

Edited Transcript of the Reserve Bank of India's Monetary Policy Press Conference: August 10, 2023

Participants from the RBI:

Shri Shaktikanta Das – Governor, Reserve Bank of India
Dr. Michael D. Patra – Deputy 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. O. P. Mall – Executive Director, Reserve Bank of India
Dr. Rajiv Ranjan – Executive Director, Reserve Bank of India

Moderator:

Shri Yogesh Dayal – Chief General Manager, Reserve Bank of India

Yogesh Dayal:

Welcome to this post-Monetary Policy press conference. Today, we have with us the Honorable Governor Shri Shaktikanta Das, respected Deputy Governors – Dr. Michael D. Patra, Shri M. Rajeshwar Rao, Shri T. Rabi Sankar and joining us for the first time Shri Swaminathan J., Deputy Governor. We also have with us Executive Directors Dr. O. P. Mall and Dr. Rajiv Ranjan, besides my colleague, Muneesh Kapur. As is the norm, I will request the Governor first to give his opening remarks and then I will call out the names for asking the question. Over to you Sir.

Shaktikanta Das:

Thank you Yogesh. At the outset, I would like to extend my welcome to all the representatives from the media. You have already heard the detailed statement and you had time to go through the Statement, the Resolution and the Announcement. So, let me just summarise what I have already stated and what is the overall thrust of this Monetary Policy Statement.

- i) India is emerging as the new growth engine for the world. In a highly volatile and uncertain world, India is standing out for its resilience and stability.
- ii) Monetary Policy has made significant progress towards price stability. The recent spike in CPI inflation, as I have already stated in the Policy Statement and even in the resolution, is expected to be short-lived going by past trends. In such situations, we need to remain watchful and not resort to any knee-jerk reactions. If these idiosyncrasies in CPI inflation and food inflation, in particular, show signs of getting generalised then we have to act, and this is what I have also said in the statement. We have to go beyond maintaining Arjuna's eye to deploy actual policy instruments. Let us remember in this context that the deployment of policy instruments is not just in terms of rate and stance, there are other ways of dealing with it. We have done our bit with regard to the incremental CRR today.
- iii) With regard to incremental CRR, this was considered necessary in the background of the liquidity overhang. We considered it desirable in the interest of price stability and financial stability. It will have an impact on the inflation situation also. It is a

purely temporary measure, and it will be reviewed on September 8 or earlier. We will ensure, as we have said, that there is adequate liquidity available in the system to meet the credit needs of the economy. We have done our internal assessment. If you recall, I paused during the statement and I said that we have done our internal assessment and our assessment show that there will still be adequate liquidity left with the banking system to maintain their lending activities, which they have been doing. Let me also add that we are sensitive to the cash requirements ahead of the festival season, which should be kicking in the latter part of September or early October. On the liquidity situation, let me add that there are at times pressures on liquidity because of the withdrawal of ₹2000 banknotes with 87% of it coming as bank deposits. So, there is a liquidity overhang, there is a liquidity excess that has to be dealt with. But even with that, there are periods when, as we have seen in the past and as we may see even in the coming months, there could be pressures on liquidity, especially in situations or at times when liquidity held in the system goes into the government coffers at the time of the tax payments, and this happens particularly around the time when advance tax payments are made with regard to direct taxes or 20th of every month when GST inflows also happen. However, we have seen in the past that after a few days, it returns to the system because government expenditure ensures that the money comes back into the system. So, there are temporary pressure times on the liquidity situation, which lasts for about three to four days and sometimes maybe five days but it goes back into the system. So, this was on the incremental CRR and on the liquidity situation, what I wanted to say, this was the third point.

iv) The financial sector stability is well maintained. Stability is a public good and market participants and financial institutions have an equal share in preserving financial stability. We, from the Reserve Bank, look forward to their cooperation in this regard.

v) The external sector is also resilient, foreign exchange reserves are strong, the umbrella has gained further strength and that gives a lot of confidence and comfort to the market.

I will stop here. Thank you.

