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STANDING COMMITTEE ON FINANCE
(2014-15)

SIXTEENTH LOK SABHA

MINISTRY OF FINANCE
(DEPARTMENT OF FINANCIAL SERVICES)

‘POLICY ON NEW LICENCES IN THE BANKING SECTOR’

SEVENTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

December, 2014, Agrahayana, 1936 (Saka)

SEVENTH REPORT

STANDING COMMITTEE ON FINANCE
(2014-2015)

(SIXTEENTH LOK SABHA)

MINISTRY OF FINANCE
(DEPARTMENT OF FINANCIAL SERVICES)

[Action taken by the Government on the recommendations contained in Seventy-Ninth Report of the Committee on Finance on **'Policy on New Licences in the Banking Sector']**

Presented to Lok Sabha on 16 December, 2014

Laid in Rajya Sabha on 16 December, 2014

LOK SABHA SECRETARIAT
NEW DELHI

December, 2014, Agrahayana, 1936 (Saka)

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* to be appended

COMPOSITION OF COMMITTEE ON FINANCE – 2014-15

Dr. M. Veerappa Moily - Chairperson

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Venkatesh Babu T.G.
4. Shri Sudip Bandyopadhyay
5. Shri Nishikant Dubey
6. Shri P.C. Gaddigoudar
7. Dr. Gopalakrishnan C.
8. Shri Shyama Charan Gupta
9. Shri Prataprao Jadhav
10. Shri Rattan Lal Kataria
11. Shri Bhartruhari Mahtab
12. Shri Prem Das Rai
13. Shri Rayapati Sambasiva Rao
14. Prof. Saugata Roy
15. Shri Jyotiraditya M. Scindia
16. Shri Gajendra Singh Sekhawat
17. Shri Gopal Shetty
18. Shri Anil Shirole
19. Vacant*
20. Dr. Kiritbhai Solanki
21. Dr. Kirit Somaiya

RAJYA SABHA

22. Shri Naresh Agrawal
23. Shri Naresh Gujral
24. Shri A. Navaneethakrishnan
25. Vacant**
26. Dr. Mahendra Prasad
27. Shri P. Rajeeve
28. Shri C.M. Ramesh
29. Shri Ajay Sancheti
30. Shri Digvijaya Singh
31. Dr. Manmohan Singh

SECRETARIAT

1.	Shri R.K. Jain	-	Joint Secretary
2.	Shri P.C. Koul	-	Director
3.	Shri Ramkumar Suryanarayanan	-	Additional Director
4.	Shri Kh. Ginlal Chung	-	Committee Officer

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* Shri Jayant Sinha, MP ceased to be Member of the Committee w.e.f. 09.11.2014 consequent upon his induction to the Union Council of Ministers

** Shri Brajesh Pathak, MP ceased to be the Member of the Committee w.e.f. 25.11.2014 consequent upon his retirement from Rajya Sabha

INTRODUCTION

I, the Chairperson of the Committee on Finance, having been authorised by the Committee, present this Seventh Report on action taken by the Government on the Observations / Recommendations contained in the Seventy-ninth Report of the Committee (Fifteenth Lok Sabha) on 'Policy on New Licences in the Banking Sector' of the Ministry of Finance (Department of Financial Services).

2. The Seventy-ninth Report was presented to Hon'ble Speaker on 18 October, 2013. It was presented to Lok Sabha / laid on the Table of Rajya Sabha on 09 December, 2013. Action Taken Note on Recommendations were as per the direction of the Committee, furnished by the Government vide their communication dated 24 January, 2014.

3. The Committee considered and adopted this Report at their Sitting held on 11 December, 2014.

4. An analysis of action taken by Government on the Recommendations contained in the Seventy-ninth Report of the Committee is given in the Appendix.

5. For facility of reference, the Observations/Recommendations of the Committee have been printed in bold in the body of the Report.

New Delhi;
12 December, 2014
21 Agrahayana, 1936 (Saka)

DR. M. VEERAPPA MOILY,
Chairperson,
Committee on Finance.

