

Business Standard

Govt setting up 75 digital banks this year, says FM Nirmala Sitharaman

Sitharaman is in Washington DC to attend the annual spring meeting of the International Monetary Fund and the World Bank

Shrimi Choudhary | New Delhi April 19, 2022 Last Updated at 23:43 IST



Union Finance Minister Nirmala Sitharaman (Photo: PTI)

India is planning to set up “digital only” banks and non-banking financial companies (NBFCs) to ensure that business continuity in the lending system is not affected even in exceptional times.

In her first public appearance before the Atlantic Council think tank, Union Finance Minister Nirmala Sitharaman told a select Washington audience that the government had made efforts to achieve macroeconomic stability by recapitalising banks and increasing foreign exchange reserves.

“Bad loans and provisioning were taxing. We have to keep infusing money into banks ... We have amalgamated several of them ... The Reserve Bank of India has also been very nimble about setting up ‘digital only’ NBFCs. Now we are in the process of setting up digital banks as well, not one but 75 of them this year,” she said.

Sitharaman is in Washington DC to attend the annual spring meeting of the International Monetary Fund and the World Bank.

Exuding confidence about India posting robust economic growth this decade, she said recovery from the pandemic was distinct. “So, as we look at India, given the pandemic and the recovery from it, and also where we stand today, we see the decade before us...2030 as a very robust decade where India would definitely be one of the fastest growing economies,” she said.

At the same time, she said the task ahead was challenging in view of rising commodity prices, especially those of crude oil and natural gas, geopolitical uncertainties, and the global growth slowdown.

On inflation she said India had breached the upper threshold of 6 per cent but “not so badly”.

Sitharaman said, along with the response to the pandemic, the government had taken reform measures, including those on the supply side. She told the audience the government’s focus was on pushing capital expenditure without losing sight of its moral obligation towards the underprivileged.

The minister had announced in the Budget an increase in capital expenditure by a sharp 35.4 per cent to a record Rs 7.50 trillion, from Rs 5.54 trillion in the last financial year.

The government has extended the free ration scheme for about 800 million people for another six months. This cost the exchequer about Rs 80,000 crore. The minister said she was meeting semiconductor manufacturers to draw in investment in at least 13 sunrise sectors, including solar energy panels and hydrogen missions.

“India could be the next manufacturing hub — an alternative for those who had gone through a supply-disruptive cycle,” she said.

On India’s renewable energy plans, she said it looked challenging and the timeline of those might be relooked.

On the much-debated cryptocurrency regulations, Sitharaman reiterated the government was not against distributed ledger technology. However, it requires a technology solution, she said. With regard to taxing income from transactions in crypto assets, Sitharaman said it was a means to check the source and trail but not to legitimise them.

“We haven’t said this is a currency. We haven’t said this has an intrinsic value. Certain operations are taxable for the sovereign,” she said.

‘Terror funding and money laundering key concerns around crypto’

Finance Minister Nirmala Sitharaman made a strong case for regulating cryptocurrencies at the global level to mitigate the risk of money laundering and terror funding. “I harp on that a lot because I think the biggest risk for all countries will be on the money laundering aspect, and also on the aspect of currency being used for financing terror,” she said.