Duvvuri Subbarao: The Reserve Bank of India making a difference in your daily life

Convocation address by Dr Duvvuri Subbarao, Governor of the Reserve Bank of India, at the Sambalpur University, Sambalpur, 24 February 2011.

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First of all, my thanks to the Governor and Chancellor, HE Shri M.C. Bhandare, Vice Chancellor Professor Pujari, faculty and students of Sambalpur University for inviting me to be the convocation speaker this year. This is an honour to which I attach a lot of value. It feels wonderful to be in this beautiful state of Orissa and in the bustling Sambalpur area.

Changes around the world

All of you young graduates, passing out with degrees today, are a delightful sight. My mind goes back to my own college days. Of course, my time took place roughly half way between the discovery of fire and the invention of the ipad!!! The world was, maybe a little bit different then! Our phones still had cords, our cameras still had films and our engineers did calculations using a slide rule. The only way we knew of sending mail was by sticking stamps on an envelope; and the only way we knew of making copies was by using a carbon paper. And if we wanted to look for the web, we didn't click on a mouse; we dusted in the corner. The world, and with it India, have changed in the last few decades.

Orissa then and now

And changed for the better in many ways. Look at Orissa for instance. In 1970, Orissa's literacy rate was just 26 per cent, way behind the country. Today, the literacy rate is close to the national average of 65 per cent with an impressive jump in the female literacy rate. Child mortality rate more than halved between 1970 and 2010, but it is still behind the national average of 53 per thousand live births. There is significant progress on economic parameters too. Following the familiar development trend over the last 40 years, the share of agriculture in the gross state domestic product declined and that of industry had gone up. The average population for bank branch declined from 110,000 in 1970 to the national average level of 14,000 in 2010. With only 8 per cent of its population living in towns and cities, Orissa was the least urban state in India in 1970. Urbanization almost doubled in the next 40 years, although it is still below the national average.

Today Orissa is among the most rapidly industrializing states in the country, with a number of large, medium and small-scale enterprises in steel, aluminium, chrome, power, textile, handicraft and a host of other sectors. Orissa is also attracting a lot of foreign investment, and if harnessed in an eco-friendly way, this investment can contribute to job creation, poverty reduction and inclusive growth.

Sambalpur university

How Orissa changed, and how India changed over the last four decades, is impressive. I know that many of the alumni of Sambalpur University contributed to this remarkable transformation. Some of my colleagues in the IAS studied here, and there are several staff members of the Reserve Bank who are products of this university. So, let me congratulate all of you in the graduating class of 2011 as you begin building a future for yourselves.

Making a difference

These momentous changes in our country between my time and your time, that I indicated above, have affected almost every facet of our lives. But even in such flux, some things have not changed – for example, the value system that should guide our living and thinking.

Today marks a milestone in your lives. You will be leaving the shelter of your homes and your college to enter the real world as responsible adults. Whatever you choose to do for a career, I am sure that your education here in Sambalpur University has equipped you to take advantage of the opportunities, to meet the challenges that come your way. Whatever career you decide to pursue, remember that you can and should "make a difference" to the society. As I look back over the last 35 years when I have been in the civil service, I realize that our collective wellbeing as a nation has been the result of the efforts by numerous individuals and institutions that made a difference. And the only way you can repay your obligation to society is in turn to make a difference.

"Making a difference" is indeed the focus of my speech here today. In particular, I want to tell you how the Reserve Bank of India (RBI), an institution I have had the privilege of leading over the last two and a half years, makes a difference to everyday lives of Indians.

RBI – a mysterious institution?

As I was preparing for this talk, it struck me that most people, even educated people, do not know very much about what the Reserve Bank does and why what it does is important. Many people think of the Reserve Bank as a mysterious institution, a sort of monolith – doing obscure things that have no real relevance for the everyday lives of people. Others think that all that the Reserve Bank does is print currency, and wonder why, when short of resources, we don't just print more of the stuff. Some people think that all that the Governor does every day in office is sign currency notes, and that if there is shortage of currency, it is because he is slow in signing.

