

Cleaning up the system: Bank privatisation is not feasible, says Bibek Debroy

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Providing greater clarity on the government’s thinking on the banking sector against the backdrop of the scam at Punjab National Bank, Debroy said, “The banking sector needs to be cleaned up in more ways than one,” adding that while governance issues were evident in public sector banks, it was not that “the private sector banks has covered itself in glory”. However, he clearly stated that rationalisation of public sector banks is required and that the recapitalisation of banks was linked to their restructuring, the details of which would be revealed in due course.

Debroy said that while making suggestions about privatisation of public sector banks experts failed to recognise the reality that until these entities are restructured the price the government will get would be far from attractive. He also pointed to the central bank and the finance ministry working towards finding better ways to regulate banks. In an interactive session, Debroy also spoke on other aspects including the government’s ambitious national health scheme. He said that the scheme needs to be portable across all states and that the fiscal cost for the base scheme will come from the central government, while state governments will be free to supplement them with plans of their own.



He pointed out that the scheme, the largest of its kind in the world, will provide cashless benefits for prescribed diseases to a specified beneficiary segment. States will be free to add diseases or increase applicability to a wider base.