

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2858
ANSWERED ON:24.07.2009
CLEANING UP OF PSB BALANCES
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Will the Minister of FINANCE be pleased to state:

- (a) whether taxpayers money have been used to clean up Public Sector Banks` (PSBs) balance sheets;
- (b) if so, the details thereof for the last three years; and
- (c) the corrective steps taken / proposed to be taken by the Government in this regard?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) & (b): To enable Indian Bank and United Bank of India clean their Balance Sheets, improve financials and to be able to access the capital market for raising funds to achieve their growth targets, Government approved the proposals of these banks to net-off their outstanding accumulated losses against the paid-up equity capital of these banks. These proposals were cash-neutral and did not involve infusion of funds by the Government.

(c) To improve the health of the banking sector in India in general, and that of Public Sector Banks (PSBs) in particular, and also to bring it at par with international standards, the Reserve Bank of India (RBI) has prescribed measures for strengthening of risk based prudential supervision for capital adequacy standards on the lines of the Basel Committee norms, etc. coupled with wide ranging steps undertaken by the Government. Further, to facilitate quick and efficient decision-making and to provide sufficient managerial autonomy to the Boards of public sector banks to be able to compete internationally, Government announced an Autonomy Package in February, 2005 for these banks. The Government has also put in place a mechanism to monitor the overall performance of PSBs on the basis of the `Statement of Intent on Annual Goals (SOI)` submitted by them on various performance parameters. Balance sheet and profitability indicators viz. ROA, Net Interest Margin, Non-Performing Assets (NPAs) Ratios, Provisioning and Classification norms for NPAs, Capital Adequacy Ratio etc. suggest that the Indian banking sector now compares well with global benchmarks.