

# FinMin likely to stick to capital infusion programme for PSU banks

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NEW DELHI, NOVEMBER 23

The Finance Ministry would not curtail its capital infusion plan for this financial year even as state-owned banks would be needing fewer funds following the RBI's decision to defer the deadline to meet Basel III norms by a year, according to sources.

Under the new dispensation, the capital infusion by the government in public sector banks for meeting the capital buffer norms would come down to around Rs 15,000-20,000 crore, sources said. However, there will not be any reduction in the capital funding plan as announced in October last year despite a lower requirement due to the extension of the deadline for meeting the CCB of 2.5 per cent until March 2020, sources said.

The capital infusion would help improve the financial health of banks, sources said, adding that some banks would get necessary regulatory capital while others would get it for fuelling growth, they clarified. Earlier this week, the RBI in the central board meeting decided to extend the implementation of the last tranche of 0.625 per cent of capital conservation buffer by a year to March 2020.

However, the board decided to retain the capital adequacy ratio or CRAR at 9 per cent, against 8 per cent prescribed by Basel III norms. The CCB currently stands at 1.875 per cent and the remaining 0.625 per cent was to be met by March 2019, as per the earlier deadline fixed by the RBI.

The extension of the timeline for the implementation of the last tranche of the CCB under Basel-III capital regulations could reduce the burden of public sector banks (PSBs) by Rs 35,000 crore this fiscal, according to rating agency Crisil. Generally, there is a leverage of 10 times on the capital, sources said adding that the lending capacity would increase by Rs 3.5 lakh crore.

After assessing the requirement of each bank, the ministry is expected to finalise the capital infusion of about Rs 54,000 crore by this month-end or by the first half of the next month.

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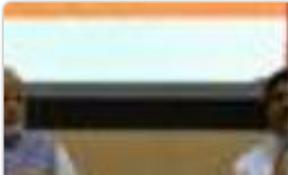
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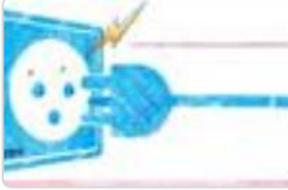
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