The Effectiveness of Prudential Regulations for Banks: Global Perspective and Indian Context

Ashish Srivastava

Banking regulations intend to protect the interest of depositors, reduce the risk of bank failures, minimize the moral hazard, and strengthen the financial stability by controlling the behaviour of financial system participants and by building financial buffers. In countries like India, where banks dominate the financial sector, banking regulations assume added significance. This paper provides a global perspective on the prudential regulations and examines the extent to which the regulations could mitigate the risk of financial crises. It also analyses the role of macro-prudential regulations in achieving financial stability and its interaction with micro-prudential regulations. It further delves into the role of regulations in catalyzing financial innovations and hence, indirectly contributing to irrational exuberance and excessive risk-taking in the financial system. Certain other issues deliberated upon in this paper include a need to closely look at the nature and design of prudential regulations with a view to reducing complexities in regulatory and supervisory processes, and evaluation of the role of regulations in growth, governance, and performance of banks in India. The paper looks at the movement of credit to GDP ratio, the GDP growth trajectory, and a periodic emergence of credit gap in the Indian context, and discusses the utility of credit gap as an indicator for macro-prudential policy in India. This paper also analyses the pattern and movement of gross and net NPAs of the Indian banks and its relations with regulatory forbearance and supervisory processes. It suggests a continual need for strengthening institutional credibility for improving the effectiveness of regulatory and supervisory processes so as to achieve stability, transparency, and robustness in financial institutions and financial markets.

Peer to Peer Lending Platforms in India: Regulations and Response

Sudha P Rao
M R Anand

The paper examines Peer to Peer (P2P) lending in India, its growth and the way lending platforms have fared following the introduction of regulations by Reserve Bank of India. The paper analyses the transaction practices of these lending platforms, their margins and makes a comparison with the micro finance model of lending.

The paper observes that there was an increase in the number of platform-based lending entities from 2010 to 2017. Subsequently, the growth of peer to peer lending platforms has been subdued following regulations introduced by the RBI. The paper finds that their operations belie their claim of being
transparent. The desired lower cost to borrowers is yet to be witnessed in this novel segment of lending.

Do Quarterly Numbers Impact The Share Price on the Date of Earnings Announcement? A Panel Causality Approach

Muhammadriyaj Munna Faniband
Kedar Vijay Marulkar

This paper studies the impact of quarterly numbers, namely, total income, net profit and EPS on the share price on the date of announcement of thirty companies of S&P BSE SENSEX during April 2011 to March 2018 period. Descriptive statistics, panel unit root test and panel causality test are used for the analysis of data. The result indicates that total income, net profit and EPS do not lead to changes in share prices on the date of announcement across the companies. Therefore, it is suggested that investors and other players should not invest considering total income, net profit and EPS on the date of the earnings announcement.

Invited Article for Golden Jubilee Year of NIBM

National Institute of Bank Management –
A Glorious Journey of Five Decades

V S Kaveri

The National Institute of Bank Management (NIBM), Pune play a proactive role in capacity building initiatives in the banking sector for the last fifty years. Creation of NIBM by Adarkar Committee has been an important landmark in the history of banking to contribute to train senior and middle level personnel of commercial banks. This paper discusses the evolution of the institute over five decades and highlights its key contribution in knowledge and skill formatin in the banking sector.

Fifty Years of NIBM through the Prism of Banking for Development

Rajaram Dasgupta

National Institute of Bank Management is completing its 50th year of journey towards academic excellence. The paper highlights NIBM’s engagement in leadership development for banking and financial services industry through training, teaching, research and consultancy programmes. The author describes the key roles of the institute in advanced learning and its important contributions in the area of Development Banking.
Book Review

Fast Forward Toward Civilizational Greatness: Agenda for India

Pradip Khandwalla


Reviewed by Dr V S Kaveri, Former Professor, National Institute of Bank Management, Pune.