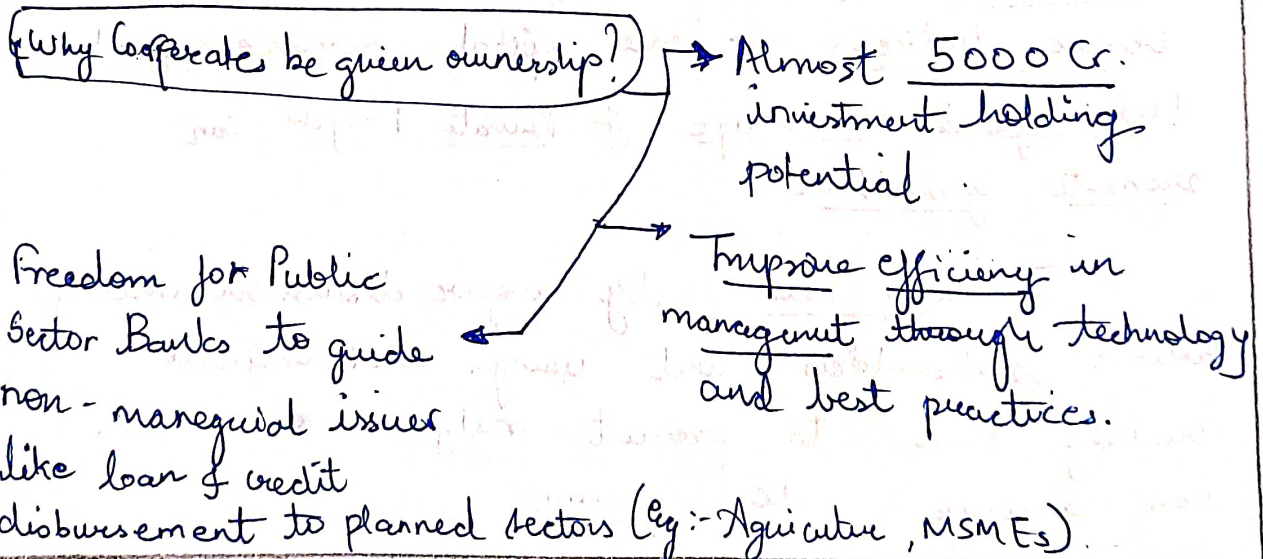
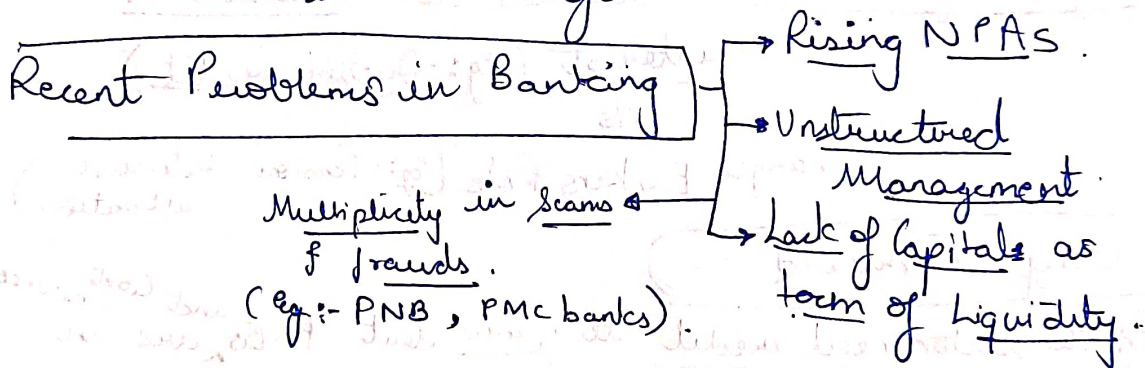


Q. Why Reserve Bank has recommended that large corporate and industrial houses should be allowed ownership of Private Banks. Elaborate!

→ According to Economic Survey of 2019-20, if India need to achieve target of \$5 Billion economy, it must have at least eight Banks in top 100 banks in the World., which currently only one bank is mentioned in the list.

Public Sector bank has 70% share in total banking ecosystem of India hence it needs serious reforms.



## Challenges to Corporate share to PSBs :-

### 1. > Problem of Connected Lending :-

1.1 > Promoter himself become a borrower (eg:- DHFL crisis)

1.2 > Political Lobbying - channeling funds to Party's accounts.

1.3 > Emerging of Loan - disbursing loan to pay previous one (eg:- IBS crisis)

2. > Crony Capitalism - Indiscriminate use of funds for related interest which in long run may stretch Twin Balance Problem.

3. > Conflict of Interest - related to individual interest (eg:- On-time credit)

v/s

Large Bankers Role (eg:- Pension, sectorwise allocation)

## Way Forward :-

a) Private sector need credit to grow but PSBs and Govt. resources are in economic distress → hence capital, resource capacity, technological advantage of Private Players can promote growth.

In long run, by proper discussion among various stakeholders and using indiscriminate banking laws to prevent malfeasance, PSBs can recover to glory.