

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1868
ANSWERED ON:09.03.2001
SETTING UP OF BANKS BY BIG COMPANIES
MOHAN PONNUSWAMY

Will the Minister of FINANCE be pleased to state:

- (a) the names of the Indian big companies who set up banks with minimum start up capital of Rs.200 crores and a capital adequacy ratio of 10 per cent;
- (b) whether these companies are publishing accounts that are transparent;
- (c) if so, the details thereof; and
- (d) if not, the reasons for which these companies are allowed to run banks ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

- (a):- Reserve Bank of India (RBI) has reported that no Indian big company has set up bank with minimum start up capital of Rs.200 crore and a capital adequacy ratio of 10%.
- (b) and (c):- Do not arise.
- (d):- RBI has issued revised guidelines in January, 2001 on entry of new banks in the private sector. These guidelines, inter-alia, prescribe that the initial minimum paid up capital of new bank shall be Rs.200 crores, which shall be increased to Rs.300 crore in the subsequent three years after commencement of business. These guidelines however, stipulate that the new bank should not be promoted by a large industrial house. However, individual companies, directly or indirectly connected with large industrial houses, may be permitted to participate in the equity of new private sector bank up to a maximum of 10 percent of the paid up capital, but will not have controlling interest in the bank.