

'Scheme for banks not applied as envisaged'

The Centre's 'Indradhanush' scheme to recapitalise public sector banks (PSBs) based on their performance was not implemented in a manner envisaged, according to a report by the Comptroller and Auditor General of India (CAG)

According to the CAG report tabled in Parliament on Friday, as per the scheme, a portion of the recapitalisation was to be based on the bank's performance. However, this was not followed during disbursement of funds.

Rising NPAs

The CAG report said gross NPAs with PSBs had risen sharply in recent years, from 2.27 lakh crore as of March 31, 2014 to about 5.4 lakh crore at the end of March 2016.

The parameters used to determine whether banks required capital changed from year to year and in some years the rationale for capitalising banks was not even recorded. The audit report said the scheme's target of raising 1.1 lakh crore from the markets by 2018-19 was not likely to be met.

"Audit noticed that the estimation of the parameters based on which capital was infused altered from year to year and often within different tranches of the same year," the report, an audit of bank recapitalisation efforts by the government between 2008-09 and 2016-17, found.

"Audit also noticed that in some cases the rationale for distribution of GOI capital among different PSBs (Public Sector Banks) was not on record."

The report added that said some banks that did not qualify for additional capital as per the decided norms, were infused with capital, and in some cases, banks were infused with more capital than required.

"In 2015-16 and 2016-17, it was decided that 20% and 25% of the capital infusion, respectively, would be based on performance," the report said. "However, the poor asset condition of the PSBs brought out in the Asset Quality Review of the RBI (2015-16) and the failure of most PSBs in meeting their targets for both years led to release of capital without considering performance."

The Centre government had set a target in August 2015 for PSBs to raise 1.1 lakh crore from the markets by 2018-19. So far, the report found that only 7,726 crore had been raised up to March 2017.

"Considering the commitment to the CCEA that the market would not be flooded by multiple banking equity issues at the same time, achievement of this target by March 2019 appears doubtful," the report said.

Such expenditure needs expeditious resolution of stressed loan problem: Crisil

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