Yogesh Dayal:

Thank you Sir, for those opening remarks. I will invite Mr. Mayur Shetty from the Times of India to ask his question.

Mayur Shetty, The Times of India

Governor, you announced some measures on UPI allowing Tap 'n' Pay and conversational payments. Also, since the last policy, there have been some bilateral agreements signed between the RBI and other governments for the integration of domestic payment systems and rupee invoicing. So, when will users get to see this on the ground happening?

Shaktikanta Das:

With regard to UPI linkage, we have already done it for Singapore. So far as the RuPay card is concerned, it is already used in a few other countries. Recently, we have signed

an MoU with the UAE whereby we are going to link our UPI with their IPP. They call it an Integrated Payment Platform (IPP) that is work-in-progress, and it will happen in the coming months. Discussions are underway with a few other countries also for linkage of the payment system including some advanced economies who have evinced interest in linking to UPI. UPI has now become internationally recognised by others. It is recognised very widely that it is perhaps the most efficient and advanced payment system in the world. This is something which I am saying on the basis of our G20 meetings, the Finance Ministers and Governors meeting, which was held recently and even earlier. We are already in discussion with a few other countries. So, this is a work in progress.

Yogesh Dayal:

Thank you Sir. I will invite Anshika Kayastha from the Hindu Business Line to ask a question.

Anshika Kayastha, The Hindu Business Line

Good afternoon Sir. The statement said that the RBI will review the reset of floating rate loans due to unreasonable elongation. I wanted to understand how you define unreasonable elongation given the 250-bps rate hike by the Central Bank so far.

Shaktikanta Das:

I would request Deputy Governor Shri Rajeshwar Rao to take that question.

M. Rajeshwar Rao:

We are not considering defining an unreasonable elongation. It is something which the Board will have to consider having regard to the tenure and repayment capacity of individual borrowers. It is up to the Board to decide what is a reasonable tenure and increasing that beyond a particular period would be deemed as unreasonable. It is left to the individual institution to define it. We will not define it.

Anshika Kayastha, The Hindu Business Line

As per them as in the elongation, it would be because they are floating rate, it is market linked. So, what are the parameters that you look at?

M. Rajeshwar Rao:

We have already discussed this with the CEOs of the banks, and we have conveyed our concerns and what action we expect them to take. We will stop it with that.

Shaktikanta Das:

As the Deputy Governor has pointed out, this is something which banks will have to assess taking into account the payment capacity of the borrower and how long his payment capacity is lasting, the age factor. It will vary from individual to individual, the age factor, and the payment capacity also it is necessary to avoid unduly long elongation which sometimes may going forward camouflage the underlying stress in a particular loan. Therefore, the extension of tenure has to be for a reasonable period. We do not want to define it. It is a commercial decision of the banks and as the Deputy Governor has pointed out, the banks and their boards will have to assess and take a decision. It is a commercial decision that the banks have to take. We are just providing some broad guidelines.

Anushka Kayastha, The Hindu Business Line

Will it be on a case-to-case basis then?

Shaktikanta Das:

Please wait for the circular.

Yogesh Dayal:

Thank you Sirs. Now I will invite Swati Khandelwal from Zee Business News.

Swati Khandelwal, Zee Business News

Thank you Governor. You have said in your statement that the balance sheets of the companies are very strong and are very robust and India is emerging as a resilient economy. When we talk about private CAPEX, it is still a matter of concern so how do you address this and why this is not happening and how much the RBI is worried about this?

Shaktikanta Das:

As I have written in the foreword of the last Financial Stability Report that at the moment in this situation there is a twin-balance sheet advantage. The balance sheets of banks and balance sheets of corporates both are strong, and the balance sheets of corporates are quite deleveraged. So, there is space for making investments. Otherwise, it depends on individual companies. In my statement, I have very clearly stated that private investments are happening only in the critical sectors like iron and steel, automobiles, petroleum, metals, and chemicals sectors. So, investments are happening in many key sectors. Therefore, going forward, it should happen in other sectors as well because the ground conditions are favourable for investments.

