

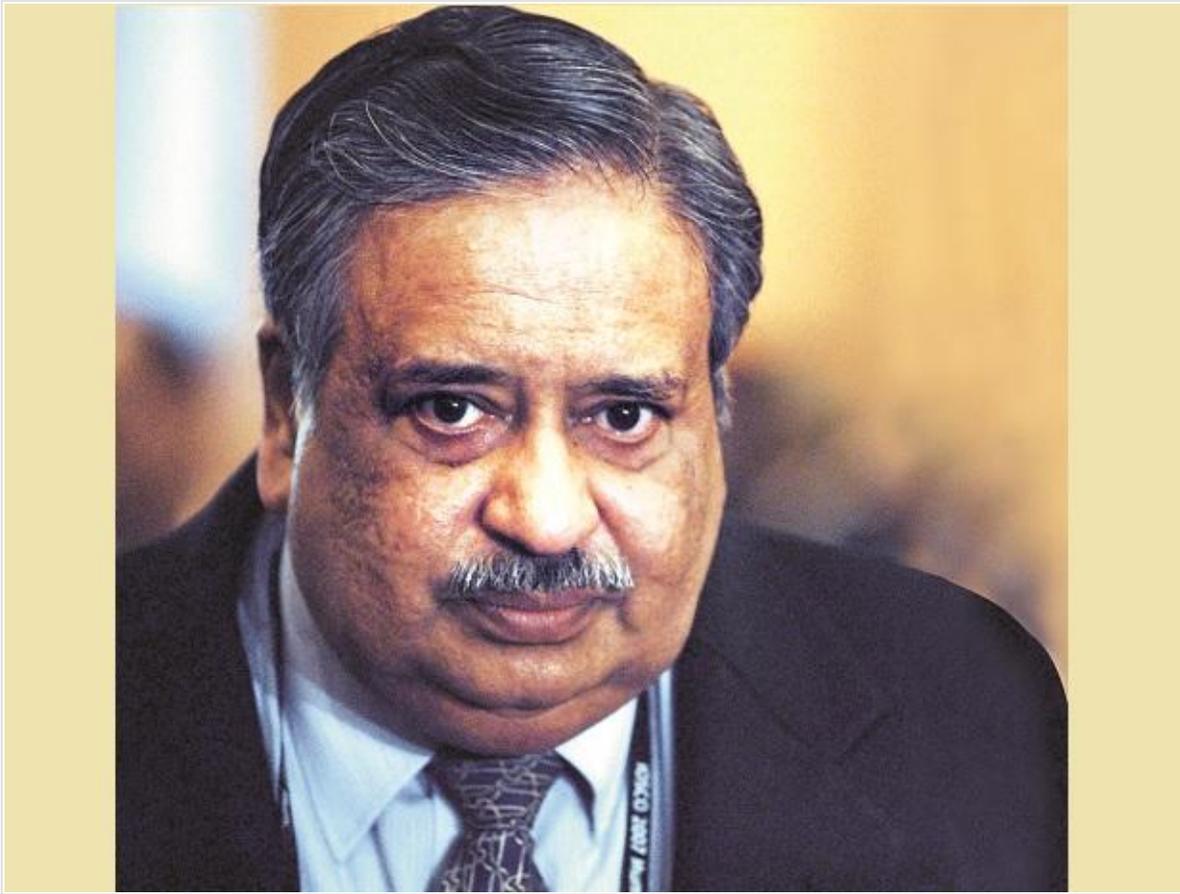
# Politicians in Delhi solely responsible for the PSB mess: Ex-Sebi chief

Defending public sector banks, Damodaran said privatisation cannot be the solution for all the bad loans issues they face

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*M Damodaran*

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"Telephone calls from [Delhi](#) to Bombay, over the years, have been at the root of the problem of the public sector [banks](#). People in [Bombay](#) have been unquestionably responding to the direction from Delhi," [Damodaran](#) said told the students of the [RBI-run National Institute of Bank Management](#) here today on their convocation. Former Sebi [chairman M Damodaran](#) blamed the telephone calls from [Delhi](#) to [Mumbai](#) for the [myriad](#) problems that public sector [banks](#) face now and warned against their privatisation to resolve the crisis.

Defending public sector banks, he said privatisation cannot be the solution for all the bad loans issues they face and blamed their peculiar governance and ownership issues for the problems they face.

"I am not arguing that we should privatise everything because we've very recent evidences that privatisation is not a synonym for honesty or efficiency or to avoid conflict of interest," he said.

It can be noted that [large private sector banks ICICI Bank](#) and [Axis Bank](#) are steeped in controversies due to weak corporate governance practices.

While [ICICI Bank](#) is embroiled in a controversy over the alleged conflict of interest involving its [chief executive Chanda Kochhar](#) and the business dealings of her husband [Deepak Kochhar](#) with the Videocon group, [Axis Bank](#) saw the tenure of its chief [Shikha Sharma](#) being cut to seven months from a three year-term after being nudged by the Reserve Bank in the wake of high bad loans which have grown more than fivefold during her tenure.

"The answer does not lie in privatisation. The answer lies in the fact that a country as heterogeneous as ours, needs a very strong public sector," [Damodaran](#) said.

Blaming the ownership and management of state-run banks, he said "when you think ownership equals management, when you start looking over the shoulders of [bank management](#) to see the correctness of every transaction, when ownership translates to transactional supervision that you are not tasked with, then there is a problem of ownership."

Stating that the country cannot live without public sector that is performing the former bureaucrat said, "don't think merit lies in privatisation. You need to fix the public sector by diagnosing the problems. There are excellent public sector units which are not sitting on problems.