

Govt plans to infuse capital in '2-3 PSBs' by Sept-end

ENS ECONOMIC BUREAU

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THE FINANCE ministry is planning to infuse additional capital in 2-3 more public sector banks by September-end in order to help them meet minimum regulatory capital requirements and to enable them to make interest payments on certain bonds on time, a senior finance ministry official said on Wednesday. "We have already decided on 5 PSU banks so far and over the next couple of months there will be 2-3 more banks who will need capital to meet regulations," the official said.

On Tuesday, the government

firmed up plans to infuse close to Rs 11,336 crore in five state-owned banks — Punjab National Bank, Corporation Bank, Andhra Bank, Allahabad Bank and Indian Overseas Bank. This additional capital will relieve some pressure on these banks' capital adequacy ratio and help in coupon payment on bonds. The official said this round of capital infusion will be done through issuance of recapitalisation bonds and not directly from the Budget.

Within the capital infusion plan, PNB, which has been impacted by the Nirav Modi scam, is expected to get the highest amount of Rs 2,816 crore. While Corporation Bank is said to get

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Rs 2,555 crore, Indian Overseas Bank will get Rs 2157 crore. The other two banks Andhra Bank and Allahabad Bank will get Rs 2,019 crore and Rs 1,790 crore respectively, sources said. Apart from these five banks, Central

Bank of India may also get capital support from the government in this round.

The official said the government is giving capital only for the purpose of meeting minimum regulatory requirement, and growth capital will only be given to those banks which meet the performance targets set by the finance ministry in a pact signed with each bank. The government expects to provide growth capital only in the second half of the current fiscal year.

The capital infusion will be a part of the remaining Rs 65,000 crore out of Rs 2.11 lakh crore capital infusion announced by the government for two financial

years. In October 2017, the government had announced Rs 2.11 lakh crore capital infusion programme, under which the public sector banks were to get Rs 1.35 lakh crore through recapitalisation bonds, and the balance Rs 58,000 crore through raising of capital from the market. The government has already infused Rs 80,000 crore out of the Rs 1.35 lakh crore through recap bonds in the banks and balance would be done during this financial year. As a result of heavy losses and increasing bad loans, state-owned banks net worth has shrunk and they are working to sell non-core assets and improve recoveries to boost their financial health.