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Finance Ministry finalising fund infusion of more than Rs 25,000 crore for public sector banks

BY PTI | JAN 15, 2017, 05.29 PM IST

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NEW DELHI: The Finance Ministry is likely to finalise capital infusion plan for public sector banks (PSBs) this week based on the request of various lenders which have been impacted by demonetisation amid rising bad loans.

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Final touches are being given based on the feedback from all banks and the plan should be ready by this week, sources said.

The capital infusion would be more than Rs 25,000 crore announced in the earlier Budget and the additional requirement would reflect in the final batch of Supplementary Demand for Grants to be presented in the upcoming Budget session, they said.

Saddled with rising bad loans, banks have already made a case for higher capital infusion and it is reflected in their demand sent to the ministry, sources added.

Besides, their normal business has hit during the demonetisation period.

The government has already announced fund infusion of Rs 22,915 crore, out of the Rs 25,000 crore earmarked for 13 PSBs for the current fiscal. Of this, 75 per cent has already been released to them.



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

The capital infusion exercise for the current fiscal is based on an assessment of 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 PSB, the ministry 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 requirement in line with global risk norms Basel-III.

In line with the blueprint, PSBs are to get Rs 25,000 crore in each fiscal, 2015-16 and 2016-17. Besides, Rs 10,000 crore each would be infused in 2017-18 and 2018-19.

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