Yogesh Dayal:

Thank you Sir. Now I will move on to Latha Venkatesh from CNBC TV18.

Latha Venkatesh, CNBC TV18

A couple of questions about CRR. Can you tell us exactly how much more CRR will have to be maintained? I am getting calculations from ₹95,000 crore to ₹1 trillion to even ₹1.1 trillion. What exactly is the extra part of the extra?

Shaktikanta Das:

You are not very much off the mark.

Latha Venkatesh, CNBC TV18

Some part of the increase in July is because HDFC got merged. Now, your purpose is to remove the ₹2,000 related liquidity. So, will you adjust for the HDFC-related increase, and will the calculation be net of that? The other point is when you say 10%, whether you have to pay a base 4.5 plus 10% right; or 10% does not include the 4.5, so the increase is a net 5.5. How should you calculate?

Shaktikanta Das:

We have done an internal calculation. We have done a bank-wise calculation also. It will be a little above ₹1,00,000 crore. We have an exact number in our minds, but I do not want to say it because NDTL calculations require further fine-tuning. But, it will be

a little higher than ₹1 lakh crore and this incremental CRR applies to all scheduled banks.

Latha Venkatesh, CNBC TV18

Now just to add even though the extra liquidity surplus sustainable or endurable liquidity is ₹3.5 trillion, the weighted average call rate is behaving itself. It is almost always hugging the repo rate. So, what is your comfort figure? The banks complain that they also have to keep excess liquidity because of any NEFT. So, what is your discomfort figure and separately, what will you consider when you tweak it on September 8? Will you remove it on September 8? If not, what will you consider?

Shaktikanta Das:

The action on September 8 will depend on the situation prevailing at that time. In between so many things are there. GST payments will happen. Government expenditures will happen. We have to watch the credit offtake from the banking sector also. So, I cannot prejudge what we will do on September 8. But yes, we will review it on September 8 or even earlier, that is what I have mentioned. As regards liquidity, it is a very dynamic number. You cannot say that this is the level of liquidity I want to take out. It will depend on so many factors. It will depend on what is your growth rate. It will depend on what is your inflation number. Therefore, it is neither possible nor desirable to give a particular number because it undergoes constant change. We are always nimble in our liquidity actions. You would have seen in the past that we have the main operation of 14-day VRRR. As and when required, we have also undertaken fine-tuning VRRR operations, whereby the repo has been injected. So, we monitor this situation constantly and there have been two-way interventions, which we have done in the past. We are very nimble and so far as the level of liquidity it's a dynamic figure and would not like to venture into giving a particular number.

Yogesh Dayal:

Thank you Sir. I will invite Mr. Manojit Saha from Business Standard to ask his question.

Manojit Saha, Business Standard

Good afternoon Sir. Despite your repeated assertions, the actual inflation and the 4% is still very far. Are you getting anxious about it and how long are you going to wait before getting act on it.

Shaktikanta Das:

Deputy Governor, Dr. Patra to take that question.

Michael D. Patra:

If you recall, in May the inflation rate was aligned with the target and 4.3% is a comfortable level of the inflation rate. But then these food shocks came, which are unpredictable, and their period of stay is also unpredictable. We hope that these are transitory phenomena, and they will come off when supplies improve, and they are improving already. So that is the thing. It is just that there have been these food shocks, which were unanticipated and we will see them off.

Yogesh Dayal:

Thank you Sirs. I will move on to Mr. Piyush Shukla from the Financial Express.

Piyush Shukla, The Financial Express

Good afternoon Governor. When should we expect the final ECL norms to kick in? Sir, in the last MPC, former DG Jain had said that we will be issuing a fraud classification circular soon. Is there any update on that front?

Shaktikanta Das:

On the ECL part, I would request Deputy Governor Rajeshwar Rao to reply and on the fraud classification, I would request Deputy Governor Swaminathan to reply.

M. Rajeshwar Rao:

The ECL circular, as we have said, there have been several inputs which have come in. Some are technical issues, which need to be examined. So, it will take some more time before the measures are rolled out. I cannot give a definite timeline at this point.

