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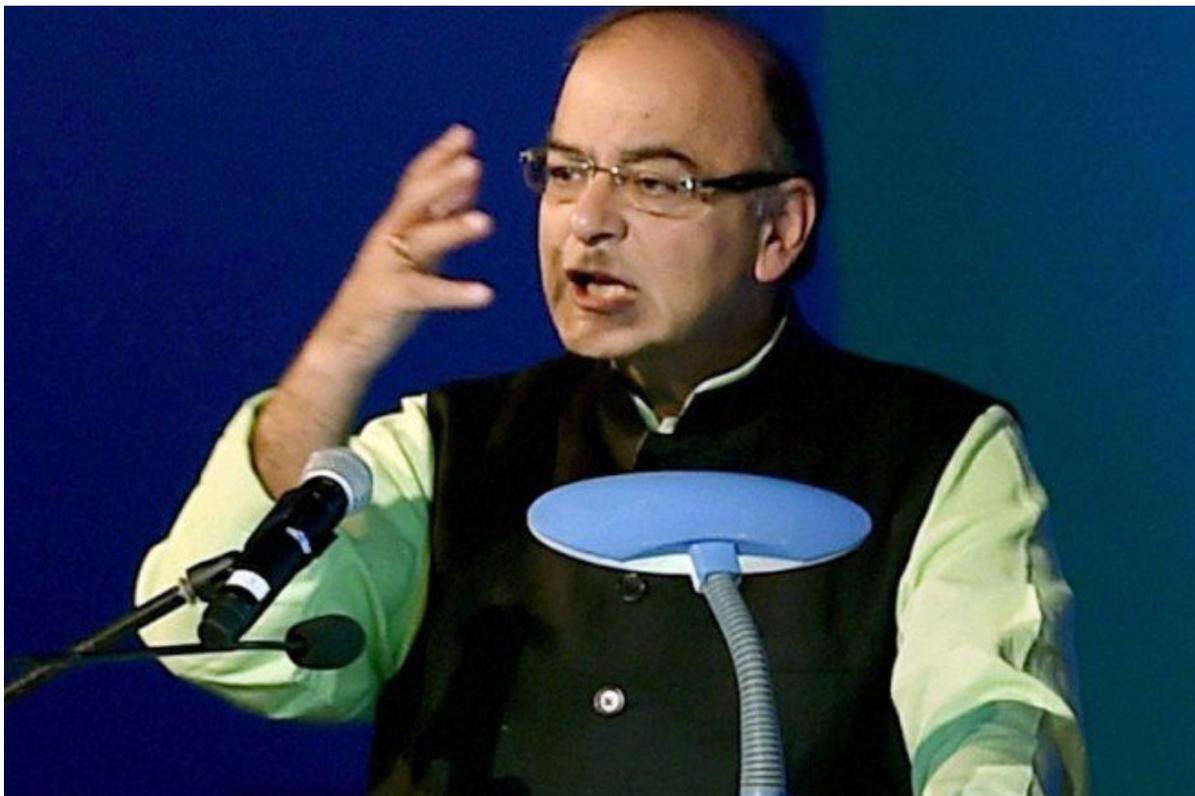


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Govt may increase Rs 70k-cr planned capital infusion for PSBs

The Finance Ministry is considering infusing more than the announced Rs 70,000 crore in public sector banks to help strengthen their balance sheets.

By: [PTI](#) | New Delhi | Published: January 24, 2016 7:23 PM



An announcement to this effect could be made next month by Finance Minister Arun Jaitley in the Budget 2016-17 if the government decides to expand the capital infusion programme. (PTI)



The Finance Ministry is considering infusing more than the announced Rs 70,000 crore in public sector banks to help strengthen their balance sheets.

“We are assessing the capital requirement position of each bank depending on their bad loans and, if need be, we may have to expand the capital infusion programme,” said a ministry official.

An announcement to this effect could be made next month by Finance Minister [Arun Jaitley](#) in the Budget 2016-17 if the government decides to expand the capital infusion programme, sources said, adding that the plan is at a preliminary stage and no decision has been taken so far.

What has made things difficult for the cash-starved public sector banks is a bearish market which has scuttled their fund-raising plans this year.

The ministry has already sought business plans and capital requirements from some of them and others will be called in during the course of the year.

The government last year announced a revamp plan, ‘Indradhanush’, to infuse Rs 70,000 crore in state-owned banks over four years, while they will have to raise a further Rs 1.1 lakh crore from the markets to meet their capital requirements in line with global risk norms Basel III.

As per the capital infusion road map, PSU banks will get Rs 25,000 crore this fiscal and as well as the next fiscal and Rs 10,000 crore each in 2017-18 and 2018-19.

Out of Rs 25,000 crore set for the current fiscal, the government has infused about Rs 20,088 crore in 13 public sector banks.

The rest of the amount is expected to be infused this quarter after the passage of third supplementary demands for grants likely next month.

The fund infusion this quarter will be based on banks registering improvement in terms NPA, stressed asset and in terms of their restructuring. 

“Interest in equity market has dwindled. We are seeing low retail participation and also foreign investors are not very keen. In such a scenario, raising money from market is not a good idea. We need support from the government,” a senior public sector banker told PTI.

Recently, chairman of the largest lender SBI, Arundhati Bhattacharya had expressed scepticism about launching the proposed Rs 12,000-crore follow-on public offer plan this year.

“At this point of time, I don’t think we have any clear plans to go to the market with a QIP issue. I don’t think it will happen this year, but then let’s see,” she had said last week.

RBI has taken a very strong position on stressed asset, saying lenders must come out with a programme of liquidating some of the debt.

Last month, Reserve Bank of India Governor [Raghuram Rajan](#) had said steps taken by the central bank and the government should help lenders clean up their balance sheets by March 2017.

Banks’ need for capital is expected to go up after RBI asked them to classify 150 top troubled corporate accounts as NPAs and make provisions accordingly, which would eat into their profitability.

“Due to this additional provisioning, our capital adequacy will be impacted and to maintain it, we will require capital from the government,” said another banker.

According to rating agency Icra, this will be a need for an additional Rs 1.3 trillion to meet the shortfall between 2015-16 and 2018-19.

Non-performing assets have become a big concern both for the government and RBI.

Rajan had said banks had been given more powers and flexibility to deal with the bad loans, which have crossed 6 per cent as of June quarter. 

The gross NPAs of the public sector banks rose to 6.03 per cent as of June 2015, from 5.20 per cent in March 2015.

Rajan is hopeful that “going forward, these additional powers... will help clean up the balance sheet in a significant way so that banks would be in a position to grow and lend”.

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