

Bankers' thumbs-up for easing stressed assets structuring norms

Our Bureau



October 4:

Top bankers welcomed the 25 basis points cut in repo rate announced by the Reserve Bank of India in its fourth bi-monthly monetary policy review.

They also gave a thumbs-up to the proposal to ease asset classification norms under the Scheme for Sustainable Structuring of Stressed Assets (S4A). The rate cut decision was unanimously taken by the six-member Monetary Policy Committee, which held its maiden meeting over two days – October 3 and 4. The review was also Urjit Patel's first as RBI Governor.

Arundhati Bhattacharya, Chairman, SBI: The committee decision to cut the repo rate by 25 bps was on expected lines. With the benign inflation trajectory, going forward, the RBI's policy stance is expected to remain accommodative. Banks will continue to transmit rates based on evolving liquidity scenario.

Chanda Kochhar, MD and CEO, ICICI Bank: I welcome the RBI's move to cut the repo rate by 25 basis points as well its intent to support liquidity.

These steps will give a strong impetus to both consumption and investment-led growth for the country.

The strong focus by the government on supply-side measures, which have resulted in containing inflation, has provided room to the RBI to support growth through this rate cut.

Ravindra Prabhakar Marathe, CEO and MD of Bank of Maharashtra: The rate cut is indicative of the softening of the interest-rate regime in the economy. We hope this will pump-prime the fresh investment cycle. Interest rates are bound to come down. The market had already accounted for 25 basis points cut in repo rate. Monetary policy transmission is already structured in the MCLR methodology and is largely dependent upon the cost of deposits.

Rana Kapoor, MD and CEO, YES Bank: The swift pace of disinflation in the economy led by food prices, following the normal monsoon, evidently justifies the continued monetary easing. Today's rate cut will boost sentiment and contribute towards reinvigorating growth impulses further.

I am certain that the sustainable benign impact of good monsoon on food prices amid government's structural policy reforms would help anchor the momentum of inflation within the RBI's comfort zone in the coming months. This should create space for additional monetary easing to the tune of 50-75 bps.

Ashwani Kumar, CMD, Dena Bank, and Chairman, IBA: For the busy season of the financial year, a cut in repo rate by 25 basis points is indeed a welcome sign.

With the MCLR already stabilised, the pass-through of this cut is expected to be quite swift.

From the statement, the RBI is quite optimistic about the growth trajectory and has retained its GVA projection for the year 2016-17 at 7.6 per cent.

It is pertinent to note that the growth estimate of the RBI for the year 2016-17 is constantly kept at the same level, thereby indicating that the risk factors to domestic growth are not substantial, probably due to the fact that growth is propelled by domestic factors than external factors.

Since inflation is following the expected trajectory, the focus of the RBI has now shifted to growth. One of the positives for the banking sector from the regulatory angle is the relaxation given on the treatment of sustainable debt under S4A. Though detailed guidelines are awaited, the move is a big positive for the banking sector.

Chandra Shekhar Ghosh, Founder, MD & CEO of Bandhan Bank : The 25-bps rate cut will definitely give a fillip to the credit growth which continues to remain low.

Even though the fiscal year-end growth projection (of 7.6 per cent) has not changed, the policy statement indicates that the momentum of growth may quicken with a normal monsoon raising agricultural growth and rural demand, as well as urban consumption spending from the Pay Commission's award.

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The RBI's decision to fine-tune the stressed assets structuring norms is also a welcome move.

P Jayarama Bhat, MD & CEO, Karnataka Bank : The proactive move of the MPC in providing funds at a cheaper rate by signalling a reduction in the interest rates will help the revival of credit to the productive sectors, boost liquidity, improve sentiments and will also result in the economy recovering at a faster pace.

Shyam Srinivasan, MD & CEO, Federal Bank : The RBI policy is clearly led by pragmatism. The unanimous decision of the MPC to cut rates by 25 bps clearly signals continuation along the direction of growth. The S4A announcement permitting classification of sustainable portion as standard is quite pragmatic and realistic. The overall accommodative stance of the policy will ensure that the credit streams keep flowing and prevent any choking that may slow the economy's growth pace.

N Kamakodi, Chief Executive, City Union Bank : The reduction was on expected lines. As regards credit pick-up, looks like things are stabilising, particularly considering the last quarter and the current one. Incremental problems are coming down, but it probably will take another two-three quarters for growth to bounce back.

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