

Parliament nod likely soon for Rs. 1.35-lakh cr bank recap bonds

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But to access the money, state-owned banks must commit to reforms

New Delhi, December 17: The Centre will seek parliamentary approval for the first tranche of the Rs. 1.35-lakh crore bank recapitalisation bonds during the ongoing Winter Session, a top official said.

Without disclosing the quantum of recap bonds that would form part of the Supplementary Demand for Grants (SDG), the Secretary, Department of Financial Services, Rajiv Kumar, told *BusinessLine* that there was no decision yet on whether the bonds would carry 'SLR' status.

Finance Minister Arun Jaitley is likely to introduce the second batch of SDG for FY18 in the Lok Sabha on Monday.

The fact that the government is looking to introduce recap bonds through the SDG route is a sign that it wants to count them as part of government borrowing, said banking industry sources.

On October 24, Jaitley had announced a Rs. 2.11-lakh crore plan to infuse capital into public sector banks over two years. Part of the scheme was to raise Rs. 1.35-lakh crore through recap bonds and the rest from budgetary support and from the market.

Rajiv Kumar said the bonds would not be inflationary: they would not go to the market. They would be cash-neutral. Other details are being worked out, he added.

Banks' eligibility for the recap bonds would depend on their performance, potential and their commitment to reforms. "It (getting recap bonds) will not come easily for all the banks," he added.

The Centre hopes that the Rs. 2.11-lakh crore recapitalisation plan will spur micro, small and medium enterprises through enhanced market access and help finance such firms in 30 clusters.

Non-performing assets of banks rose from Rs. 2.75-lakh crore in March 2015 to Rs. 7.33-lakh crore in June 2017.

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