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Provision coverage ratio of PSU banks on the rise, crosses 66%

BY PTI | DEC 30, 2018, 02:24 PM IST

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Public sector banks' provision coverage ratio -- which measures the provisioning for bad loans -- has gone up from less than 50 per cent in 2015 to 66.85 per cent as of September 2018, reflecting improvement in their financial health, a senior official said.

The provision coverage ratio (PCR) gives an indication of the provision made against bad loans from the profit generated. Higher the PCR, lower is the unexposed part of the bad debts.

"The PCR of public sector banks has risen steeply from 46.04 per cent as of March 2015 to 66.85 per cent as of September 2018, giving banks cushion to absorb losses," Financial Services Secretary Rajiv Kumar said.

At the same time, various initiatives taken by the government have yielded results, with the bad loans of public sector banks (PSBs) declining by over Rs 23,000 crore from a peak of Rs 9.62 lakh crore in March 2018, he added.

"Gross non-performing assets (NPAs) of PSBs have started declining after peaking in March 2018, registering a decline of Rs 23,860 crore in the first half of the current financial year," he said.

Pointing out that the consistent rise in PCR also indicates the adoption of discipline for making adequate provisions for NPAs, he said the government backed it up with adequate capital support.

This has been achieved while being compliant with capital requirement norms, he added.

Earlier this month, Finance Minister Arun Jaitley had said the government will invest an additional Rs 41,000 crore into state-owned lenders over and above what was announced earlier to strengthen their capital base. This would enhance the total recapitalisation in the current fiscal from Rs 65,000 crore to Rs 1.06 lakh crore.

On December 20, the government sought Parliament's approval for infusion of the additional Rs 41,000 crore into the lenders.

Jaitley had said that this would enhance the lending capacity of PSBs and help them exit the Reserve Bank of India's Prompt Corrective Action (PCA) framework that imposes curbs on certain business operations of the banks.

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