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Government pumped Rs 2.6 lakh crore into public sector banks in 11 yrs

BY [SIDHARTHA](#), TNN | UPDATED: FEB 19, 2018, 10.29 AM IST

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NEW DELHI: Every year, finance ministers face twin challenges—meeting spending requirements, especially to improve social sector schemes, while keeping an eye on the deficit given that tax collections are insufficient. In recent years, they have had to tackle another pressure—the need to keep pumping money into [public sector banks](#), which have been grappling with a record pile of bad debt and corporate fraud.

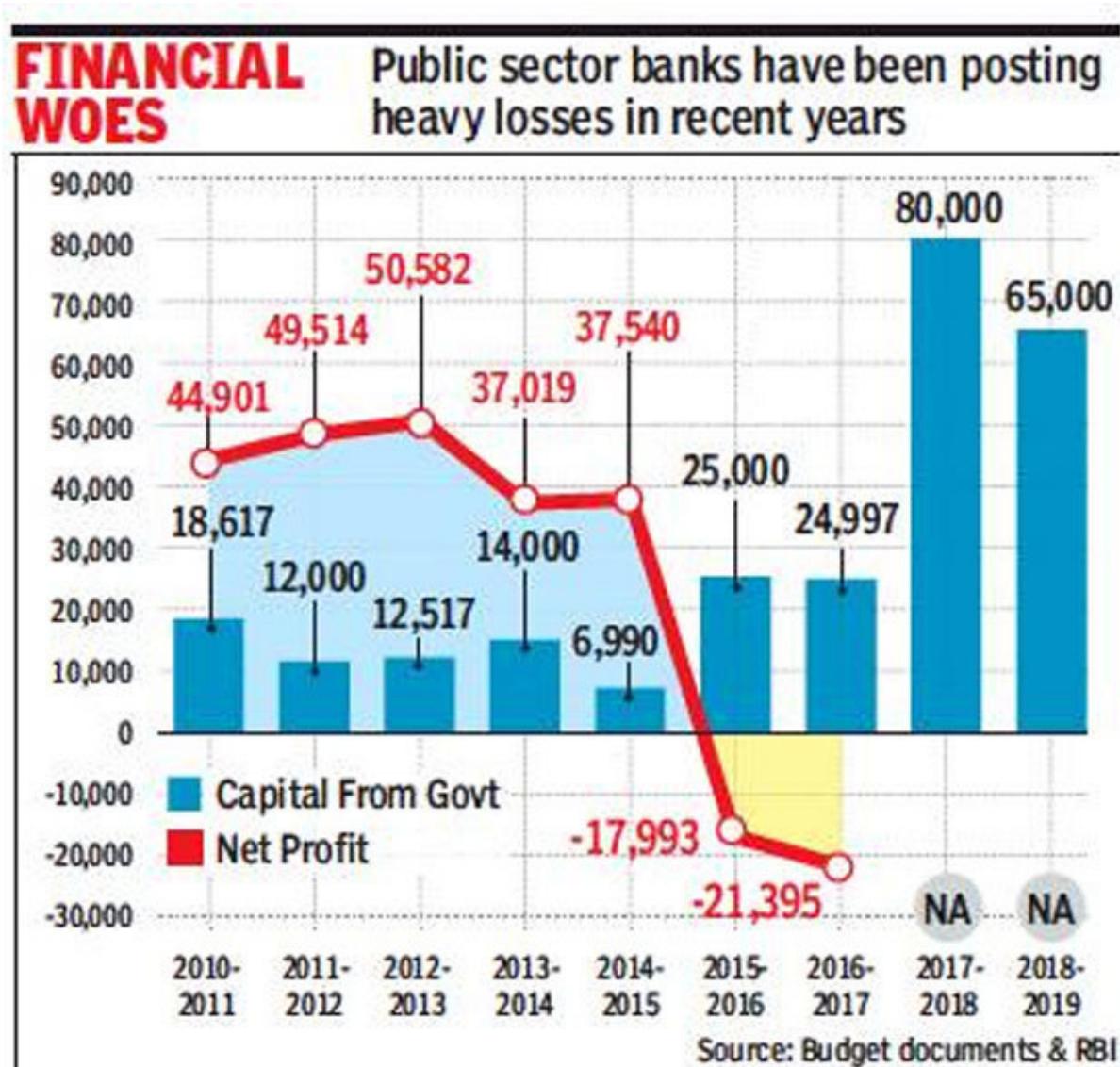
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Over 11 years, three finance ministers—Pranab Mukhjeree, P Chidambaram and Arun Jaitley—pumped close to Rs 2.6 lakh crore into government-run entities.

The requirement for funds has been rising steadily as more skeletons keep tumbling out. The amount is more than the highest estimate of notional loss from the 2G scam that the CAG had put out. It is more than twice the Centre's allocation for rural development for the current year and three-and-a-half times the outlay for the roads ministry.

Keeping aside the Rs 1.45 lakh crore earmarked for recapitalisation by the Centre during the current and the next financial year, the banks received close to Rs 1.15 lakh crore equity between 2010-11 and 2016-17. During this period, their profits added up to Rs 1.8 lakh crore, with [SBI](#) and other nationalised banks reporting combined losses during the last two financial years as they set aside more funds

to deal with potential losses from bad debt, or [non-performing assets \(NPAs\)](#).



This year is expected to be no different, with the country's largest lender, SBI, reporting its first quarterly loss in 18 years, and others, such as Bank of Baroda, too, faring poorly. "It does appear that the worst may not yet be over for [PSBs](#) with regard to NPAs and March 2018 will be the next touch point that will provide further guidance," ratings agency Care concluded recently.



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Not surprisingly, losses have impacted the [return on equity](#) (ROE) or the capital of public sector players. Against an ROE of a shade under 12% for private lenders, SBI group offered -0.7%, and the score for other nationalised banks was even worse at -2.8% in 2016-17, RBI data showed. While state run-lenders accounted for around 70% of the banking business, their share of funds set aside for NPAs was estimated at over 80% in 2016-17—an improvement from 87% in the previous year. The public sector players fare poorly on other counts too. For instance, in 2016-17, RBI estimated the wage bill added up to 8.7% of the income of private banks, much lower than the 12.7% for the SBI group and 10.7% for nationalised banks.

As a result, chief economic adviser Arvind Subramanian's call for private participation in these banks will appeal to many taxpayers, as well as policymakers, who believe that bankers have been careless in lending.

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