

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:6144  
ANSWERED ON:27.04.2001  
LENDING BY BANKS TO SHAREHOLDERS  
NAWAL KISHORE RAI;ZORA SINGH MANN

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

- (a) whether loans by the banks are given by hypothecation shares as guarantee as per the directions from the Government;
- (b) if so, the total loan given by the banks against shares during the years 1998-99, 1999-2000 and 2000-2001;
- (c) the percentage of the loan given against shares out of the total loan given;
- (d) whether the banking industry was put into loss due to fall in prices of shares;
- (e) if so, the details thereof, year-wise; and
- (f) the remedial steps taken in this direction?

**Answer**

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

- (a) As a part of their normal banking activity the banks grant loans/ advances against the security of shares, debentures etc. Reserve Bank of India (RBI) has issued detailed guidelines on grant of advances by banks against shares, to various customers like individuals, stock brokers, markets makers etc. RBI proposes to revise its guidelines in the light of the recommendations of the RBI-SEBI Technical Committee, which has submitted its report on 12th April, 2001.
- (b) and (c) As per the data available with RBI, the amount of loans/advances granted by the banks against shares/debentures/bonds, as on 31st January 2001, was Rs. 6413.91 crores, which constituted 1.5 per cent of their total advances.
- (d) to (f) RBI has reported that no bank has so far, reported having incurred any loss on account of fall in the prices of equity shares.