Swaminathan J.:

On the master direction on fraud, identification and reporting the circular is under works and we are doing wider stakeholder consultation like Government, vigilance, law enforcement at this point in time. We would be coming out with these guidelines very shortly.

Yogesh Dayal:

Thank you Sirs. Now I will move on to Mr. Anup Roy from Bloomberg.

Anup Roy, Bloomberg

Thank you Sir. Is Russia investing in Indian Government bonds and T-bills and how much the investment could have been by now and is there any liquidity implication for that when they mature, especially after this ICRR? Thank you.

Shaktikanta Das:

Deputy Governor Rabi Sankar can take this question.

T. Rabi Sankar:

We cannot say specifically about a country or any particular entity investing in Government securities. It is allowed through the FPI route, and it can happen through the FPI route. It is allowed through the special vostro account route. So, the actual investments will happen only through these two routes. So, how much anyone has invested we can say it publicly.

Anup Roy, Bloomberg

Would there be any liquidity implication?

T Rabi Sankar:

We will have to see it is basically within the system, the Rupee balance is within the system, buying instruments within the system should not have any significant liquidity impact.

Yogesh Dayal:

Thank you. I will move on to Swati Bhat Shetye from Reuters.

Swati Bhat Shetye, Reuters

So, you repeated today that the 14-day VRRR remains the primary mode, but in your statement, you also said that the market has been reluctant to park long term funds. Are you actively considering moving back to a shorter framework, I mean the daily operations? Whether something like that is likely to be more effective in managing liquidity because we are constantly seeing the RBI coming and announcing the VRRRs but the offtake is hardly anything. So, is there a rethink on the liquidity framework from your side?

Shaktikanta Das:

No, I have said that the response could have been better to the 14-day VRRR auction which is the main auction and that will be continued. Today, about ₹90,000 crores or ₹93,000 VRRR will get released today and it will come off for VRRR auction later today. So, VRRR being the main operation will continue, there is no proposal, no thinking about going back to doing it on a daily basis. We have undertaken fine-tuning operations on the VRRR side, we have done even a 1-day operation at one point in time, 1-day, 2-day, 3-day, 4-day we have done. But I have very clearly said that these are done in exceptional situations and cannot become the rule. So, it will be incorrect to expect that this will be a regular feature. Fine-tuning will be only for exceptional situations.

Yogesh Dayal:

Thank you Sir. I will move on to Mr. Ankur Mishra from ET Now.

Ankur Mishra, ET Now

Just wanted your sense of ICRR when you will be meeting on September 8 whether the considerations will be limited to this ICRR only or other options of liquidity might also be considered including CRR as 87% of bank notes have already come, so just wanted to get a sense of that?

Michael D. Patra:

I just want to tell you, do not ascribe it to an MPC meeting. It is just a review that we will review the demand-supply situation in terms of liquidity and take a view.

Shaktikanta Das:

Liquidity decisions are internal decisions of the RBI. It is not an MPC decision. So, it is a constant process. So, we will review it around that time.

Yogesh Dayal:

Thank you Sirs. I will move on to Mr. Govardhan Rangan from The Economic Times.

M. Govardhan Rangan, The Economic Times

Good afternoon Governor. You mentioned that we should not be having any knee-jerk reactions and in future also there is going to be a kind of inflation perk-up. There could be policy measures beyond just interest rates. What did you have in mind when you said that action beyond interest rates?

Shaktikanta Das:

We have undertaken one today, the Incremental CRR; so you have to wait and see. That is on the liquidity front because liquidity plays a major role with regard to inflation

on both sides; in pushing up inflation as well as in controlling inflation. We have taken some steps today and we will see and we will deal with it.

M. Govardhan Rangan, The Economic Times:

One of the things is the amount held by the Russian trade circles in the system. So, how does that get out? Whenever it gets out, how do you plan to act? How do you expect it to play out?

