

# Central bank became stronger, surer under Das

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On balance, Shaktikanta Das' six-year tenure as governor of the Reserve Bank of India (RBI), ending on Tuesday, was successful. He shielded India's financial system from several challenges and crises.

Das took charge on December 12, 2018, after Urjit Patel stepped down. Having done his master's from St Stephen's College, Delhi, Das had served as secretary, Department of Revenue and Department of Economic Affairs, Ministry of Finance.

As governor, he presided over one of the most volatile periods for India and the world as the pandemic and the Ukraine-Russia and Israel-Hamas wars threatened to undermine the country's financial stability.

During the pandemic, the RBI took conventional and unconventional measures to address liquidity and asset-quality constraints. These were not opened as most of them were announced with pre-set terminal dates. As a result, their unwinding did not cause market disruption. Additionally, the RBI chose to confine its asset-purchase programme to government securities in the secondary market, unlike some other emerging market central banks that directly financed governments through the primary market during the pandemic. This decision was made to avoid monetising the fiscal deficit, a practice the RBI had discontinued in the late 1990s.

Das' success in inflation control, economic-growth goals, currency stability, and interest-rate management also made him the "top central banker of the year" for two consecutive years (by US-based Global Finance magazine).

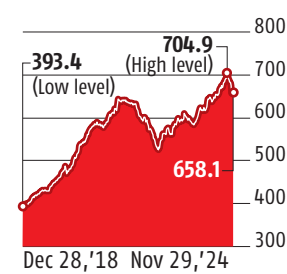
His tenure made him the longest-serving governor after Benegal Rama Rau, who held the position for a little over seven and a half years in the 1950s.

Among other challenges Das shielded India's financial system from collapse. This includes the IL&FS debacle, which triggered a crisis in non-banking financial companies (NBFCs) and led to the collapse of two more major NBFCs — Dewan Housing Finance and Reliance Capital. Additionally, Das salvaged two scheduled commercial banks from going under — Yes Bank and Laxmi Vilas Bank. A consortium of banks led by SBI came together to invest in Yes bank and saved it from near collapse. Similarly, in November 2020, the RBI ordered the amalgamation of Lakshmi Vilas Bank with DBS Bank India after RBI took control of the Chennai-based bank, citing serious deterioration in its finances.

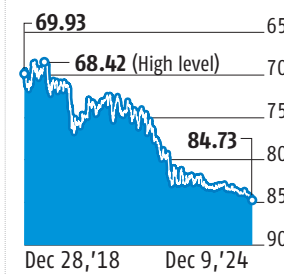
On inflation too, the RBI did well under Das. As chair of the Monetary Policy Committee (MPC), Das has failed to keep inflation under 6 per cent for three straight quarters only once during his tenure. During January-September 2022, the average inflation rate was above the upper tolerance level of the inflation target, which is 6 per cent, for three consecutive

## A LOOK BACK KEY NUMBERS DURING THE 6-YEAR TENURE OF OUTGOING RBI GOVERNOR SHAKTIKANTA DAS

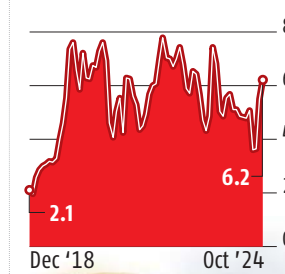
FOREX RESERVES (\$ bn)



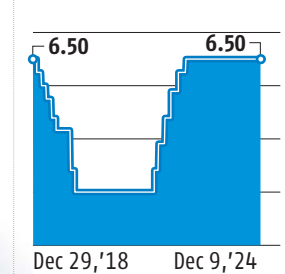
₹ VS \$ (inverted scale)



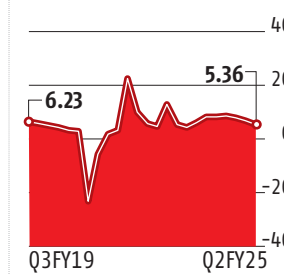
CPI Y-0-Y (%)



REPO RATE (%)



GDP (%)



### MAJOR CURRENCIES AGAINST \$

|                     | Dec 9, 2024  | % CHANGE     |              |             |
|---------------------|--------------|--------------|--------------|-------------|
|                     |              | Since '19    | 3-year       | 1-year      |
| Hong Kong dollar    | 7.77         | 0.7          | 0.3          | 0.5         |
| Japanese yen        | 150.56       | -27.1        | -23.6        | -6.3        |
| China renminbi      | 7.27         | -5.3         | -12.5        | -2.3        |
| British pound       | 0.78         | 0.1          | -5.6         | 0.3         |
| <b>INDIAN RUPEE</b> | <b>84.73</b> | <b>-17.7</b> | <b>-12.3</b> | <b>-1.8</b> |
| Euro                | 0.95         | -7.8         | -7.1         | -4.3        |
| Brazil real         | 6.07         | -36.0        | -8.2         | -20.0       |

