

FM promises to tighten bank norms

Finance minister Arun Jaitley vowed to tighten risk management in state run banks on Thursday and senior officials from his ministry pointed to signs of a growth revival as the government moved to assure investors about the state of the economy and its reform intentions.

Finance secretary Arvind Mayaram told a business meeting that growth was expected to be 5.8% in 2014-15, up from 4.7% in the previous year as his boss Jaitley assured bankers of steps to restore confidence in the system.

"If you look at the trend growth, then you see green shoots of recovery in the economy," said Mayaram. Two consecutive years of sub-5% growth has sapped confidence and led to job losses but the election of the Narendra Modi government has raised expectations of a revival in economic growth and bold reform initiatives.

The sharp economic slowdown has also hurt the balance sheets of state-run banks, which dominate the country's banking landscape. Stalled projects and slowing growth have meant that companies have piled up debt and bad loans of bank have gone up.

The recent arrest of the CMD of Syndicate Bank over bribery allegations have also cast doubts about the lending practices and the functioning of state-run banks. The build up of bad loans have stretched balanced sheets. "Some recent instances have been disturbing," Jaitley said, referring to the banking sector.

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