

RBI ASSURES CUSTOMERS THAT THEIR BANK DEPOSITS ARE SAFE

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

Krishnamurthy Subramanian

In the wake of the moratorium on private sector lender Yes Bank, the RBI clarified on Sunday that deposits of customers were safe.

“Concern has been raised in certain sections of media about safety of deposits of certain banks. This concern is based on analysis which is flawed. Solvency of banks is internationally based on Capital to Risk Weighted Assets (CRAR) and not on market cap,” the RBI said in a social media post.

“The RBI closely monitors all the banks and hereby assures all depositors that there is no such concern of safety of their deposits in any bank,” it said.

Allaying concerns over the banking sector health, Chief Economic Adviser Krishnamurthy Subramanian on Sunday said Indian banks were well capitalised and there was no reason to worry. He said it was a wrong method to assess a lender's health based on the ratio of deposit to m-cap (market capitalisation).

“What I want to emphatically state is that the m-cap ratio is a totally incorrect metric for assessing the safety of the banks. No banking sector expert or banking regulator uses this measure,” Mr. Subramanian told mediapersons at his office here.

“What banking sector experts and regulators use is what is called the CRAR. It is important to keep this in mind that the international norms for CRAR is 8% and Indian banks on an average have a CRAR of 14.3%.

“So, 8% is the mandated minimum norm and our banks on the average have 14.3% (CRAR). Now 14.3% versus 8% almost translates into 80% greater capital than the international norms,” he said. He said the RBI mandated the banks to keep CRAR at 9%. “Even compared to that, our banks have 60% more capital. So this is something that is very important.”

“Now if you compare for instance any bank, let's say a private sector bank with the SBI, the SBI would have an order of magnitude of higher m-cap ratio. “But the SBI is as safe as the any other bank in the world. In fact it is the only Indian bank to be the part of the top 100 banks internationally.”

(With PTI inputs)

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