

# Monetization of Banking Sector: A Critical Review

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## ABSTRACT

Monetization is the process of converting something into cash or cash equivalent. But the Indian Govt. using the monetization term as equivalent to privatization. In the context of India the term monetization means “A process of selling out the assets of govt. or selling out the stock of the govt. in the public company to private company or individuals.” Monetization of banking sector is a big reform as per the govt. this research paper is based on the policy document on statement of our finance minister. In this paper researcher has fundamentally analyzed this monetization policy of the govt.

**Key words:-** Monetization, Indian economy, Privatization, Banking sector

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## INTRODUCTION

The govt. allows private sector to enter into the banking sector in 1992 as a financial reforms. On the fulfillment of certain procedure the private bank can operate in India. The entire bank whether it is private sector bank registered as per the company act 1956 (At present company act 2013). All the private sector bank and public sector bank has to follow two act i.e. Banking Regulation Act 1949 and RBI Act 1934. Bank are also require to maintain minimum capital of 200 crore along with that bank are also require to registered with the stock market.

## RESEARCH METHODOLOGY

The researcher has done the fundamental research on the above mentioned topic. The researcher tries to build conceptual framework on the topic for further study. The researcher will use secondary data, research article, reports of different agencies

### Objective of the Paper

1. To understand the Monetization Policy of the Govt.
2. To understand the Positive and Negative aspects of Monetization policy of banking sector
3. To understand the process of Monetization of banking sector.
4. To understand the reasons of monetization of banking sector.
5. To compare the performance of public sector bank and private sector bank

**Process-of-Monetization** In the decade of 1980 the process of privatization of bank is going on all over the world. After the efforts of Margaret Thatcher in the Britain privatization begin all over the Europe, Latin America, Africa, and now the process of privatization of bank is at peak in the Asian country also. After the demolition of Soviet Union the process of privatization is taking speed.

In the past all the socialist country for ex. Bangladesh also adopted the privatization for administrative reform in the economy. By motivating the development of all the countries who adopted privatization and discouraged by the performance of Public enterprise Modi govt. also adopted the privatization of banking sector in India. While privatization helps in promotion of the market by increasing competition, there are also many problems with it. Here we will study privatization in this context.

### REASONS OF MONETIZATION OF BANKING SECTOR

**After the pandemic of covid-19 the nation suffered a lot and govt needs for its developmental work and project:** As we all know that after the pandemic Indian economy has adverse effect on every sector and that's why Indian govt. needs lots of fund for its developmental project.

**NPA problem:** most of the public sector bank has the problem of NPA which is adversely affecting the performance of bank and NPA is burden not only on the bank but on the whole nation

**Issue of Dual Control:** Every public sector is control by dual authority first by the RBI regulation and second by the order of ministry of finance, govt. of India which affects the functioning of the govt. and delays the process too.

### MERITS OF PRIVATISING BANKS

**Banks will raise their own capital:**As the bank become private it has to raise its own capital from the different sources. now the govt. has no pressure to *bank capital which will reduce the economic burden on the government.*

**Strictness will increase and Facilities for will increase:** the discipline and strictness will be increase as the banking sector

**Competition among banks will increase:**when the bank became competition increase the customer services offered by the different bank will also increase with quality for attracting customer.

**There will be less delay in the work due to hard and fast rule.:** As we all know that the private sector is known for its competency and efficient work method that's why researcher feels that when the bank become private the customer work will done as soon as possible.

**Wealth maximization of banks will increase. which will increase the:** The primary objective of private sector is to earn profit for its business because its all expenses is met out of these profit if the profit is the primary objective of n-bank then the social welfare service like cheap loan and loan to sick industry.

### DEMERITS OF PRIVATIZING BANKS

**Less Security of Funds:** When the bank became private the main concern for the whole nation is security of funds which is deposited in the bank.

**Unemployment will be increased.**As the banking sector privatized the work force will also be recruited on the private basis and irregular basis for maximization of profit this will lead to dissatisfaction in the work force and ultimately will lead to increase in unemployment

**Inflation will be increased:** When the bank became private they will try to earn more profit not social benefit as a result they will provide loan at high rate of interest that will result in high rate of inflation.

**Employees will be dissatisfied and they will stick :** As we all know from our past experience that the private sector exploit the men force for fulfillment of their object and when the bank became private they will also exploit their employees that will lead to low level of satisfaction among the employees.

**Social objectives of the government will not be fulfilled:** When the bank became private the social objective of the govt. will not be fulfilled as most of the fund for the govt. schemes is provided through the private bank.

**Banks will be restricted to only a few households:** As previously when the bank were private they were in the reach of few people but when bank became nationalized they open their branches at the rural areas that resulted in the lots of people from the depressed class of society also have bank account because of the faith in the govt. and security of their funds

But when the bank became private their shares will be purchase by the private individual especially by the rich business persons that will result in concentration of wealth and banking facility too because private sector bank open their branches in the cities or where the population is high.

**The general public will not be able to get better facilities:** In all we can say that the general public will not get better facilities of the banking because it will be biased

### **CONCLUSION**

In any economy banking sector is plays one of the important sector for the development of the economy and is developing with a steady pace. However, the banking sector, especially the Public sector bank has had a huge impact on a decline in the economy due to the ongoing pandemic and political affect. NPAs are the burden on the Public sector banks but lots of fund are sanctioned due to political reach without checking the worthiness of the creditors for the growth and development of the banking sector , the decision of the government to Monetize the Public sector banks will prove to be a structural change in the banking sector by opening it to private players, increasing capital inflow and foreign investment which may become a boon to the emergence of the new age for banking sector eventually resulting in economic resilience of the country. But the researcher also feels if the banking sector will be privatize the foreign investor will come and invest in huge amount than they can influence the policy of govt. too.

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