

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:256
ANSWERED ON:25.02.2000
FOREIGN INVESTMENT IN BANKING SECTOR
MANIBHAI RAMJIBHAI CHAUDHARY;MANIKRAO HODLYA GAVIT

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government are contemplating to allow foreign investment in the public sector banks;
- (b) if so, the names of banks in which the Government propose to allow the foreign investment; and
- (c) if not, the reasons therefor?

Answer

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

(a) to (c) Foreign investment in nationalised banks is governed in terms of the provisions of section 3(2D) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 & 1980 which provides that no individual or company resident outside India shall at anytime hold or acquire by transfer or otherwise shares of nationalised banks more than 20 percent of their paid up capital. There is no specific provision in the State Bank of India Act, 1955 regarding holding of shares by Non Resident Indians (NRIs) or Overseas Corporate Bodies (OCBs). However, RBI has prescribed similar ceiling of 20 percent in case of State Bank of India also, as provided for nationalised banks under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980.