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RESERVE BANK OF INDIA

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RBI Clarification

This is regarding reports in certain sections of the media stating that the RBI is against privatisation of Public Sector Banks (PSBs). These media reports have cited an article titled "[Privatisation of Public Sector Banks: An Alternate Perspective](#)" published in the [August 2022](#) issue of RBI Bulletin. The article is authored by researchers of RBI.

2. In this regard, it is clarified that:

- i) As clearly stated in the article itself, the views expressed in the article are those of the authors and do not represent the views of the Reserve Bank of India.
- ii) The [Press Release](#) relating to the August 2022 Bulletin highlights that "the gradual approach to privatisation adopted by the government can ensure that a void is not created in fulfilling the social objective of financial inclusion".
- iii) The concluding paragraph of the article, *inter-alia*, mentions that:
 - "From the conventional perspective that privatisation is a panacea for all ills, the economic thinking has come a long way to acknowledge that a more nuanced approach is required while pursuing it";
 - "Recent mega merger of PSBs has resulted in consolidation of the sector, creating stronger and more robust and competitive banks";
 - "A big bang approach of privatisation of these banks may do more harm than good. The government has already announced its intention to privatize two banks. Such a gradual approach would ensure that large scale privatisation does not create a void in fulfilling important social objectives of financial inclusion and monetary transmission."

Thus, the researchers are of the view that instead of a big bang approach, a gradual approach as announced by the Government would result in better outcomes.