Shaktikanta Das:

It has become a part of the system and it will be a normal situation. Any trade relation of India with any country is not a short-term trade relation, it is a long-term trade relation irrespective of the country. So, there is no reason to expect that suddenly a country decides to pull out. So, we do not see any stress or concern with regard to the quantum that would be held in the Vostro account by various countries. Rabi Sankar, do you want to add something?

T Rabi Sankar:

It may not be accurate to think that the trade surplus is staying in the country because a large part of that is oil and up to the global cap can be paid through normal channels. So, most of it is getting paid and some of it could be remaining as a Rupee balance in SRVA accounts. So, do not include the trade balance of US\$40 billion or something to the amount that must remain within the country.

M. Govardhan Rangan, The Economic Times

The calculation is somewhere between US\$10-22 billion which is the wide range in which the market is forecasting. So, which end are they closer really?

Shaktikanta Das:

It is not something about which we are unduly concerned because the market has its estimates. Whatever is imported below US\$60 per barrel, gets paid in the normal course. A part of it is there, which is quite manageable. It is not as if suddenly one day we will be under pressure to sort of take out that money. We are far better placed today, as our foreign exchange reserves are at US\$600 billion, to deal with any situation. Last year, for example, after the commencement of the war in Ukraine, there were market fears that the Rupee will depreciate to such levels and various numbers were mentioned in the market, but none of that happened, because the RBI was there in the market and the RBI is always there in the market. So, we are confident of dealing with such situations if at all they arise, but we do not see that happening.

Yogesh Dayal:

Thank you Sir. I will now invite Mr. Benn Jose from PTI.

Benn Jose, PTI

Good afternoon Governor. You spoke about the CAPEX and there is room for private CAPEX. Are you linking not happening that to the holding overall demand and what do you look at? The rural demand is not something rosy, many companies say that it is flat on a quarter-on-quarter basis.

Michael D. Patra:

Yes, it has been muted for a long time, but we are seeing signs of revival. I am just drawing from the Governor's statement that was just released. He points to tractor sales and fertiliser sales having improved in June. Retail two-wheeler sales growth has become healthy again in June and July. FMCG companies are reporting that their rural sales are improving and finally the progress of Kharif sowing which has exceeded last year's level and is still on course to go further is a source of income and livelihood for the rural economy and that will boost the demand.

Yogesh Dayal:

Thank you Sir. I will move on to Mr. Pankaj Aher from The Informist.

Pankaj Aher, The Informist

Good afternoon Sir. Is the incremental CRR the only tool the RBI had to deal with something that does not seem to be a big, durable, long-term accretive problem? Surely, many other tools are available with the RBI but this tool is not part of the liquidity management framework that the RBI itself had set out earlier. Could you please explain a bit more about that? The market is going to be pretty concerned about this, on one hand, there is incremental CRR which is a potent tool; on the other hand, it is applicable only for the past two months of NDTL or thereabouts, not on an ongoing basis and it is 10%. You said you would review it even before September. What is the net impact of all of that; would it not have been achieved better by any other tool at your disposal, a change in yields on VRRR, the SDF temporarily moving up? Why ICRR?

Shaktikanta Das:

We have nowhere said that this is the only method. There are other methods. But in the current situation, according to our assessment, we felt that this was the best action and appropriate method at the current juncture. ₹2000 notes have come back into the banking system. As we go towards the festival season, the currency in circulation usually picks up. This is what I have said in my statement. I have nowhere said that this is the only option. This was the best option under the circumstances. We have various options. As and when the situation requires, we will deal with it and we will undertake whatever measures are there.

We will also have to keep in mind and I have reiterated today, that we will ensure there is enough liquidity in the system for the banks to continue their lending. Why we did not undertake something else that is a part of the internal process. Let's not go into that. At the moment we thought this was the most appropriate action.

Yogesh Dayal:

Thank you Sir. I will move on to Mr. Sachin Kumar from the New Indian Express.

