GS FOUNDATION FOR CSE 2024
ECONOMY-10
BANKING SECTOR –PPIRP, CROSS BORDER INSOLVENCY RESOLUTION, RURAL BANKS, PAYMENT BANKS AND SFBS

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2. PRE-PACKAGED INSOLVENCY RESOLUTION PROCESS (PPIRP) FOR CORPORATE MSMES

- Multiple ways of stress resolution are always good for economy.

- In April 2021, GoI amended the IBC Code, 2016 to introduced PPIRP for corporate MSME with defaults up to Rs 1 crore.
- **Key Features of PPIRP**
  - **Voluntary Initiation**: It is initiated voluntarily by the debtor. The debtor and creditor mutually work on a resolution plan and approach NCLT for its approval.
  - **Expedited Resolution**: Unlike CIRP, where 330 days are given, PPIRP is expected to be a faster process, with a maximum timeline of 120 days for the submission and approval of the pre-packaged plan.
  - It has rigour and discipline of the CIRP. At the same time, it is informal upto a point and formal thereafter.
  - **Minimal Disruption**: PPIRP minimizes disruptions to the debtor's business operations as negotiations are conducted before the formal insolvency process begins. The management of the affairs of the CD shall continue to vest in the Board of Directors/ partners of the CD and the resolution professional conducts the process under the guidance and oversight of the creditors.
  - **Creditor's involvement** in the resolution plan make it more likely to be feasible and acceptable by them. \
  - The **informality in the beginning** (pre-initiation phase) offers **flexibility** for the CD and its creditors to swiftly explore and negotiate the best way to resolve stress in the business.
  - The **Post-initiation stage drives value maximization** and bestows the resolution plan with statutory protection.

- **Advantages:**
  - Time efficient resolution
  - Early revival of stressed assets
  - Improved business continuity
  - Enhanced stakeholder involvement
  - Reduction in cost in insolvency resolution process
  - Preserve asset value: Early resolution can help preserve the value of the debtor's assets, preventing further deterioration and maximizing creditor's recovery

- **Performance Analysis**:
  - **Poor Start**: In two years of the program, only four cases have been admitted.
    - **Banks** are reluctant to get into an agreement with borrowers with no chance of full recovery.
      - If banks allow these promoters to escape with a haircut, there will be a flood of such requests, creating asset quality challenges.
    - There are no takers for this scheme as **banks prefer a one-time settlement (OTS)** in such cases and they are quicker to implement.
      - The scheme is similar to an OTS because the creditor and the bank have to agree to the plan, but the big difference is that in the PRIRP, we need a court approval that takes its own time. Therefore, for small outstanding loans, the OTS is much simpler than going to court.

- Further, small companies were **not well equipped** to approach banks with a clear plan, which was another reason for its failure.

3. CROSS BORDER INSOLVENCY (INTERNATIONAL INSOLVENCY) LAW IN INDIA

- **Example Questions**
  - "Inclusion of UNCITRAL Model Law provisions in Insolvency and Bankruptcy Code, 2016 will strengthen the Insolvency resolution norms in the country" Discuss [10 marks, 150 words]

- **Intro**
  - Cross border Insolvency mechanisms deals with financially distressed debtors who have assets or creditors in more than one country. Currently, the Cross Border Insolvency has no clear legal framework in India.

- **Key Cross border insolvency scenarios**
  - Creditor of an Indian debtor wishing to enforce their rights over the overseas assets of an Indian debtor.
  - Creditors of a foreign debtor wish to enforce their rights over the assets of foreign debtor in India.
  - Indian creditors to a foreign debtor, wish to enforce their rights over the assets of that foreign debtor in a foreign Jurisdiction.

- **Why cross border insolvency process is important?**
  - **Increasing global footprint of corporates**
  - **Improving Ease of Doing Business**
  - **Preventing the misuse of bankruptcy law**: It will further help India in dealing with cases like that of Nirav Modi who has filed for Bankruptcy in USA.

- **Key components of Cross border insolvency:**
  - i. Which **law** is applicable in case of cross border insolvency
  - ii. Who has the **jurisdiction** to administer the insolvency process.
  - iii. How are judgments asserting control on assets **enforced**.