The reality is quite different. We print and distribute currency, of course, but we do a lot of other things besides. We are the monetary authority of the country. We are the gatekeepers of the external sector. We regulate and supervise banks, non-bank finance companies and segments of the financial markets to ensure that the money you keep in banks is safe and is productively deployed towards generating economic activity. Our regulation extends also to the payment and settlement systems with the aim of making financial transactions safe, robust and efficient. The Reserve Bank is also the central bank – that is it is the bank of banks and the bank of the Government of India as well as of state governments. On top of all this, and importantly, the Reserve Bank has a key role in the economic development of the country and drives an impressive social development agenda.

That in a nutshell is the range and diversity of responsibilities of RBI. And what we do affects the everyday lives of people across the country from the prices they pay in the market, the interest they earn on their deposits in the bank, the interest that is charged when they borrow money and indeed how the government pays for new roads, schools and hospitals. In my remarks today, I will try and demystify the world of the Reserve Bank; I will explain some of its main responsibilities, share with you some of the policy challenges we face, and convey to you above all, how we try to make a difference.

Production and distribution of currency

Let me start with currency management – a function that most people are familiar with. An exclusive prerogative to issue currency has in fact become a defining characteristic of central banks. You must have noticed that the currency that you use has on it a promise by the Governor of the Reserve Bank that says that the note that you are carrying is worth what it

says. Tautological as it might sound, this promise is significant because it enjoins on the Reserve Bank the responsibility of preserving the value of the rupee.

An important issue we need to decide on is how much currency to print. We need to print enough currency to replace soiled and mutilated notes. On top of that we also need to print additional currency to meet the needs of economic growth. The currency expansion required to support growth depends on a number of variables including the growth rate, inflation rate, the growth elasticity of money and the velocity of money. This is a complex formula, but the important point to understand is that the amount of currency we need to print is determined by the replacement requirement and the economic growth requirement.

As much as the amount of currency to be printed is formula driven in the first instance, the Reserve Bank cannot just "issue" currency. The currency we issue is a liability of the Reserve Bank. It has, therefore, to be backed by assets. Earlier on, the Reserve Bank too was part of the theology of the gold standard – the belief that issue of currency should be backed by the gold holdings of the central bank. In fact, the original Reserve Bank Act prescribed a proportional reserve system whereby of the total note issue, at least 40 per cent was to be backed by gold bullion and sterling. Like other central banks, we too have moved away from the gold standard, and today the asset backing for note issue comprises both domestic and foreign securities including gold held by the Reserve Bank.

We have four presses where currency is printed. Two presses – one at Nasik in Maharashtra and the other at Dewas in Madhya Pradesh are under the control of the Government; the remaining two presses – at Mysore in Karnataka and at Salboni in West Bengal are under the control of the Reserve Bank. The currency printed at these four presses is distributed across the country through 20 of the Reserve Bank's regional offices and over 4200 currency chests located in commercial banks across the country.

We are self-sufficient in printing capacity but we still import the paper required for printing currency. To remedy this, we are setting up a state of the art banknote paper mill in Mysore with a capacity 12000 MT per year which should cut our import demand by more than half.

By far the most important facet of currency management is building in security features to prevent counterfeiting. People should be aware of these security features so that they can tell a forged note from a genuine one. This is the motivation for the awareness campaign that the Reserve Bank has launched in the print and electronic media to educate people on the security features.

A dilemma we face here is that when we launch an awareness drive, we are willy-nilly providing information also to counterfeiters. We resolve this issue by making the replication of the security features technically complex and prohibitively expensive, and also by incorporating some additional security features that can be detected only by sophisticated gadgets and equipment.

