

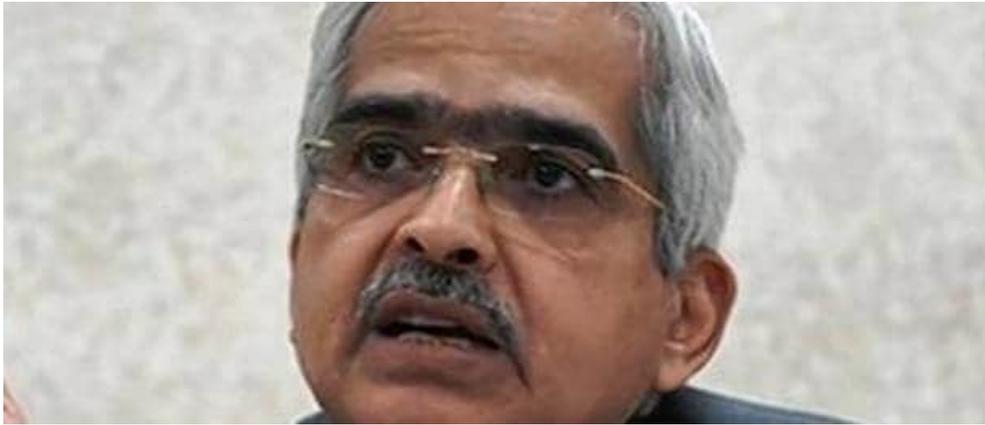
RBI to eye Q3 results before easing lending curbs on some banks

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Eleven PSBs will have to wait for about a month before knowing which of them will have lending curbs eased after a Reserve Bank of India (RBI) panel reviews their December quarter results, an official with direct knowledge of the matter told Reuters on Thursday.

The Indian government of Prime Minister Narendra Modi has been pressuring the central bank to ease the curbs on at least some of the banks in an attempt to boost lending and the economy ahead of a general election due to be held by May. The RBI's Board for Financial Supervision (BFS), chaired by the central bank's new Governor Shaktikanta Das, met on Thursday and looked at estimates for the financial performance of the banks in the October-December quarter.

Based on those estimates, about three to four of these banks - which in recent years were targeted by the RBI for tough lending restrictions because of a surge in bad loans, capital depletion and mounting losses - are likely to have those curbs eased, the official said. However, the panel will wait to examine audited results of the banks, before making a final decision, the source said. The results are due by the end of the month but it is unclear when the next panel meeting will be.

Capital ratios

The government has infused capital in some of the banks to help them to adhere to the central bank's capital ratios. However, the panel would like to be sure which of the banks will be able to maintain minimum capital ratios under scenarios such as a delay in the recovery of bad loans in bankruptcy cases, the official said. "Every bank has given an estimate of their recovery plan to the RBI. We need to be sure that banks are following that plan and should be compliant with the PCA (Prompt Corrective Action) norms by March end on capital and bad loan parameters."

There are 21 listed state-run banks in India that provide about two-third of the total loans in the economy. With nearly half of them under a PCA plan and the rest cautious due to a record \$150 billion in bad debt, the government is keen the curbs be relaxed to boost their ability to lend. After losing power in three key states last month, Modi's Hindu nationalist government is anxious to woo voters especially farmers and small businesses that were hit hard

by a high-value currency note ban in late 2016 and the introduction of a goods and services tax in mid-2017.

However, the RBI was reluctant to ease the curbs, triggering a bitter public war of words between the government and the central bank that ended with former governor Urjit Patel resigning last month, citing personal reasons.

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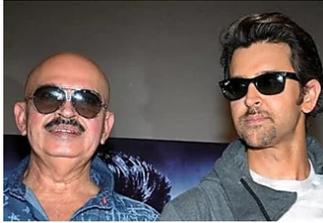
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