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Government should have a say on prudential banking norms, suggests Swaminathan Gurumurthy

BY [ATMADIP RAY](#), ET BUREAU | JUN 16, 2020, 09.09 PM IST

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KOLKATA: Reserve Bank of India central board director [Swaminathan Gurumurthy](#) has suggested that the government should have a say on prudential [banking norms](#), and that it should not be viewed as something against central bank's independence.

Big Change:
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"The [RBI](#) and the government should sit together and offer a one-time restructuring option to all those accounts which are declared NPAs," he said Tuesday, referring to the complimentary role of both the fiscal and monetary authorities.

Central banks' autonomy has been a contentious issue across the globe and there is no set formula for the same.

Gurumurthy also said that growth stimulus for the economy has to come from internal demand while supply side measures such as pushing bank loans may have limitations at this juncture.

Expecting another fiscal package towards the end of the second quarter when the spread of Covid-19 may subside, he said that the government may need to [monetise](#) deficits by printing money since the strained fiscal positions of the sovereign has squeezed room for more fiscal packages.

"Banks cannot drive growth. Banks can only prevent it from falling further. The growth stimulus has to come from internal demand and that will



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In a video call with businessmen, organised by [Bharat Chamber of Commerce](#), Gurur announced by the government might not be final because the Covid situation is still an extent of financial impact now.

Economic forecasters have predicted Indian economy to contract by 4 to 6.8 per cent

Gurumurthy however expressed hopes that the economy would rebound faster than an quarter of next fiscal.

Till now, both the fiscal and monetary authorities are following accommodative policies to boost credit growth. Banks are flushed with liquidity and cost of fund has been reduced to encourage entrepreneurship.

He said that the economy would reinvent itself with more weightage on the health and allied sectors while the consumption pattern would change to a necessity-driven one from as aspiration-led one.

He also said that a change in the global economy is also on order with it shifting from multilateralism to unilateralism.

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