates. So, that space that

as I mentioned we continue to be in this space. We will take it policy-by-policy with regard to this.

Brij Raj:

Thank you, Sir. I will request Sweta Roy of The Banker UK, FT to ask a question. Sweta, please.

Sweta Roy, The Banker UK, FT:

Hello, everyone. Thank you so much for the opportunity. The recent RBI bulletin highlights how the risk is being materialized very quickly in the system, be it coming from algorithms or interdependence, cyber threat and especially, as Mr. Swaminathan mentioned about the conduct risk, how it becomes at first, it becomes a confidence issue and later it becomes a liquidity problem. I would like to understand how does RBI plan to set up a more proactive supervisory measure considering all these risk factors? Thank you.

Sanjay Malhotra:

So, this is an area which we continuously work upon. We continuously try to improve our supervisory toolkit. Our effort has been more and more on being proactive, pre-emptive on a real-time basis. Our attempt has been to be more as I mentioned even earlier somewhere to be more offline and pre-emptive.

A number of measures we have taken in this regard. I request DG, Swaminathan to throw light on some of the measures that we have taken, number of measures on IT security, etc. even measures with regard to prudential risks, this work which is always in progress. Request DG to supplement.

Swaminathan J:

Just to supplement on this, as you rightly said the new types of risks that have emerged require not just a point-in-time supervision, so this is an ongoing effort. So, we have significantly augmented our supervisory toolkits to be more data-driven with insights provided by the off-site data that we are able to take from the system. As a regulator, as a supervisor we have enormous amount of real-time data that flows into us. So, risks are monitored more offline, less on-site.

The traditional tools largely rely on the on-site inspection, but this is something which is a calibration over the last 2-3 years. We have significantly augmented our capacity, so we are in a position to issue more real-time advisories to all the regulated entities. We keep doing that routinely. We have also put out very elaborate guidelines in terms of Master Directions for ensuring IT risk, cyber security, vendor management, third party risk management, outsourcing risk management guidelines. We will continue to augment these tools, and this is an evolving space as the Governor said, there is no goal post here. We will continue to respond to the emerging situation. And one thing which is a very redeeming feature is that almost every regulated entity realizes this. There is significant investment that is happening in terms of ramping up the operational resilience, that is our focus and supervision accordingly will evolve.

Brij Raj:

Thank you, Sirs. We will now take the remaining questions from our left side. To begin with, I will request Ekta Suri from Zee Business to ask a question. Ekta, please.

Ekta Suri, Zee Business:

Good afternoon, Sir. Sir, I just want to get one clarity, just now you said that the loss due to OTP is around ₹25,000, so even if the loss is of ₹1 lakh or ₹2 lakh, 15% will have to be borne by the customer, 15% will have to be borne by the bank. How will the remaining compensation be calculated? Will it be given by the RBI? And you mentioned one more point that it will be done one-time, what does this mean Sir, that if someone has lost more than once then how will it be reimbursed?

Sanjay Malhotra:

So, it is not given more than once because we want that after making a mistake once, the customer becomes alert and rectifies his mistake. A mistake can be forgiven once and that mistake can be reimbursed and that is why we have set a limit of one-time. And that is for a lifetime, not for a year. A person should learn from other people's mistakes but if not from others then at least learn from one's own mistakes that is why we have set a limit ₹25,000. If the loss is of ₹50,000 then we will calculate 85% of it i.e., ₹42,500. Between ₹42,500 and ₹25,000, whichever is less will get ₹25,000. If the loss is ₹20,000, then 85% of the loss will be ₹17,000. And then of the two, ₹17,000 is less, so they will get that.

Ekta Suri:

I wanted to ask the question that, in the previous policy there was a discussion that if someone defaults his personal loan and buys a phone, then his phone will be locked. Has RBI dropped this plan or is it still on the table?

Sanjay Malhotra:

It is still under examination.

Ekta Suri:

Thank you, Sir.

Brij Raj:

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

Falaknaaz Syed, Deccan Chronicle:

Sir, based on your assessment, how much can the tariff reduction add to the GDP growth is my one question and second, while you have cut 125 basis points and infused almost ₹6 lakh crore liquidity, bond yields are refusing to budge down and today also yields have shot up by 4 to 5 basis points. So, how do you plan to address that?