REPORT

CHAPTER I

This Report of the Standing Committee on Finance deals with action taken by the Government on the Observations/Recommendations contained in their Seventy-ninth Report (Fifteenth Lok Sabha) on the subject “Policy on New Licences in the Banking Sector” which was presented to Hon’ble Speaker on 18 October, 2013 and presented to the Lok Sabha and laid on the Table of Rajya Sabha on 09 December, 2013.

2. Action Taken Notes have been received from the Government on 23 January, 2014 in respect of all the 10 Recommendations contained in the Report. These have been analyzed and categorized as follows:-

(i) Recommendations / Observations that have been accepted by the Government:

Recommendation Nos.1, 2, 4, 7, 8 and 9

Total: 06
(Chapter II)

(ii) Recommendations / Observations which the Committee do not desire to pursue in view of the Government’s replies:

Recommendation No. 3

Total: 01
(Chapter III)

(iii) Recommendations / Observations in respect of which replies of the Government have not been accepted by the Committee:

- Nil -

Total: Nil
(Chapter IV)

(iv) Recommendations / Observations in respect of which final replies of the Government are still awaited:

Recommendation Nos. 5, 6 and 10

Total: 03
(Chapter V)

3. The Committee desire that the replies to the comments contained in Chapter I of this Report may be furnished to them expeditiously. Further, the final

replies to the Committee's comments in Chapter V of the Report may also be furnished expeditiously.

4. The Committee will now deal with the action taken by the Government on some of their Recommendations.

A **MORE BANKS**

(Recommendation Serial Nos. 1 & 2)

5. The Committee had noted that with a view to injecting competitiveness and improving efficiency and productivity in the banking sector, the Narasimham Committee (1991) had recommended that the RBI should permit establishment of new banks in the private sector. Following this, guidelines for licensing of new banks in the private sector were issued by RBI in January, 1993 and 10 new banks were set up in the private sector. Almost a decade later revised guidelines were issued in January 2001, which have begotten two more banks. Subsequent to the announcement made by the Finance Minister in the Budget Speech in 2010-11, RBI issued fresh / revised guidelines for issuing banking licenses on 22 February, 2013.

6. Out of the 12 new banks set up after 1993 and 2001 guidelines, four were promoted by financial institutions (Axis Bank, ICICI Bank, HDFC Bank, IDBI Bank) one each by conversion of co-operative bank (DCB) and NBFC into commercial banks (Kotak Mahindra), five by individual banking professionals (GTB Ltd., Bank of Punjab Centurion, Yes Bank, IndusInd Bank) and the remaining one by an established media house (Times Bank). Out of the banks promoted by individuals in 1993, only one has survived with muted growth. One bank has been compulsorily merged with a nationalized bank due to erosion of net worth on account of large capital market exposure. The other two banks have voluntarily amalgamated with other private sector banks due to the decisions of the majority shareholders arising out of poor governance and lack of financial strength. The Committee observed that mere issuing of new banking licenses by itself at this juncture cannot guarantee growth in the banking sector, and ipso facto lead to financial inclusion. The Committee were more inclined to assume that criteria/parameters set out in the 1993 guidelines and monitoring thereof may not have been adequate enough to prevent floundering of some banks in a short period and mergers and muted growth in some.

7. The Ministry in their Action Taken Note have stated that the 1993 guidelines were issued as part of the financial sector reforms enunciated by the Narasimham Committee. The main considerations were that the new private sector banks would be financially viable, provide competitive, efficient and low cost financial intermediation services for the society at large and usher in up-gradation of technology in the banking sector. The basic criteria were that the bank shall have a minimum capital of `100 crore; open branches at various centres including urban / metropolitan centres as per the existing policy, without prior approval of the RBI once they satisfy the capital adequacy and prudential norms; observe priority sector lending targets as applicable to other domestic banks. These were fixed keeping in view the socio-economic conditions prevailing at that time. Under these guidelines, 10 new licences were issued in the year 1994 and 1995.

