

04:05 PM   15 DEC <b>MARKET STATS</b> ▼	SENSEX <b>26,519</b> ▼ -83.77	NIFTY 50 <b>8,154</b> ▼ -28.85	GOLD (MCX) (Rs/10g.) <b>27,010</b> ▼ -577.00	USD/INR <b>67.83</b> ▲ 0.39	CREATE PORTFOLIO	Download ET MARKETS APP	CHOOSE LANGUAGE ENG
--	----------------------------------	-----------------------------------	---	--------------------------------	------------------	-------------------------	------------------------

# Government may allow some PSBs to skip dividends amidst increased burden of sticky loans

By [Dheeraj Tiwari](#), ET Bureau | Jan 20, 2016, 04.00 AM IST

[Post a Comment](#)

NEW DELHI: The government may exempt some state-run lenders from paying dividends due to increase in their bad loans. In the previous financial year, too, about 10 banks, including [IDBI Bank](#), Indian Overseas Bank and [United Bank of India](#) did not pay any dividend to the government. In this fiscal, the government has set a target of Rs 10,277 crore through dividend income from banks and financial institutions. In 2014-15, it collected Rs 4,000 crore as dividends from banks.

A [finance ministry](#) official said the matter is being looked at and if some banks are not in a position to pay dividends, the government will allow them to retain capital and plough it towards their business requirements.

As per existing norms, public sector banks (PSBs) are required to pay a dividend of 20% of paidup equity capital or net profit to the government. In the quarterly performance review meeting of PSBs in November 2015, the ministry had said Bank of India, IDBI, Indian Overseas Bank, Bank of Maharashtra, [UCO Bank](#) and United Bank of India require special focus to arrest growth in bad loans. "The government is fully committed to meet PSBs' capital requirements. Already some banks are looking to tap the markets.

Each has a unique case and it will be looked at accordingly," said the official, requesting not to be identified. As per [finance ministry](#) data, PSBs' gross nonperforming assets increased 25.19% to Rs 3.14 lakh crore at the end of September 2015, from Rs 2.5 lakh crore a year ago.

IDBI Bank, in which the government is looking to bring down its stake to below 51%, has proposed to come up with a qualified institutional placement offer of Rs 3,771 crore. The country's largest bank, State Bank of India, has extended the period of approval for raising equity capital of about Rs 15,000 crore till March 2017.

A managing director and CEO of a north India-based bank said the government should exempt banks from paying dividends for the next two years at least. "The government should take a token consideration or no money at all. After all, they have to infuse capital in banks and the money is simply re-routed," he said on condition of anonymity.

## ET VIEW

### ***Banks need funds and quick resolutions of bad loans***

Acoherent capital-raising plan to make provisions for bad loans in the system makes eminent sense. Rightly, RBI Governor Raghuram Rajan had suggested reducing the dividend if the bank is not in a very healthy situation. It is a good idea for the government to exempt PSU banks — that are sitting on a pile of bad loans due to stalled projects - from paying dividends. They need funds to make extra provisions for these loans. However, the government should also adopt the new bankruptcy code for speedy resolution of bad loans. It calls for cooperation by the Opposition.

Stay on top of business news with The Economic Times App. [Download it Now!](#)

## RELATED COMPANIES

[EXPAND](#)

[United Ban...](#)

[Uco Bank](#)

[IDBI Bank](#)

**Other Times Group news sites**

Times of India | इकनॉमिक टाइम्स  
छंदीनीमिड टाइम्स | Mumbai Mirror  
Times Now | Indiatimes  
नवभारत टाइम्स | महाराष्ट्र टाइम्स  
वीजय चन्दाईक | Lifehacker  
Gizmodo | Eisamay | IGN India  
NavGujarat Samay

**Living and entertainment**

Timescity | iDiva | Zoom |  
Luxpresso | Gaana | Happytrips |  
Cricbuzz | Get Smartapp

**Networking**

itimes | MensXP.com

**Hot on the Web**

Budget 2017 | Sensex, Nifty Live  
Year-End Special 2016 | UP &  
Punjab Assembly Elections 2017  
Live: Currency  
Demonetisation | Gold Rate  
RBI Monetary Policy

**Services**

ads2book | Gadgetsnow | Free Business Listings  
Simplymarry | Astrospeak | Timesjobs | Magicbricks | Zigwheels | Timesdeal |  
dineout | Filmipop | Remit2india | Gaana | Greetzap | Techradar | Alivear |  
Google Play