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Market Watch

PSU banks may see higher profits, must tap market: CEA Krishnamurthy Subramanian

BY IANS | UPDATED: FEB 09, 2020, 05.03 PM IST

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NEW DELHI: The **PSU banks** may see enhanced profits with write-back of some of the loans provisions in their balance sheets on account of the **IBC** resolutions and they must now tap the market themselves instead of looking for recapitalisation, Chief Economic Advisor **Krishnamurthy Subramanian** has said.

"The Budget's decision not to recapitalise the PSU banks is a good move and signals that all the banks are adequately capitalised at this point. The judgement on Essar Steel provides greater clarity on the IBC. State Bank of India profits were boosted by Essar Steel IBC resolution. Some of those accounts which have been fully written down by banks, when they get resolved, there will be a write-back on account of the resolutions. And this will enhance their profitability and also have an impact on their growth capital. That's one aspect the government clearly believes that these banks are adequately capitalised.

"So having all the while supported the banks when they needed support, now government wants them to stand on their own, enhance the governance and tap into the market," Subramanian told IANS.

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State Bank of India reported a 41 per cent year-on-year (y-o-y) rise in its net profit during the December quarter to Rs 5,583 crore, which was driven by healthy income from retail loans and an Rs 11,000-crore recovery from Essar Steel, following its sale to ArcelorMittal.

Finance Minister [Nirmala Sitharaman](#) said in the Budget that government so far has infused Rs 3.5 crore capital into public sector banks (PSBs) to help them maintain regulatory capital requirements and finance growth plans. In the last Budget, the government had infused Rs 70,000 crore.

"We have infused Rs 3.5 crore capital into PSU banks. A few among them will be encouraged to move capital market for fundraising purposes", she said in her Budget Speech.

Finance Secretary Rajeev Kumar had earlier said banks have to tap the market and government would start gradually lowering its stake from the state lenders. In some of the state run banks, government stake nearly touches 100 per cent.

Recently [Punjab National Bank](#) got board approval to raise Rs 1,000 crore from market through bonds. The IDBI Bank also proposes to raise Rs 1,500 crore from bonds to fund growth.

Among all four anchor banks, the Punjab National Bank was given Rs 16,091 crore, Union Bank of India Rs 11,768 crore, [Canara Bank](#) Rs 6,571 crore and Indian Bank Rs 2,534 crore. Merging entities, like the Allahabad Bank, was provided Rs 2,153 crore, while the United Bank of India got 1,666 crore and Andhra Bank Rs 200 crore.

Besides, the Bank of Baroda got a capital infusion of Rs 7,000 crore, Indian Overseas Bank Rs 4,360 crore, UCO Bank Rs 2142 crore, Punjab & Sind Bank 787 crore and Central Bank of India Rs 3,353 crore.

State Bank of India has already initiated the process of diluting stake in its subsidiary [SBI Cards](#) and Payment Services Ltd., and UTI Asset Management Co. Ltd. via planned initial public offerings. It is looking to sell 50 lakh shares representing 1.01 per cent stake in the National Stock Exchange. Life Insurance Corporation of India-controlled IDBI Bank too received additional capital of Rs 4,557 crore through the first supplementary demand for grants approved by the Parliament last month.

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