

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4789
ANSWERED ON:07.08.2009
SALE OF UNDER PERFORMING BANKS
Dharmshi Shri Babar Gajanan

Will the Minister of FINANCE be pleased to state:

- (a) whether the high level committee set up by the Planning Commission had suggested the sale of small and under performing public sector banks, besides suggesting liberalization of norms for takeovers and mergers;
- (b) if so, the names of the small and under performing public sector banks which are proposed for sale or mergers;
- (c) the steps taken by the Union Government in this regard so far;
- (d) the details of the other major recommendations made by the high level committee on small and under performing public sector banks; and
- (e) the measures taken by the Union Government to implement these recommendations?

Answer

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

- (a) & (d): The High Level Committee on Financial Sector Reforms set up by the Planning Commission and headed by Shri Raghuram G. Rajan has, in its report titled 'A Hundred Small Steps' inter-alia, opined that-
- (i) Small, regional and unprofitable banks would be a natural candidate for takeover by well managed financial institutions that seek complimentary assets.
 - (ii) The screening criteria for identifying weak banks may include parameters like capital adequacy ratio, proportion of non-performing assets (NPAs) in total credit, return on assets, return on equity and net-interest margin,
 - (iii) As regards the public sector banks (PSBs), the Report states that takeover of Psfes by other PSBs or public financial institutions should not be discouraged though there is no point in one weak bank taking over another weak bank,
 - (iv) Takeover of PSBs should be no different from takeover of private banks, with Boards of the banks playing a key role.
- (b) , (c) & (e) : All the public sector banks are well capitalised, have reasonably lower NPA ratios, reported profits during the last three years and have been performing well on major performance indicators. Further, Government is also of the view that the proposals for merger of banks emanate from the banks themselves with Government playing a supportive role as a common shareholder.