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Govt must stay the course on banks, general insurer privatisation: CII chief

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The Reserve Bank of India must, in its next policy review meeting, provide some glide path of the approach it would take on raising interest rates and the kind of metrics that it will be looking at over the next one year for this purpose, the Confederation of Indian Industry (CII) President, Sanjiv Bajaj, has said.

This would help the industry plan investments and assessment of growth accordingly, Bajaj told *BusinessLine* in an interview, his first after taking over the helm of this apex industry body.

He said, "The main thing I would expect from RBI and, hopefully, what they would talk about at their next policy review is how it is seeing the next one year — what are the triggers based on which they would take rates up?"

For instance, if one were to look at the last policy review meeting when they said they would do policy normalisation on rates while being accommodative, industry would be keen to know if they are going to change that (accommodative stance), Bajaj said.

Sanjiv Bajaj, President, CII

Bank privatisation

Bajaj said the government should privatise two public sector banks and one general insurance company.

"Not only will this create more competition, it will also show that the government is firmly on its divestment path," he said.

"If India is to grow at robust rates on sustained basis, it requires big banks to help mergers and acquisitions; however, there are hardly any large banks that will support international expansions in a big way. The country also requires many more banks and NBFCs that can help MSMEs. We have to be open to innovation and create sandbox environments which allow regulators to see innovation in controlled economy. Insurance and pension funds should also flow into start-ups and infrastructure space in more robust manner," he added.

Bajaj said the country should attract foreign capital in the right spaces, encouraging such flows but not being too dependent on them.

"Normally, in cycles of high liquidity and low interest rates, industry ups capacity. However, in last three years, that has been thrown into a disarray by the pandemic. Now we can see significant deleveraging happening and that is why you can now see early seeds of the new investment cycle," he added.