

FM says need strong banks, not a large number of banks

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Finance Minister Arun Jaitley (file photo).

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Gurgaon, March 5:

Paving the way for mergers and consolidation in public sector banks, Finance Minister Arun Jaitley on Saturday said there is a need for strong banks and not a large number of banks.

“What we need are strong banks. There shouldn't be any weakling in the link...What we need are strong banks than numerically a large number,” he told reporters at the end Gyan Sangam -- of the two-day brainstorming session with public sector financial institutions, adding that bankers have supported the idea of consolidation and have suggested setting up an expert group to study and work out strategies for the purpose.

While allocating ₹ 25,000 crore to public sector banks for recapitalisation in 2016-17 in the Union Budget, Jaitley had at the time said that bank consolidation would be done once their balance sheets have improved.

Promising further capital to banks if required, the Minister said banks must take all measures to clean up their books. Existing guidelines, he said, are sufficient to recover bad loans.

Underlining that the government would not write off any loans, he said, “Defaulters will not be spared.” He also assured that the government is keeping banks away from politics.

Stressed assets of scheduled commercial banks are estimated at about ₹8 lakh crore as against their total loan book of ₹69 lakh crore.

Earlier in the day, the Minister also addressed the heads of public sector banks, where he stressed that non-performing asset (NPAs) of banks would not affect the government's decision to restore the health of banks. He also expressed hope that the Bankruptcy and Insolvency Code, which will help banks recover bad loans, would be passed by Parliament in the second half of the Budget Session.

As part of the two-day retreat, PSB chiefs had been divided into five working groups to discuss strategies on restructuring and mergers and acquisitions, NPA management and recovery, digital and financial inclusion, credit growth and risk management.

Meanwhile at the press conference, Jaitley said that he discussed various issues with banks including selection of top banking officials, the Banks Board Bureau as well as problems on resolution of public contract disputes.

“The discussions will help us in giving policy direction,” he said, adding that suggestions were also made on amending the SARFESI Act as well as the Debt Recovery Tribunals.

“We got a lot of ideas on how to improve the debt recovery tribunals and SARFAESI Act,” he said. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFESI) Act allows banks to recover their loans without court intervention.

Financial Services Secretary Anjuly Chib Duggal said that the objective is to reduce the decision making period in the DRT Act and make the process technology driven.

Meanwhile, Jaitley also announced that the government is considering a proposal to provide employee stock options plans to bank employees.

(This article was published on March 5, 2016)

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