Subsequently, after a review of the experience gained on the functioning of the new banks, the guidelines were revised in February 2001. The 2001 guidelines inter alia stipulated the minimum paid-up capital for the new bank at `200 crore with a condition that the same should be increased to `300 crore within three years of the commencement of business; provided for opening of 25 per cent of branches in rural and semi-urban areas to avoid concentration of their branches in metropolitan areas and cities and for observing priority sector lending target of 40 per cent of net bank credit; and permitted companies, directly or indirectly with large industrial houses to participate in the equity of a new bank up to a maximum of 10 per cent without having controlling interest in the bank. Two more licences were issued in the year 2003 and 2004 under the 2001 guidelines issued by RBI.

As can be seen from the table below, the objectives of the guidelines were largely achieved:

Market share of banks
(% to total assets of all Scheduled Commercial Banks except Regional Rural Banks)

	1993-94	1998-99	2004-05	2012-13
1. Public Sector Banks	87.1	81.0	75.4	72.7
2. Total Private Sector Banks of which:	5.2	10.9	18.1	20.8
(a) Old Private Sector Banks		(8.8)	(6.0)	(4.6)
(b) New Private Sector Banks	--	(2.1)	(12.1)	(16.1)
3. Foreign Banks	7.7	8.1	6.5	6.5
Total	**100**	**100**	**100**	**100**

Performance Indicators (in %)

	2009-10	2010-11	2011-12	2012-13
	Return on Assets (RoA)			
Public Sector Banks	0.9	0.9	0.9	0.8
Old Private Sector Banks	0.9	1.1	1.2	1.3
New Private Sector Banks	1.4	1.5	1.6	1.7
	Return on Equity (RoE)			
Public Sector Banks	17.9	16.9	15.3	13.2
Old Private Sector Banks	14.7	14.1	15.2	16.2
New Private Sector Banks	10.7	13.6	15.3	16.5
	Gross NPAs			
Public Sector Banks	2.2	2.4	3.3	4.1
Old Private Sector Banks	2.3	1.9	1.8	1.9
New Private Sector Banks	2.9	2.7	2.2	2

Of the 12 new banks, over a period of time, three banks (Times Bank, Centurion Bank and Bank of Punjab) voluntarily merged with another new private sector bank viz., HDFC Bank. Such voluntary amalgamations amongst the private sector banks are largely driven by synergy and the desire to expand in scope and scale. One bank was compulsorily amalgamated with a public sector bank (Global Trust Bank with Oriental Bank of Commerce) and another bank (IDBI Bank Ltd) became a public sector bank upon its voluntary amalgamation with the parent.

It may be stated that RBI put in place a robust off-site monitoring system in March 1996 in addition to its onsite inspection. Post the global financial crisis, there has been a shift towards risk based supervision (RBS) away from the erstwhile CAMELS (Capital Adequacy, Asset Quality, Management, Earnings, Liquidity & Systems) approach. The Reserve Bank has since introduced risk based supervision (RBS) in respect of the scheduled commercial banks. As part of the RBS phase I rollout, 29 banks constituting about 66 percent of the total assets of the banking system have been brought under RBS from 2013-14.

Despite significant progress made by the banks in India, just about 40 per cent of the adults have formal bank accounts. Deepening the engagement of formal banking for low income households and providing access to the unbanked will require increasingly innovative approaches (including channels, products, interface, etc.).

Given the large number of under-banked and unbanked rural areas, the new banks would complement the efforts made by the existing banks, by bringing additional capital, new management, more human resources, new technology and new products. Under the 2013 guidelines, the promoters have been called upon to provide a business plan along with the application and to address how they propose to achieve financial inclusion. Further, the guidelines require the new banks to open at least 25 per cent of their branches in unbanked rural centres (population upto 9,999 as per the latest census). These banks are expected to foster financial inclusion in unbanked rural centres."

8. The Committee are not at all convinced by the reasoning extended by the Ministry that the mergers by the new banks amongst themselves/with other banks were strategic business moves largely driven by synergy and the desire to expand in scope and scale. This is a gross understatement of the distress situations the new banks were mired into, which had compelled them to resort to mergers with older banks for survival. The Committee are surprised that the Ministry chose to make such a cavalier reply even overlooking the submission of the RBI, on RBI's experience with the new private banks since 1993 quoted in that very Seventy-ninth Report of the Committee wherein the Bank stated - ***" ..over these 17 years.. banks promoted by individuals, though banking professionals, either failed or merged with other banks or had muted growth."*** **The Committee are concerned to note that the Ministry have only attempted to downplay the failures and shortcomings of banks in general and that of the new**

private banks in particular. Therefore, with a view to ensuring that such instances do not recur in detriment to the banking system as such, the Committee would like to emphasise that nobody be allowed to take unfair advantage of the new guidelines. The Committee would therefore, urge the Ministry and RBI to take active cognizance of the risks and challenges facing the banking sector while formulating licensing policy and issuing new banking licenses.

