

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5917
ANSWERED ON:11.05.2012
ALLOWING CORPORATE PLAYERS IN BANKING SECTOR
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government/Reserve Bank of India (RBI) has any proposal to allow corporate players to start large number of banks in the country;
- (b) if so, the details thereof and its likely impact on the Nationalised Banks in the Country;
- (c) whether the proposal has been opposed by various sections of the society; and
- (d) if so, the details thereof alongwith the action taken by the Government thereon?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (d): In pursuance to the announcement made in the Budget Speech for the year 2010-11, and as indicated by the Governor, Reserve Bank of India (RBI) in the Annual Policy Statement for the year 2010-11, RBI prepared a Discussion Paper on licencing of new banks in the private sector. RBI also placed this Discussion Paper on its website for public comments / suggestions. Based on the comments and suggestions received, RBI prepared draft guidelines in consultation with the Government and placed the same on its website on 29.08.2011. In the draft guidelines it has been indicated that only entities / groups in the private sector that are owned and controlled by residents shall be eligible to promote banks. Further, the promoters / promoter group should have diversified ownership, sound credentials and integrity, and have a successful track record for at least 10 years in running their business. Grant of additional banking licenses is aimed at to foster greater competition in the banking sector and thereby reduce costs and improve the quality of service, and to hasten the process of financial inclusion to support inclusive economic growth of the Country. However, RBI has not issued final guidelines in this regard.