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## Full foreign ownership: Private banks talk Babel

BY PTI | JAN 21, 2018, 01.59 PM IST

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MUMBAI: Private sector banks are split on the speculation that government may remove the cap on foreign holding in them, with some welcoming it while others clearly not enthused by the proposed reform measure.

"I think you have to make up your mind whether banking is intrinsic to an [economy](#) or not. If it is intrinsic to an economy, do you want all earnings out of something which is intrinsic to the economy to be exported?" asked [Kotak Mahindra Bank](#) joint managing director Dipak Gupta.

"Banking, whether you like it or not, is sort of a bellwether for how directionally an economy moves. Hence, it is not appropriate to have 100 per cent foreign owned banks," he argued.

However, [Rana Kapoor](#) of [Yes Bank](#) took an entirely contrasting view and wholeheartedly welcomed the move.

"I think it's a good step. There are already two to three banks who are very close to the present cap of 74 per cent. In terms of opening up the market, it will be a good message, a very good signal," he said.

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HDFC Bank, which is among the large banks to have been hitting the 74 per cent ceiling often, refused to comment saying it is too early and there is nothing on the table officially now.



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"Cannot comment now as there is nothing on the table," Paresh Sukthankar, deputy managing director of the country's most valuable bank, told reporters over the weekend during the earnings presser.

According to media reports, the Narendra Modi government is reportedly planning to allow 100 per cent foreign direct investment in the private sector banks.

At present the same is capped at 74 per cent and the industry leaders [ICICI Bank](#) and HDFC Bank have the maximum exposure to foreign capital.

Reports that came a week after the government increased FDI caps in single-brand retail to 100 per cent under the automatic route, and Air India (49 per cent with approval; already the same amount of foreign capital is allowed in private sector airlines), said government is also considering allowing 49 per cent foreign ownership in state-run lenders, most of them crippled with low core capital due to mounting [bad loans](#) and the resultant losses, from 20 per cent now.

To drive his point home further, [Kotak Bank's](#) Gupta drew parallels between the defence and banking and said as in the former, government should not allow 100 per cent foreign ownership in banking too and should not be doing so in every sector.

He also said the savers should be given the benefit of all the good that is happening in the core economy, of which banking is an important part.

Kapoor said apart from increasing FDI in banking, government and the Reserve Bank should also work towards getting one or two big foreign banks to open 100 per cent subsidiaries in the country.

"We've seen a tremendous contraction of foreign banks of late," he said, adding their roles are now restricted to helping in exercises like equity and debt raising and also external commercial borrowings.

Kapoor said a lot of Fortune 500 companies are interested to invest in the country and having such banks will help in getting more foreign capital.

Liberalising foreign holding norms in many sectors has been a contentious issue for decades and any move on banking, especially with general elections a little over a year away, will be a very interesting step.

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