9. The Committee further note that as a major shift towards a robust offsite monitoring system Risk Based Supervision (RBS) has been put in place instead of the erstwhile Capital Adequacy Asset Quality, Management, Earnings, Liquidity and Systems (CAMELS) approach and 29 banks constituting about 66 per cent of the total assets of the banking system have been brought under. The Committee observe that such a shift to RBS is a move in the right direction, as the global economic crisis that shook the world few years ago has clearly signalled the need for overhaul of the financial regulatory architecture and risk management standards. The Committee hope that the RBI will accordingly put necessary monitoring systems in place for the banking sector in general and the new bank licenses, in particular.

BANKING LICENCES TO LARGE INDUSTRIAL HOUSES:

(Recommendation Serial No. 3)

10. Noting that one of the major changes in the current guidelines from the earlier one 2001 is that the 2013 guidelines for banking license have allowed large industrial houses to apply for banking license, contrary to the guidelines issued in 2001 which has clearly spelt out that large industrial houses were not allowed to apply for banking license and not convinced by the rationale extended by the RBI that large industrial/business houses were allowed to promote banks under 2013 guidelines as capital requirement can be easily provided by large industrial houses; industrial and business houses have already been allowed entry into other financial service sectors and are competing with banks on both asset and liability sides; airports, highways and ports etc. However, the Committee had felt that banking being a highly leveraged business involving public money and public welfare, the Committee had opined that it will be more in the fitness of things to keep industry and banking separate. The

Committee had further noted that as on March 2013, out of 15630 existing private sector bank branches, only 2699 branches were located in the rural areas i.e. to say only about 17% of the total branches were in the rural areas. Given such a background, the Committee were apprehensive that industrial/business houses may not be geared to achieve the national objectives of financial inclusion, priority sector lending etc. not sure whether the "safeguards" put in place by RBI such as "Fit and Proper" criteria. Exposure Norms" etc. would be effective enough to prevent banks promoted by industrial houses from "cosying up" to their industrial owners, the Committee, had, urged the Government / RBI to ensure that no recurrence of the pre-nationalized situation happens, when the management of private banks deployed their funds to extend undue favour to their own industrial owners without regard to social priorities determined by Government. As post-nationalization, great strides have been made in social banking by public sector banks, the Committee had also desired that this momentum nurtured thus far should be carried forward to extend the geographic coverage of banks and improve access to banking services through the new licenses to be awarded under the 2013 guidelines and this goal of reaching banking services to unbanked areas should thus not be lost sight of while granting licenses to new entities.

11. The Government in their Action Taken Reply have stated that it is a fact that the guidelines on entry of new banks in the private sector dated January 03, 2001 did not permit a large industrial house to promote new bank. However, individual companies, directly or indirectly connected with large industrial houses, have been permitted to participate in the equity of a new private sector bank up to a maximum of 10 per cent, but without having controlling interest in the bank. The guidelines for licensing of new banks in the private sector issued on February 22, 2013 do not have such restrictions. Therefore, corporates are eligible to promote new banks, subject to compliance with the provisions of the guidelines.

The Reserve Bank of India appreciates the concerns and apprehensions of the Committee on the issue of permitting large industrial houses to promote new banks. The related issues have been widely discussed. The Reserve Bank came out with a Discussion Paper on Licensing of New Banks in August 2010 pursuant to the announcement made by the Union Finance Minister in his budget speech for the year

2010-11 for giving some additional banking licences to private sector players, including non-banking financial companies.

