



Ajay Bodke CEO & Chief Portfolio Manager - PMS at Prabhudas Lilladher Private Limited

Urjit Patel's resignation may create a temporary flutter on D-Street

Urjit Patel's resignation as the RBI Governor may create a temporary flutter in the markets that are waiting expectantly to know which way the citizens of three crucial Hindi heartland states have voted.

Global headwinds like escalating trade war between US & China, Britain's Parliamentary vote on Brexit and fears of a slowdown in the global economic growth in 2019 has already led to a sharp spike in risk aversion for risk assets like equities.

Patel, who is currently being hailed as the defender of RBI's autonomy, was in fact roundly criticised by many in the Opposition as 'the official who crawled when asked to bend' for not opposing demonetisation.

The topic of Viral Acharya's incendiary speech that created tremors in the financial markets was in fact suggested by Patel.

None of the issues that caused a rift between the government and the RBI like lending a helping hand to credit-starved MSME sector in the wake of drying-up of liquidity post ILFS bankruptcy, alignment of PCA norms for PSBs with global practices, transfer of surplus reserves to the government as well as being accountable to the Central Board were insurmountable if the Governor had an inclination to engage in a reasoned debate & dialogue.

No individual is greater than an institution and India's macroeconomic fundamentals remain extremely robust with its GDP growth being among the highest in the world, inflationary expectations remaining well-anchored, inflation outlook being benign, plunge in global crude prices allaying concerns on the current account front and government remaining resolutely committed to the medium-term fiscal consolidation plan.

The government needs to urgently appoint an eminent economist preferably one who has decades of administrative experience by virtue of shouldering various senior roles in the government and can adroitly manage the differences with the government and at the same time defend the institution's autonomy.

The likes of senior civil servants and eminent economists like Manmohan Singh, S Venkitaramanan, Bimal Jalan, YV Reddy, D Subbarao had managed to balance both these seemingly tough choices with aplomb.

(The author is CEO & Chief Portfolio Manager - PMS at Prabhudas Lilladher Private Limited)

Disclaimer: The views and investment tips expressed by investment expert on moneycontrol.com are his own and not that of the website or its management. Moneycontrol.com advises users to check with certified experts before taking any investment decisions