The Reserve Bank is also committed to a "clean note" policy. We exchange soiled notes for clean ones, and mutilated notes for new ones subject to certain conditions. In pursuit of our clean note policy and to check counterfeiting, we also prescribed that, by March 31, 2011, all bank branches with cash receipts of over ₹ 50 lakhs per day be equipped with a note sorting machine so that every high denomination currency note is checked for fitness and genuineness before being put back in circulation. Furthermore, we have instructed banks to ensure that the notes that they issue through their ATMs are also pre-checked for genuineness and cleanliness.

Cost and longevity are important dimensions of currency management. We are a large cash economy; in fact, we are the second largest producer and consumer of currency in the world, next only to China. Producing such a large amount of currency is expensive. One option for economizing is replacing paper currency with plastic currency as some countries such as Singapore and Australia have already done. We are planning to try this out on a pilot basis starting with a plastic note in the ₹ 10 denomination, which we will distribute out of five of our

regional offices in the country including our Bhubaneswar office. During the pilot phase, we need to study not only the relative costs but also the carbon footprint associated with the recycling and disposal of plastic notes vis-à-vis paper notes. If the pilot proves successful, we will mainstream the use of plastic currency.

Monetary policy

A quintessentially central banking function is the management of monetary policy. In formulating the monetary policy, the Reserve Bank is guided by three main objectives: maintain price stability, support economic growth by ensuring adequate flow of credit to productive sectors and preserve financial stability. Monetary policy is typically operated mainly through two variables – the price of money (policy interest rates) and the volume of money (liquidity).

The Reserve Bank's monetary stance is defined by how we determine the price and volume of money. We decide on the price of money by prescribing the short term policy interest rates which define the upper and lower bands of the liquidity adjustment facility (LAF) corridor. At the upper end is the repo rate – the rate of interest we charge banks for overnight borrowing from us, and at the lower end is the reverse repo rate – the interest rate we pay banks for their overnight deposits with us. By calibrating the overnight repo and reverse repo rates, we hope to influence the long term interest rates of the economy through a process called monetary transmission.

The other variable – the volume of money – is controlled through mainly two instruments. The first is the cash reserve ratio (CRR), the proportion of their net demand and time liabilities (NDTL) that banks are required to keep locked up with the Reserve Bank. The second is the OMO (open market operations) whereby the Reserve Bank buys and sells government securities in the open market in order to inject or withdraw money from the system.

Another way in which money supply expands or contracts is through the Reserve Bank's intervention in the foreign exchange market. When the Reserve Bank buys (sells) foreign exchange, it releases (absorbs) an equivalent amount of liquidity into (from) the system. Having said that I must add that we do not intervene in the forex market for liquidity management purposes; we intervene only to contain volatility in the forex market, and any impact on liquidity is an incidental by product.

Of course, price stability and macroeconomic stability do not necessarily guarantee financial stability. This is, in fact, one of the big lessons of the recent crisis. A post-crisis policy dilemma for central banks, and one that is dominating both academic and policy debates at the international level, is this: should financial stability be in the domain of monetary policy or should it be pursued as an objective of regulatory policy? In India though, we have never been doctrinaire about this. We have traditionally used regulatory tools such as risk weights and provisioning norms governing bank loans to aid monetary policy objectives. Indeed, one of the main reasons India came out of the crisis relatively unscathed is that the Reserve Bank "leaned against the wind" and took preemptive action to restrict the flow of credit to certain sectors such as real estate which showed signs of risk build-up.

The Reserve Bank reviews its monetary policy stance every quarter through a scheduled policy review. This involves determining the relative prioritization between the three objectives of monetary policy – growth, price stability and financial stability – and on that basis, to determine whether and how our policy variables should be changed. Notwithstanding scheduled quarterly and mid-quarterly reviews, we reserve the right to alter our policy stance at any time to respond to the evolving macroeconomic situation.