Sanjay Malhotra:

See, it is still early days. We have not actually done an assessment of how much the trade deal will contribute to the GDP growth because see, right now we do not even have the details thereof. But we have still added to the GDP by about 20 basis points

because of various reasons including the US trade deal. We will give out the numbers in the next Monetary Policy Statement. Regarding bond yields, I think I have already mentioned enough. I really do not have more to add. It will be our constant endeavor to proactively, preemptively continue to provide liquidity which we are hopeful will certainly transmit to all markets, all credit, money markets, bonds, all markets.

Brij Raj:

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

Anurag Shah, ET NOW Swadesh:

Namaste Sir. Thank you, sir. In today's policy, your focus has been more on consumer-centric announcements which will benefit people. So, the mis-selling guidelines you have mentioned, it is more focused on the insurance sector, because the FSR (Financial Stability Report), which was issued by the Reserve Bank there was a lot of concern that the distribution cost, commission cost which is being given by the private life insurance companies will have a lot of effect on the penetration and affordability. Then we saw that taking cognizance of the same issue, this concern was also expressed in the Economic Survey as well. We have also raised this issue many times before you Sir that the credit-linked products, which are being sold by banks, increases the mis-selling. So, are the proposed guidelines in the context of insurance products? Sir, you have taken cognizance of this problem, which is much welcome.

Sanjay Malhotra:

First of all, I would like to say that if anyone is happy with our policy statement, then it will be Anurag who is sitting on the other side. It will be Anurag, because I have noted that he used to ask this question every time, every time he asked this question, what are you doing about it? So, he will be the happiest about this. So, it does not mean that we have brought this now and it was not in our knowledge. We have taken many steps towards this. I would like to say that although this type of mis-selling, if we look at the whole system then it is not much. It is very less, but for us every person is very important and keeping that in mind although from the perspective of percentage, it is not much, but still it is a concern for us and taking cognizance of the same, we have taken many steps to prevent mis-selling. We have included provisions related to dark patterns and other provisions, which we hope would be effective in preventing mis-selling.

Brij Raj:

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

Hitesh Vyas, Indian Express:

Sir, there is concern regarding shortage of small denomination currency notes. Is there anything RBI planning to address this issue?

Sanjay Malhotra:

See, we are very conscious of whatever are the needs for currency, we provide currency, whether it is short denomination or higher denomination, we provide all currencies. There is a review which we regularly do and basis that, printing and the

management and circulation thereof is ensured. And we will continue to provide the currency needs of the country, including small currency notes. You would have noticed that currency in circulation has actually increased quite a lot in the last one-year, especially in the last one month or so. And so, it has increased only because we have provided it.

Brij Raj:

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

Ben Jose, The New Indian Express:

Good afternoon, Sir. One is the clarification on the fraud payment 60%-70% of the money would be paid by RBI. Where that money would come from, the unclaimed deposits? And how much is the unclaimed deposit? RBI has taken many measures to enable people to get the money back. How much has been given back by banks and how much is the total pending amount? Any number?

Sanjay Malhotra:

Total number including interest is something like ₹85,000 crore, if I remember correctly. We did this campaign, you are aware. I think total amount including RBI and others that was returned, there were other regulators also involved in this. The total amount I think there is about ₹5,000 crore or so. Banking is also I think ₹3,500 crore to ₹4,000 crore, you can give the exact number if you have it?

Shirish Chandra Murmu:

Month-wise we are tracking. Like in the last policy also I had clarified this month-wise. It has gone up, and the amount of money being returned to customers, in fact if I have to give you the December figure it has gone up. Now December figure stands at ₹1,043 crore, November it was ₹802 crore and October ₹759 crore and like I said earlier before this campaigning, it was averaging around ₹100-200 crore. So, this actually had picked up and January figure is yet to come, and we believe it will be much better.

Sanjay Malhotra:

So, one clarification I want to add these are monthly figure so the total will be about ₹4000-5000 crore?

Shirish C. Murmu:

I don't have the total figures on this.

Swaminathan J:

I thought you mentioned about the compensation will come out of unclaimed deposits. No, unclaimed deposits belong to the customers, so when they are claimed, they will be repaid. We have a Depositor Education and Awareness Fund which also includes unclaimed deposits. So, we have adequate income surplus that has accrued over a period of time. We may use that but at this point in time, I just want to clarify it is not from the unclaimed deposits. That belongs to the customers, we have to keep it in trust.

Brij Raj:

Thank you, Sirs. I will now request Lalatendu Mishra of The Hindu to ask his question. Lalatendu please.

Lalatendu Mishra, The Hindu:

Good afternoon. Governor, in your statement you have said about how the technology stocks are keeping the markets upbeat and recently there is a lot of concern about how a lot of investment is going into AI. What is your assessment Sir? Is there a disconnect between the real economy and the markets and what is your overall assessment of so much of money going into the technology?

