Business Standard

Next round of capital infusion in public sector banks post Q3 results

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Government has set parameters for public sector banks for receiving capital support and only those lenders which fulfil the criteria post third quarter results would be eligible for funds.

"The Finance Ministry has set parameters for getting capital support. Those who fulfil the criteria post third quarter results would be eligible for capital infusion," sources said.

The government in July had announced the first round of capital infusion of Rs 22,915 crore for 13 banks.

"75 per cent of the amount (Rs 22,915 crore)...Is being released now to provide liquidity support for lending operations as also to enable banks to raise funds from the market," the Finance Ministry had said in a statement.

"The remaining amount, to be released later, will be linked to performance with particular reference to greater efficiency, growth of both credit and deposits and reduction in the cost of operations," it had said.

Sources said that the second round of funding would be in addition to the remaining 25 per cent of the Rs 22,915 crore capital infusion announced in July.

The first tranche was announced with the objective to enhance their lending operations and enable them to raise more money from the market.

Out of the Rs 22,915 crore, State Bank of India (SBI) was provided Rs 7,575 crore followed by Indian Overseas Bank (Rs 3,101 crore) and Punjab National Bank (Rs 2,816 crore).

The other lenders, which have got commitment of capital infusion are Bank of India (Rs 1,784 crore), Central Bank of India (Rs 1,729 crore), Syndicate Bank (Rs 1,034 crore), UCO Bank (Rs 1,033 crore), Canara Bank (Rs 997 crore), United Bank of India (Rs 810 crore), Union Bank of India (Rs 721 crore), Corporation Bank (Rs 677 crore), Dena Bank (Rs 594 crore) and Allahabad Bank (Rs 44 crore).

The capital infusion exercise for the current fiscal is based on an assessment of need as assessed from the compounded annual growth rate (CAGR) of credit growth for the last five years, banks' own projections of credit growth and an objective assessment of the potential for growth of each PSBs, it had said.

Finance Minister Arun Jaitley in his Budget speech for 2016-17 had proposed to allocate Rs 25,000 crore towards recapitalisation of PSU banks. "If additional capital is required by these banks, we will find the resources for doing so. We stand solidly behind these Banks," he had said.

Under Indradhanush roadmap announced last year, the government will infuse Rs 70,000 crore in state 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.

In line with the blueprint, PSU banks are to get Rs 25,000 crore each in 2015-16 and 2016-17 fiscal. Besides, Rs 10,000 crore each would be infused in 2017-18 and 2018-19.Government has set parameters for public sector banks for receiving capital support and only those lenders which fulfil the criteria post third quarter results would be eligible for funds.

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