



Table 4: Three rounds of private bank licensing in India

Round-1 (1993-95)	Round-2 (2001-04)	Round 3 (2013-16)
1) ICICI 2) HDFC 3) Indus 4) DCB 5) UTI-> later Axis bank 6) IDBI->now owned by LIC 7) Global Trust Bank-> Merged with Oriental Bank #8-9-10: Bank of Punjab, Centurian Bank, Times Bank were merged into HDFC	1) Kotak Mahindra 2) _____ (Founder Rana Kapoor)	Rajan invited applications, Bimal Jalan Committee made selections: 1. _____ (A Microfinance company based in W.Bengal) 2. _____ (An infra finance NBFC based in Maharashtra). Later on, another NBFC "Capital First" merged so renamed into IDFC-First

5.5.1 On-Tap License to open Private Sector Banks

A private entity can open Bank only after getting license from RBI under Banking Regulation Act, 1949. Previously, one had to wait till RBI invited applications. But in the On-Tap system (WEF 2016), one can apply to RBI whenever he wishes, provided that:

1. It's a Resident Indian individual, NBFC, or private company with min. __ years of experience in Banking-Finance Sector, and Min. 500 crore capital, and total assets not more than Rs. 5000 crores. *[Amount / B.com/CA-interpretations not imp. for UPSC]*
2. Proposed Bank will be controlled by Indians & willing to open 25% branches in unbanked rural areas.

5.6 COMMERCIAL BANKS ⇒ FOREIGN BANKS (विदेशी बैंक)

In Nehruvian Socialist Economy there was disdain & apprehensions about Foreign Banks. Only a handful of them were allowed to open branches. But, Post-Narasimham-Reform: foreign banks approval policy was liberalized.

Foreign Bank in India	<ul style="list-style-type: none"> - They're Incorporated abroad (i.e. registered under the Companies Act of a foreign nation) & opening branch / subsidiary in India e.g. Citibank, Bank of America, HSBC. - While CRR, SLR & other norms applicable, but PSL norms vary depending on number of branches. <i>[Ref: Prev. Handout: PSL]</i>
Indian Public Sector Bank	<ul style="list-style-type: none"> - Foreigners can invest max. 20% in its shareholding. E.g. BoB (15%), SBI (14%), PNB (13%) - Although Government thinking of raising it to 49% to help capital mobilization for BASEL-III norms. <i>[More in Next NPA handout]</i>
India Private Sector Bank	<ul style="list-style-type: none"> - Upto 49% (automatic) and upto 74% by approval of Government. - e.g. HDFC (73%), ICICI (59%) Axis Bank (52%).. - Although Government thinking of raising it to 100% to help capital mobilization for BASEL-III norms