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# ET Global Business Summit: Government will stand by banks but they must deal with NPAs, says Jayant Sinha

By [Joel Rebello](#) & [Saikat Das](#), ET Bureau | Updated: Jan 29, 2016, 08.28 PM IST

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MUMBAI: The government will provide as much capital as required to public sector banks, but these banks must also clean up their books of bad loans, Minister of State for Finance, Jayant Sinha said.

"The government is going to stand by the banks, and ensure all times that banks will maintain capital adequacy norms as laid out by Basel III and RBI... but we also want them to deal with NPAs (non-performing assets)," Sinha said.

"We are working with the banks to ensure that adequate capital is provided," he said.

Bad loans have been eating into bank profits dwarfing the shareholders worth as regulatory provisions hit the net interest income, a gauge for bank profitability. As a part of Indradhanus, a scheme for revamping banks' functioning, the government will provide Rs 25,000 crore this fiscal year and an additional Rs 25,000 crore next fiscal year.

Earlier, ET had reported that the Reserve Bank of India has sought additional capital support from the government for all state-owned banks.

So far in this fiscal, the government has spent Rs 20,000 crore on bank capitalisation and will infuse another Rs 5,000 crore before March. The government has pledged Rs 70,000 crore toward this end until FY19; Rs 25,000 crore of this in the next fiscal year.

"Strengthening creditors' rights through bankruptcy law will help in recovery and reconciliation," Sinha said.

"Bankruptcy code will also bring down cost of capital for banks because recovery of bad loans will be cheaper."

On the proposed transformation for IDBI Bank, the minister said that IDBI is going through a QIP process.

"We are having a discussion with strategic investors. Let us see how QIB book building process unfolds. We will be then happy to discuss on transformation of IDBI Bank with strategic investors."

"GDP calculations are done by very reputed independent organisation - the CSO (Central Statistics Office)," said Sinha on the sidelines of a conference held by industry body ASSOCHAM on Friday. "We rely on their professional judgements and expertise."

About a year ago the government changed the way GDP used be calculated, resulting an uptick in GDP numbers.

On Masala bonds or rupee denominated bonds, Sinha sought to buy time for its success. Initially, global investors have asked for higher rates.

"We have to see how markets are developed. There is significant turbulence right now in the global capital markets. As those markets strengthen and recover, Masals bonds will pick up," he said.

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