

PRESS INFORMATION BUREAU

GOVERNMENT OF INDIA

**GOVERNMENT DECIDES TO INFUSE RS.6990 CRORES IN NINE PUBLIC
SECTOR BANKS (PSBs) IN THE CURRENT YEAR ON BASIS OF NEW CRITERIA
BASED ON EFFICIENCY PARAMETERS**

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Out of the current year's budget, the Government of India has decided to infuse Rs.6990 crores in nine Public Sector Banks (PSBs) for which orders are being issued. This year, the Government of India has adopted a new criteria in which the banks which are more efficient would only be rewarded with extra capital for their equity so that they can further strengthen their position.

The methodology for arriving the amount to be infused in these banks has been based on efficiency parameters. First of all, weighted average of return on assets (ROA) for all PSBs for last three years put together was arrived at and all those who were above the average have been considered.

The second parameter that has been used is return on equity (ROE) for these banks for the last financial year. Those who have performed better than average have been rewarded. As per these above mentioned two efficiency criteria, the amount allocated bank-wise is as follows :

S.No.	Name of the Bank	Amount (Rupees in crore)
1	State Bank of India	2970
2	Bank of Baroda	1260
3	Punjab National Bank	870
4	Canara Bank	570
5	Syndicate Bank	460
6	Allahabad Bank	320
7	Indian Bank	280
8	Dena Bank	140
9	Andhra Bank	120
	Total	6990

The Government of India is conscious of the fact that a lot of reforms are required in the Public Sector Banks (PSBs). With a view to crystallize ideas for reforms, recently a two-day Retreat of CMDs of Banks and Financial Institutions called 'Gyan Sangam' was held at Pune on 1st and 2nd January, 2015. This Retreat generated an agenda in which banks

themselves were supposed to undertake certain activities individually or jointly and there were certain things which were supposed to be done by the Government.

One of the general principle adopted during the Retreat was that efficient banks should be encouraged. For the last few years, Government of India has been infusing capital to those banks whose equity erosion has taken place. Therefore, this year, the Government of India has adopted this new criteria in which the banks which are more efficient would only be rewarded with extra capital for their equity so that they can further strengthen their position.
