

CRAR MAY FALL BELOW 9% FOR 5 BANKS SANS FRESH GOVERNMENT CAPITAL, SAYS RBI

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

[Reserve Bank of India](#) has cautioned that as many as five banks may see capital to risk weighted assets ratio (CRAR) falling below the minimum stipulated level of 9 per cent by March 2020 if the government does not infuse further capital.

If macroeconomic conditions deteriorate, the central bank said that nine banks may face erosion of CRAR below 9 per cent.

"As far as public sector banks are concerned, the proof of the pudding lies in their ability to attract private capital through market discipline rather than being overly dependent on the government for capital," [RBI](#) said in its financial stability report released Thursday.

RBI has made the capital projection assuming minimum 25% profit transfer to capital reserves for profit making banks, RBI said.

Banks' collective CRAR improved to 14.3 per cent in March 2019 from 13.7 per cent in September 2018 after the government recapitalised public sector banks. CRAR for public sector bank group improved to 12.2 per cent from 11.3 per cent.

Bank-wise distribution of capital adequacy indicates that there were 19 banks with CRAR more than 12 per cent in March 2019 as compared 15 banks as on September 2018. At the end of March, only two of 55 banks had CRAR less than 9%.

Recapitalisation of banks helped the public sector ones showing improvement with higher provision coverage as well as capital adequacy.

The regulator forced banks to recognise bad loans leading to the non-performing assets cycle peaking in March 2018 with the gross ratio declining to 9.3 per cent in March 2019.

"The significant rise in provisioning has impacted the bottomline of PSBs. Efforts to improve the balance sheets of banks should therefore continue," RBI said.

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