

Will ensure public sector banks have adequate capital: Sinha

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Says Centre has already chalked out plan of action under Indradhanush scheme to revitalise banks

Mumbai, January 29:

Minister of State for Finance Jayant Sinha said that the Centre is going to stand by public sector banks in enabling them meet Basel-III norms.

Speaking on the sidelines of an Assocham conference here on Friday, Sinha said that the Centre has already outlined its plan of action as part of the Indradhanush scheme to revitalise public sector banks (PSBs).

“As part of Indradhanush, we have exactly laid out how capital will flow to banks — Rs. 25,000 crore this fiscal and Rs. 25,000 crore in the next fiscal. We are working with the banks to ensure adequate capital.”

IDBI Bank QIP

On IDBI Bank, Sinha said that the bank’s qualified institutional placement was on and that the government was open to discussion with potential strategic investors (based on how the book building unfolded) on how the transformation of IDBI should be done.

On the Specified Undertaking of the Unit Trust of India’s (SUUTI) stake sale in various entities, Sinha said: “Everything as far as SUUTI is concerned is under consideration.”

He observed that the government had unleashed transformational forces to change the structure of the banking sector.

The government, he said, had given 23 licences (two universal banks, 11 payments banks and 10 small banks) to change the nature of competition, benefiting consumers in the bargain as all had to compete for deposits, offer better service, do finer pricing of products besides enhancing coverage.

The introduction of Indradhanush, he said, is the most sweeping reform agenda for PSBs and is aimed at controlling bad loans, reviewing asset quality, provisioning for bad loans and, hence, ascertaining the capital support required for meeting Basel-III norms.

Corporate governance

He said that the government had strengthened corporate governance in PSBs by separating the posts of Chairman and MD, giving them sufficient tenure to turn things around; set up the Bank Board Bureau to change the way appointments are made to bank boards in order to bring in capable people; and made HR processes more robust.

He felt that though the bankruptcy code was yet to be implemented, all other mechanisms such as the joint lender forum corporate debt restructuring and strategic debt restructuring had been implemented to efficiently tackle the issue of stressed assets in the banking sector.

Sinha lauded PSBs and cooperative banks for covering all Indian households under the Pradhan Mantri Jan Dhan Yojana, which he said had become a benchmark globally for social banking.

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