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# RBI places restrictions on banking activities of Central Bank of India

BY SANGITA MEHTA, ET BUREAU | UPDATED: JUN 14, 2017, 06.09 PM IST

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MUMBAI: The Reserve Bank of India (RBI) has placed Central Bank of India under prompt corrective action which puts restricts on banking activities such as from lending, hiring and expanding branches.

The RBI has said that the PCA has been triggered in view of negative return on assets and high ratio of bad loans. So far, RBI has triggered PCAs for four banks – IDBI Bank, UCO Bank, Dena Bank and Indian Overseas Bank.

The PCA was initiated on Central Bank of India since it reported losses for two consecutive years, had negative return on assets and its share of bad loans has crossed 6%.

In the past, the RBI has clarified that PCA imposed on certain banks is not intended to constrain the normal operations of the bank for the general public. The regulator clarified that the PCA is triggered so that it allows the regulator to engage closely with the bank's management in order to improve their financial health.

The bank received just about Rs 100 crore capital from the government in the fiscal year 2016-17 and in order to shore up their capital it sold several standard loans. As a result, although they could meet their capital requirements, their share of problem loans rose.

Central Bank has reported loss of Rs 2439 crore for fiscal year 2016-17 against losses of Rs 1418 crore a year ago. Its share of gross non-performing loans rose to 17.88% against 11.9% a year ago. Return on capital moved to a negative territory for the last two years to 0.80% from 0.48% in 2015-16.



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Rating agency ICRA has stated that 16 government owned banks out of 21 (excluding SBI associates) and two out of 16 private banks might come under the PCA framework.

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