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Market Watch

Banking sector is stressed, govt in no position to bail it out: Abhijit Banerjee

BY PTI | UPDATED: JAN 26, 2020, 10.45 PM IST

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Nobel laureate and [economist](#) Abhijit Banerjee here on Sunday said the banking sector in the [country](#) is "stressed" and the government is in no position to bail it out. Speaking to the media on the sidelines of the 13th Jaipur Literature Festival, Banerjee said the demand [slowdown](#) in the automobile sector also shows that people are lacking confidence in the [economy](#).

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"Financial sector is the biggest stress point currently. There is no question that the finance sector is something we should worry about, the banking sector is stressed. The government really is not in a position to bail it out, so we are talking about a long process of attrition, that's going to be costly.

"We also know that due to a demand deficit in the economy, cars and two-wheelers are not selling, and those things are signs of a general fact that people lack confidence that the economy is going to grow fast so they are holding back, they are not spending," he said.

The author of "Good Economics for Hard Times" added that the slowdown in the economy will also adversely impact poverty alleviation in the country as urban and rural sectors are interdependent.

"Poverty alleviation has been happening mostly on the strength of the fact that urban sector creates low skill jobs, and a lot of rural sector works in the urban sector and sends money back.

"That's the peak source of transmission of growth from urban sector to rural sector. And as soon as the urban sector slows down the rural sector, the people in construction work don't have as many jobs. All of that will feed back on the rural sector," the 58-year-old Indian-American economist said.

Answering to a question - how will economic policies work if people have a lack of trust in the data, he said the government "should worry about this issue" as foreign investors are getting "nervous".

"They don't know where they are going, what they are getting into, I mean those are real issues the government should look into. If it wants to have more investment and more involvement in the global economy, then I think it needs to provide the true data to people," he said.

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