



NIBM organizes a two-days conference on “Indian Banking System: Way Forward on the current crisis”

Posted By: editorial desk on: July 10, 2019 In: Banking/Finance/Healthcare/Insurance No Comments

The captioned conference was organized by the National Institute of Bank Management, at its campus in Pune.

Pune: The Panel Discussion on *Moving Forward: Challenges and Opportunities were chaired by* the panel comprising of eminent practitioners like Shri V. G. Kannan (CEO, IBA), Shri Hemant Contractor (Ex-CEO, PFRDA), Shri Anand Sinha (former Deputy Governor, RBI) and Prof. M.S. Sriram (IIM Bangalore). The event was moderated by Prof. Sanjay Basu, faculty, NIBM.

The introductory address was given by Dr K.L. Dhingra, Director, NIBM. He highlighted the implications of the 2019-20 Union Budget proposal for the banking and financial services sector. Shri V.G. Kannan, outlined the need for broad-based credit growth, the contrasting trends in GNPA and NNPA, the dangers of interconnectedness between financial sector entities and the acute liquidity crunch for NBFCs. He emphasized on regulated adoption of fin-tech, to achieve the twin goals of quality customer service at a reasonable cost and cyber security. He also spoke of sustainable project finance and the role of the corporate bond market. In his opinion, such developments necessitate the preference for specialists over general cadres in HR policies of banks.

Shri Hemant Contractor struck a note of cautious optimism. He felt that the NPA crisis was due to the lack of credit appraisal skills for infrastructure projects, dearth of experience in loan syndication, inadequate monitoring and the pressure of annual loan targets. He suggested that dual control of PSBs, by the RBI and the government may also have contributed to the crisis. He insisted on higher ROA and a stronger CRAR regime as prerequisites for access of PSBs to global capital markets. He urged them to leverage on fin-tech, to maximize the benefits from PMJDY.

Prof. M.S. Sriram explained the problems with long-term forecasts, for credit appraisal, in good times. He argued for the revival of DFIs, to ensure (i) availability of specialized credit management skills and (ii) mitigation of concentrated risk. He also highlighted the need for more diversified loan portfolios, with due weightage to retail and SME segments, which are weakly linked to economic cycles. In contrast, corporate credit is much more strongly correlated. In conclusion, he reiterated the need to implement the bank reform agenda, before further consolidation measures.

Former Deputy Governor, RBI, Shri Anand Sinha, began with a distinction in NBFC regulation between India and the developed economies. He pointed out that the Indian approach is more structured. He also identified a few areas of improvement for the Indian banking sector. These include (i) credit culture (ii) capital planning process (iii) adherence to stringent CaR norms and (iv) ethical standards in governance. He concluded with an argument in favour of continuation of bank funding of infrastructure projects, supported by the development of credit derivative and secondary loan markets.

The function concluded with a series of questions from the moderator and the audience.

This news was update on July 11, 2019 on receiving a request for update from the source.

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