

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:5894  
ANSWERED ON:30.04.2010  
RAISING CAPITAL BY PSBs  
Karunakaran Shri P.

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Government has asked Public Sector Banks (PSBs) to raise money through the stock market to meet their capital adequacy and funds for the future growth;
- (b) if so, the details thereof;
- (c) the permissible limit of public holdings in PSBs;
- (d) whether the Government has any proposal to dilute its holding in PSBs; and
- (e) if so, the details thereof alongwith reasons therefor?

**Answer**

The Minister of State in the Ministry of Finance (Shri Namu Narain Meena)

(a) & (b) : To meet their growth requirements, the public sector banks raise capital funds through various permissible channels which, inter-alia, include raising capital from the capital market through issue of equity shares by way of Initial Public Offer (IPO) / Follow-on Public Offer (FPO) / Rights issue, etc.

(c) to (e) : As per the Section 3(2B) (c) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/80, the banks may raise capital by public issue of shares in such manner that Central Government shall at all times hold not less than 51% of the paid-up capital in nationalised banks and 55% in State Bank of India in accordance with the provisions of State Bank of India (SBI) Act, 1955. However, the Government has introduced the State Bank of India (Amendment) Bill, 2010 in the Lok Sabha on 8th March, 2010, which, inter-alia, stipulates reduction of Central Government shareholding in SBI from 55% to 51% consisting of the equity shares of the issued capital. This amendment has been proposed so that there can be increased participation by public in the equity capital of SBI, if and when required.