Sachin Kumar, The New Indian Express

Good afternoon Sir. To get more clarity on inflation I would like to know whether your concerns regarding the uneven monsoon have eased significantly compared to what they were in the previous review. If I may ask also between the uneven monsoon and El Niño, which one is the bigger concern as of now as we speak for RBI?

Michael D. Patra:

Both are concerns for the India Meteorological Department and they have said that during September and October, they expect an El Niño event. El Niño is not as dangerous for us as it is for South America, for instance. But we need to keep our guard on because there can be influences on the late withdrawal of the monsoon or extension of the monsoon as we are seeing in recent years. The monsoon stays on for a longer time and affects the *Rabi* crop etc., that is the concern.

Sachin Kumar, The New Indian Express

Just one clarification Sir. Is this uneven nature of monsoon still a big concern for you right now as we speak?

Michael D. Patra:

Yes, the rice-growing regions of India particularly the east and northeast have not received enough rainfall. They are still reporting deficiencies in double-digit figures. But that is correcting, currently east is getting a lot of rain. So, we hope that the spatial-temporal distribution will even out and we will have a normal monsoon. So, we stick to the assumption of normal monsoon.

Yogesh Dayal:

Thank you Sir. I will move on to Mr. Lalatendu Mishra from The Hindu.

Lalatendu Mishra, The Hindu

Good afternoon Sir. According to news reports the Chinese economy is dipping into deflation. Is it a matter of worry for us? Is there any spillover effect expected for us?

Michael D. Patra:

Yes, we have also read those reports. Remember that deflation is a situation of declining prices. It is not yet defined as a recession which is declining growth. The IMF, recently, has come out with its World Economic Outlook update and they have taken into account. This was out on the last day of July. At that time they had these numbers with them and they have placed China's growth rate at 5.2% which is a decent growth. They have gone forward to raise the global growth forecast for 2023 from 2.8% to 3.0%, so, all that augers well for us.

In the event, we are now facing a little deficiency in external demand because both exports and imports are declining. But the good thing is that imports are declining faster than exports so the trade balance is narrowing and becoming financeable.

Yogesh Dayal:

Thank you Sir. I will move on to Mr. Anand Adhikari from Business Today.

Anand Adhikari, Business Today

Good afternoon Sir. In June this year, the RBI's Development Research group came out with a study on the price behaviour of three vegetables tomato, onion and potato; wherein they looked at the period from 2011 to 2021 so fairly long period and the last 10 years. The finding says that if there is a big price change in one of the vegetables, the prices of other vegetables might change in a similar fashion. I just want to know, do you agree with this assessment or is it purely academic?

Shaktikanta Das:

Research reports are the view of the researchers. But by and large transmission within this TOP (Tomato, Onion and Potato) group does happen if there is persistent inflation in one of them. It tends to get generalised within that group. That is what I have said. If food inflation gets generalised then it is a different story and we will have to act. DG Michael Patra would like to add something on the research paper.

Michael D. Patra:

As you know that Development Research group is a combination of an external expert and an internal team. So, this has been the subject of a considerable amount of research. Governor, when he was Secretary of the DEA, actually handled this question front on. He was telling me from his experience that they were playing with whether it should be a TOP, a POT or an OTP. But it has been a concern of the government for some time, and some measures have been in place to try to sort of stabilise the supply of these vegetables at this time – pre-monsoon. So, that is a work in progress, let's hope we get there.

Anand Adhikari, Business Today

I am sure you must be factoring these things in your inflation projection model.

Michael D. Patra:

Yes.

Yogesh Dayal:

Thank you Sirs. I will move on to Mr. Vishwanath Nair from BQ Prime.

Vishwanath Nair, BQ Prime

Governor, this question is about the write-offs at banks. Now there is ₹15 lakh crore number that has come out of some RTI reports over the last 10 years. Every bank has always maintained that this is only a technical write-off and these loans are still eligible for recovery. But their history or track record of recovery is abysmal. Is it something that the RBI consults itself at all or is this just a financial decision of a corporate entity?

Shaktikanta Das:

DG Swaminathan will take that question.

