



Health of banks set to improve: RBI

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Health of banks set to improve: RBI-Reducing capital requirement norms not in best interests of the economy, says the central bank

- Indian banks, especially those in the public sector, that have been reeling under stressed assets for the last few years, may have something to cheer about in the new year.
- This is because the Reserve Bank of India (RBI), in its annual 'Trends and Progress of Banking in 2017-18' report, pointed out to the revival in credit growth in the first half of current financial year, and said, "overall improvement in the health of the banks is on the cards."
- In addition, the banking regulator also noted that the stressed assets of banks had begun to stabilise, albeit at elevated levels.
- It added that the banks' capital positions had been buffered and the provision coverage ratio had improved to 52.4% by end-September 2018.
- At the same time, the central bank reiterated its stand that relaxing capital requirements was not in the best interests of the economy as current levels of provisions maintained by banks may not be enough to cover expected losses.
- Regarding banks under the prompt corrective action framework, the report said those lenders have shown improvement in the share of current and savings account deposits and increased recoveries from NPAs, while reducing riskiness of assets.

Conflict of interest

- Observing that the presence of RBI officials in the boards of public sector banks leads to 'serious conflict of interest,' the central bank said there is a need to bring in legislative changes to do away with the requirement of nominating RBI officials as nominee directors on the boards of PSBs.
- The central bank also said appropriate regulatory actions were taken against some private sector banks on account of certain lapses in their

functioning and governance.

- The RBI said a review of the compensation norms of whole-time directors in private sector banks is on the cards.

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