

Centre likely to change law to cut govt's stake in banks

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The Union government is considering changes that would make it easier to lower its stake in state-run banks, a key step in Prime Minister Narendra Modi's plan to unclog credit flow to the economy.

The proposals — if approved — would allow the government to gradually lower its holding in state-run lenders to 26 per cent from 51 per cent without diluting its grip on management appointments, the people said, asking not to be identified as the deliberations are private.

They would also simplify privatisation of certain identified lenders and permit foreign investors to purchase bigger stakes in others without seeking parliament approval.

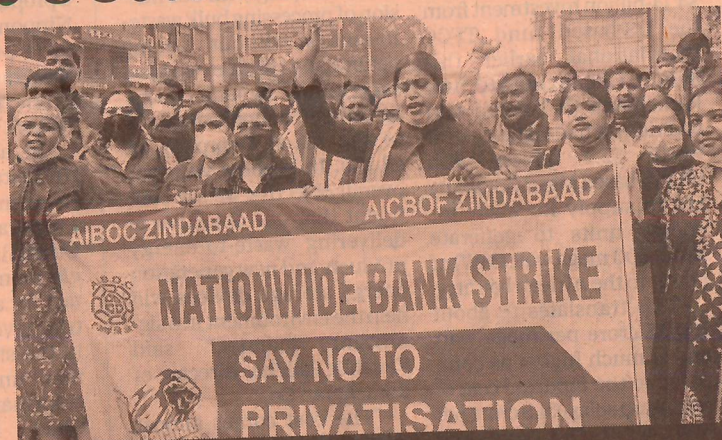
With the proposed amendments, Modi is seeking to reduce state-run banks' reliance on frequent injections of government capital while still maintaining their quasi-sovereign status that depositors favour.

The move would dilute some of the policies India enacted in 1969 when the state swept in to nationalise its lenders, creating a swathe of banks that even today control two-thirds of the sector's assets and the bulk of its bad debts.

Early talks are still on and the details could change, the people said. The proposals would need to be studied and cleared by the cabinet before being placed before parliament, they added.

A spokesperson for the Finance Ministry couldn't be reached for comment.

BLOOMBERG



Bank employees shout slogans during a protest as part of two-day nationwide strike called against the proposed privatisation of PSBs

PHOTO: PTI

Protest on second day, bank services continue to be hit

Lakhs of employees of public sector banks continued their strike on the second day on Friday as well to protest against proposed privatisation of banks by the government impacting normal operation across the country.

Shutters of branches across many parts of the country on Friday were down, following the strike call given by the United Forum of Bank Union (UFBU), an umbrella body of nine bank unions including All India Bank Officers' Confederation (AIBOC), All India Bank Employees Association (AIBEA) and National

Organisation of Bank Workers.

As a result, services such as deposits and withdrawal at branches, cheque clearance and loan approvals remains paralysed due to the two-day strike ending later in the day.

Public sector lenders, including State Bank of India, had informed customers that services in their branches might be affected due to the strike.

However, the private sector, especially new generation private sector lenders, like HDFC Bank, ICICI Bank and Kotak Mahindra Bank, are working as usual.

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