The Discussion Paper brought out the international experience, Indian approach and pros and cons of allowing industrial houses to promote new banks. The Reserve Bank had collated international experience on allowing corporates to promote banks. It was observed that jurisdictions like Australia, Brazil, Canada, Germany, France, Japan and UK do not specifically restrict industrial houses from setting up banks. On the other hand, many jurisdictions like USA and Korea have restrictions. The international experience is, therefore, varied.

Based on the comments received on the Discussion Paper and discussions with various stakeholders, it was decided to permit corporates to promote new banks with adequate safeguards to ring fence the financial business from the non-financial business of the promoters. The rationale for allowing the corporate for promoting new banks is as under:

i) Industrial and business houses have already been allowed entry into other financial services sectors, and are competing with banks both on the asset and liability sides.

ii) Industrial and business houses have a long, and credible, history of building and nurturing new businesses in highly regulated sectors like telecom, power, airports, highways, dams and ports, etc.

iii) Industrial and business houses can be an important source of capital, entrepreneurial abilities, business experience and management expertise.

iv) Equities of large industrial and business houses are widely held; they are listed on the stock exchanges, and are subject to Companies laws and SEBI regulations on transparency, disclosure and corporate governance. Moreover, with huge business interests across a variety of sectors and regions, industrial and business houses can be expected to be quite keen on not compromising their business reputation. That itself will act as a safeguard.

The following safeguards have been provided in the guidelines to mitigate the possible conflict of interests and self-dealings:

i) The promoters / promoter groups are required to first set up a wholly owned Non-Operative Financial Holding Company (NOFHC), which will hold the new bank as well as other regulated financial services entities of the group. The holding company structure will ring fence the regulated financial services entities of the group, including the bank, from other commercial, industrial and financial activities of the group which are not regulated by financial sector regulators; and also ring fence the bank from other regulated financial activities of the group.

ii) The NOFHC will be registered with the Reserve Bank as an NBFC and it will be regulated by the Reserve Bank. The NOFHC will comply with corporate governance guidelines and prudential norms issued from time to time.

iii) The new banks will not be permitted to take any credit and investment (including investments in the equity/debt capital instruments) exposure on the promoters / promoter group entities or on individuals associated with the promoter group or their NOFHCs. Further, banks promoted by groups having 40 per cent or more assets and/or income from non-financial businesses will require RBI's prior approval for raising paid-up voting equity capital beyond `10 billion for every block of `5 billion. This provision will allow the Reserve Bank to control the growth of the bank consistent with our policy.

iv) The Reserve Bank is now empowered under the Banking Regulation Act, 1949, to call for information relating to the business or affairs of any associate enterprise of the banking company, and also to cause an inspection of its books of account. The Act also empowers the Reserve Bank to supersede the boards of banks to secure proper management.

The Reserve Bank is of the view that additional safeguards provided in the guidelines would keep the industrial activities and the banking activities separate.

Financial Inclusion

The guidelines mandate banks to open at least 25 percent of the branches in unbanked rural centres to avoid over concentration of their branches in metropolitan areas and cities, which are already having adequate banking presence.

It is submitted that the new private sector banks have performed well in terms of opening up branches. The 7 new private banks had 9528 branches, as against 6049 branches of 13 old private sector banks, as on March 31, 2013. It is acknowledged that the penetration of the private sector banks into rural centres is less than that of public sector banks. However, since July 15, 2011 the Reserve Bank of India has mandated all scheduled commercial banks (except Regional Rural Banks) opening at least 25 per cent of the total number of branches (proposed to be opened during a year) in unbanked rural centre that does not have a brick and mortar structure of any scheduled commercial bank. The new private sector banks have opened 41.5 per cent of the total number of branches opened during the year 2012-13 in Tier 5 and Tier 6 centres (rural centres) compared to 28.9 per cent by the old private sector banks.

It is submitted that a single mode of presence in the form of a brick and mortar branch may not be always viable for providing access to banking services in rural areas. Therefore, banks have been extensively using the services of Business Correspondents (BCs) for extending the geographic coverage of the existing branches. Further, banks have been adopting information and communication technology (ICT) based financial inclusion in a big way, in lieu of branch presence. It is widely acknowledged that new banks bring new business models, superior banking technology and innovative products to suit to the requirements of the customers.

