CII
Confederation of Indian Industry

BANKING COLLOQUIUM 2011

FINANCING GROWTH INITIATIVES: OPPORTUNITIES & CHALLENGES

A CONSUMER CONNECT INITIATIVE

In Need Of Risk Management

India's financial sector needs to gear up to face challenges from within and abroad

India faces the economic pressures of growing inflation, slowdown in global economies and slackening of domestic demand has cast dark shadows across the country. The junta at home is hard hit with pressures of rising costs and food inflation at 10.2 per cent. The next six months would be extremely crucial with "no space for an adventure".

However, as growth initiatives continue, the apex bank in taking steps to contain inflation and has begun to implement a number of initiatives such as financial inclusion and support development of infrastructure and trade. Efforts are made to safeguard industries in India from adventurists and risks arising from the continuing global instability that also affects the Indian economy.

Against this backdrop, bankers and financial experts got together to share thoughts at the Banking Colloquium 2011 organized by CII Eastern Region at Kolkata on October 20, 2011. The colloquium focused on financing inclusive growth, issues in corporate banking, infrastructure financing and SME banking.

Managing risks and ability to foresee disasters is the need of the hour. The economy stands to gain the most when these are done in the best possible way, said Diwakar Gupta, managing director and CFO, State Bank of India. Though the global economic meltdown is yet to affect most of India's population yet, care needs to be taken to safeguard further. The perception of risk management changes with time and India's financial sector needs to gear up face challenges from within and abroad. Data integrity, accurate data for accounts and effective corporate governance will be the requirement of the day and an effective tool of risk management.

Measures and regulations should be adopted by both bankers and industry alike, Indu Arun Kaul, chairman and managing director, UCO Bank. Banks must synchronize balance between ambition and capital. Financial institutions is not "natural science" that is built on stringent laws but has to be understood by the nature of demand and its changing needs. R Ramachandran, chairman and managing director, Andhra Bank, stated that economic downfall depends on susceptibility to greater changes. Rather than waiting for changes, one should foresee and adapt to a changed scenario. He sighted examples of countries in Japan, financial downturn in the US, and Europe's economic slowdown has affected India as well.

Bhaskar Sen, chairman and managing director, United Bank of India, said, "Bad days are ahead" since double-digit inflation looks imminent. Global assets recently could not come up with solutions. The growing worldwide demonstration on corporate greed and frustrations of unemployed does not portray an encouraging picture. Commodity price in India will be on the rise and the country itself depend on its agricultural sector for a possible land out through a resurgence of a green revolution.

The meeting was chaired by Rajeswar Sinha, chairman, CII eastern region, while Ravi Todi, chairman, economic affairs, finance taxation subcommittee, CII eastern region voiced a concern over the difficult days ahead.

Rajeswar Sinha, Chairman, CII Eastern stated that the Banking Colloquium 2011 aims to identify those areas of development which need to be focused upon in the next decade to ensure a smooth growth trajectory for the economy.

Ravi Todi, chairman, Economic Affairs, Finance & Taxation Subcommittee, CII Eastern Region, said that the objective of the CII Banking Colloquium 2011 is strengthening linkages between the stakeholders so that the growth process which India is witnessing at the moment can be inclusive and sustainable.

Dr Sangit Mukherjee, regional director, CII Eastern Region, affirmed that CII Banking Colloquium has emerged as a meeting ground of minds. It provides an opportunity for the industry to interact with the key players and leaders of the banking community as they converge under one roof.

ACCLaud PWC study on "How Financial Institutions can help East to Grow", was unveiled. It focuses on the importance of inclusive growth, in the region based on parameters of employment initiatives, infrastructure development and accessibility to financial institutions.

(Left to right) Sangit Mukherjee, regional director, CII (ER); Arun Kaul, CMD, UCO Bank; Diwakar Gupta, MD & CFO, SBI; Rajeswar Sinha, chairman, CII (ER); R Ramachandran, CMD, Andhra Bank; Bhaskar Sen, CMD, UBI; Partha Kundu, ED, PwC and Ravi Todi, CII (ER) finance sub-committee

Samir Agarwal of Indicab (left) in conversation with Ram Nath, CGM, SIDBI (facing front) with another dignitary

Better Funding For Infrastructure Sector Urged

Meet discusses and debates various bottlenecks and funding techniques

India ranks low in comparison to world standards in infrastructure financing, spending only about 4 per cent of GDP as compared to China where they spend as high as 10 per cent of the GDP. Looking for solutions for this slow off take, the Banking Colloquium debated the various bottlenecks and funding techniques.

