

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1036
ANSWERED ON:05.08.2011
MERGER OF BANKS
Panda Shri Prabodh

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has taken a decision to merge the public sector banks;
- (b) if so, the details thereof;
- (c) whether the Government proposes to issue full banking licenses to some foreign banks;
- (d) if so, the details thereof;
- (e) whether the Government has any assessment about the likely condition of the Public Sector banks in the event of more foreign banks with greater money power coming into the country; and
- (f) if so, the details thereof?

Answer

The Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a) & (b): No, Sir. The current policy of the Government on consolidation leaves the initiative for consolidation to come from the managements of the banks themselves. While examining any merger proposal, Government keeps in view the interests of the stakeholders and employees of merging banks.

(c) & (d): Reserve Bank of India (RBI) issues a single class of banking licence, both to domestic as well as foreign banks, to conduct all types of banking business - ranging from retail, wholesale, forex and derivative products, credit cards etc. In January, 2011, RBI issued a discussion paper on the mode of presence of foreign banks through branch or Wholly Owned Subsidiary, on its website for public comments. After examining the feedback, comments and suggestions on the Discussion Paper, comprehensive guidelines on the mode of presence of foreign banks in India would be issued by RBI.

(e) & (f): With the past experience of entry of new banks in private sector and opening of foreign banks in India, the share of public sector banks in the total banking business may not reduce, and there is still a likelihood of PSBs dominating the banking sector in future also because of large branch network, higher public confidence, government ownership, etc.