The new private sector banks are expected to adopt financial inclusion as a viable business model and use modern technology to achieve this objective. As per the guidelines for licensing of new banks in the private sector, the applicant for new bank licences are required to furnish their business plans and how they propose to achieve financial inclusion. A high level advisory committee (HLAC) will screen the viability of the business plans of the proposed new banks; their business focus, including evaluation of the proposals to promote financial inclusion in a significant way; range of financial services proposed to be offered; ability to render cost effective customer service; potential to contribute to economic growth; evaluation of the proposed technology platform and special expertise of the promoters / promoter groups' in underserved/niche areas; and ability of the promoters and management to manage risks.

Priority Sector Lending

The proposed new banks are mandated to comply with the priority sector lending(PSL) targets and sub-targets as applicable to the existing domestic banks and for this purpose, the banks should build up their priority sector lending portfolio from the commencement of their operations.

It is, however, a fact that 6 out of 20 private sector banks failed to achieve the priority sector lending target of 40 per cent of the adjusted net bank credit for the year ended March 31, 2012. It may be submitted that 16 out of 26 public sector banks also could not achieve the overall target of 40 per cent. Further, while the public sector banks' PSL achievement was at 37.2 percent, the achievement of private sector banks' PSL target was higher at 39.4 percent for the year ended March 31, 2012. In 2012-13, credit to priority sectors by public and private sector banks was 36.3 per cent and 37.5 per cent (of Adjusted Net Bank Credit / Credit equivalent of Off-Balance Sheet Exposure, whichever is higher) respectively, indicating a short fall against the overall target of 40 per cent.

Share in the Banking space

The public sector banks are the dominant players in the banking space. The 26 public sector banks have a market share of over 72 per cent of the total assets of the commercial banks (excluding Regional Rural Banks), as against about 20 per cent by the private sector banks. Therefore, the apprehension that allowing industrial and business houses to promote new banks will result in concentration of control of the Indian banking system, is quite low given that our banking system is composed of public sector banks and non-industrial sector promoted private banks.

12. The Committee had voiced their concerns on the banking license guidelines permitting large industrial houses to promote new banks, apprehending that Industrial/Business houses may not be geared up to achieve national objectives of financial inclusion, priority sector lending etc. From the

reply of the Ministry, the Committee learn that 6 out of 20 private sector banks failed to achieve the priority sector lending target of 40 per cent of the adjusted net bank credit for the year ended March 31, 2012. The Ministry have also stated that even 16 out of 26 public sector banks failed to achieve the target. It has been further stated that during the next fiscal too the credit to priority sector by public and private sector books was 36.3% and 37.5% respectively i.e. less than the stipulated 40%. The Committee feel that such comparisons are odious given the scale of operations and reach and spread of the public sector banks vis-à-vis those in private sector. The Committee, therefore, reiterate that the Government / RBI should ensure that no recurrence of the pre-nationalization situation happens, when the management of private banks deployed their funds to extend undue favour to their own industrial owners without regard to social priorities determined by Government. As post-nationalization, great strides have been made in social banking by public sector banks, the Committee desire that this momentum nurtured thus far should be carried forward to extend the geographic coverage of banks and improve access to banking services through the new licenses to be awarded under the new guidelines. The Committee would thus reiterate that the goal of reaching banking services to unbanked areas should thus not be lost sight of while granting licenses to new entities and framing the licensing/expansion policy in general.

CONTESTABILITY OF DECISION OF RBI

(Recommendation Serial No. 9)

13. The Governor of RBI, while deposing before the Committee had stated on the issue of “Fit and Proper” ….if there is some subjectivity, the test for us, the challenge for us will be … is your decision contestable?” The Committee surprised that in spite of the

above submission made by the RBI Governor, and also considering the extent of subjective discretion available with RBI in the criteria / guidelines, there was no mechanism provided to facilitate contesting or reviewing RBI decisions had with a view to ensuring fair play and justice in the licensing process, recommended that a suitable mechanism may be instituted to enable aggrieved applicants to seek review of decisions

