

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:655

ANSWERED ON:24.11.2006

PERFORMANCE OF PSBs

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Will the Minister of FINANCE be pleased to state:

- (a) whether some of the public sector banks are suffering losses as reported in the Times of India dated the October 26, 2006;
- (b) if so, the reasons therefor, alongwith the details of losses incurred by the banks during each of the last three years, bank-wise;
- (c) whether the Government is considering to provide financial assistance to certain public sector banks by subscribing to preference shares issued by the banks to wipe out their losses and reduce bad and doubtful loans and also for their expansion programme;
- (d) if so, the details thereof; and
- (e) the corrective steps taken by the Government to improve the performance of loss making public sector banks?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b): During the last three years, all public sector banks, except Punjab & Sind Sank, have posted net profits. Punjab & Sind Bank had recorded net loss of Rs. 71 crore during the year 2004-05. However, the bank has posted net profit of Rs. 108 crore during the year 2005-06.

(c) & (d) With a view to strengthen their balance sheets, facilitate their adopting Basel II prescriptions, meet their future capital requirements through Initial Public Offer, instill confidence among investors for investing in their shares and to enable them to expand their business, Government has decided to net off the entire accumulated losses of Indian Bank and United Bank of India amounting to Rs. 3830.14 crore and Rs, 278.44 crore respectively, as on 31.03.2006, against their equity capital, and to restructure the equity capital of Indian Bank and Central Bank of India by converting a part of their equity capital into Perpetual Non-cumulative Preference Share Capital (PNCPS).

(e) To facilitate quick and efficient decision-making and to provide Bank Boards sufficient managerial autonomy to be able to compete internationally. Government announced an Autonomy Package in February 2005 for the public sector banks. Further, the Government has put in place a mechanism to monitor the performance of all Public Sector Banks on the basis of the `Statement of Intent on Annual Goafs` submitted by them on various performance parameters including Non-Performing Assets (NPAs), Cost to Income Ratio, Return on Assets, Profits, etc. All public sector banks have recorded net profits for the year ending March 2006.