

New round of capital infusion for PSBs soon

By [Dheeraj Tiwari](#), ET Bureau | Updated: Jan 25, 2017, 12.45 AM IST

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DELHI: The [government](#) is likely to soon announce the second tranche of [capital infusion](#) in state-run lenders, as it tries to assess their requirements to help them maintain appropriated regulatory capital.

Around six banks may get more than Rs 10,000 crore in the second round. Banks have made presentations to the finance ministry on their requirements, said a government official aware of the deliberations.

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"It is being discussed with banks. Due to the [demonetisation](#) drive, some lenders have not been able to meet the conditions as per

the [capitalisation](#) programme. Their requirements are being reviewed," the above quoted official said.

The government is inclined to have a more lenient approach now, given the pressure banks have to face in the wake of the demonetisation drive, said another official, who did not wish to be identified.

In a recent report, [ICRA](#) [BSE -0.25 %](#) pegged capital requirement of public sector banks between Rs 1.5 lakh crore and Rs 1.8 lakh crore till FY 17-2019 to meet the Basel III requirements. "Most banks have requested that the regulation for [capital conservation](#) buffer should be relaxed," said a banker, who was part of the meetings on capital allocation.

RBI has mandated that banks maintain an extra 2% of their assets as capital over the mandatory requirement of 7%.



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To infuse more capital, the government should vest the ownership of all banks in a single holding company. It can hold a 51% stake, and the remaining 49% can come as private capital. The holding

company can borrow funds from market to garner capital many times its size that can be infused into banks.