India's financial services sector is the biggest and strongest ever: DFS secy

Business Standard BFSI INSIGHT SUMMIT

The three-day premier event begins with the who's who of the BFSI sector converging to debate the road ahead. Discussions ranged from setting up new banks to meet diverse credit needs to 'digital arrests', and more

PHOTOS: KAMLESH PEDNEKAR

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The three-day *Business Standard* BFSI Insight Summit 2025 kicked off on a high note on Wednesday with leading personalities from the finance and banking world setting the context for India's growth story against the volatile global backdrop. Top bureaucrats, bankers, economists and thought leaders offered multiple takeaways across some 15 sessions on the opening day of the fourth edition of the summit in Mumbai.

In the inaugural session, M Nagaraju, secretary, Department of Financial Services, Ministry of Finance, brought out the point that India's financial services sector is currently "the biggest and strongest ever in the country's history". He stressed that the current strength and stability should not lead to complacency in due diligence and credit underwriting in the banking sector.

Speaking before the who's who of the financial world, Nagaraju said public sector banks (PSBs) made their highest ever profits last year and their dividend payout to shareholders was at a record high. The government's measures, both legislative and procedural in the BFSI sector, were now showing results, he added.

About a new round of consolidation in PSBs, he said the government "remains alive to this and we continue to receive suggestions and new ideas."

Nagaraju also called for setting up more banks for servicing the diverse credit needs of the economy. "The goal for a Viksit Bharat by 2047 with a per capita income of $18,000 to $20,000 will require more banks — large banks, mid-size banks, and smaller banks..."

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"WE CONTINUE TO RECEIVE SUGGESTIONS AND NEW IDEAS ON A NEW ROUND OF CONSOLIDATION IN PSBS"

M Nagaraju
Secretary, Department of Financial Services, Ministry of Finance

"I'LL NOT BE SURPRISED IF THERE IS A 7 HANDLE IN FRONT OF THE DECIMAL PLACE (FOR GDP GROWTH) FOR THE FULL FINANCIAL YEAR"

V Anantha Nageswaran
Chief Economic Advisor

"THE ROOM FOR POLICY ACTION REMAINS, BUT TIMING AND MAGNITUDE WILL DEPEND ON EVOLVING CONDITIONS"

Poonam Gupta
Deputy Governor, Reserve Bank of India

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In his address, V Anantha Nageswaran, Chief Economic Advisor, government of India, said India's GDP growth could touch 7 per cent by the end of the ongoing financial year (FY26). "Couple of months ago, we faced a penal tariff of 50 per cent from the US and a lot of us were wondering whether the economic growth rate in the current financial year would sort of tend towards the 6 per cent range. That was a concern at that time. Now, fast forward two months later, people are wondering whether it will be 7 per cent or above," he said. "...Together we feel that this financial year, we will be somewhere to the north of our range of 6.3-6.8 per cent, even above 6.8 per cent for the full financial year. I will not be surprised if there is a 7 per cent handle in front of the decimal place for the full financial year."

Nageswaran struck a chord with the audience when he cautioned the financial sector about the rising cyber crimes. The CEA said that many elderly people were being robbed of their hard-earned savings by "digital arrests" and banks had an obligation to treat those cases both urgently and sensitively. "Banks have an obligation and a personal self-preservation interest to take digital arrest much more seriously than what they are doing so far. Without that, there will be a tendency for people to withdraw their bank deposits and adopt an inferior solution of keeping them under the mattress. This is also likely to lead to cash and circulation going up and banks losing their intermediation role, etc. Therefore, taking digital arrest very seriously by the banking community and the banking fraternity is very important because it might over time undermine the very foundation of banking," the CEA said.

In yet another fireside chat, Poonam Gupta, Deputy Governor, Reserve Bank of India said GDP growth rate at 6.5 per cent, with a forecast of 6.8 per cent, was not "our destination, potential, or aspiration". She explained that the room for policy action remains, but the timing and magnitude would depend on evolving conditions. "Fiscal policy has been strongly supportive of growth. This has come through two key channels, a steadily improving tax system and a decisive shift in spending from revenue expenditure to capital expenditure," she said.

On navigating global protectionism, Gupta said the challenge was in identifying new sources of growth to sustain an accelerated trajectory. "Trade has not been a strong driver in recent years and is unlikely to return to the levels seen during the phase of hyper-globalisation, she said.

About navigating global protectionism, Gupta said the challenge lay in identifying new sources of growth to sustain an accelerated trajectory. Trade, she said, had not been a strong driver in recent years and was unlikely to return to levels seen during the phase of hyper-globalisation.

On credit growth, C S Setty, chairman of the State Bank of India (SBI), said that RBI data showed credit was growing in double digits, which was reasonable. "There is significant growth happening in MSME credit. Today, there is greater confidence among banks to lend to MSMEs because of data availability and clarity in terms of their business models. There is also significant credit demand coming from the agriculture sector. Both sectors are witnessing 16-17 per cent growth rates. On the retail side, mortgage growth is good. The only thing lagging is corporate credit growth. Non-banking sources are also available to corporates," he said in a fireside chat.

Setty added that Indian corporations had large cash reserves. "If any capital expenditure is happening, they will use that cash first. The private capex cannot alone be financed by bank credit. The government and the banks would like as much private capex to come back," he said. "Most companies are able to operate at higher capacities now. Today, technology allows them to operate at 90 per cent capacity utilisation. Global disruptions, supply chain disruptions, tariff-related issues are all creating some uncertainty in the minds of people. But private capex will come back soon for the simple reason that this economy is built on domestic consumption. As soon as stability in domestic consumption is visible, the capex will pick up."

KV Kamath, chairman and independent director of Jio Financial Services, said technology in the sector had made financial systems more seamless, allowing savings to move into various forms of investments, savings and consumption channels. "The layperson in India is now asking if banks are the only structure for such activities. People are deploying their savings into investment products that provide the highest returns on a risk-adjusted, tax-adjusted basis. This shift has only gained momentum in the past four or five years, with structural enablers like pension systems, insurance and the mutual fund industry playing key roles. The capital market now operates in parallel with the banking system, offering consumers more choice," he said in a fireside chat.

C S Setty *(left)*, chairman, State Bank of India, and M Nagaraju, secretary, department of financial services