

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

UNSTARRED QUESTION NO. 3511

TO BE ANSWERED ON THE 16TH MARCH 2018/ PHALGUNA 25, 1939 (SAKA)

PCA of RBI on PSBs

3511. DR. P. VENUGOPAL:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India (RBI) has initiated Prompt Corrective Action (PCA) against the State-owned banks for high bad loans and if so, the details thereof;
- (b) whether the RBI has put these Public Sector Banks (PSBs) under PCA in view of high net Non-Performing Assets and if so, the details thereof; and
- (c) whether the said action will not have any material impact on the performance of the banks and will contribute in overall improvement in its risk management, asset quality, profitability and efficiency and if so, the details thereof?

ANSWER

The Minister of State in the Ministry of Finance
(SHRISHIV PRATAPSHUKLA)

(a) to (c): Reserve Bank of India (RBI) has issued a Prompt Corrective Action (PCA) framework to maintain sound financial health of banks. It facilitates banks in breach of risk thresholds for identified areas of monitoring, *viz.*, capital, asset quality (which is tracked in terms of the net Non-Performing Assets ratio) and profitability, to take corrective measures in a timely manner, in order to restore their financial health. Thus, it is intended to encourage banks to eschew certain riskier activities, improve operational efficiency and focus on conserving capital to strengthen them. The framework is not intended to constrain the performance of normal operations of the banks for the general public. RBI has placed eleven PSBs, *viz.*, Dena Bank, Central Bank of India, Bank of Maharashtra, UCO Bank, IDBI Bank, Oriental Bank of Commerce, Indian Overseas Bank, Corporation Bank, Bank of India, Allahabad Bank and United Bank of India, under the PCA framework.
