

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:968

ANSWERED ON:10.07.2009

AUGMENTATION OF RESOURCES IN BANKING AND INSURANCE SECTORS

Majhi Shri Pradeep Kumar

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government proposes to augment resources in the banking and insurance sectors;
- (b) if so, the details thereof; and
- (c) the extent to which it is likely to attract the inflow of foreign investment in the above sectors thereafter?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (c): To enable the banks augment resources to support their growth plans, Reserve Bank of India (RBI) has issued guidelines for issue of Hybrid Tier I and Tier II instrument by the banks. Further, to attract inflow of foreign investment, the extant guidelines permit upto 74% foreign investment in private sector banks and upto 20% in public sector banks. Foreign Direct Investment in Insurance Sector is permissible upto 26% under the automatic route and in accordance with Insurance Regulatory and Development Authority (IRDA) licensing requirements. The extent of inflow of foreign investment in these sectors depends upon the appetite, requirement and plans of the entities in these sectors.