

① Why RBI report has recommended that large corporates and Industrial houses should be allowed ownership of private banks? Examine? ①

The Internal Working Group of RBI has recommended a big reforming measure of allowing large corporates to enter banking sector.

By considering following facts this recommendation has positive feedback:-

The 1990's economic liberalisation opened wide door for private sectors in banking. But by having larger government role the total balance sheet of Indian banks merely less than 70% of the GDP, for past three decades.

Domestic bank credit to private sector is just 50% of GDP while developed nations such as U.S, Japan, China moving upwards to 150% of GDP.

There is only one Indian bank in the top 100 banks globally by size.

Despite of several government regulations, the prior purpose of nationalising banks such as more credits to priority sectors, creating stable financial system, inclusive growth are yet to be achieved completely.

At present Indian banks are one of the least cost efficient and struggling to meet the credit demands of growing economy and population.