

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4013
ANSWERED ON:31.07.2009
FOREIGN BANKS
Sethi Shri Arjun Charan

Will the Minister of FINANCE be pleased to state:

- (a) the criteria / norms for opening of branches of Foreign Banks in the country;
- (b) whether the Foreign Banks have demanded any relaxation in such criteria /norms;
- (c) if so, the details thereof and the action taken thereon; and
- (d) the steps being taken by the Government to boost the working of the Public Sector Banks (PSBs) so as to enable them to compete with Foreign Banks efficiently?

Answer

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

- (a) To provide broad framework for the foreign banks to open branch / office in India, Reserve Bank of India (RBI) has issued 'Road Map for the presence of foreign banks in India' on 28.02.2005. Accordingly for new and existing banks, it was proposed to go beyond the existing World Trade Organisation (WTO) commitment of India of 12 branches in a year and to follow a more liberal policy for non-Metro areas. Further, in terms of RBI Branch Authorisation Policy, foreign banks are required to bring an assigned capital of US\$25 million upfront at the time of opening the first branch in India. Existing foreign banks having only one branch would have to comply with the above requirement before their request for opening of second branch is considered.
- (b) RBI has not received any such request.
- (c) Does not arise.
- (d) To improve the health of the banking sector in India in general, and that of Public Sector Banks (PSBs) in particular, and also to bring it at par with international standards, the Reserve Bank of India (RBI) has, inter-alia, prescribed measures for strengthening of risk based prudential supervision and capital adequacy standards on the lines of the Basel Committee norms. Further, to facilitate quick and efficient decision-making and to provide sufficient managerial autonomy to the Boards of public sector banks to be able to compete internationally, Government announced an Autonomy Package in February, 2005 for these banks. The Government has also put in place a mechanism to monitor the overall performance of PSBs on the basis of the 'Statement of Intent on Annual Goals (SOI)' submitted by them on various performance parameters. Various balance sheet and profitability indicators viz. ROA, Net Interest Margin, Non-Performing Assets (NPAs) Ratios, Provisioning and Classification norms for NPAs, Capital Adequacy Ratio etc. suggest that the Indian banking sector now compares well with the global benchmarks.