In the aftermath of the crisis, our biggest challenge has been to manage the tension between the demands of growth and of inflation. Even though we recovered from the crisis ahead of most other countries, inflation too caught up with us sooner than elsewhere. The tension that

we need to manage is that economic growth requires that we maintain a low interest rate regime whereas inflation management warrants that we raise interest rates. In managing this tension, we are deeply conscious that inflation is a regressive tax that hurts the poor the most as their earnings are not protected against rising prices. You will of course have noted that as part of managing our growth-inflation dynamics in the post-crisis period, the Reserve Bank has raised policy interest rates seven times since March 2010. At the same time, we are sensitive to the need for supporting growth as economic growth is a necessary condition for poverty reduction.

Monetary policy making is always a challenge. The challenge has become even more complex in the globalizing world that we live in. How other countries, especially systemically important advanced economies, manage their monetary policies has implications for us and we need to take that into account in determining our own policy stance. Just to illustrate, the liquidity infusion policy of the US Fed, popularly known as quantitative easing (QE), has triggered larger capital flows to emerging market economies (EMEs). This has in turn put upward pressure on EME exchange rates eroding their export competitiveness and pushing up asset prices. EMEs had to adjust their macroeconomic policies to manage the implications of these flows.

I hope you now have a better understanding of the implications of the Reserve Bank's monetary policy for you at an individual and household level, and of the challenges that we address in formulating the policy.

Regulation and supervision

The Reserve Bank is the regulator and supervisor of banks, non-bank financial companies (NBFCs) and significant parts of the financial markets. In a market system, regulation is important in order to protect the interests of all stakeholders and to preserve financial stability. Let me explain both these objectives of regulation.

The logic of protecting the interests of stakeholders is quite self-evident. Banks are the main conduits of financial intermediation in an economy – that is, banks take money from savers and lend it to borrowers keeping a margin for themselves to cover expenses and profits. This should ideally serve everyone's interest including that of the economy at large. However, the apprehension is that banks will overstep the limits of prudence in lending thereby jeopardizing the interests of the depositors. The task of regulation in this context is to ensure that banks stay within prudent limits in their financial intermediation role.

Regulation is necessary also to ensure financial stability. Financial stability is notoriously difficult to define but we can easily tell when stability is disrupted, as happened during the recent crisis when financial markets went into a seizure. Financial stability gets disrupted when the fundamental macro variables such as the interest rate and the exchange rate get way out of alignment with economic fundamentals. We have all learnt from text books that the fundamental fulcrum of capitalism is a competitive market. We have also learnt that markets fail because the assumptions underlying competitive markets are very exacting and cannot be fully met in the real world. Financial markets are even more vulnerable to failure than markets for goods and services because of problems of information asymmetry, moral hazard, adverse selection and what have you. When financial markets fail, financial stability is impaired, and when that happens, it takes a devastating toll on economic growth and welfare. The purpose of regulation is to build in safeguards against failure of financial institutions and financial markets.

Financial firms such as banks are different from non-financial firms, and financial markets are different from non-financial markets. The important difference is that financial firms are all interconnected, and a disruption in any one part of the system spreads rapidly through the entire system. Illustratively, a run on one bank could potentially trigger a run on other banks spreading and deepening the contagion. In contrast, the failure of a non-financial firm such

as a manufacturing company hurts the company's equity holders and creditors but does not hurt people beyond that.

We conduct bank regulation through a whole host of prescriptions. These prescriptions govern illustratively licencing of banks and their expansion through branch network, their corporate governance framework, the reserves they must maintain with the Reserve Bank, the type and quantum of capital they must hold and the way they must manage risk. Although, I have explained the concept with reference to banks, it applies equally to regulation of NBFCs, and other financial institutions.

To ensure that banks comply with our regulations, we undertake periodic on-site inspections which are supplemented with off-site surveillance on an ongoing basis. We also hold periodic meetings with the top managements of banks to alert them to the bank's vulnerabilities and to sensitize them to our supervisory concerns. If the banks do not comply with the regulatory norms, the Reserve Bank has a range of supervisory powers in its armory: issuing cautionary letters and letters of displeasure, issuing directives to restrict business and imposition of financial penalties.

The Reserve Bank is not the only regulator in the financial sector. There are other regulators too – such as, for example, SEBI which regulates the capital market, IRDA which regulates the insurance sector and the PFRDA which regulates the pension sector.

