21st August, 2025.

To

The Finance Minister,
Government of India,
134/North Block,
New Delhi 110001

Honourable Finance Minister Smt.Nirmala Sitharaman ji,

Sub: How to improve the Banking Sector - few suggestions.

Few months back the RBI made a statement that Centre's ownership of banks cuts its risk. (Times of India - 26th May, 2025, copy enclosed). It compares the Central Government with a 'parent with deep pockets'. Does it mean that the Rulers are ever ready to use the Proletariat, the Working Class, the Common Man as a canon fodder to keep the economic engine chugging along? Maybe, maybe not. After reading the news item we could not help but feel that the banks, both Public and Private, are getting benefitted while the Government (read people) are taking/bearing the risk. This is clearly unfair. To bring in a little semblance in this we suggest following:

1. Do away with SLR and CRR and instead let the Banks maintain a CASA reserve with RBI up to a specified/prescribed amount OR their actual CASA balances whichever is less. Further the Government reimburses the banks cost of such funds on an actual basis, that is the cost of CASA to the banks. This, according to us, will result in the following:
   - Since CASA costs much less compared to the SLR the Government saves a lot. Since the Government is bearing the risk, it is proper to enjoy its benefits too.
   - Further Banks are using the CASA balances for onward lending along with other funds available with them. This technically creates a serious 'asset, liability mismatch'. With the above proposed change this problem gets corrected, at least partially (Government anyway taking complete responsibility) .
2. Our next suggestion is - Create a Holding Company for the Public Sector Banks and let the Government transfer its stake in different PSBs to this Holding Company. This may look cosmetic but can produce enormous benefits to the Government if implemented properly. Allow us to explain:
   - We understand that the Public Sector Banks are supervised/monitored by the Ministry of Finance at present. So, it is one of the hundred tasks the Finance Ministry handles. Clearly necessary focus is difficult. No wonder the Government recapitalized these banks repeatedly and lakhs of crores rupees of public money

was destroyed in this process. This Holding Company we are talking about,on the contrary, will have a single, focussed job i.e., supervising/monitoring each bank on a daily basis.

- Further this Holding Company when headed/staffed by the right kind of people with an in depth knowledge in the fields of Banking, Finance, Economics and so on can provide invaluable guidance, both to the Banks and to the Government.
- At present the Finance Ministry and RBI are waking up only after enough damage is done and resolve the problems by 'fire fighting'. This method of working has huge costs to the nation. On the other hand when a specialized agency is incharge then the problems are foreseen well in advance and remedial measures are initiated well in time saving the Banking Sector and lowering wastage of public money.
- The Government of India/ Finance Ministry seems to have come to a conclusion, whether on their own or on the advice of some 'Financial Wizards', that managing so many PSBs (a legacy issue) is throwing up challenges. To fix this problem the Government of India/Finance Ministry seems to have started merging the banks. This step per se may not be bad. But we are not sure whether this is done scientifically after understanding thoroughly the strengths and weaknesses of each bank. Forming a Holding Company, we believe, achieves the same objective with least disruption at a fraction of cost.
- At present all Public Sector Banks, though owned by the same owner (Government of India) operate as completely independent entities. We have a feeling that in this process they may be unnecessarily doing duplication, that is each one doing the same job since they do not know what other banks are doing. But when they are led by a Holding Company such possibility is ruled out.
- Interestingly we have seen some banks have unique strengths that are not available with other banks (some of them are exceptionally strong in certain areas). Now, the Holding Company can harness such strengths for the benefit of the entire group. This can result in extraordinary benefits to all the banks as well as to the Government.

The above are some of the benefits,we believe, the Government reaps by adopting/accepting our suggestions.

Yours truly,

sd/-

(Chandra Sekhar Gupta Boggarapu)
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