- **The UN Commission on International Trade Law (UNCITRAL) Model law**
  - » This is a model law issued by UNCITRAL in 1997, to assist countries in regulating cross border insolvency. Over the years it has emerged as the most widely accepted legal framework to deal with cross-border insolvency issues.
  - » It is based on the principle of **Modified Universalism** (as opposed to Territorialism and Universalism).
  - » The law addresses the core issues of cross border insolvency cases with the help of **four main principles:**
    - **i. Access**: It allows foreign professionals and creditors direct access to domestic courts and enables them to participate in and commence domestic insolvency proceedings against a debtor
    - **ii. Recognition**: It allows **recognition of foreign proceedings** and enables courts to determine relief accordingly.

iii. **Cooperation**: It provides a framework for cooperation between insolvency professionals and court of countries.
iv. **Coordination**: It allows for coordination in the conduct of concurrent proceedings in different jurisdiction.
v. **Main Proceeding:** Principle for identifying where the insolvency proceeding (the main proceeding) should be initiated?
    - The law sets out the **Centre of Main Interests (COMI)** in deciding where the main proceedings should be commenced.
        - The law doesn't define COMI, but it is generally presumed to be debtor's registered office or location of its assets and its significant operations.
    - Further, the resolution professionals in this jurisdiction (where the main proceeding is initiated) are granted recognition and access in proceedings in other jurisdictions, where the insolvent entity may have assets (the non-main proceedings).

- **How many countries have adopted UNCITRAL?**
    - As of Oct 2023,**around** states have adopted the UNCITRAL Model Law (including USA, UK and Singapore). Some of them have set a reciprocity pre-condition.
- **Other Facts for Pre**
    - UNCITRAL, established in 1966, is a subsidiary body of the General Assembly of the UN.
    - It is mandated with harmonization and unification of the international trade law, as per the website.

– **Cross Border Insolvency in India**
    » India has **not yet adopted** UNCITRAL Model Law. (as of Oct 2023)
    » Earlier, Justice V. Balakrishna Eradi Committee in 2000 and N.L. Mitra Committee had recommended the adoption of the model law.
    » **Under the current IBC, 2016**, two sections deal with cross border insolvency.
        - Section 234 of the code empowers government to sign treaties to enable the provisions of the code.
        - Section 235 provides for a 'letter of request' by the liquidator for action on the assets of the company situated in other country. However, a reciprocal arrangement must exist there.
    » India has not yet initiated the bilateral treaty mechanism to deal with cross border insolvency provisions.

– **The Report of Insolvency Law Committee** (ILC) - chaired by Corporate Affairs Secretary **Injeti Srinivas**
    » **Key Findings**
        - Section 234 and 235 of the IBC, don't provide a comprehensive framework on cross-border insolvency.
    » **Key recommendations**
        - **Adoption of the UNCITRAL Model Law** as it provides a comprehensive framework to deal with cross border insolvency issues.
        - **Some changes to ensure consistency with IBC**
            - India's adoption of model law should only include corporate debtors and not individuals.

- **Incorporate Reciprocity Provision**
- **Foreign Creditors should be treated on par with domestic creditors**.
    - They will still be able to initiate, participate in and file claims in proceedings in India under IBC regardless of reciprocity.
- Centre should draw up a list of such indicative factors in subordinate legislation which can help while **ascertaining the COMI** (Centre of Main Interests)

» **Positives**
- The implementation of new recommendations will ensure better cooperation between domestic and international courts, a more transparent international insolvency resolution mechanism and better ease of doing business.
- It will benefit the resolution professionals by enhancing their ability to seek assistance in other jurisdiction.
- The reciprocity requirement will be essential to protect the interest of domestic parties.

» **Some Limitations of ILC recommendations**
- The **definition of establishment** is limited under the ILC's recommendations. It may exclude the internet based companies that essentially operate outside the traditional brick and mortal model.

» **Way forward**
- » Extensively draw lessons from global experience, especially while drawing the list of indicative factors to help **determine the COMI (Centre of Main Interest) and establishment**.
- » Careful, exhaustive mechanism to determine COMI to prevent misuse and forum shopping by various entities globally.
    - Any loophole in the system will be exploited by businesses to move into jurisdictions with very beneficial laws.

– **Conclusion**
- » The ILC report is a laudatory effort towards cross-border insolvency. It will be another step towards reforming the Insolvency process to make it more effective.
- » The responsibility is now with center and legislators to fine tune the recommendations and hasten its implementations.

