

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:231

ANSWERED ON:11.03.2011

ENTRY OF CORPORATE HOUSES TO BANKING SECTOR

Semmalai Shri S.

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the public sector banks have chalked out any strategy to meet the challenges posed by the entry of corporate houses in the banking sector;
- (b) if so, the details thereof;
- (c) whether the Government proposes to permit conversion of non-banking finance companies into banks; and
- (d) if so, the details thereof?

**Answer**

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI P. MUKHERJEE)

(a) to (d): A statement is laid on the Table of the House.

STATEMENT FOR LOK SABHA STARRED QUESTION NO.231 FOR 11TH MARCH 2011 REGARDING ENTRY OF CORPORATE HOUSES TO BANKING SECTOR BY SHRI S. SEMMALAI

a. to (d). Pursuant to the announcement in the Budget Speech of 2010-11 that the Reserve Bank of India (RBI) would consider giving some additional banking licenses to private sector players, RBI prepared and placed a discussion paper on its website inviting comments / feedback on certain aspects from the stakeholders and public on 11.08.2010. The Discussion Paper has reviewed the international and Indian experience on issues listed below, together with possible approaches with the pros and cons of each of the approaches:-

- i. Minimum capital requirements for new banks and promoters contribution;
- ii. Minimum and maximum caps on promoter shareholding and other shareholders;
- iii. Foreign shareholding in the new banks;
- iv. Whether industrial and business houses could be allowed to promote banks;
- v. Should Non-Banking Financial Companies be allowed conversion into banks or to promote a bank;
- vi. Business model for the new banks.

Detailed discussions on the above issues were held by the RBI on October 7 and 8, 2010 with associations of stakeholders from the Industry, Banks, Non-Banking Financial Companies (NBFCs), Mutual Fund Institutions (MFIs) and some consultants. In addition, comments on the discussion paper were received from a large number of respondents which include parties interested in setting up new banks, industry associations, banks, academicians, eminent personalities associated with banking and finance and members of general public.

The Draft Guidelines are under preparation. The same would be placed on RBI website shortly for public comments.

In the above backdrop, it is premature to assess the challenges to Public Sector Banks (PSBs) arising out of the entry of new banks.