Sanjay Malhotra:

Madam, you want to take this?

Poonam Gupta:

So, the statement is in the context of the global markets and the global economy. As you would have read over the past year or so over and over again there are two contradicting themes that are emerging. One is that there is potentially overheating in asset markets including equity market which is led by technology stocks and on the other side, despite all odds the real economy has held up very well and the connection between the two is that there is a productivity growth that is expected and is already materializing from technology that is fueling the real economy through investments. So, to a large extent I won't be able to decompose it quantitatively. To a large extent, technology does have a bearing on real growth which is materializing. At the same time globally whether its reports by the IMF, BIS or even country-specific central banks, they have been flagging the risk that there is some amount of overheating. So, I think we are seeing these two narratives play out. So, the correction that one is seeing is something that has been anticipated

Lalatendu Mishra, The Hindu:

Thank you.

Brij Raj:

Thank you, Sir. Thank you, Madam. I will request Ashish Agashe of PTI to ask his question. Ashish, please.

Ashish Agashe, PTI:

Thank you, sir. Ma'am, just a small follow up on this. How do you look at AI and its general sort of impact on the economy given that a lot of employment, the stable and the better of the jobs are generated by the IT sector and also remittances because we depend on remittances a lot. So, as the tech-sector globally faces some bit of headwinds, how do things move? And also, Swaminathan Sir a small follow up, how much is the depositor education fund right now? How big a corpus is it? And if we were to run back a ₹25,000 ceiling compensation, how much of payments were to happen say in FY2024-25 or 2023-24? What is the capability there, Sir? Thank you.

Poonam Gupta:

So, recently internally we did a survey of the existing literature on the impact of AI on productivity and employment. So, the range is quite wide. The range is not negative,

actually as of now. Certainly, on the productivity side, good numbers to high numbers. On employment while the evidence is or even hypothetically is difficult to talk about, but whatever surveys have been done, whether internationally or domestically in India as of today, is showing a net positive effect. So, with any technology there is churning that happens, but net employment effect so far has been positive. The churning is that some people lose jobs and others gain and so then the challenge lies in transition. Transitioning the skills in labour markets towards the faster growing segments and the sense is that this is how it will play out.

Swaminathan J:

On the DEA Fund to clarify as Governor mentioned, it is about ₹85,000 crore plus of unclaimed deposits plus the income accrued on it over the period. So, the whole thing is kept as DEA Fund and on the second part of your question in terms of what is the estimation, we are at this point in time trying to put a framework, not made any accurate estimates. We would actually want the frauds to come down. We do not want to make an estimate of what we should do, but essentially more than two-thirds in number is small value frauds, but in value they constitute less than 15%. So, it is that particular segment who have unwittingly become victims of such frauds is what we are trying to cover. So, financial impact may not be very high, but a large number of customers may be provided some solace. That is the intention with which we are trying to bring this.

Brij Raj:

Thank you, Sir and thank you, Madam. Last question from our left side from Jeevan Bhawasar of Akashvani. Jeevan, please.

Jeevan Bhawasar, Akashvani:

Namaskar Sir. Sir, the recent trade deals that have been done, how much impact are we expecting on our rupee recovery?

Sanjay Malhotra:

Trade deal has not been done yet. It has just been announced. You must have seen how much rupee has strengthened after the announcement. Around ₹1.5 (per USD), it has strengthened. The impact of the trade deal will be determined once the trade deal is completed and depending on details of the deal.

Brij Raj:

Thank you, Sir. We will now take the remaining questions from the right side. I request Aaryan Khanna from Informist Media to ask his question. Aaryan, please.

Aaryan Khanna, Informist Media:

Thank you, sir. Good afternoon. Sir, you mentioned that the corporates have upped their loans from banks and bank credit has been on the uptake. On the other hand, corporate bond issuance has fallen year-on-year as of April-December. Now, there has been an uneven transmission to both rates, both lending rates as well as corporate bonds. Has there been a conscious effort of the central bank and then in the context of the SEBI and the Government also bringing about more changes to deepen corporate bond markets? Do you expect this sort of ratio or this change in lending activity to continue going ahead? Thanks. And just one clarification if I could get it from

DG Gupta. The weighted average call rate (WACR) fell below the liquidity adjustment facility (LAF) corridor on Wednesday without any RBI action. Can we expect any action going forward on that? Thank you.

