

CAPITAL SHORTAGE IN PSBS

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

Ministry of Finance

Capital Shortage in PSBs

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As per RBI guidelines, banks in India are required to maintain a minimum Capital to Risk-weighted Assets Ratio (CRAR) of 9%. As on 31.3.2019, all 18 Public Sector Banks (PSBs) meet this minimum CRAR requirement.

In the Union budget for the financial year 2019-20, Government has proposed to make provision for infusion of Rs. 70,000 crore capital to PSBs to boost credit for a strong impetus to the economy.

As per inputs received from State Bank of India, bank has obtained approval for raising equity capital of up to Rs. 20,000 crore from the market by way of Qualified Institutional Placement (QIP) or other modes till 31.3.2020.

The bank has further informed that at present it is well capitalised, with CRAR of 12.72% as on 31.3.2019 against regulatory requirement of 11.325% and, depending upon the requirement, it would decide on raising capital at an appropriate time during the financial year.

PSBs source capital through internal capital generation, mobilisation of capital from markets, and infusion by the Government. Thus, capital infusion by the Government complements PSB's internal capital generation and mobilisation of capital from markets. During the period from financial year (FY) 2008-09 to FY2018-19, PSBs have mobilised Rs. 2,81,616 crore of capital through sources other than Government, and have posted net profit of Rs. 98,373 crore, of which a sizeable proportion has contributed to internal capital generation. During the same period, Government has infused capital of Rs. 3,15,721 crore in PSBs.

This was stated by Shri Anurag Singh Thakur, Minister of State for Finance & Corporate Affairs in a written reply to a question in Lok Sabha today.

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