A frequently asked question is whether the Reserve Bank regulates the rate of interest that must be paid on deposits or the interest that should be charged to borrowers. We used to do that but have almost entirely given it up as part of the reform process. Interest rates both to savers and borrowers now work on the market principle of competition among banks. As of now, only interest rates on NRI deposits and on savings bank accounts are administered. There is a view that we should deregulate the interest rate on savings bank accounts too. We are examining the pros and cons of doing that and will shortly put out a Discussion Paper for eliciting feedback.

Regulation has both costs and benefits. Excessive or inappropriate regulation increases intermediation costs, impedes efficiency and stifles innovation. It can also result in regulatory arbitrage whereby financial operators evade stiff regulation by shifting operations to a lightly regulated regime. On the other hand, light regulation can cause financial instability and loss to some stakeholders at the expense of others.

Financial regulation is an intensely analytical and intellectually challenging task. It requires sophisticated models and a good "sense" of the market since many of the risk indicators are not "real time". Regulators need to be intellectually agile and fastfooted in their responses.

The challenge for the Reserve Bank, and indeed for all financial sector regulators, is to intelligently balance the costs and benefits of regulation and to do so in a dynamic sense as the market and macroeconomic circumstances are constantly evolving.

External sector management

The Reserve Bank shares the responsibility for the management of the external sector with the Government. The power for this is derived from the Foreign Exchange Management Act (FEMA), 1999 which is a successor to the earlier Foreign Exchange Regulation Act (FERA), 1973.

Of all the different sectors of the economy, possibly the most extensive reforms have taken place in the external sector. Prior to 1991, India was one of the most closed economies in the world, and controls on foreign exchange transactions were near total. Today the situation is completely different. Now there are virtually no restrictions on current account transactions. Foreign exchange can easily be obtained for business expenses, travel, tourism, studies abroad, medical treatment, etc. In the pre-reform era, a licence had to be obtained for almost

every type of import, and the import duties were prohibitive. Today, there are no quantitative restrictions and duties have been substantially slashed.

Our liberalization has extended to the capital sector too. India's policy on foreign direct investment (FDI) is quite liberal and transparent. We allow foreign investment in almost all sectors except for a small negative list. Today, every resident Indian is allowed to take out up to $200,000 per financial year for any permitted current or capital account transaction under the Liberalized Remittance Scheme. Corporates can invest abroad up to 400 per cent of their net worth in Joint Ventures and Wholly Owned Subsidiaries.

India runs a current account deficit which means that we spend more foreign money on import of goods and services than we earn on exporting them. The gap between our spending and our earning has to be met by capital flows – that is by foreign savings. Development Economics says that it is alright for a developing economy to run a current account deficit provided the foreign savings – capital flows – that bridge the deficit are used productively. Capital flows come in various forms, and can be classified as debt or equity flows or short term or long term flows. In India, we have a preference for non-debt flows such as foreign equity over debt flows, and we have a preference for long-term flows such as foreign direct investment over short-term flows such as foreign institutional investment.

An important problem, indeed one that is very prominent on the current international agenda, is the surge of capital flows into emerging market economies (EMEs). As I said earlier, EMEs surely need capital flows for their investment needs. But if they get more of the flows than they can absorb, it hurts the economy both in financial and economic terms. I will not go into all the details here, but what you should know is that there are no easy ways to deal with excess flows. Depending on how the excess flows are handled, it can lead to appreciation of the currency making exports less competitive, build up asset price bubbles, fuel inflationary pressures or drive up interest rates. What exacerbates the problem is that these flows are prone to "sudden stops and reversals" which is to say that they can reverse direction and go out of an economy suddenly, as happened during the crisis, and that can dent financial stability.

Another big issue in the external sector is the exchange rate. Just as inflation determines the purchasing power of the rupee in the domestic economy, the exchange rate determines the purchasing power of the rupee in the external economy. It is possible to manage the exchange rate by buying or selling foreign exchange, and countries do that either to improve their trade advantage or for economic management purposes such as control inflation.

