

New bank licences: Jalan panel report by weekend

The advisory committee headed by former Reserve Bank of India (RBI) governor Bimal Jalan, which is screening the 25 bank licence applications, is expected to give its report by this weekend, Financial Services Secretary Rajiv Takru said on Monday.

The committee will meet on Tuesday. This might be its final meeting before it gives its recommendations to the central bank.

“I expect the Jalan committee to finish its work by this week, after which RBI can get down to the job of looking at what it has said and deciding what to do about it,” Takru told *Business Standard*. He added the new licences will be awarded by March-end.

Takru ruled out speculation the Election Commission’s code of conduct will have any bearing on the process. “Bank licensing is an ongoing process. We will inform the Election Commission we started the process of bank licensing last July. The standard operating procedure is whatever is in process is not interfered,” he said, adding only issues that pointed to political patronage could be affected by the code of conduct.

India will go to the polls in April-May, though the dates for this are yet to be announced.

RBI had constituted the Jalan committee to examine the fit-and-proper criteria, business plans, corporate governance practices, etc, of applicants. Other members of the committee are former RBI deputy governor Usha Thorat, former Securities and Exchange Board of India Chairman C B Bhave and Nachiket M Mor, director of RBI’s central board of directors.

The committee, which held its first meeting in early November, had aimed to complete the screening process in three months.

On September 4, the day Raghuram Rajan had taken charge as RBI governor, he had announced the process to award new bank licences would be finalised in January, around the time Anand Sinha retired as deputy governor of RBI. Sinha was looking after the process to award new bank licences.

However, as the scope of the work increased considerably, it was planned the licences would be awarded by March-end.

After securing RBI’s in-principle approval for a bank licence, an entity will a year and a half to set up banks, failing which their licences will be cancelled.

Initially, 26 entities had evinced interest in foraying into banking. Subsequently, Tata Sons, the holding company of the Tata group, and Videocon group’s Value Industries withdrew their applications. However, RBI later added KC Land & Finance to the list of applicants, bringing the total number to 25.

A host of entities---from business conglomerates to micro-lenders---have applied for bank licences. The list of applicants includes public sector undertakings India Post and IFCI, private entities Reliance Group and Aditya Birla group. Bajaj Finance, Muthoot Finance, Religare Enterprises and Shriram Capital have also applied for licences.

(Business Standard)