

Feb, Apr rate cuts fully transmitted, to help improve growth: Malhotra

RBI governor says further rate reductions will depend on outlook for growth and inflation

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The transmission of the February and April rate cuts is now complete, validating the central bank's monetary stance and contributing to a revival in credit growth, said Reserve Bank of India (RBI) Governor Sanjay Malhotra on Friday.

"We now have preliminary figures for June credit rates, and we find that for new loans, the rates are lower by at least 50 basis points (bps)... within two months of our 50-bp cut, we are in June, and the whole of the monetary policy transmission has happened. So, all these things will actually help further in improving credit and growth," Malhotra said at a banking summit hosted by the *Financial Express*.

He reiterated that further rate cuts would depend on the outlook for

growth and inflation. Since February, the RBI's monetary policy committee has cut the policy repo rate by 100 bps. In the June policy, while cutting the rate by 50 bps, the six-member panel changed the stance of the policy to neutral from accommodative.

Commenting on the stance change, he said: "It does not mean a reversal of the easing policy. There still can be a cut. We have the flexibility to move up, down, or pause. Yes, it does mean that

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the bar for further easing is higher than it would have been if it was accommodative.”

“More importantly, I think, you know, rate cuts will depend on the outlook for both growth and inflation rather than the current numbers, something which I mentioned even earlier,” he said. Malhotra said the central bank would continue to prioritise price stability while supporting economic growth. He said maintaining price stability remains the RBI's primary objective, which he

said is not inconsistent with the goal of supporting growth. “Growth

is a prerequisite for financial stability,” he said, adding: “The battle against inflation is won, but the war continues... We never take our eyes off inflation.”

RBI projects inflation at 3.7 per cent for FY26. Headline inflation eased to its lowest level in over six years in June.

On banking regulations, the governor said the RBI would work towards simplifying existing rules. A regulatory review cell will be set up to periodically assess the regulatory framework, remove obsolete provisions, and address existing gaps, with the broader aim of enhancing financial stability.

On the India-UK trade agreement, Malhotra said the country needs more such pacts. “Hopefully, it (UK FTA) should help us... that is the way going forward now, because unfortunately multilateralism seems to have taken a back seat,” he said.

