

# RBI imposes restrictions on Corporation Bank as its bad loans crosses 10%

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The Reserve Bank of India (RBI) has imposed certain restrictions on [Corporation Bank](#) on carrying out banking activities as its share of bad loans rose sharply.

The government owned bank said that the RBI has triggered prompt corrective action (PCA) against it in view of high non-performing loans and requirement to raise capital.

This makes Corporation Bank eighth bank to face restriction in a span of 10 months.

Once PCA is triggered the bank faces restrictions on expenses such as opening branches, recruiting staff and giving increments to employees. Further, the bank can disburse loans only to those companies whose borrowing is above investment grades.

A statement issued by the bank said, This action will not have any material impact on the performance of the bank and will contribute to improvement in internal control of the bank in its activities.

In the past, RBI has placed restrictions on seven banks which include Oriental Bank of Commerce, Dena Bank, [Central Bank of India](#), IDBI Bank, Indian Overseas Bank, Bank of Maharashtra and [UCO Bank](#). The RBI has also clarified in the past that banks are placed under PCA to facilitate them to take corrective measures to restore their financial health.

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Corporation Bank's net non-performing loans cross 10% and it reported losses of Rs 1035 crore in the second quarter ending 2017. The [capital adequacy ratio](#) of the bank is at 10.23% while it will need to maintain 10.875% for March 2018.