

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:993

ANSWERED ON:10.07.2009

STRENGTHENING OF BANKING SYSTEM

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**Will the Minister of FINANCE be pleased to state:**

(a) whether the Government has any specific plan to restructure, strengthen and recapitalize the public sector financial institutions particularly the banking system in view of their significant role in the Indian economy in the global economic meltdown scenario;

(b) if so, the details thereof; and (

C) if not, the reasons therefor?

**Answer**

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

(a) to (c): Since initiation of the reform process in the banking sector in 1990-91, the thrust of the Government and the Reserve Bank of India (RBI) has been directed towards enhancing efficiency and productivity of banks, providing additional options for augmentation of capital of banks for smooth transition to Basel II norms, ensuring smooth and risk free functioning of payment and settlement system, encouraging use of advance technology in banking operations with minimum risks and according priority to financial inclusion. The operational rigidities in credit delivery system have been addressed to ensure allocational efficiency and achievement of social objectives. Further, for orderly and healthier growth of banking system in India, Government and RBI have adopted a calibrated approach to diversify ownership, improve corporate governance, minimise fragmentation and increase accountability, strengthening of prudential guidelines and supervisory norms, etc.

To enable the public sector banks achieve their growth targets while maintaining a Capital to Risk-weighted Assets Ratio (CRAR) at around 12%, Government has approved providing capital of Rs. 4,600 crore to four nationalised banks (Central Bank of India ~ Rs.1,400 crore, Vijaya Bank - Rs. 1,200 crore, UCO Bank - Rs. 1,200 crore and United Bank of India - Rs. 800 crore) over a period of two years i.e. 2008-09 and 2009-10. Out of this, a sum of Rs. 1,900 crore has been released to these four banks during the year 2008-09.