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RBI places restrictions on Bank of India after bad loan spike

BY [SANGITA MEHTA](#), ET BUREAU | DEC 20, 2017, 02.49 PM IST

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Shares of [Bank of India](#) fell 5% soon after the Reserve Bank of India (RBI) has imposed certain restrictions on Bank of India 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, insufficient CET1 Capital and negative return on assets for two consequent years. The shares of Bank of India were traded at Rs 172 a peice at Bombay Stock Exchange

This makes Bank of India ninth 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.

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Last week, RBI had placed similar restrictions on Corporation Bank. 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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