4. DIFFERENT TYPES OF BANKS

1) REGIONAL RURAL BANKS (RRBS)

– **Example Questions**
- » Discuss the key role that Regional Rural Banks play in the development of rural sector? Why has government taken steps towards consolidation and amalgamation of the Regional Rural Banks? [12.5 marks, 200 words]

– **Background: Why RRBs were formed?**

- Even after bank nationalization in 1969, there was a feeling that there were cultural issues which made it difficult for commercial banks, even under government ownership, to lend to farmers.
  - On the basis of recommendations of **Narsimhan Committee (1975)**, a Regional Rural Banks Act 1976 was passed to create regional rural banks to look after the banking needs of the rural and agricultural sector.
- These banks act as an alternative to cooperative banks in providing financial inclusion in rural areas. RRBs combine the inclusiveness of cooperative banks with the professionalism of commercial banks.
- They act as a decentralized solution for the skewed banking development that was happening across the country, with the south and west being well banked while the north-east, east and central regions suffered.

– **Ownership structure and other norms**(Remember for Prelims)
- RRBs are owned by three entities with their respective shares as follows

Central Government	50%
State Government	15%
Sponsor Bank	35%

- Every bank would be supported by "a Public Sector Bank".
- The Sponsor banks are required to
  - Subscribe to the share capital of RRBs
  - Train their personnel
  - Provide managerial and financial assistance

– **Limitation in area of operation**
- Each RRB operates within the geographical limit notified by the government. This may include one or more districts of the state.
- **PSL Norms for RRB**
  - In 2015, the PSL targets for RRBs were increased to 75% from the existing 60%.

Categories	Targets
Total Priority Sector	75 per cent of total outstanding*
Agriculture	18 per cent of total outstanding
Small and Marginal Farmers	8 percent of total outstanding**
Micro Enterprises	7.5 per cent of total outstanding***
Weaker Sections	15 per cent of total outstanding

– **Key services provided by RRBs:**
- Provide banking services in rural and semi-urban areas.
- Providing loans to small and marginal farmers, craftsmen and artisans, MSMEs etc.
- Carrying out government operations such as disbursing MGNREGA workers' wages and distributing pensions.
- Providing para banking services like lockers, debit and credit cards, mobile banking, internet banking, and UPI services.

- **Regulation:**
  - RBI and NABARD are the main regulatory authority of the RRBs.

- **Key Challenges faced by Regional Rural Banks**:
  - **Cost of operations** of RRBs are much higher when compared to a scheduled commercial bank of similar size
  - **Losses**: These banks have limited mandate and thus many of the branches in rural areas don't have enough business.
  - **Less Technology Usage**: For e.g., not all RRBs provide net banking or mobile banking facilities.

- **Key Steps being taken:**
  - **Recapitalization of RRBs:**
    - In 2020 and again in 2021, through recapitalization helped these banks to improve their CRAR.
  - **Amalgamation of RRBs:**
    - In 2005, government initiated an amalgamation program which resulted into 43 RRBs in 2023 from 196 in 2005.
    - **Why?**
      - **Advantages** (reduces the overhead cost, improve operational viability, take advantage of economies of scale; increases capital available with the banks; Easy to regulate; Optimize the use of technology; higher productivity, improved financial inclusion etc.
      - **Criticism:**
        - Reduced number of banks -> takes banks away from customers.
    - **Note**: In July 2023, Ministry of Corporate Affairs exempted RRBs from the purview of CCI's merger control regime.
      - The exemption dispensation from the prior scrutiny and approval of Competition Commission of India (CCI) would be available for five years. It would pave the way for merger of RRBs without prior scrutiny and approval of Competition Commission of India (CCI), which has the mandate to examine whether merger and consolidation will lessen competition or affect consumer interest.
  - Government has also been encouraging RRBs to adopt technology and provide internet banking, phone banking and other online services to reduce the cost. RRBs have also been suggested to expand lending to MSMEs sector.
    - Sponsor banks have also been asked to create a roadmap for strengthening of RRBs.
    - This plan includes merging branches of these RRBs with sponsor banks once these branches reach a certain level of business.
  - **NABARD** is working on a roadmap for 22 RRBs which is expected to be implemented soon.