Swaminathan J.:

Yes, we need to get the context right on this. One is that it is of course a long-term data of over 10 years. There are three, four key things that we have to be familiar with. One is that, once an account becomes NPA, prudential norms require the creation of provisions and on the basis of the aging of the NPA as well as the realisable value of security, these provisions get augmented and reach a stage where the provisions equal the outstanding in the account. So, once these accounts become fully provided, you are carrying an asset on one side and an equal provision on the other side. So, as a part of balance sheet management and for tax efficiency, the banks as per their Board approved policy resort to what is called technical write-off. This is number one.

Secondly, this is purely an accounting entry where an on-balance sheet item moves into off-balance sheet items and they are parked in typically what is known as 'Advances Under Collection' and there are specialised teams which chase the

recovery thereafter. The key fact that we have to remember in this is that the borrower's liability to repay or the bank's right to recover is not diminished in any manner. This is purely balance sheet management.

Thirdly, as a regulator, yes this is covered in the FSR and also it was covered in the recent Governor's interaction with the MDs of both public sector and private sector banks that we would like the banks to redouble their efforts because these are accounts that are parked in a special account and we would like to see more and more recoveries because they directly go into aiding the P&L of the banks and then contribute to the financial wellbeing of the banks.

The last point that I would like to submit for your attention is that these are NPAs which are 4, 5, or 8 years old. The realisable value of securities would have diminished over a period of time. So, the percentage of recovery has to be seen in the context of the age of NPA and the availability or absence of security thereof. So, I think we have to be guarded in terms of passing judgment over that. But what we are focused on is that we would like the bank management to have a Board approved policy for write-off and also have a follow-up on this in terms of maximising recovery that we are engaging the banks very adequately on this.

Yogesh Dayal:

Thank you Sir. As we are running out of time, so with your permission sir, we will take the last few questions. I will now invite Mr. Hitesh Vyas from the Indian Express to ask his question.

Hitesh Vyas, the Indian Express

Good afternoon Sir. In April, you issued draft guidelines on penal charges on loans. So, when the final guidelines are going to be announced?

M. Rajeshwar Rao:

I can say in one word, shortly.

Yogesh Dayal:

Thank you for the short answer Sir. I will move on to Manish Suvarna from Moneycontrol.

Manish Suvarna, Moneycontrol

Good afternoon Sir. My first question is, what is the price of India's crude oil basket that has been assumed by the RBI in the latest inflation forecast and has it changed from US\$85 per barrel? The second question is on liquidity, how much time does the RBI think it will take to withdraw the excess liquidity from the banking system?

Michael D. Patra:

Our assumption on the oil basket has not changed since June. What was your second question?

Manish Suvarna, Moneycontrol

How much time will the RBI take to withdraw the excess liquidity from the system as you have done in the incremental CRR which is a temporary tool?

Michael D. Patra:

Our assessment is that the measure that we have announced today will balance out liquidity. Our intention is not to withdraw all the liquidity, but to leave enough there for the credit needs of the economy. So, as of now, our assessment is this should do the job but it is a dynamic assessment and we will tell you again after September 8.

Yogesh Dayal:

Thank you Sir. Last question to Mr. Ryosuke Hanada, Nikkei.

Ryosuke Hanada, Nikkei

Thank you Sir. Recently, one of the ministers of Japan told the reporter that Japan considered joining the UPI payment system. If possible, could you tell me about the current situation of the actual discussion and what is the expectation of the RBI?

T Rabi Sankar:

Yes, we have noted that statement. We are happy that a country especially an advanced economy showing interest in the UPI. But that was the intention. At this stage, it is mostly exploratory and discussions. The International wing of the NPCI is talking with the relevant agencies there. So, it is at that preliminary stage right now.

Yogesh Dayal:

Thank you Sir. With this, we come to the closure of the press conference today. I am sure a lot of hands are there; a lot of questions are there and we will address them in different ways in different places. Thank you for coming here and thank you to the top management of the RBI for very patiently answering your questions. Thank you all.

Shaktikanta Das:

Thank you. Thank you everyone.