Sanjay Malhotra:

So, action. See as I already mentioned, we target the WACR. So, it will be our effort that the call money rate remains at the policy repo rate. However, when there is as I mentioned monetary policy transmission still happening, it can be as it has been even in earlier times it can be lower than that. I do not expect it to be lower than the standing deposit facility rate of 5% which it is there one day. Average has been seen 5.25% or so for the last 1 month. Average is still on target. What was your first question?

Aaryan Khanna, Informist Media:

Sir, on bank credit.

Sanjay Malhotra:

On bank credit and bond, see, again this is a cycle now because your bank interest rates are lower so that is why there is a shift. But over a long period of time, if you see, the corporate bond market, now about ₹55 lakh crore or so, it has increased. It used to be about ₹15 lakh crore or so some 10 years ago, so this is going to increase. It will continue to increase, and I think that is a healthy trend over the long term, medium to long term. Short term because the interest rates are still aligning. It is quite possible that bank credit to corporates increase and lending from other markets decrease.

Aaryan Khanna, Informist Media:

Thank you, Sir.

Brij Raj:

Thank you, Sir. I will now request Jaspreet Kalra of Thomson Reuters to ask his question. Jaspreet, please.

Jaspreet Kalra, Thomson Reuters:

Thank you, sir. Good afternoon. Governor, if I could take you back to the Economic Survey for a second. The Economic Survey referred to the rupee as undervalued and not reflective of fundamentals. Would you agree with that assessment and as a sort of rejoinder to that, would the rupee recovery also be actively utilized by the central bank to clean up its forward book which is about \$60 billion in dollars on the short side? If you could shed any light on that and if I could add on a small one here, any details you can offer on the Banking Reform Committee that was spoken about in the Budget what will be the subject areas it looks at? Thank you.

Sanjay Malhotra:

Rupee, see as I mentioned, we do not target any level. You have to ask the CEA, but we do not target any level. Any undue volatility, again any excessive volatility, normal movement that is something which we are concerned with, we should be concerned with and that is what we try to curb and we will continue to do that. Minus that we do not target any price level. And then what was your other question?

Jaspreet Kalra, Thomson Reuters:

The Banking Reform Committee, but if I could add on, Sir.

Sanjay Malhotra:

High Level Committee, see, it is for the Government, let us wait. I think it is for the Government. The Government will set it up. The Finance Minister is on record to say that they have not yet finalized the terms of reference. That is all I can add.

Brij Raj:

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

Shyama Mishra, Doordarshan:

Namaskar, Sir. Sir, you mentioned that these deals, various deals, they will support the exports in the medium term. What according to you think are required, the steps required for sustaining the export growth for a longer period?

Sanjay Malhotra:

No, I said that from near to medium term and long, it is not only medium, it will continue, I said. So, when I said it does not mean it will stop. I am looking at that kind of a horizon, near to medium term when its effects will start becoming visible. I hope that clarifies. And once they are there they should continue for a long period of time and a lot will depend on how the Indian industries and enterprises are able to seize those opportunities.

Shyama Mishra, Doordarshan:

Sir, on that the lagged credit for the senior citizens, can you elaborate on that?

Sanjay Malhotra:

Let's wait for the discussion paper. We will have more details. It is only a discussion paper. These are thoughts to what extent they can be implemented. We will have to consult all stakeholders. The only point is that this is an issue which is engaging everyone's attention, and we have also been looking into it. We want to consult all stakeholders and see as to how this can be further improved. You are aware that the Government of India, Ministry of Home Affairs recently came out with a standard operating procedure (SOP) for the LEAs (law enforcement agencies) as to how to take care, how to respond when such kind of frauds are reported to them. And in the same light, we came up with some measures and we will also come up with some more additional measures in the discussion paper. Let's wait for it.

Brij Raj:

Thank you, Sir. I will now request Anshika Kayastha of Mint to ask her question. Anshika, please.

Anshika Kayastha, Mint:

Thank you. Good afternoon, Sir. Sir, my question is on Agri loans. You have announced the review of the KCC framework today and in the Q3 earnings, a couple of private banks - the large private banks also mentioned a regulatory led misclassification of some amount of Agri loans as priority sector loans. Prior to that, even before the gold

loan norms, new gold loan norms that have come out, we saw some amount of overzealous lending by PSU banks in agri-linked gold loans for, again, consumption purposes. What I am trying to understand is whether the RBI has observed or is concerned about a certain level of exploitation, if I may use the word, of agri loans by banks at a system level, and if that is one of the reasons that you may want to re-look the KCC framework? And a second quick follow-up on the High-Level Banking Committee announced in the budget. Of course, the Committee is still to be set up, but would the RBI be in the loop about maybe any problem or focus areas that the Government may want to focus on under the Committee or may want to look at under the Committee? Thank you.