- **Plan to list RRBs to rise resources:**
  - Government has also **issued draft guidelines for listing of RRBs. (Oct 2022)**
  - This would allow them to raise resources by listing on stock exchange.
  - Basic criteria set in the guidelines are:
    - Net worth of Rs 300 crore during the previous three years.
    - Capital Adequacy of above the regulatory minimum level of 9% in each of the preceding three years.

- Track record of profitability - minimum profit of Rs 15 crore for at least 3 out of previous five years
- Besides, there shouldn't be any accumulated loss and the lender should have given return on equity of minimum 10% in three out of the preceding five years.

» As per the draft norms, the responsibility of identifying suitable lenders for issuing IPO has been left with the respective sponsor bank.

– **Way Forward:**

» Like scheduled commercial banks, RRBs need a common framework (something similar to Core Banking solution) so that they can provide better services, enhance user base and thus enhance overall profitability.

2) NICHE BANKING/ DIFFERENTIATED BANKING (PAYMENT BANKS AND SMALL FINANCIAL BANKS)

– **Intro:**

» Niche banks refer to those banks that cater to and serve the **needs of a certain demographic segment** of the population. Niche banks typically target a specific market or type of customer, and tailor a bank's advertising, product mix and operations to this target market's preferences.

» To promote financial inclusion in the country, RBI has in recent years launched two niche categories - Payment Banks and Small Financial Banks.

A) PAYMENT BANKS

» Payment banks are a new model of banks conceptualized by RBI (on recommendation of **Nachiket More Committee**) to increase financial inclusion. It focuses on **operating at smaller amounts without involving any credit risk**.

– **Regulation:** Payment Banks are registered as public limited company under the Companies Act, 2013, and licensed and governed under Banking Regulation Act, 1949.

– **Who is eligible:** A payments bank can be a mobile service provider, supermarket chain, non-banking finance company, corporate business correspondent, reality sector corporations and PSUs.

– **Main Features**

- **What they must do / necessary conditions**
  - **Minimum capital:** 100 crores
  - Maintain 75% deposit in government bonds
  - Maintain 25% deposit in other banks
  - Have 25% branches in Unbanked area

- Have atleast 26% investment by Indians
- Get listed if net worth crosses over 500 crores
- Be fully networked and technology driven
- **Cap on Deposit/ac:** 1,00,000.
- **Only current account and saving account.**
- Word **"Payment Bank"** in its name to differentiate it from other banks
- These banks should comply with the **corporate governance guidelines**, including 'Fit and Proper' criteria for directors as issued by RBI.
- Operating of the bank should be **fully networked** and **technology driven** from the beginning.
- Have to follow **CRR/SLR norms**.

- **What they can do / Optional**
  - Offer internet banking
  - Sell mutual funds, insurance schemes, pensions
  - Offer bill payment service for customers
  - Can provide locker and vault facilities
  - Have ATMS and business correspondent
  - Can function as BC of other banks

– **What they can't do**
  - **No Credit Lending i.e.** cannot Offer credit cards
  - Extend loans (so PSL not applicable)
  - Handle cross border remittances
  - Accept NRI deposits

– **Guidelines for Payment Bank's SFB license (March 2020)**
  - Payment Banks willing to convert into Small Financial Banks can apply for such license only after **5 years of operation**.

– **How would payment banks help in improving financial inclusion?**

1. **Banking services to unserved groups:**
   - Banking services such as saving bank account, current account and payments/ remittance services to non-serviced groups such as **migrant workers, low income households, small businesses**, other unorganized sector entities, by enabling technology driven environment
2. **Extension of services in rural areas**
   - 25% of access points have to be in unbanked areas.

- Extension of services to rural areas, as use of technology such as mobile phones would be extensive.

3. Payment banks would **create infrastructure** to send/receive cash - including digital infrastructure
4. It will also increase the penetration of **insurance, mutual funds, pensions** etc.
5. It will help in **formalization of economy** by promoting the use of banks for day-to-day transactions
6. Promote development of **financial technology** sector to increase the efficiency of doing business with small amounts.

- **Skeptics**
    - **Feasibility:** Whether a bank which cannot lend and whose max deposit limit can be 1 Lakh per customer can have a future
    - **Regulation:** Whether RBI will be able to regulate these banks which will operate mainly with point of sale devices and through business correspondent.