14. The Ministry in their action taken reply have stated as follows that the Reserve Bank will give out new bank licences consistent with the highest standards of transparency and diligence. The HLAC will screen the applications after the preliminary evaluation by the RBI staff. The Committee will make recommendations to the RBI Governor and Deputy Governors, who will propose the final list to the Committee of the Central Board (CCB) for grant of in-principle approval or the rejection of the application. The Banking Regulation Act, 1949 does not provide for any grievance redressal mechanism for refusal of a banking licence to any applicant. The Act provides for an appeal against cancellation of licence. However, with due deference to the recommendations of the Committee, the Reserve Bank of India would put in place an appeal mechanism for the applicants aggrieved by the decision and if an appeal is made against the decision. While a specific decision is fully within the purview of the RBI given its regulatory mandate, the process followed by the RBI can be appealed to the RBI's Central Board of Directors, where parties directly involved in the decision making will not vote.

15. The Committee note with some satisfaction that the Ministry, have finally in consonance with the Recommendations of the Committee decided that the Reserve Bank of India would put in place an appeal mechanism for the applicants aggrieved by the decision, if an appeal is made against the decision. The Committee expect that though the Banking Regulation Act 1949 does not provide for any grievance redressal mechanism for refusal of a banking license to any applicant, RBI will expedite putting in place a suitable and efficient mechanism available for aggrieved applicants to seek review of decisions in respect of issue of banking license.

New Delhi;	**DR. M. VEERAPPA MOILY,**
12 December, 2014	**Chairperson,**
21 Agrahayana,1936 (Saka)	**Committee on Finance**

Minutes of the Thirteenth Sitting of the Committee on Finance

The Committee sat on Thursday, the 11th December, 2014 from 1500 hrs. to 1630 hrs. in Committee Room 'D', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Dr. M. Veerappa Moily – Chairperson

MEMBERS

LOK SABHA

2. Shri Venkatesh Babu T.G.
3. Shri P.C. Gaddigoudar
4. Shri Shyama Charan Gupta
5. Shri Rattan Lal Kataria
6. Shri Bhartruhari Mahtab
7. Shri Gopal Shetty
8. Shri Anil Shirole
9. Dr. Kirit Somaiya

RAJYA SABHA

10. Dr. Mahendra Prasad
11. Shri C.M. Ramesh
12. Shri Ajay Sancheti
13. Dr. Manmohan Singh

SECRETARIAT

1.	Shri R.K. Jain	-	Joint Secretary
2.	Shri P.C. Koul	-	Director
3.	Shri R.K. Suryanarayanan	-	Additional Director
4.	Shri Kulmohan Singh Arora	-	Deputy Secretary

WITNESSES

X X X X X X

2. X X X X X X

3. X X X X X X

(The Witnesses then withdrew.)

(The Committee then adjourned for Tea)

(At around 1605 hours the Sitting resumed with the Chairperson in Chair)

4. Thereafter the Committee took up following draft Reports for consideration and adoption: -

(i) Draft Report on Demands for Grants (2014-15) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment);

(ii) Draft Report on Demands for Grants (2014-15) of the Ministry of Finance (Department of Revenue);

(iii) Draft Report on Demands for Grants (2014-15) of the Ministry of Planning;

(iv) Draft Report on Demands for Grants (2014-15) of the Ministry of Corporate Affairs;

(v) Draft Report on Demands for Grants (2014-15) of the Ministry of Statistics and Programme Implementation; and

(vi) Memorandum No. 2 regarding draft Report on Action Taken by the Government on the Observations/Recommendations contained in the Seventy-ninth Report (Fifteenth Lok Sabha) on the Subject 'Policy on New Licences in the Banking Sector'.

5. After some deliberations, the Committee adopted the draft Reports at Sl. Nos. (i), (ii), (iv), (v) and (vi) above without any modification and authorised the Chairperson to finalise them in the light of factual verification from concerned Ministries/Departments.

6. As regards the draft Report at Sl. No. (iii) above some Members pointed out to the Chairperson that due to paucity of time they could not go through it while some others wanted it to be further discussed. The consideration of draft Report at Sl. No. (iii)

was accordingly deferred to the next Sitting of the Committee scheduled to be held on 18^{th} instant.

The Committee then adjourned.

A verbatim Record of the proceedings has been kept.