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Banking sector faces stress due to 'stalling' in 2011-13: SBI Chairman Arundhati Bhattacharya

By PTI | Updated: Jul 06, 2016, 01.52 PM IST

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NEW YORK: India's banking sector currently faces some stress mainly due to "stalling" of projects between 2011-2013 and efforts are being made to ensure the "de-bottlenecking" of these projects, SBI Chairman [Arundhati Bhattacharya](#) said.

"The banking sector (in India) faces some amount of stress at this point of time mainly because of the kind of stalling of projects that we saw happen between 2011-2013. Currently we are trying our level best to ensure the de-bottlenecking of all of these projects that got stalled. Some amount of that has been done and a lot still needs to be done," Bhattacharya, 60, said.

There is "obviously" an issue in respect of more and more capital requirement for the banking sector itself and "we are working on various means of ensuring that the banking sector itself is strengthened," she said yesterday at a conversation organised by the Consulate General of India in association with [State Bank of India](#) and the Indus Entrepreneurs on India- Changing Economic Landscape - Opportunities and Challenges'.

Bhattacharya, who had met investors and rating agencies during her visit to the city, said the macro-economic parameters in the country are "very good", saying the fiscal deficit is well contained.

She pointed out that inflation is "quite well-contained" and India should be well within the "glide path" set by the [Reserve Bank of India](#) for the Consumer Price Index (CPI) inflation to be five per cent or less by January 2017.

"We think we will get there," Bhattacharya said, adding that there had been a recent uptick in CPI but that was mainly on account of vegetable and pulses and the core CPI is actually showing a constant downtrend.

She said the interest rates are also coming off from their historical highs and "currently they are quite low but may be not low enough to really kick start a lot of investments".

Bhattacharya said the per capita consumption by Indians of both steel and power is one of the lowest in the world.

"There is a huge consumption gap already existing in India and as demand comes back in, it is expected that consumption gap will drive productivity and we would see many of these assets coming back on stream.

"I believe overall we are very close or at the inflection point where the economy is concerned. The government has been very wise in bringing about the right kind of changes," she said, adding that the government has given the right kind of impetus with its various flagship programmes like 'Start-up India' and 'Digital India'.

"We feel that there is a very real possibility that the impetus that the government is going to take, will take route and will enable the country to move forward. This is the best time to be in India," Bhattacharya added.

On Brexit, Bhattacharya described the referendum as a "wrong step" saying the world today has to globalise and get more connected and collaborative.

"You cannot roll back what has already happened and become protectionist. Regarding business itself, we don't believe there will be a very large setback for a very large period of time because the financial sector in the UK was always the most open and the most vibrant.

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Therefore to see it on a reversal path seems a little difficult for us. We have to still assess what the impact will be," she said.

Bhattacharya pointed out that "uncertainty" of any kind is "bad" and "today there is a lot of uncertainty as to how the Brexit will play out. That is really not good for the financial system as such," she said, adding that the SBI has 12 branches in the UK that cater to particular niche operations including one branch that does wholesale operation.

The bank's balance sheet in the UK will shrink because the Sterling has become weaker as compared to the dollar, she said.

On Brexit's impact on India, she said "if we are to renegotiate our access rights probably we will be able to do a better job than what we have right now because they will have to be separately renegotiated with both the EU and the UK".

"To that extent I think it will be a kind of a mixed bag, very difficult at this point of time to predict how it will go," she said, adding that in the UK, currently there is a "total vacuum" of leadership and "you don't know what's going to happen".

"While people are getting empowered and more informed, it is important to understand that a leader has to act like a leader. There has to be a leader to take certain decisions. You cannot always have referendums to do all the decisions," Bhattacharya added.

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