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Nifty **CLOSED**
10,948.25 85.65



NSE Gainer-Large Cap >

Ibull HousingFin
514.05 37.30



Precious Metal >

Gold (MCX) (Rs/10g.)
37,151.00 -194.00



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Market Watch

Uday Kotak moots new legislation to reform public sector banking

BY PTI | UPDATED: AUG 06, 2019, 03.43 PM IST

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After the abrogation of [Article 370](#), banker [Uday Kotak](#) Monday called upon the government to bring in more legislative changes to lower state ownership in public sector banks below 50 per cent and also re-introduction of the [FRDI Bill](#).

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He proposed changes to [public sector banking](#), including reducing the number of state-run lenders to five, getting government stakes down in some of them to under-50 per cent, or merging a few of them or even public private partnerships in banking.

Under the public private partnership model, the state ownership has to be capped at 26 or 33 per cent, with the private sector partner owning the rest, he said, adding this will create huge value for the government.

"We must think about a courageous move of looking at state-owned banks. It would be differentiated, bold and would be a big step in transformation of finance," he said, delivering the 25th Lalit Doshi memorial lecture this evening.

The banker also suggested re-introduction of the controversial Financial Resolution and Deposit Insurance (FRDI) Bill to tackle the woes plaguing the financial sector.

"Time has come for a strong FRDI Bill along with a strong resolution mechanism for handling stress and mortality in the financial sector," he said, speaking of the Bill which was withdrawn because of a 'bail-in' clause.

Kotak also pitched for a stronger Financial Sector Development Council for inter-regulatory issues, proposing that the finance minister should be placed as the arbitrary.

"Time has come for a very strong FSDC under the finance minister that ensures that issues of regulation between regulators are handled in a seamless manner," he said.

Kotak, who has been tasked to manage IL&FS, said what we are witnessing at present in the financial sector are the "after-effects of serious indigestion which India".

"It was very easy to get an accounting opinion, it was easier to get a rating...there was mad competition among rating agencies," he said in comments, that come weeks after reports of how rating agency professionals were compromised and the heads of two of them were asked to leave the organizations--Icra and Care Ratings--last month.

Ahead of the RBI policy review, Kotak pitched very strongly for a narrowing the real interest rates, which is the differential between the inflation & lending rates.

He said ideally, the rate needs to be 1.5 per cent as against the up to 3 per cent at present, adding inflation is also under control.

Kotak also reiterated the case for small savings rate to be brought down to have better transmission.

To a question on crony capitalism continuing, he said this aspect is "deeply disturbing" and the problems come to fore with every instance of frauds being discovered.

Kotak said contract enforcement in the country needs to be improved, pointing out that the [World Bank](#) has also found our record

wanting on that front.

He said we should go ahead with the budgetary proposal for foreign borrowing but cautioned against excessive reliance on the same.

He also rued the dominance of cash, such that currency is back to the pre-demonetisation levels and asked for a shift back to less-cash system.

Welcoming the government decision to abolish Article 370 which accords special status to J&K earlier in the day, he said, "this is a momentous day in our history."

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