

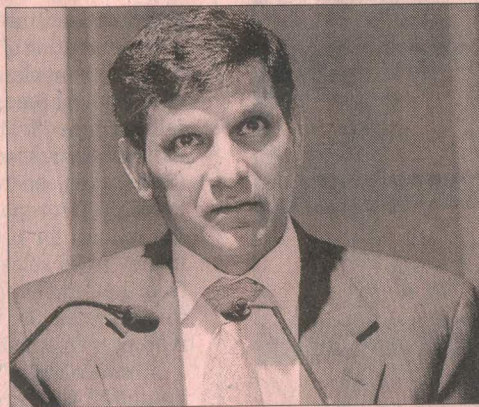
Rajan warns against growth euphoria, clears stand on 'one-eyed king' remark

fe Bureau
Pune, April 20

AMID some controversy over the 'one-eyed king' remark, Reserve Bank of India (RBI) governor Raghuram Rajan observed on Wednesday his comments had been taken out of context and clarified he was not denigrating the country's success.

Speaking at the convocation of the National Institute of Bank Management (NIBM), Rajan said while the domestic newspapers headlined the phrase 'in the land of the blind the one-eyed man is king' and offered the surrounding context, few had read beyond the headlines.

"So, the interview became moderately controversial with the implication that I was denigrating our success rather than emphasising the need to do more. My general point is every phrase or word a public figure speaks is intensely wrung out for mean-



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RAGHURAM RAJAN, RBI governor

ing," Rajan explained.

According to the governor, when words are 'hung out to dry out of context' as in a newspaper headlines, it becomes fair game for anyone who wants to 'fill in meaning to create mischief'. "Worst of course are words or proverbs that have common usage elsewhere because those can most easily and deliberately be misinterpreted," he added.

He explained that his intent in saying it was an off-

hand comment in an interview and was 'to signal that our outperformance was accentuated because world growth was weak'.

The governor was recently criticised by the political brass for his comments on India at an interview in Washington last week. Commerce minister Nirmala Sitharaman was quoted by agencies as saying that she was 'not happy with the choice of words'.

While India, Rajan said, is

the fastest growing large country in the world, with its manufacturing capacity utilisation at around 70%, the potential for growth is undoubtedly higher.

Comparing India to China, he said that the Chinese economy, smaller than us in the 1960s is now five times our size. "An average Chinese citizen is over four times richer than an average Indian," he said, adding that as a central banker he has to be pragmatic and I cannot get

euphoric that India's is the fastest-growing 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 twenty years before we can give every Indian a decent livelihood," Rajan said.

The governor said that India has to deliver upon its promises to the world because India is still the poorest country on a per capita basis, among the BRICS. Referring to India's inability to deliver in the past, the governor said, "This movie has played too many times in India's past for us not to know how it ends."

He also said he wants to apologise to a section of the population that he hurt, the blind. "After all, the proverb suggests that a one-eyed man is better than a blind one. So I am indeed sorry for implying the blind were otherwise than capable," he said.

'Working on improving PSB compensation package'

fe Bureau

Pune, April 20: The Banks Board Bureau (BBB) will work towards ensuring a level-playing field for the top echelons in the public sector, who are often called upon to take major banking decisions having social or infrastructure-related overtones, and hence, deserve to be adequately compensated, BBB chairman Vinod Rai said.

Delivering his convocation address at the National Institute of Bank Management in Pune on Wednesday, the BBB chairman said there was a need to innovate on compensation packages for public sector banking execu-

tives. "If they have to face complex challenges, and do so in the face of competition from foreign and other entities, their efforts and capabilities need to be adequately rewarded and to some extent at least be made comparable to similarly placed executives in the private sector," Rai said.

While the public sector had limitations on the score of compensation package per se, an adequate reward structure around ESOPS, performance-linked incentives and other benefits could be designed to attract the best talent to the public sector, he said.

The BBB was committed to inno-

vating solutions on this score, he said, so that professionalism and domain experience could be infused into the banking system.

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 current imbroglio, he added.

Rai also called for strengthening of governance in banks. "Banking activity has become very complex. It has become very competitive. It attracts the best of professionals and hence, compensates them handsomely," he said.

Talking to the graduating students

of the PG diploma in management (banking and financial services), Rai said they were commencing their career at a time when the global banking sector was facing huge challenges. He called this a renaissance moment for the Indian banking industry and said they would be the principal drivers of this renaissance movement in the Indian banking industry.

He considered this renaissance moment as gifted with macro-economic stability and said there was a need to bring about structural changes so that "the stressed assets of the kind that we were currently experiencing become a thing of the past".

