Indian financial markets remain well-regulated, says Sitharaman

ASIT RANJAN MISHRA
New Delhi, 3 February

India remains a well-governed and well-regulated financial market for investors and one much-talked about incident should not be considered indicative of how well the markets are governed, Finance Minister Nirmala Sitharaman said on Friday, commenting for the first time on the Adani group stock rout.

"India remains as before absolutely well-governed, (with a) stable government and also well-regulated financial market and, as a result, investor confidence which existed before shall continue even now. Our regulators are normally very very stringent about certain governance practices. Therefore, one instance, however much talked about it may be, I would think, is not going to be indicative of how well Indian markets are governed," Sitharaman said in an interview to Network-18.

Sitharaman said both State Bank of India and Life Insurance Corporation had issued detailed statements explaining that they were not over-exposed to the Adani stocks. "They have clearly said their exposure is well within the permitted limits and they are even now with valuations falling as well, sitting over profits," she said.

The finance minister said the Indian banking system today was at a comfortable level with bad loans hitting new lows. "Recovery is happening and their position is very sound which is reflected in the fact that when they go to raise money in the market, they are absolutely comfortably raising money as well. So the entire macro-economic analysis that any expert will do also highlights the fact that how comfortable the Indian banks are placed in. That can't be if they are at risk," she added.

Asked whether the Reserve Bank of India can take a more relaxed view on monetary tightening and support growth in coming months, with inflation easing, Sitharaman answered in the affirmative.

"I suppose yes. The fall in the inflation doesn't seem to be just a momentary or one-month affair. It should sustain itself in the process of coming down and, therefore, there shouldn't be that much pressure on the central bank to keep the pace of increasing the rates. But the MPC (Monetary Policy Committee) will take a call," she added. The six-member MPC will meet next week to decide on the monetary policy. Retail inflation hit a 12-month low in December at 5.72 per cent, even as core inflation remained above 6 per cent.

Budget's revenue assumptions credible: Fitch

Meanwhile, Fitch Ratings on Friday said the Budget's nominal economic growth and revenue assumptions were credible, although risks remained tilted to the downside in light of the uncertain global outlook. "The government's real GDP growth assumption of 6.5 per cent for the fiscal year ending March 2024 (FY24) is higher than our forecast of 6.2 per cent, but it's figure for nominal growth, at 10.5 per cent, is similar to our own," it added.

The rating agency said the fiscal deficit-reduction plans outlined in the FY24 Budget should help stabilise general government debt-to-GDP levels over the medium term. "We forecast India's government debt/GDP ratio to stabilise at around 82 per cent over the next five years. This is based on our assumption of gradual-but-sustained deficit reduction, as well as robust nominal GDP growth of around 10.5 per cent of GDP. Fast economic growth will be key to the stabilisation of the debt ratio in the absence of swifter deficit reduction," it added.

FM begins post-Budget outreach from today

ARUP ROYCHOUDHURY
New Delhi, February 3

Finance Minister Nirmala Sitharaman will begin her customary post-budget interaction with stakeholders in Mumbai on Saturday. After that, in the first half of this month, she is expected to travel to Hyderabad, Imphal, Bhubaneswar, and Jaipur to speak on what the Budget contains for various stakeholders and interest groups.

In Mumbai, and in other cities, she is expected to meet representatives from India Inc, industry bodies, micro, small, and medium enterprises' (MSME) bodies, start-ups, chartered accountants and bankers among others, said an official aware of the Finance Minister's outreach plans.

In her 2023-24 Union Budget on February 1, Sitharaman increased her year-on-year capex target by more than 30 per cent for the third year in a row. The sense in the government is that though private sector investment is picking up, the global macro-economic situation is still uncertain enough for the centre to continue with an enhanced focus on public investment in infrastructure.

The Budget had a modest relief for taxpayers, including in the highest tax brackets, and sops for MSMEs, entrepreneurs, and cooperative bodies.

She stuck to the fiscal consolidation road map and announced a Budget deficit target of 5.9 per cent of GDP for FY24.