

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:857

ANSWERED ON:27.02.2015

BANKING REFORMS

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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has called upon the banking sector to establish banks which rank among the best in the world;
- (b) if so, the details thereof along with the present ranking position of Indian banks in the world;
- (c) whether the bankers have gathered for a two day financial sector retreat `Gyan Sangam` at Pune recently to discuss long pending reforms and improving the health of Public Sector Banks (PSBs);
- (d) if so, the details and discussions held at the retreat and outcome thereof;
- (e) whether the Government has set up/proposes to set up a separate holding company to raise resources to meet capital needs of PSBs;
- (f) if so, the details and the present status thereof along with the manner in which the PSBs are likely to be benefited from this move; and
- (g) the steps taken/being taken by the Government to improve the working of banks particularly PSBs in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA)

(a) to (d): The financial health of Public Sector Banks in terms of asset quality, some causes of which are beyond control of banks also, is a cause of concern. It was in this background that Department of Financial Services organized a two-day Retreat for Banks and Financial Institutions called `Gyan Sangam` at National Institute of Banking Management (NIBM), Pune. The main purpose of organizing this event was to give an opportunity to CMDs and EDs of all the banks to express their opinion about what went wrong and what could be done to improve the situation. The participants of the Retreat were CMDs and EDs of Banks and other Financial Institutions under the DFS, as also all the Public Sector Insurance Companies.

The executives were grouped in to six different groups on themes of Leveraging technology to improve banking operations efficiency, Rethinking priority sector lending, Achieving universal financial inclusion, Improving risk management, asset quality and recovery, Strengthening human capital and HR practices and Consolidation and restructuring of PSBs for better efficiency and governance. The working groups discussed specific actions that banks could consider in the short term (over 12 months) & in the medium term (over 1-3 years). The group also provided suggestions for policy makers.

During the retreat, Public Sector Banks (PSBs) were exhorted to improve on their professionalism, efficiency and strive to be ranked among the top banks of the world.

position of Indian Banks among top 1000 World Banks is as under:

S. No. Name of the Bank Ranking (By Asset Size)

1.	State Bank of India	64
2.	Bank of Baroda	149
3.	ICICI Bank	164
4.	Bank of India	165
5.	Punjab National Bank	174
6.	HDFC Bank	184
7.	Canara Bank	192
8.	Axis Bank	233
9.	Union Bank of India	246
10.	IDBI Bank	262
11.	Central Bank of India	296
12.	Indian Overseas Bank	310
13.	Syndicate Bank	326
14.	UCO Bank	337
15.	Corporation Bank	350
16.	Allahabad Bank	354

17. Oriental Bank of Commerce	356
18. Indian Bank	387
19. Andhra Bank	412
20. Vijaya Bank	475
21. Bank of Maharashtra	478
22. United Bank of India	506
23. Dena Bank	507
24. Kotak Mahindra Bank	516
25. Yes Bank	546
26. Punjab & Sind Bank	580
27. IndusInd Bank	606
28. Jammu & Kashmir Bank	625
29. Federal Bank	655
30. South Indian Bank	755
31. Karur Vysya Bank	778
32. Karnataka Bank	805

Source: The Banker, July, 2014.

(e) to (g): Various options are being examined with a view to arrive at the most optimal solution which caters to the need for recapitalization as well as making Banks more efficient. The Government has decided to bring down its holding in PSBs to 52% in phased manner based on their future capital requirement and overall performance. The banks will be incentivized for raising their efficiency parameters which will lead to more capital generation and saving, finally resulting in better capital adequacy. The Government is also taking steps to improve Governance Structure of Public Sector Banks. As a result of these measures, banks will be efficient financial entities which can play its due role in Indian economic development.