

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO. 1045

TO BE ANSWERED ON THE 8TH FEBRUARY 2021/ MAGHA 19, 1942 (SAKA)

Setting up of Banks

1045. SHRI SUDHAKAR TUKARAM SHRANGARE:

SHRI SUBBARAYAN K.:

SHRI A. GANESHAMURTHI:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government/Reserve Bank Expert Panel has considered/recommended to allow/permit big corporations and businesses/corporate houses to set up banks in the country and if so, the details thereof;
- (b) the details of reasons and motive for taking such decision and recommendations;
- (c) whether the Government has received any proposal from any corporations and businesses to start banks in the country and if so, the details thereof along with the action taken thereon; and
- (d) the steps taken by the Government to stick to the tried and tested limits on corporate involvement in banking sector?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI ANURAG SINGH THAKUR)

(a) and (b): Reserve Bank of India (RBI), in its press release dated 12.6.2020, has stated, *inter alia*, that it felt necessary to align regulations to meet the requirements of a dynamic banking landscape and to comprehensively review the extant guidelines on ownership, governance and corporate structure in private sector banks, taking into account key developments over the years which have a bearing on the issue and that, accordingly, it constituted an Internal Working Group to review extant ownership guidelines and corporate structure for Indian private sector banks. The said group has since submitted its report to RBI, in which the group has recommended, *inter alia*, that large corporate or industrial houses may be allowed as promoters of banks only after necessary amendments to the Banking Regulation Act, 1949 (to prevent connected lending and exposures between the banks and other financial and non-financial group entities) and strengthening the supervisory mechanism for large conglomerates, including consolidated supervision. RBI has placed the report on its website for comments from stakeholders and members of the public. RBI has further informed that no decision has been taken on the group's recommendations.

(c) and (d): RBI grants license to a banking company for carrying out banking business in India under section 22 of the Banking Regulation Act, 1949. RBI has informed that license is granted as per its extant guidelines for 'on tap' licensing of Universal Banks, dated 1.8.2016 and its guidelines for 'on tap' Licensing of Small Finance Banks in the Private Sector, dated 5.12.2019. RBI has further informed that as per the guidelines, the entities or groups with total assets of Rs. 5,000 crore or more, with the non-financial business of the group accounting for 40 per cent or more in terms of total assets or gross income, are not eligible to promote a Universal Bank or a Small Finance Bank. RBI has also informed that it has not received any proposal from such entities or groups for setting up a bank under these guidelines.