In India too, the exchange rate is an important macroeconomic variable as it determines how much we earn from our exports and how much we need to spend on our imports. When the exchange rate appreciates, exporters are hurt and they demand that RBI must intervene in the market to bring the exchange rate down. But depreciating the exchange rate by intervention is not a completely benign option. It hurts importers who need to spend more. It hurts the government as it has to spend more on subsidizing imports such as oil and fertilizers and also spend more on external debt servicing. Intervention can also fuel inflationary pressures in which case it hurts everyone. We believe that it is in our collective interest as global citizens if exchange rates are allowed to be determined by market fundamentals.

You all probably heard of "currency wars" – a situation where countries indulge in competitive devaluation of their currencies for trade advantage. That can lead to global imbalances of several kinds. In the Reserve Bank, our policy is that we do not target a specific exchange rate or a rate band. We intervene only to smooth exchange rate volatility and prevent disruptions to macroeconomic stability. Indeed one of the important issues on the G-20 agenda is to reach an agreement to end currency wars – that is to reach a shared understanding on what types of interventions may be appropriate to manage the external sector and under what circumstances.

Foreign exchange reserve management

Managing our country's foreign currency assets and gold reserves is another responsibility of the Reserve Bank. Today, our foreign exchange reserves stand at nearly US$ 300 billion, up from just a few billion in 1991. An adequate level of foreign exchange reserves is important for several reasons. In particular, it protects us against external shocks and inspires the confidence of foreign investors.

In investing our foreign exchange reserves, we are guided by three principles: safety, liquidity, and return. In our investment policy and practice, we exercise utmost care and caution to maintain a high degree of quality of foreign currency assets.

In November 2009, we bought 200 metric tonnes of gold from the International Monetary Fund. This triggered a lot of public and media interest on the rationale of the transaction. In recent years, although there has been significant accretion to our reserves, our gold holdings have remained stagnant. This purchase from the IMF helped in raising the proportion of gold in our reserves. Secondly, you will recall how, at the height of the balance of payments crisis in 1991, we had to pledge gold to raise resources. In view of the strategic importance of gold as a reserve asset, we exploited the opportunity that came our way to buy a sizeable quantity of gold from a reliable, multilateral financial institution at market prices in a single deal.

Financial inclusion

In recent years, financial inclusion has become one of the top priorities of the Reserve Bank. We all know that economic opportunity is strongly intertwined with financial access. Such access is especially powerful for the poor as it provides them opportunities to build savings, make investments and avail credit. Importantly, access to financial services also helps the poor insure themselves against income shocks and equips them to meet emergencies such as illness, death in the family or loss of employment.

Financial inclusion is good for the poor. But it is also good for the economy as it channels the savings of the poor for productive use. Let me just say this: till financial inclusion becomes a reality, we have not conquered the final frontier of development.

Despite all the progress we have made in other spheres, our performance on the financial inclusion front is disappointing. More than half the households in the country do not have a bank account, and a larger number of those that do, do not use the banks account in any meaningful sense. Of the 600,000 habitations in the country, only 30,000, or just 5% have access to a bank branch. Redressing this woeful story is the challenge of financial inclusion.

What is the Reserve Bank's role here? On the commercial side, this means creating an enabling environment, giving macro prudential direction, possibly even changing our approaches and policies to make it easier for businesses in targeted industries to access the funds they need to grow and expand. On the individual consumer side, this means adopting new tools and technologies to bring every Indian household into the banking fold and helping educate them to be financially literate.

Let me briefly list a few of the steps we have taken :

- We have advised banks to adopt policies in support of financial inclusion with new financial product offerings such as zero or minimal balance no frills accounts.
- We are encouraging bank branch expansion in parts of the country which are underbanked, especially in underserved geographies, through innovative modes of financial service delivery.
- We are facilitating the deployment of business correspondents (BCs) – you can think of them as "barefoot bankers" – as agents to carry banking to uncovered villages and areas.

