

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3567
ANSWERED ON:11.12.2009
PRIVATISATION OF PSBs
Dashmuni Deepa

Will the Minister of FINANCE be pleased to state:

(a) whether a High Level Committee constituted by the Government has proposed to privatise small and non-performing public sector banks in the country; and

(b) if so, the details thereof and action taken by the Government thereon?

Answer

The Minister of State in the Ministry of Finance(Shri Namo Narain Meena)

(a) & (b): The Raghuram Rajan Committee has, inter-alia, observed that takeover of a Public Sector Bank (PSB) by a private or foreign bank will effectively be privatization. The Committee has also observed that takeovers of PSBs by other PSBs or public financial institutions should not be discouraged, though there is no point in one weak bank taking over another.

The Committee has recommended to encourage, but not force, consolidation amongst PSBs. The Committee has observed that given the fragmented nature of the Indian banking system and the small size of the typical bank, some consolidation may be in order for banks that aim to play on a larger stage.

Government is of the view that the initiatives for consolidation amongst the PSBs should emanate from the managements of the banks themselves with Government playing a supportive role as the common stakeholder.