B) INDIAN POST PAYMENT BANK (IPPB)

- IPPB is a payment bank owned by GoI and is operated under Department of Posts, Ministry of Communication. It's **first phase** was launched on 1st Sep 2018. The bank had started operating on pilot basis from Jan 2017, by opening two branches (Ranchi and Raipur).
- It is aimed at utilizing all of India's 1.5+ lakh post offices as access points and more 3 lakh postal service workers to provide house-to-house banking services.

- **Three different kinds of services provided by IPPB.**
    a. **Regular Services**
    b. **Basic Saving Accounts**
        - All features similar to regular services, but will allow only four cash withdrawals in a month.
    c. **Digital Saving Accounts**
        - Opened from the IPPB Mobile App available on android phones.

- **Other Key Features**
    a. **QR Cards + Biometric** (two-step verification process)
        - The IPPB has **done away with ATM Or Debit Cards** and will be using a QR card for both cash and cashless transactions. This QR card will work on biometric authentication and not on passwords or PINs.

b. **Third party services like loans and insurance**
   - IPPB has teamed up with financial services providers like PNB and Bajaj Allianz Life Insurance for third-party products like loans and insurance.
      - (Note: IPPB can't give loans directly as it is a payment bank)

c. **Options for having a deposit more than 1 Lakh rupee**
   - Deposits that exceed Rs 1 Lakh will be automatically converted into post office saving accounts.

– **Analysis: Advantages**

a. General advantages associated with payment banks

b. **Better reach of Postal network in rural areas**
   - 1.5 lakh post offices and around 4 lakh Grameen dak sevaks

c. **Door step services**
   - It is one of the most distinct features of IPPB making it more accessible.

d. **QR cards will be simpler to use**

e. **Increased digital and financial literacy**
   - Grameen Dak Sevaks will also be responsible for promoting financial and digital literacy.

f. **Fast-track welfare schemes**
   - Benefits of schemes such as PMFBY which provides assistance to farmers will be delivered faster now.

g. **More business for post offices**
   - Over the last few years, postal department has faced losses which can be reversed by expanding their role through payment banks.

h. **Break the infamous 'Liquidity preference'**
   - People in rural India have a habit of keeping money in cash or gold as they don't have other better options available.
   - IPPB has the potential to break this infamous 'liquidity preference' and revitalize the cycle of money and income, by making micro-savings a reality.

– **Analysis: Some Challenges**

a. **Financial:** Legacy casts a significant shadow over the success of IPPB. India post had a revenue deficit of more than 11K crore in 2016-17.

b. **Legacy Issues and high-cost business models**
   - Post offices business models have not been very effective so far
   - It's technology is inferior and archaic to private banks.

c. **Government Control** (since it is 100% owned by government) could lead to IPPB hindered by red-tapism, bureaucracy and corruption and could impede it from competing in a dynamic industry like banking.

d. **Training of human resource**
   - Banking and technology training needs to be provided to these dak sevaks.

e. **Connectivity**
   - Micro-ATM etc will only work when there is proper connectivity even in remotest corner. This is a concern for now.

f. **Charges** of Rs 25 for cash withdrawal/deposits and Rs 15 other digital transactions while availing door-step service is undesirable, both socially and commercially, and could be disadvantageous for the program.

– **Conclusion**
  - If we take steps deal with the above challenges, and provide services which are cost effective, efficient and easily available (connectivity), IPPB may turn out to be one of the biggest reforms in India's banking sector.

C) SMALL FINANCIAL BANKS (SFB)

- SFBs are niche banks with main function to perform **lending activities among unserved sections**.
  - SFBs were key recommendations of the committee on financial inclusion chaired by **Nachiket Mor**.
- **Objectives:** Increase **financial inclusion** by provision of saving vehicles to **under-served and unserved section** of population, supply of credit to small farmers, micro and small industries, unorganized sector entities.
- **Main Purpose:** Provide a whole suite of **basic banking** such as deposit and supply of credit, but in **limited area of operation**
- **Who is eligible to start a Small Bank?**
  - Resident individual with 10 years of experience in finance, NBFCs, microfinance companies, local area banks etc.
- **Who is not allowed?**
  - Large public sector enterprise and big industrial houses
- **Minimum Capital Requirement: 200 crore** (earlier - 100 crore - changed in Dec 2019)
- **CRAR: 15%**.

