

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3583
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VIABILITY AND PROFITS OF NATIONALISED BANKS
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India (RBI) has directed the nationalised banks to control costs to compete in the global environment and to improve viability and profits;
- (b) if so, the action taken by the management of die nationalised banks in this regard;
- (c) whether the consolidation in banking sector an help in achieving GDP target rate;and
- (d) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PA WAN KUMAR. BANSAL)

(a) & (b): Reserve Bank of India (RBI) has not given any specific director to public sector banks for containing the expenses of banks. However, it is in the interest of banks to contain their expenses to improve profitability and strength of the; r balance- sheet. Government has also put in place a mechanism lo monitor the performance of all public sector banks on the basis of the `Statement of Intent on Annual Goals` submitted by them on various performance parameters, including cost-income ratio.

(c) & (d) : Consolidation in banking sector is expected to allow economies of scale in terms of footprint, manpower and other resources. While larger size enables the banks to face competition arising from intemationalisation of the economy and ensures better management of risks, small and weak banks pose systemic ;isks with their low capital adequacy ratio and high Non-performing Assets (NPAs). Consolidation is a timely response to augment efficiency and productivity, and would lead to income generation and add to Gross Domestic Product (GDP) of the country.