

The COVID pandemic has affected many countries on its way and wrecked many economies as well even if not for COVID cases.

India is preparing itself to recover from lockdown triggered recession.

Recently RBI's interim internal working group headed by P. K. Mohanty & recommendations are worth noting.

Favouring arguments:

1. India's Banking sector share to GDP stands at 70% whereas in china its ratio is 175%.
2. Domestic sector bank credit to private sector is 50% of GDP where as china, Japan has nearly 150%.
3. Several Public sector banks are eyeing high NPA crisis and also the NBFC's are high NPAs.
4. There is lot that Banking could offer to the economy which is till now under performing.

4. The large corporates are successful business models with 5000 Cr capital will bring much needed capital.

5. Private banks are competitive, efficient and also risk appetite

6. They will bring better management which will improve the banking system.

Arguments that are against:

1. Connected lending is a serious issue which is nothing but lending to own enterprise and allies even if they are loss making. eg: Yesbank issue.

2. If one commercial arm is affected the whole ~~firm~~ firm is under stress and also their bank which will affect economy as a whole

3. Money capitalism - accumulation of political and also economic power in certain hands.

4. Monopoly - Private banks will be well placed to subsume the ~~part~~ debt ridden public banks on its way.

Given the way it strengthens the economy and danger it poses to economy. Before making such move RBI needs to counter the negative aspects.