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On-tap issue of bank licences soon: Raghuram Rajan

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Reserve Bank of India governor Raghuram G Rajan on Saturday said the central bank will soon begin on-tap issuance of bank licences. Delivering a lecture on financial sector reforms in India in Kochi on Saturday, Rajan said public sector bank boards would soon be professionalised to create capacity for better risk management. Starting next fiscal, board members of PSU banks will be selected from a bank member bureau populated with more integrity, skills and capacity.

Rajan said the board members should ideally come from varied sectors and have varied skills. Compensation for board members should also be taken care of, so as to attract better talent. The board should be empowered more to adopt better strategies, and decisions like appointment and compensation of top executives and chairman should be decentralised, he said.

“As soon as the new bankruptcy code in Parliament is passed, we will have the legal apparatus that will help solve issues rapidly and make it easier for the lender and the companies. The code will help put zombie businesses out of business,” he said.

The governor said the global stock market turmoil has spilled over to the balance-sheets of banks, but he is confident that it will pass soon. “Not all banks have problems, as there are some healthy banks also in the system. The problems are not of a permanent nature and we will soon resolve them,” he said.

“What we need is more competition in the banking sector to give the financial sector more depth and size,” he said. The new payment banks and small financing banks can reach out to the small and medium enterprises and competition will help increase access, he added.
