Positives outweigh negatives in the economy: RBI governor

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Leaders of financial sector strike a note of confidence, optimism

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Even after changing the stance to "neutral" during the October review of the monetary policy, Reserve Bank of India (RBI) Governor Shaktikanta Das on Wednesday indicated a rate cut might not be forthcoming while sounding confident on economic growth.

He acknowledged that the incoming data on growth presented a mixed picture but said the positives outweighed the negatives.

"I find that it is only the index of industrial production (IIP) numbers and fast-moving consumer goods sales in the urban sector that have considerably moderated," he said during a fireside chat on the inaugural day of the three-day *Business Standard* BFSI Summit 2024.

"But other than that, goods and services tax, e-way bills, toll collection, air passenger traffic, and the performance of the steel, cement and automobile industries have been exceedingly good. The incoming data presents a mixed picture, but the positives outweigh the negatives."

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Reserve Bank of India Governor Shaktikanta Das during a fireside chat at *Business Standard* BFSI Insight Summit 2024, in Mumbai

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Public-sector bankers share RBI governor's confidence on growth

While changing the stance to "neutral" in the October policy review, the policy repo rate was kept unchanged at 6.5 per cent. The next policy review has been scheduled for December 4-6.

"In September, the inflation print came in at 5.5 per cent. In October it is going to be high, perhaps higher than in September," he said, adding a change in stance did not mean that the next step was a rate cut in the very next meeting.

Speaking at a fireside chat during the summit, State Bank of India Chairman C S Setty said banks were increasingly prioritising value-added services tied to customer accounts and strengthening customer relationships.

"Today all of us are focusing on deposit mobilisation," Setty said.

The governor's confidence on growth was shared by public-sector bankers who engaged in a panel discussion. They stressed improving risk management. Sluggish deposit growth over the past two and a half years prodded banks to be innovative in ramping up resource mobilisation.

The latest data shows deposit growth was slightly higher than credit growth.

"We as banks replicate the economy and as long as the economy is strong, the banking sector would be in a sweet spot," said Debadatta Chand, managing director (MD) and chief executive officer (CEO), Bank of Baroda, said.

Private bank CEOs emphasised customer service rather than deposit rates.

"From the beginning, private sector banks were aware that they had to mobilise deposits and for that they were reaching out to customers," said Prashant Kumar, MD and CEO, YES Bank.

"Over a period of time, there has been huge improvement in the efficiency of the system, both on the government and the corporate side. So, money is moving from banking to other asset classes. It is getting tougher to mobilise lendable deposits," Kumar said during the panel discussion of CEOs of private banks.

SBI Chairman C S Setty at the *Business Standard* BFSI Insight Summit in Mumbai on Wednesday

PHOTO: KAMLESH PEDNEKAR

Foreign banks operating in India look at benefits from the resilience of the Indian economy. India remains a strategically important country even as the retail banking segment remains out of consideration for most of them, the India CEOs of foreign banks said.

"There are 1.4 billion Indians. At least, 2-3 per cent of them will have needs that only a global bank can deliver -- for example, someone who wants to send children abroad to study or has a job that involves transfers to other countries," said Hitendra Dave, India CEO, HSBC, which is among the few major global banks to have a retail presence in India.

Small Finance Bank CEOs, who are eyeing the universal bank licence following the regulator's glide path on conversion in April this year, said they had the systems including core banking, information technology, and governance practices in place for the transition.

"We are a scheduled commercial bank. And all policies and regulations have been applied to small finance banks since our inception," said Ajay Kanwal, MD & CEO, Jana SFB.

In a fireside chat, Shashank Kumar, co-founder, Razorpay, said regulation in the country was necessary for the growth of the fintech ecosystem and norms did not necessarily stifle innovation at new-age companies. He stressed the need for the RBI to be the single regulator for all financial institutions -- traditional ones and fintech firms.

"Regulation does play catchup in certain areas, but it also enables innovation. Technology does outpace regulation in some areas and regulation has to play catchup in those places. There is some intentional regulatory innovation which I can see, which is how you promote financial inclusion. How do you promote payments and banking?" Kumar said.

NBFC CEOs were of the opinion that the recent action by the RBI against four entities would not affect the sector since it was on specific concerns of these companies.

At a panel discussion "Coming out of the shadow of banks?", Jairam Sridharam of Piramal Capital & Housing said the RBI action over the past year and a half had cut across both banking and non-banking entities.

"The recent action is a little bit more in our mind. But, in general, the RBI has been concerned about conduct issues of all lenders over the past year and a half, and very appropriately," Sridharam said.

He said the lending industry in general needed to take note of the underlying concerns being raised by the RBI. "But, in general, it (the action) is structure-agnostic. RBI action is structured democratically," Sridharam said.

Rajiv Sabharwal of Tata Capital said: "What I have seen with the RBI is it never surprises you. It will tell you it will advise you as to what is right and what is wrong. And if within the timeframe that action does not happen, that is when it leads to this (action by RBI)."