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# Government open to providing more funds for banks' recapitalisation: Arun Jaitley

BY KIRTIKA SUNEJA, ET BUREAU | UPDATED: MAY 09, 2017, 01:30 AM IST

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TOKYO: Finance Minister Arun Jaitley has said the government is open to providing more funds for banks' recapitalisation and paring its stake once their health improves.

"Where more funds are required from the government, we will be quite willing to look at that. But once the health of the banks improve, we have also announced that the government will be willing to bring down its equity in the banks to 52 per cent and that can be used for banks' recapitalisation," said Jaitley, who is in Japan to attend some meetings. The government has allocated Rs.10,000 crore for recapitalisation of non-performing asset (NPA)-laden public sector banks for 2017-18.

It had given Rs. 25,000 crore for the purpose in 2015-16 and the same amount again in 2016-17. Another Rs.10,000 crore will be infused in 2018-19. Jaitley said the government is hopeful that the NPA problem, which is limited to a set of accounts, will get resolved after the promulgation of an ordinance.

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Arun Jaitley

He added that the goods and services tax (GST) will be rolled out from July 1. The minister said the newly promulgated ordinance, which permits the Reserve Bank of India to recover bad loans, will resolve the issue.

"I do hope, with this new system in place, resolution of lot of stressed assets in India would take place," Jaitley said at an interactive session on 'India's Business Environment: Reforms and Opportunities', organised by the Confederation of Indian Industry (CII), Indian Embassy and Japan Chamber of Commerce here. As per official data, public sector banks' gross bad loans rose by over Rs.1 lakh crore in the first nine months of the last fiscal year to `6.07 lakh crore, from Rs. 5.02 lakh crore at the end of March 2016.



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“We were trying over the last few years to address this problem, and about three days ago, we empowered the central bank to take certain precipitative action in relation to resolving the issue of stressed asset itself,” Jaitley said at a separate roundtable for investors organised by the CII. He said the NPA problem is limited to a certain set of accounts which are not very large in number, but impact the balance sheet because of huge quantum.

**NON-INFLATIONARY GST**

On GST, Jaitley said there would be no cascading impact of tax on tax and the tax on goods may actually reduce. “I don’t anticipate this to happen significantly. If at all, this may be a transient impact...,” he said, adding that while tax on goods is not expected to increase, that on services could go up. Addressing CII-Kotak investors’ round table here, Jaitley said the GST Council will finalise the rates of tax for different goods and services in the coming days and the country is on track to roll out the simplified indirect tax regime from July 1.

**GROWTH AND DEMONETISATION**

Jaitley said the Indian economy grew 7-7.5 per cent even in an adverse global environment and that he expects it to be higher in future due to the reforms being implemented. The minister also said that India’s taxation base will widen due to the demonetisation drive that replaced 86 per cent of India's currency within a few months starting November 8. “The remonetisation got substantially completed. It has brought about a far greater movement towards digitisation, it ended the anonymity related to cash operated in the system and, hopefully, in the days to come, the taxation base of India would increase,” he said.

**ON WAVE OF PROTECTIONISM**

On protectionism, he said the debate over it would settle down soon as companies and consumer pick on cost-competitive products and services. “They cannot be pushed into inefficiencies. Therefore, hopefully, I think the debate would sooner than later settle down and the need for greater global integration and greater trade itself would prevail,” Jaitley said, citing India’s own experience of greater trade and global integration due to liberalisation.

**SECURITY SITUATION**

Jaitley, who is also the defence minister, said that though the situation within India is “very peaceful” as far as relationship between various communities is concerned, left-wing extremism and acts of terror on India’s western borders are significant challenges. At another event organised by the Institute of International Finance here, when asked about tensions between various communities, the minister said, “I think we have the problem of extremist violence coming from ultra-left groups in some parts of central India and tribal areas. “That’s an important challenge. That’s where some violence has taken place and loss of lives takes place.

There have been occasional incidents from across the western borders of India where you have acts of terror, or even tension at the borders which takes place.”

(The reporter is in Tokyo at the invitation of the CII)

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