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Centre to infuse enough capital to help banks clean up books

With bankers apprehensive the planned clean-up of their books by March 2017 might compel them to take large hits in a short period of time, Reserve Bank of India (RBI) sources have said the government was committed to providing as much capital as would be needed to keep balance sheets strong.

By: [FE Bureau](#) | Updated: January 16, 2016 12:35 AM



With bankers apprehensive the planned clean-up of their books by March 2017 might compel them to take large hits in a short period of time, Reserve Bank of India ([RBI](#)) sources have said the government was committed to providing as much capital as would be needed to keep balance sheets strong. The government, under the Indradhanush programme, had committed to capitalising state-owned lenders to the tune of R70,000 crore over four years till FY19.

Moreover, the central bank will step in to provide liquidity if needed though it doesn't anticipate that will be necessary. The RBI may also provide 'regulatory support' to free up some capital if required. RBI sources explained there were instances where provisioning norms for Indian banks were tighter than those specified internationally and there could be some headroom to relax these. The capital infusion by the government is expected to provide enough of a cushion for banks to be able to provide adequately without straining their balance sheets.

Stressed assets of all banks accounted for 11.3% of total advances at the end of September, 2015, according to the Financial Stability Report (FSR). For public sector banks the number was 14.1%. Q

In the first eight months of FY16 loans worth Rs 22,303 crore 'failed' at the corporate debt restructuring cell. Provisioning across banks is expected to increase as they identify delinquent accounts and start setting aside more capital for these.

Senior bankers recently told FE that apart from ensuring that accounts were classified uniformly across banks they would also need to start providing for 'yet to fail' accounts or 'emerging stress'. "We will need to assess whether a restructured account can be revived and if not we will need to provide for it," the banker explained. In other words, if a borrower continuously pays the interest on the 89th day — if it is not paid in 90 days the account becomes a non performing asset — it could be considered a weak account. Moreover, debt which credit rating agencies have accorded 'default status' but which banks continue to treat as 'standard' accounts may also see higher provisioning.

Bank stocks have been pummelled over the last couple of months — especially those of state-owned lenders — with investors estimating the hits to the balance sheets could be severe as banks increase provisioning for stressed assets and 'emerging stress'.

BP at odds with partner RIL on KG arbitration

Shah, a former chief justice of the [Delhi High Court](#), has been assigned by the petroleum ministry to study the findings of US-based consultant DeGolyer and MacNaughton (D&M) in the matter and recommend the future course of action.

The petroleum ministry is of the view that D&M gave only a technical report on the row and so, the judicial and financial implications of the dispute still needed to be assessed. The D&M study is reported to have said that nearly 11.1 billion cubic metres (bcm) of gas migrated from ONGC's G4PML and 98/2 discoveries to the RIL acreage. Of this, the private explorer is believed to have commercially drilled nearly 8.2 bcm of gas and sold it to customers.

RIL and Niko had separately written to the petroleum ministry, saying that they would prefer the matter to be settled via arbitration. ONGC, on its part, has expressed “concerns” over the confidentiality of the deliberations, as one partner is participating, while other two are not. “The concerns of ONGC are genuine. But Shah assured all the stakeholders that there would not be any reasons for worry,” an official said.

ONGC moved the Delhi High Court alleging theft of its gas by RIL by way of drilling wells close to its block. The KG-D6 block started producing hydrocarbon in 2009. ONGC has not produced oil or gas from its block. On September 10, the high court disposed of ONGC’s petition and directed the government to take a decision within six months after it receives a report from the independent panel.