According to Debabrata Sarkar, executive director, Allahabad Bank, bankers are not averse to infrastructure funding, and are even interested in funding large projects as a syndicate. Projects run into difficulties for a various factors, including financial delays as the discomfort of creating a "bad asset" remains.

Rajeev Krishnan, president, SBI Caps, highlighted the opportunities of the east and in the north east of India. There are challenges, he pointed out, in various inputs and also in acquiring government clearances leading to cost escalations.

With the present economic uncertainty gaining momentum, increase in interest rates and low earnings, are putting projects on hold, said Achal Kumar Gupta, chief general manager, State Bank of India.

DK Vyas, CEO, Srei Equipment Finance, pointed out that infrastructure development has been localized to an extent and needs to spread all over to provide a holistic growth to India's economy.

Call for better banking facilities in Indian villages, especially in the east

Time To Go Rural

Go to rural India and talk the language of the masses. The easterner's grin holds "the key for this growth as most of it is yet untapped," said Shiva Kumar, managing director of State Bank of Bikaner and Jaipur, in said economic resources in Indian depends on 70 per cent of the population that lives in Indian villages and so does the business of banks and financial institutions who control the growth.

The technical session, "Financing Inclusive Growth in the East" was chaired by Chandrashekhar Ghosh, founder and CEO of Bandhan.

MR Nayak, executive director, Allahabad Bank, said though a sizeable chunk of wealth (6 per cent of the bank is in east financing of small and medium enterprises. this need may grow further in the days to come.

"Policies are sadly out of place," feels Ram Nath, chief general manager, SIDBI "and there is a need to change to keep in tune with inclusive growth in rural India, especially in the east. There is no banking facility in most Indian villages and we need to share the progress of the country with the rural masses," said Indian villagers in remote areas do not know of the facilities available from a bank.

Asoke Chakravorty, regional manager, pension group scheme LIC India, highlighted the institutions exposure in the eastern region. He pointed out that micro insurance and products targeted to small and marginal income groups have found good acceptance.

Rohit Roy, associate director, financial services PWC, spoke of value chain systems and also pointed out that the large amount of data generated by various institutions should be refined and stored for effective use.

(Left to right) Ram Nath, CGM, SIDBI; Shiva Kumar, MD, State Bank of Bikaner & Jaipur; Chandrashekhar Ghosh, founder & CEO, Bandhan; Jeff Hoyen, ED, Allahabad Bank; Rohit Roy, associate director, financial service, PwC; Asoke Chakravorty, regional manager, pension group scheme, LIC India and Abhishikta Roychowdhury, CII

(Left to right) Sarbeswar Kumar, CGM, SBI (speaking); SVC Nandagopal, CGM credit, SIDBI; Vijay Venkeshwari, chairman, banking core group, CII (ER); N. Bansal, ED, United Bank of India; and Abhishikta Roychowdhury, CII

Sector lagging behind in getting loans from FIs, thus hampering business

Focus on SME Growth

(Left to right) Debabrata Sarkar, ED, Allahabad Bank (speaking); Achal Kumar Gupta, CGM, SBI; Vishal Agarwal, vice chairman, finance sub-committee, CII (ER); Rajeev Krishnan, president, SBI Caps; and DK Vyas, CEO, Srei Equipment Finance Pvt Ltd

Small and medium enterprises form the backbone of the India's economy while micro, small and medium enterprises (MSMEs) contribute 39 per cent of the nation's GDP, 45 per cent of the manufactured output and 40 per cent of exports. Yet, this sector is not a jazzy business to be in with new entrepreneurs shying away from seeking financial assistance from institutions.

What makes it different? Accessibility to financial institutions is still an area of discomfort. Not always do projects get cleared as easily. Yet it is to be noted, that financial institutions cannot survive without the SMEs. According to SL Bansal, executive director, United Bank of India, MSME projects should take into consideration cost over runs and the required infrastructures to support an industry, small or micro, is not usually there.

Banks want to have collateral security for providing loans, a security that is not always available to an entrepreneur. Vijay Maheshwari from Samudra Fiscal Services suggested that instead a closer look at "cash flow of a project and its viability should decide on giving a loan." Let the industries rise, bankers' money will be paid back.

Bankers should come out of the mindset of asking for collateral security comfort and might not to ask for satisfying a documentation process.

SVG Nandagopal, chief general manager, Credit SIDBI, said that despite existing factors, SMEs should be allowed to grow for an overall growth in India's economy.

Text : Dr Basav Bhattacharya, Pics by Debabrata Sharma

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