- We are tailoring our regulation to encourage innovation in financial inclusion through hand held machines, mobile phones, ATM machines, etc.
- Banks have been advised to ensure universal financial inclusion in all villages having a population above 2000 by March 2012 through some form; either a brick and mortar branch or through any of the various ICT-based models.
- We have advised banks to draw up Board approved Financial Inclusion Plans (FIPs) for a period of three years up to March 2013, which should be integrated with the business plan of the bank. A uniform model has not been imposed so that each bank can build its strategy in line with its business model and comparative advantage.
- We have encouraged banks to include performance on financial inclusion in the performance evaluation of their field staff.
- We are encouraging state governments to shift to "electronic benefit transfer" (EBT) – that is that all benefits and wages that the government pays to people should be remitted directly to the bank accounts of the beneficiaries.

Financial literacy

I also want to take a minute to talk about our efforts in the area of financial literacy. Financial literacy has to be an integral part of financial inclusion and consumer protection. In the Reserve Bank, we treat financial inclusion and financial literacy as twin pillars. Financial literacy stimulates the demand side – making people aware of what they can and should demand. Financial inclusion acts from the supply side – providing in the financial market what people demand. While we have traditionally focused more on addressing financial exclusion through many supply-side measures so as to help "connect people" with the banking system, we have grown to recognize the demand side imperative also – that financial literacy and education should be developed hand in hand with improving access to financial services.

In order to further financial literacy, RBI has established centres focused on financial education in our regional offices in Chandigarh, Pune and Bangalore. We hope to replicate this in other cities too. We have encouraged commercial banks to set up financial literacy and credit counselling centres to help people develop better financial planning skills, and to learn of the opportunities available in the financial sector. Most importantly, we are encouraging both central and state government to include financial literacy in school and college curriculum so that the next generation enters the adult world financially literate.

Outreach

In the Reserve Bank, we are deeply conscious of the fact that we can deliver on our mandate better if we understand people's concerns and problems. You can gain an understanding by reading reports, attending seminars or participating in meetings. But nothing beats actually going and seeing. Last year, the Reserve Bank celebrated its Platinum Jubilee. The flagship of our celebrations, one which will possibly have the most enduring value, has been the outreach programme. The outreach programme was focussed on taking forward the twin pillars of financial inclusion and financial literacy. The motivation behind this venture was for the RBI, as an institution, to connect with ordinary people of the country. The odyssey took all of us – our Deputy Governors, Executive Directors and myself – to villages across the country – typically off-main road, away from urban influence, unbanked villages – to see and understand how grassroots institutions – self-help women's groups, micro-finance institutions, non-government organizations, rural cooperatives, rural branches of regional and mainstream commercial banks-operate, and to listen first-hand to the hopes and aspirations

of village India. In return, we also got an opportunity to explain to people what the Reserve Bank does, and how what we do touches their everyday life.

We found the outreach programme to be a wonderful experience – intellectually rewarding, emotionally fulfilling and professionally mind expanding. Because of the rich dividends, we decided to continue this as a permanent programme. As part of my outreach commitments, over the last one year, I had gone to villages in Jharkhand and Chhattisgarh. Later this week, I am going to visit a village in Orissa, and will go to a village in Kerala in March.

Conclusion

I have tried to give you an idea of the Reserve Bank's main responsibilities and the challenges that we address. I hope this has given you a fair perspective of how the Reserve Bank makes a difference to your life in both direct and indirect ways – even if most of the time you are not perceptive to it.

In the best traditions of convocation speeches, let me conclude by giving you some advice. All of us, all the time, are complaining about all the things that are wrong in our community, in our society and in our country. We want things to change. Just "wanting" is not good enough. We, each of us needs to be a change agent. And as Mahatma Gandhi said, we need to be the change that we desire. All I can say, as you go out as degree holders, is to go and make a difference in the real world and in the process make a name for Sambalpur University.