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Complexity of Indian financial system warrants robust corp governance in banks: Shaktikanta Das

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RBI **Governor** Shaktikanta Das Friday said efforts are being made to strengthen corporate governance in the public sector banks to effectively check incidence of financial frauds.

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In his first public speech after assuming the charge as RBI Governor in December, Das also flagged challenges that Indian companies may face on account of developments around the Brexit.

Speaking at the 9th Vibrant Gujarat Global Summit 2019, the RBI chief said the central bank is committed to play its role as the monetary authority for maintaining mandated price stability objective while keeping in mind the objective of growth.

As the regulator and supervisor of the banking sector as also payment systems, the Reserve Bank "will take necessary steps to maintain financial stability and facilitate enabling conditions for sustainable and robust growth", said Das, who would be chairing the Monetary Policy Committee meeting for the first time next month.

The RBI governor further said that the growing size and complexity of the Indian financial system warrants strengthening of corporate governance systems in banks.

Citing incidence of financial frauds in recent times, he said such cases further underscore the significance of sound corporate governance standards in banks.

"The government, the Banks Board Bureau and the Reserve Bank are currently engaged in developing an objective framework for performance evaluation and this should redefine the contours of corporate governance in the public sector banks (PSBs) with a focus on transparency, accountability and skills," Das said.

The PSBs have been hit by a series of frauds in the recent past, including the much-talked about Rs 14,000 crore fraud at Punjab National Bank.

Referring to the problems being faced by the non-banking financial sector, the RBI chief said the debt default of a systemically important NBFC highlighted the vulnerability and need for strengthening regulatory vigil on the sector in general and on asset liability management (ALM) framework in particular.

"The Reserve Bank intends to strengthen the ALM framework for NBFCs and harmonise it across different categories of NBFCs with the objective of enabling the NBFCs to play a vital role in our economy," he said.

In order to allow additional access to funding for the NBFC sector in the wake of the recent crisis, the Reserve Bank has relaxed the norms for NBFCs to securitise their loan books, he added.

On challenges before the economy, Das said the foremost priority is to preserve domestic macroeconomic and financial stability, especially in a global environment that is clouded by high uncertainty.

Not only downward risks to global growth, trade and investment have risen, but also the spillover effects on emerging markets due to increase in global interest rates could be profound, he said.

"We, therefore, need to brace ourselves for any sudden bout of global financial market turbulence that domestic economy and financial markets may face in the period ahead. In such a milieu, domestic macroeconomic policy framework needs to be supported by sound

financial supervision and regulation," the RBI governor said.

As a few advanced economies are on the path of monetary policy normalisation, there has been global portfolio rebalancing away from emerging market economies, including India, the RBI governor said.

Another factor that has repercussions for India's external sector is the recent developments around Brexit, he said adding that there are consequential policy challenges for India which enjoys strong trade and investment relations with the UK and the EU.

"We will carefully weigh the challenges and opportunities that lie ahead and undertake appropriate policy responses," the central bank chief said.

Indian companies may face pertains to developments around Brexit, he said and added "Indian companies and policy makers need to suitably weigh all opportunities and challenges, and accordingly re-strategise to respond appropriately".

On his appointment as RBI Governor, Das said he had no clue that he would get the job at the central bank.

Months before his appointment, he had in October tweeted 'central banks across countries have a very critical role at the current juncture. The challenge is to try and read the situation and take decisive steps in pursuit of their multiple responsibilities'.

Now, he said "as governor of the [Reserve Bank of India](#), it would be my endeavour to act according to these principles".

Das was appointed as RBI Governor following the unexpected resignation by Urjit Patel.

Das, a former IAS, had served for long in the Ministry of Finance and has dealt with the RBI as in various capacities.

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