

ET Q&A

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Global Rates will Come Down, India Certainly To be Top Beneficiary

Indian elections may have thrown open a surprise results without a majority for Prime Minister Narendra Modi's party, but the likelihood of policy continuity and the strong growth provide comfort to international businesses, said José Viñals, chairman, Standard Chartered, in an interview with **Bhaskar Dutta** and **MC Govardhana Rangan**. Edited excerpts:

Europe has cut interest rates, while the US Fed remains on hold. India has said that interest rates will be determined by local factors. What does this mean for capital flows?

Yes, that may lead to a bit more currency volatility, a little more foreign exchange volatility. But I would expect that sooner or later, all interest rates in the advanced economies will come down and this is something which will be a relief for a number of emerging markets, particularly those which have borrowed more in foreign currency, the ones which have lesser developed local currency markets. One thing which is important is that even after these interest rates have come down, interest rates will remain higher than they have been in the past. The fundamental thing is that the economies with good fundamentals and good prospects like India will be able to claim an increasing share of that global capital pool. India is certainly at the top.

LOOKING AHEAD

Economies with good fundamentals and prospects like India will be able to claim an increasing share of global capital



NITIN SONAWANE

Recently, there has been a change in the political landscape in India. Is there a change in how international businesses look at India?

No, I don't think so. The Indian economy continues to have strong fundamentals and that's very important. It continues having a reform agenda, which in the view of international investors will be continued. It is a country whose bonds have been included recently in the JP Morgan index and the country has very good plans in terms of the new economy. It's very important that democracies function and India is a functioning democracy. India is on a very strong growth path. India has already achieved the 5th position in the world in terms of the size of the economy and it is likely to now become number 3 by 2027.

A very large portion of Standard Chartered's profits and revenues come from Asia. Where does India fit it?

We bank in 53 markets around the world. India is one of the top three contributors in terms of our operating profits. In terms of the bottom line, it's one of the top 3. That tells you a lot. It's a market which has tremendous promise, tremendous potential and one of the things that we are discussing is how we can further sharpen our activities in India as a cross-border bank, as an international bank, as a bank for the affluent and the small and medium enterprises so that we can maximise the opportunity provided by the Indian economy.

There are segments that may interest investors. Which sectors of

the economy are foreign investors looking at?

India is now very important in terms of services; it is trying to attract international investment. The government has programmes to provide subsidies - the PLI (performance linked incentive) program. The focus on electronics, on semi-conductors, on electric vehicles, renewable sources of energy - these are areas of immense opportunity for India, these are areas which are likely to attract tremendous investment from foreign direct investors and for foreign investors like what they see in terms of growth. This is something that bodes very well for India.

Where does Standard Chartered fit in India's banking space among MNC banks?

There are huge opportunities in things like GIFT City. India has a large-scale local market. We are the top banker for large local corporates. We are leading among international banks in terms of arranging external bond financing and local currency bond financing. Again, we have a very attractive customer value proposition regarding the affluent in India. All of this gives us a tremendous upside. We are looking at GIFT City as a very important opportunity. We were the first international bank to establish a presence in GIFT City and we want to capitalise on that by ramping up our focus on investment and trying to do as much as we can.