

Some PSU banks can be privatised, though time is not right now: SBI Chairman Rajnish Kumar

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NEW DELHI: The time is not right for privatisation of public sector banks (PSBs), though some of them

could be divested by the government after making them financially attractive, according to a top banker.

"The time, though, is not right at present, because these banks would need time to be strengthened and one has to put behind the turmoil in the banking sector," said [Rajnish Kumar](#), Chairman of [State Bank of India](#) (NSE 0.15 %) (SBI (NSE 0.15 %)), on the sidelines of a meeting here.

He said that because of the perception that the banking system was going through a turmoil following the fraud discovered in the Punjab National Bank, the [markets](#) may not react favourably to such a move. "In any case, before privatisation, banks need to be made stronger so that they fetch the right price," he said.



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He said he was not per se opposed to privatisation of a "few banks", though the social initiatives undertaken in the banking system would suffer if many of the government-owned banks were privatised. He said the SBI alone could not manage to meet all the goals set by the government on social inclusiveness.

The SBI chairman's attention was drawn to an article by economist [Arvind Panagariya](#) which had argued that all the PSBs, except the SBI, could be privatised to make the banking system more dynamic. Panagariya said the social sector initiatives of the government can be ensured by private sector banks through regulation.

Without taking up the argument, Kumar said it was often seen that private sector banks were not too keen to open accounts for people with very low incomes. "We can go and find out which private sector bank will open an account for a person who has only Rs 200 in his pocket," he added.

Panagariya, professor of economics at Columbia University, wrote on Wednesday in the Times of India that recent steps undertaken by the government and the RBI on recapitalisation, aligning the stressed asset resolution process to the [Insolvency and Bankruptcy Code](#) of 2016 and setting up of an enforcement department in the RBI were major steps to create a healthy banking system.

"But these are not enough," he said, adding that, in the long run, full modernisation of the banking sector requires further structural reforms.

"One such reform that must be high up on the agenda of the next government is privatisation of all public sector banks other than the State Bank of India," he wrote.