

# GCC region remains largest source of remittances to India in '13: Seetharaman



Dr R Seetharaman at a panel session at the recent Airtel and the *Economic Times* Global Business Summit in New Delhi.

**G**CC region remained the largest source of remittances to India in 2013 accounting for nearly 35% of the total remitted amount of \$71bn that year, said Doha Bank Group CEO Dr R Seetharaman.

"India's currently attracts more remittances than foreign direct investment (FDI) and hence the remittances should be channelised into various infrastructure projects through investment schemes," he said at a panel session held as part of the Airtel and the *Economic Times* Global Business Summit in New Delhi recently.

He said, "IMF October outlook states India was expected to grow at 5.6% in fiscal year 2014-15 and 6.4% in fiscal year 2015-16. India's GDP grew

at 5.3% in the July - September, 2014 period.

"India's consumer price inflation (CPI) rate was at 5% in December 2014. The current account deficit eased to \$32.4bn, 1.7% of the GDP in fiscal year 2013-14. For 2014-15, it is expected to be \$39 bn, 2.2% of the country's GDP.

"India's fiscal deficit during the 2013-14 fiscal was \$86.08bn or equivalent to 4.5% of the GDP. The target for 2014-15 is 4.1% of GDP. In a surprise move the Reserve Bank of India (RBI) cut interest rates by 25 basis points recently yielding to signs of slowing inflation, while acknowledging government efforts to contain the fiscal deficit. Monetary and fiscal pol-

icy should be aligned to enable India's growth."

Highlighting foreign direct investment and remittance trends in India, he said, "FDI inflows into India from April to October 2014 have surged by 26% percent to \$17.34bn when compared to same period previous year. Power sector attracted \$486mn and construction development attracted \$645mn. India had attracted \$28bn FDI in 2013."

India's 2014 budget opened up the railway infrastructure segment for foreign direct investment. In October last year, in a boost to cash-starved real estate industry, the government relaxed rules for FDI in the construction sector. India needs to attract more FDI in its infrastructure and require strong

regulatory framework where laws and contracts are to be properly enforced; rights and responsibilities are well defined.

On solutions to "unlock India's potential" through revival of India's infrastructure, he said, "A single window system can reduce the delay and make the life easy for any entrepreneur including a foreign entrepreneur. Open the bidding stage to as many investors as possible. It's important that the process is transparent and favouritism to be avoided. The government has already pitched India's story in Japan and China and more such efforts to be pursued. India needs to further develop its debt market with further measures. In Public Private Partnership projects

(PPP), India should develop sector specific regulatory mechanism and bring more traction to power projects."

Bad loans in the Indian banking system rose to 4.03% of total advances in 2013-14 from 3.42% in 2012-13. Effective April 1, 2015, the Reserve Bank of India's regulatory forbearance under which banks were allowed to qualify restructured assets as standard, will come to an end.

Currently banks are setting aside 5% of the value of the loan to cover the risk of default on any restructured assets. Starting in the next financial year, when all restructured assets will be termed as non-performing assets (NPAs), or bad loans, the requirement will increase to a minimum 15%, Seetharaman added.