

GUV CLARIFIES ON CONTROVERSIAL REMARK

Rajan: Growing Fast But Still a Long Way to Go

Criticises bid to get to literal meaning of every phrase uttered by public figures

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Pune: Reserve Bank of India Governor Raghuram Rajan cautioned that being the world's fastest-growing major economy shouldn't breed complacency, setting in context his remark that "in the land of the blind, the one-eyed man is king". The latter comment, made recently in the US about India's growth in the backdrop of global economic uncertainty, appears to have hit a political nerve.

"Growth... is just one measure of performance," Rajan told students graduating from the National Institute of Bank Management in Pune on Wednesday. "The level of per capita GDP is also important. We are still one of the poorest large countries in the world on a per capita basis, and have a long way to go before we reasonably address the concerns of each one of our citizens."

He compared the country's record with that of its northern neighbour, the world's fastest-growing economy until being overtaken by India.

"We are often compared with China. But the Chinese economy, which was smaller than ours in the 1960s, is now five times our size at market-exchange rates," he said. "The average Chinese citizen is over four times richer than the average Indian. The sobering thought is that we have a long way to go before we can claim we have arrived."

As head of RBI, he needed to have a clear-eyed, non-triumphalist view. "As a central banker who has to be pragmatic, I cannot get euphoric if India is the fastest-growing large economy. Our current growth certainly reflects the hard work of the government and the people of the country, but we have to repeat this performance for the next 20 years," Rajan said. "We cannot get carried away by our current superiority in growth, for as soon as we believe in our own superiority and start distributing future wealth as if we already have it, we stop doing all that is required to continue growing... This movie has played too many times in India's past for us to not know how it ends."

He also made the point that attempting to get to the literal meaning of every phrase uttered by a public figure would stifle debate.

"My intent was to signal that our outperformance was accentuated because world growth was weak, but we in India were still hungry for more growth," Rajan told the students.

‘Don’t Allow Cacophony of Voices to Debilitate Banking Decisions’

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Vinod Rai says the problems are immense, but it’s not that banks haven’t faced them in the past

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Pune: Bank Board Bureau chairman Vinod Rai on Wednesday said “cacophony of uninformed voices” should not be allowed to weaken the decision-making skill of bankers.

“The banking sector has seen considerable stress in recent years. However, we should not allow the cacophony of uninformed voices to debilitate the decision-making capability of bank executives,” Rai, a former Comptroller and Auditor General (CAG), said at the convocation ceremony of the National Institute of Bank Management in Pune. “The problems are immense, but it is not that we have not faced such problems in the past.”

Rai said he sees the present time as a renaissance moment for India as the country is gifted with excellent macro-economic stability.

At a meeting with investors in New York, finance minister Arun Jaitley had said India’s economy could grow 8-8.5% in 2016-17 if forecasts of normal monsoon prove correct. The Economic Survey has projected India’s economic growth to remain within a

range of 7-7.75% in 2016-17 against an estimated 7.6% growth in 2015-16.

Rai stressed the fact that all loan defaults cannot be seen as corrupt. “Caution and prudence in banking activity can hardly be overemphasised,” he said. “However, not all loan defaults are wilful, and not all lending activity — even if it is to salvage such stressed accounts — can be branded as corrupt practice or criminal misconduct.”

He said one should refrain from painting a situation as alarming as it could lead to a backlash and banks could become risk-averse, leading to lending freeze. Rai said it was meaningless to debate ad-infinitum on the escapades of one or two industrialists. “We cannot allow normal loan advancing activity to come to a standstill based on the experience of a few cases of mismanagement,” Rai said. “These borrowers comprise a small minority and cannot become the barometer of banking decision-making.”

Highlighting the need to ensure level-playing field in remuneration of public sector bank employees, Rai said the Banks Board Bureau will try to bring about a more pragmatic com-



Chairman of the Banks Board Bureau Vinod Rai (left) with RBI governor Raghuram Rajan at the 12th convocation of the National Institute of Bank Management (NIBM) in Pune on Wednesday

penetration structure.

“It is acknowledged that the public sector has limitations on the score of compensation package per se,” Rai said. “However, an adequate reward structure around ESOP, performance-linked incentives and other benefits can surely be designed to attract the best talent to the public sector.”

He said the bureau will attempt to

provide public sector bank boards a sense of purpose and direction by adequately infusing professionalism and domain experience in them.

“Bank boards need to focus on long-term business strategy, risk management, IT application and the required degree of oversight to facilitate a well-calibrated recovery from the present imbroglio,” he said.