Source: Bloomberg

| UPI TRANSACTIONS |  | Volume (in mn) | Value (in ₹ trn) |      |      |      |      |      |
|------------------|--|----------------|------------------|------|------|------|------|------|
|                  |  |                |                  | FY17 | FY18 | FY19 | FY20 | FY21 |
|                  |  | 18             | 0.07             |      |      |      |      |      |
|                  |  | 905            | 1.09             |      |      |      |      |      |
|                  |  | 5,392          | 8.77             |      |      |      |      |      |
|                  |  | 12,519         | 21.32            |      |      |      |      |      |
|                  |  | 22,331         | 41.04            |      |      |      |      |      |
|                  |  | 45,968         | 84.17            |      |      |      |      |      |
|                  |  | 83,751         | 139.21           |      |      |      |      |      |
|                  |  | 1,31,130       | 199.95           |      |      |      |      |      |
|                  |  | 1,02,250       | 145.55           |      |      |      |      |      |

\*Till Oct 2024  
Compiled by BS Research Bureau;  
Source: NPCI

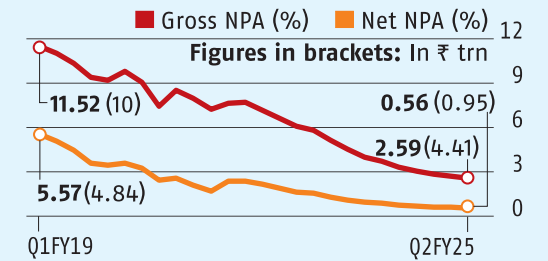
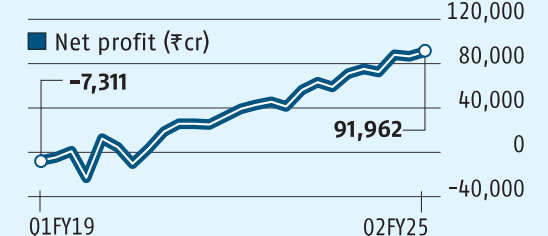


### DIVIDEND FROM RBI\*\* (In ₹ trn)

|           |      |
|-----------|------|
| FY19      | 0.7  |
| FY20      | 1.5  |
| FY21      | 0.57 |
| FY22      | 1.01 |
| FY23      | 0.4  |
| FY24 (RE) | 1.04 |
| FY25 (BE) | 2.32 |

\*\*Dividend/surplus of RBI, nationalised banks & financial institutions  
RE: Revised Estimates; BE: Budget Estimates  
Compiled by BS Research Bureau  
Source: Budget documents

### HOW NPA SCENARIO CHANGED



Data filtered for listed banks during respective quarter  
Figures are as reported by the banks in quarterly results  
Compiled by BS Research Bureau  
Source: Capitaline

quarters. It was the first time since the monetary policy framework came into effect in 2016 that the RBI had to give an explanation to the government (as mandated by law).

When Das took over as governor, the policy rate (repo rate) stood at 6.50 per cent. Under his leadership, the MPC cut the repo rate by 250 basis points to stimulate growth, reducing it to 4 per cent. However, later, the MPC reversed course and raised the repo rate by 250 basis points to curb inflation, bringing the rate back to 6.50 per cent. Since then, it has kept it unchanged because inflation has not aligned itself with the 4 per cent target in a sustainable manner.

However, this is better than what many global economies have witnessed on the inflation front.

Under Das' leadership, bad loans or gross non-performing assets (NPAs) of listed banks fell to a multi-year low of 2.59 per cent of advances as at September 2024, while the net NPA ratio declined to 0.56 per cent (see chart) from 10.38 per cent and 4.50 per cent, respectively, when Das took charge as governor.

Meanwhile, the profitability of banks grew in Das' tenure. Banks reported a loss of ₹32,400 crore in FY18 whereas in FY23, profits stood at ₹2.63 trillion. During Das' tenure, the rupee depreciated by 17.7 per cent. During the calendar year (CY) 2022, the local currency experienced 10 per cent depreciation against the dollar. In CY2023, the rupee saw the least volatility (down 0.5 per cent) witnessed in nearly three decades. The last time the Indian unit

exhibited such stability was in 1994, when it appreciated by 0.4 per cent. India's forex reserves have swelled from \$393.4 billion in the fortnight ended December 28, 2018, to \$658 billion in the fortnight ended November 29, 2024.

Another key area of focus for Das has been digital payments. Digital transactions, particularly on the Unified Payments Interface (UPI), have seen explosive growth, and continue to surge (see chart). Notably, UPI is currently operational in seven countries, including Sri Lanka, Nepal, Bhutan, Mauritius, France (at select merchants), the United Arab Emirates, and Singapore.

Under Das, the RBI withdrew the 2,000 notes (issued after demonetisation) without causing disruption to the economy and the public.