RBI’s ‘enhanced’ role will deter malpractices, add credibility to financial system: President

Banks must take prudent measures to ensure that the public’s trust is not betrayed, says Ram Nath Kovind

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President Ram Nath Kovind, on Wednesday, said that the regulatory role of the Reserve Bank of India (RBI) has brought greater stability to banking operations, and added that the central bank’s enhanced role as a regulator will deter malpractices and make the financial system more credible.

Kovind was addressing a function organised to celebrate the golden jubilee of the National Institute of Bank Management (NIBM) in Pune. Maharashtra Governor Bhagat Singh Koshyari and RBI Governor Shaktikanta Das were also present on the occasion.

"The regulatory oversight of the Reserve Bank of India has brought greater stability to banking operations. I have learnt that recently the role of Reserve Bank of India as a regulator has been enhanced. We trust that this will deter malpractices and make our financial systems more credible," said Kovind, adding that considering the importance of banks in the economic system of the country, the Banking Regulation Act was implemented in 1949.

"As custodian of public money, banks have significant fiduciary responsibility in the economy. They have to take all possible prudent measures to ensure that trust is not betrayed in any manner. The recent proposal to enhance deposit insurance coverage from ₹1 lakh to ₹5 lakh is a positive step in the direction of assuring savers," he added.

The President said that India has become one of the largest economies in the world, and banks have been a constant part of the nation's growth saga. As India aims to become a $5-trillion economy, the banking sector has to start preparing for the next big leap. This mainly involves "banking with the unbanked" and "securing the unsecured", he said. "In this pursuit, I urge the NIBM to take up responsibility to create a human resources pool, which is skilled enough to serve banking institutions," the President added.

Proactive measures

He requested banks to take proactive measures to bring greater gender parity in the ownership of financial assets. As part of social responsibility, banks can adopt certain geographical areas for increasing financial awareness among women.

The NIBM may consider designing tool kits, which banks can use, the President suggested. RBI Governor Shaktikanta Das said that the banking sector has benefited a great deal with the absorption of technology, but to manage change effectively and to continue improving banking services through operational and strategic excellence, banks also have to ensure that change management is integrated into their strategic and operational domains.

"Towards this end, the NIBM can play a catalytic role in supplementing the efforts on developing leadership and domain skills for the financial sector by adopting the right mix of academic and experiential approach to skill development," he said.

Das added that the institute can undertake research and collaboration in the banking space to tackle emerging risks from issues such as climate change, cybersecurity and new business models.