

Rs. 2.11 lakh crore for PSU banks to boost lending

Mr. Jaitley said the nature of the recapitalisation bonds would be decided in the coming months, adding that the impact from the capital infusion on the fiscal deficit would be determined by the type of bonds and as to who the issuing authority would be.

“The nature of the bonds will be decided in due course,” Mr. Jaitley said. “They will increase the lending capacity of the banks. The effect on the fiscal deficit will depend on the nature of the bonds and also how they are dealt with. Globally, the practice is to not include bonds in the fiscal deficit calculation. In India, we do include it.”

Chief Economic Advisor Arvind Subramanian said recapitalisation bonds are usually treated as debt, but their effect on the fiscal deficit depends on who is issuing the bonds and their treatment, with the International Monetary Fund not including such bonds in fiscal deficit calculations.

END

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