

Recent RBI policies to help banks stay at equilibrium: Kamath

SUBRATA PANDA & ANJALI KUMARI

Mumbai, 9 October

The recent policies that have been announced by the Reserve Bank of India (RBI) will allow banks to fully use its capital, funding profile to keep business at an equilibrium level, which otherwise was getting skewed towards retail, said K V Kamath, chairman, Jio Financial Services.

The RBI last week announced 22 measures aimed at boosting credit flows to the real economy and promoting ease of doing busi-

ness while lowering banks' costs. These include a nod for banks to fund acquisitions of Indian non-financial sector companies, upgraded ceilings for loans against securities and IPO financing, and tweaks to risk weights on home loans.

Indian banks will now be allowed to fund acquisitions of non-financial entities and finance land acquisition by special purpose vehicles (SPVs). These were a long-standing demand of the lenders. Another significant measure to bolster credit flows to

JIO FINANCIAL CHAIRMAN ALSO HIGHLIGHTED THAT INDIA IS NOT AN ECONOMY THAT HAS BEEN DRIVEN BY FOREIGN CAPITAL

India Inc was the removal of the ₹10,000 crore loan ceiling for a specific borrower by the banking system, although bank-specific restrictions continue. Loans by a bank are capped at 20 per cent of its net worth to a particular borrower and 25 per cent to a group.

These measures, experts and

bankers said, will increase demand for bank funding from the corporate sector, which has been moving away from bank funding towards capital markets and overseas borrowings.

The RBI has also proposed to remove the regulatory ceiling on lending against listed debt securities and enhance limits for lending by banks against shares from ₹20 lakh to crore, and for IPO financing from ₹10 lakh to ₹25 lakh per person.

Separately, Kamath also highlighted that India is not an econ-

omy that has been driven by foreign capital. "Foreign capital comes in through three ways: One is through the capital markets as an investment; through foreign direct investment (FDI); and through long-term funding in foreign currencies. But we are something interesting. Instead of foreign capital coming in, we are seeing global companies now listing in India. I have not seen tonnes of foreign capital come in over my career of 55 years," Kamath said, adding: "Foreign capital will not be the foundation

on which we will grow."

Explaining how capital is flowing in, Kamath said highway projects and green power companies are now able to raise funds through infrastructure investment trusts. "So, we are seeing corporates going to the corporate bond market, rather than the bank funding market. Infrastructure companies, which till three years back were going to the banks for funding, are now tapping the bond market," he said, adding that a diversification of funds is taking place.