Sanjay Malhotra:

See, on your second question, I don't have anything more to add as to what the terms of reference will be and how the RBI will be involved. It is the Government's prerogative, and they will take a call on it. First question on KCC loans, I will ask DG Swaminathan to fill in the details, but as far as I am concerned, it is not at a system level. These are issues which keep getting flagged on a bank-to-bank individual cases. At a system level, there is no cause for concern. I will ask DG Swaminathan to answer.

Swaminathan J:

Just to supplement on that. Essentially this KCC review is part of our periodical review of all guidelines. It is almost 5 years now. So, this is a periodical review that we have undertaken and we are also modifying certain contours as regards the crop season, the time allowed per season and also the overall validity period of the KCC and this particular revision has got nothing to do with any of the recent incidents that you are alluding to. This is a periodic review and you will have the details once we put out the guidelines in place. The second, as clarified by Governor, in a couple of banks, certain deviations were found in terms of classification of PSL. It is certainly not something which is found on a system-wide basis. These are some outlier classification that we call out and the banks accordingly do a reclassification. So, this is not, you can be rest assured that there is no system level issue and nor this case's revision is in response to such one-off events.

Brij Raj:

Thank you, Sirs. We now come to the last question of the press conference. For this, I will request Saurav Mukherjee of ANI. Saurav, please.

Saurav Mukherjee, ANI:

The question is on the RBI proposal that banks can now lend to real estate investment trusts (REITs) under certain terms and conditions. My question to you is what this means for the sector and the second, will this increase credit liquidity for real estate development? Thank you.

Sanjay Malhotra:

Yes, the answer to both is yes. It will help the real estate sector and the real estate InvITs, REITs as they are called. See, there is already a framework for lending by the banks to the real estate. Only through companies and other legal entities that lending was not allowed to be done in case the borrower was a REIT. So, now it is being extended even to REITs as lending has already been allowed for InvITs, lending for

infrastructure purposes. So, it is just an expansion instead of lending at the company level or the entity level, the lending can now move up at the trust level. So, that we think is a positive both for the banks as well as for the real estate sector and the real estate companies.

Sanjay Malhotra:

If there are new questions. It should not be a repeat of the same. One by one, last two.

Anup Roy, Bloomberg:

Sir, I wanted to ask this question that when Rupee was depreciating...

Sanjay Malhotra:

You already asked about Rupee, no?

Anup Roy:

No, I didn't ask.

Sanjay Malhotra:

I mean others have asked.

Anup Roy, Bloomberg:

So, the thing is that you were pretty off-hand in intervention. When now rupee appreciates because of the trade deal, will you be having the same approach?

Sanjay Malhotra:

Any excessive volatility, any excessive volatility, if it is there. We don't intervene normally, please. Whether it is an up movement or down, depreciation or appreciation, we don't. Generally, we stay away. However, it doesn't mean that we will stay away even if there is speculation getting built in. When there is an appreciation of the rupee happening, I don't see as of now or even going forward, I do not see any kind of speculative element getting built in. So, if it is not there, we let you know the markets play out and see where the rupee is headed, whether it is with respect to the dollar or whether it is with respect to any other currency.

Ekta Suri, Zee Business:

Sir, my question is that we have been running this campaign on Zee Business since COVID-19 and especially in past 1-2 years on the misbehavior of recovery agents and use of abusive language. If someone is getting a call, or being threatened, what should the customer do? Because they trust a bank or an NBFC and if no one is listening there, then what should the customer do? Because here unfortunately there are many cases where people commit suicide due to fear. So in such cases, what recourse does a customer have?

Piyush Shukla, Hindu Business Line:

Governor Sir some of these BNPL (Buy Now, Pay Later) type platforms what they do is, you must monitor social media also you just go on X and see how many people are posting photos of recovery agents, third party recovery agents messaging on WhatsApp and all, calling on WhatsApp. You block one number, they will message you from different numbers, which is in direct violation of the recovery guidelines.

Sanjay Malhotra:

So, for that, we have strengthened and consolidated the direction that such behavior of recovery agents should not be there and if any such behavior is there, then there is a provision that the regulated entities should publish on the website the ways for customers to lodge complaints so that they can reach to the general people. And if they do not get any relief from there, then they can come to the RBI or Ombudsman after that.

Brij Raj:

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