

## Indian banking sector to see revival in FY15, says S&P

Ratings agency Standard & Poor's (S&P) today said the Indian banking sector would continue to face hurdles, in terms of asset quality and earnings, next financial year. It added a revival in the sector would take place only in 2014-15.

A report by the agency said various reform measures by the government would improve the economy and corporate performance in 2013-14. This would, in turn, improve the performance of Indian banks in 2014-15.

For this financial year, S&P has estimated growth in gross domestic product (GDP) at 5.5 per cent, against the Central Statistics Office's estimate of five per cent.

The ratings agency estimates GDP growth in 2013-14 and 2014-15 at 6.4 per cent and 7.2 per cent, respectively. S&P's analyst Geeta Chugh said, "Increased government welfare spending in the election year, improvement in private consumption, lower interest rates and a better agricultural output would help the country achieve 6.4 per cent growth next year."

"We expect the corporate sector to start reviving in the latter half of financial year 2014," Chugh added.

The government's reforms push would be the key factor in any improvement in the performance of companies, S&P said. The formation of the Cabinet Committee on Investment to push large-investment projects could improve the operating environment for companies.

The land acquisition Bill passed by the Cabinet was another instance of the government's thrust on improving corporate performance, the agency said.

On deposit growth, investors shifting to gold and real estate were major challenges for Indian banks, it said, adding if Basel-III norms were to be implemented immediately, capital shortfall would be \$3-4 billion.

The Reserve Bank of India has set a deadline of March 2018 to completely shift to Basel-III capital norms.

S&P maintained its negative outlook on Indian banks. It said it didn't rate these banks above the country's sovereign rating, as any sovereign distress directly influenced the operations of Indian banks, including their ability to serve foreign currency obligations.

(Business standard)