GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA

UNSTARRED QUESTION NO.3115

TO BE ANSWERED ON THE 5TH JANUARY 2018/ PAUSHA 15, 1939 (SAKA)

Recapitalisation of Public Sector Banks

3115. SHRI RABINDRA KUMAR JENA:

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has a plan to recapitalise Public Sector Banks through bonds or other such instruments, if so, the details thereof along with the amount of money the Government has earmarked for this purpose;

(b) whether the Government devised any criterion for which banks will be eligible for these funds, if so, the details of the criterion set thereof, if not, the reasons therefor; and

(c) whether there is a provision for checks/oversight and penalties for banks that may mismanage the recapitalisation funds, if so, the details thereof?

ANSWER

The Minister of State in the Ministry of Finance
(SHRI SHIV PRATAP SHUKLA)

(a): Government announced Indradhanush plan for revamping Public Sector Banks (PSBs) in August 2015. The plan envisaged, *inter alia*, infusion of capital in PSBs by the Government to the tune of Rs. 70,000 crore over a period of four financial years. Government has recently announced decision to further recapitalise PSBs to the tune of Rs. 2,11,000 crore, through recapitalisation bonds of Rs. 1,35,000 crore and budgetary provision of Rs. 18,139 crore (the residual amount under Indradhanush plan) over two financial years, and the balance through capital raising by banks from the market. Government has so far infused capital of Rs. 59,435 crore in PSBs under Indradhanush.

(b): Capital infusion is aimed at supplementing the achievement of regulatory capital norms by PSBs through their own efforts and, in addition, based on performance and potential, augmenting their growth capital. Government has announced that a differentiated approach would be followed, based on the strength of each bank.

(c): Under the State Bank of India Act, 1955 and the Banking Companies (Acquisition and Transfer of Undertakings) Acts of 1970 and 1980, the Board of Directors of the bank is responsible for general superintendence, direction and management of the affairs and business of the bank. Further, Companies Act, 2013 provides that the directors of a company shall act in good faith and in the best interests of the company, its employees and the shareholders. Under the Banking Regulation Act, 1949, the Reserve Bank of India (RBI) has the power to remove managerial and other persons from office for, *inter alia*, securing proper management of any banking company.

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