- The **promoters minimum initial contribution** to the paid-up equity capital of such small SFB shall at least by **40%** (can be brought down to **26%** within 12 years from the date of commencement of business of the bank).
    - **Shareholdings:** In these banks, entities other than promoters will not be permitted to have shareholding in excess of 10 percent.
- **Foreign Shareholding:** As per the current FDI policie.
- **Voting rights**: as per the existing guidelines for private banks
- These banks should comply with the **corporate governance guidelines**, including 'Fit and Proper' criteria for directors as issued by RBI.
- Operating of the bank should be **fully networked** and **technology driven** from the beginning.
- Both have to **follow CRR/SLR norms**.
- **What they must do?**
    - Have minimum capital of Rs **200 crore** (earlier 100 crore - changed in Dec 2019)
    - Extend **75% loans (ANBC) to priority sector**
    - Maintain **reserve requirements**
    - **50% of loan portfolio** should constitute **loans upto Rs 25 lakh**.
    - Have a **business correspondent network**
- **What they can do?**
    - Sell forex to customers
    - Sell mutual funds, insurance and pension
    - Can convert into a full-fledged bank
    - Expand across the country
- **What it can't do**
    - **Extend large loans**
        - The maximum loan size and investment limit exposure to a single and group would be restricted to 10% and 15% of its capital funds, respectively
    - **Float subsidiaries**
    - **Deal in sophisticated financial products**
- **Main challenges before SFBs**
    - Staying competitive with other commercial banks
    - Mobilizing deposits
        - It is one big issue, as most of these institutions were earlier into microfinance businesses (thus into lending) and don't expertise in collecting deposits.
            - Therefore, they are offering high interest rates from the beginning.
    - Human Resource
        - Attracting high quality banking talent cost a lot these days and this may create resentment among the existing MFI employees who have been with the organization for years.

- Technology requires hefty investment and greater understanding
- Demonetization has queered the pitch for the MFI turned SFBs as cash is the mainstay of their business model and it's not easy to leap into a cash less business model for small borrowers who work in the informal sector.

- **RBI releases final guidelines for on-tap licensing of SFBs (Dec 2020)**
  - On tap licensing will allow license to new SFBs throughout the year.
  - **Guidelines**
    - The minimum paid up voting equity capital or net worth requirement has been set at Rs 200 crore, up from 100 crore set earlier.
      - For Urban Cooperative Banks that intend to covert into SFB, initially the minimum paid up capital shall be 100 crore, which will have to be increased to 200 crore within five years from the date of commencement of business.
    - Investors, other than promoters will not be allowed to hold more than 10% share in SFB.
      - However, in case of NBFCs, Micro finance institutions, local area banks, where non-promoters hold more than 10 percent limit, RBI may consider giving 3 years time to dilute the stake.
    - SFBs will be given scheduled bank status immediately and will be allowed to open banking outlets from the date of commencement of operations.
    - RBI will appoint a Standing External Advisory Committee (SEAC) with a tenure of three years to process applications.
    - **The listing of** SFBS will be mandatory within three years after **it reaches a net worth of Rs 500 crore** for the first time.

- **Difference between Payment Bank and Small Finance Banks**

Point	**Payment Bank**	**Small Finance Banks**
Objective	Provide small saving accounts and payment / remittance services to migrant workers and low income households.	Financial inclusion and supply of credit to small business units and farmers through high technology and low cost operations.
Eligible Promoters	Individuals or professionals with necessary experience and eligibility, existing NBFCs, corporate banking correspondents, mobile companies, supermarket chains, real-estate co-ops and corporate entities	Resident individuals or professionals with 10 years of experience in banking and finance, companies and societies owned by residents, existing NBFCs, microfinance institutions and local area banks owned and controlled by residents.

Scope of Activities	• Accept deposit but the account balance should not exceed Rs. 1 Lakh (later updated to 2 lakhs) • Can issue ATM/Debit cards but cannot give loans or credit cards. • Atleast 25% in unbanked areas • FD/RD not allowed.	• Basic service of accepting deposits and lending • Can give loans. • No restriction on the area of operation • FD/RD allowed

- **Analysis**
  - While the older Local Area Banks and Narrow Banking concepts have failed, this might be a success because of sheer increase in technology in recent years.
  - Since all these banks will be entirely in private sector, it is the motivation of profit that will drive these new banks.
  - The success of the differentiated bank idea will herald a major change in the ownership pattern of banks with Public sector's dominant share getting whittled down.