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SBI blames adverse policies for missing private capital in infrastructure

BY PTI | NOV 29, 2018, 10.04 PM IST

Post a Comment

State Bank chairman Rajnish Kumar Thursday blamed some adverse policy interventions for the flight of private sector capital from **infrastructure** sectors and called for greater stability on the policy front.

Remarks come days after Union minister **Nitin Gadkari** blamed the **Reserve Bank** for "complicating" project finance and asked the **central bank** to aid infrastructure creation.

"We need private capital for infrastructure. But unless policymaking is conducive to private investment, we will have problems like we are facing today," Kumar told a conference on corporate governance organised by an advisory floated by ex-Sebi chairman M Damodaran.

"Private sector investments in infrastructure projects are stranded due to adverse policy interventions," Kumar said.

It can be noted that most of the over Rs 12-trillion of bad loans are from key infra space like power, steel, coal, telecom, and roads among others, where government or court-driven policy changes stranded dozens of projects either half way through implementation or never took off.

Speaking in the financial capital earlier this month, Gadkari had said financial closure for large projects were getting stuck due to the RBI.

"Unfortunately, many times the circulars issued by the RBI are creating more complications and this is one of the reasons why I am facing problems as far as financial closure of large projects is concerned," Gadkari said, while speaking at an ET awards function.

"I feel that it is appropriate time for RBI to support infrastructure," he added.

The SBI chief did not mention RBI in his speech nor did he name the policy changes which have hampered the private sector play in infrastructure.

Kumar also said there is a need for the regulators to take a liberal view and not go by the book alone in certain cases, as of late, the regulatory stance has hardened making compliance the key concern.

The "pendulum" has swung to the other extreme and it may be having adverse effects, the SBI chairman said, but underlined that the trust between the regulator and the regulated entities is essential.

He said domestic banking has gone the American way, where banks get off at the first sign of trouble, from the earlier approach of tolerance and rehabilitate an account to protect the enterprise.

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