

## **FinMin nixes India Post's plan to set up a bank**

*Tells RBI this is not the time to consider such a foray, especially given the lack of funds to spare for such a venture*

The Union finance ministry has poured cold water on India Post's application to set up a bank. The postal department might be asked to re-apply when new guidelines for bank licences are issued by the Reserve Bank of India (RBI).

As suggested by the Bimal Jalan-headed screening committee, the issue came up for discussion at a recent meeting of the finance ministry and RBI, a ministry official said. The ministry said India Post was not ready for a banking foray.

India Post had said it needed Rs 1,800 crore to set up the bank. The postal department had sought an initial capital of Rs 623 crore from the finance ministry. It had thought of raising the rest from other sources.

### **NO BANKING JOB FOR THE POSTMAN**

Finance ministry says India Post is not ready for a banking foray

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India Post has deposits of Rs 4 lakh crore but doesn't have experience in handling advances

"When we don't have enough money to recapitalise existing public sector banks, how can we afford to give funds for a new government bank?" said the official.

RBI had granted licences to only two entities, IDFC and Bandhan Financial Services, of the 25 applicants which applied to set up a bank.

The high-level advisory committee (Jalan panel) set up by RBI to look into the bank licence applications had recommended the central bank consider India Post's application separately, in consultation with the government, and RBI had agreed to do so.

RBI had also said that instead of only opening the licensing window periodically, it would like to make it a regular process, also mooting the idea of differentiated licences.

Officials said RBI might issue new guidelines with some modifications for on-tap and differentiated licences. Then, India Post could stand a chance, particularly as a deposit-taking bank, provided it addressed the concerns of all stakeholders, they added.

The advantage with India Post is that it has a branch in every nook and corner of the country. So, it can help the government reach the objective of financial inclusion.

"India Post deserves the licence because they have the ability to attract customers, the first step towards financial inclusion. It is easier to lend but difficult to get deposits," said Abizer Diwanji, partner and national leader-financial services, EY.

While India Post has deposits of Rs 4 lakh crore, it doesn't have experience in handling advances. It has a huge workforce but lacks experience in the range of banking operations, particularly treasury and risk management. Thus, it will have to get talent from the market, while some from its existing staff of 474,000 might be redundant.

India has the largest postal network in the world, with 155,015 post offices (against 98,000 bank branches), of which 90 per cent are in rural areas. However, the department posted a loss of Rs 5,805 crore in 2011-12. Both Bandhan and IDFC, on the other hand, are profitable.

*(Business Standard)*