

2.11 lakh crore for public sector banks to boost (बढ़ावा देना) lending Maximum allocation (आवंटन) in current year, entire amount in 2 years; Jaitley promises banking sector reforms will follow soon

The Union government on Tuesday unveiled (निराकरण, revealed) an ambitious plan to infuse (झालना, introduce) 2.11 lakh crore capital over the next two years into public sector banks (PSBs) that are saddled (लादना, load or burden) with high, non-performing assets (NPAs) and facing the prospect (संभावना, the possibility of future success) of having to take haircuts (a reduction in the mentioned value of an asset) on loans stuck in insolvency (दिवालियापन) proceedings. The move (कदम) is vital (महत्वपूर्ण) for the slowing economy, as private investments remain elusive (भ्रांतिजनक, difficult to detect or grasp by the mind or analyze) in the face of the "twin-balance sheet problem" afflicting (पीड़ा देना, cause physical pain or suffering in) corporate India and public sector banks reflected in slow bank credit growth. Several economists opine (विचार करना) that the recapitalisation (it is a type of corporate reorganization involving substantial change in a company's capital structure, especially by replacing debt with stock.) of banks — so that they can lend more freely and help revive (जान डाल देना, give new life or energy to) private investment — is critical for revitalizing (पुनर्जीवन होना) the growth momentum (गति) at a time when the global economy is recovering (अच्छा हो जाना)

Front-loaded funding'

Financial Services Secretary Rajiv Kumar said the Union Cabinet had approved the capital infusion plan for PSBs, adding that the funding pattern would be front-loaded.

"The government has decided to take a massive (बड़ा) step to capitalise (पूँजी में परिणत करना) PSBs in a front-loaded manner, to support credit growth and job creation." Mr. Kumar said at a press conference. "This entails (के लिए आवश्यक होना) mobilization (जुटाना) of capital, with maximum allocation in the current year, to the tune of about ₹2,11,000 crore over the next two years. This would be funded through budgetary provisions of ₹18,139 crore and the sale of recapitalisation bonds worth ₹1.35 lakh crore. The balance would be raised by the banks themselves by diluting the government's equity (शेयर) share. Indiscriminate (अभेदकर, not marked by fine distinctions) lending "Indiscriminate lending earlier by banks led to a high level of NPAs," Finance Minister Arun Jaitley said. "And these NPAs were kept under the carpet (not marked by fine distinctions). Now they have come to light (To become known); to

be revealed.) because of the Asset Quality Review conducted (संचालित, by the Reserve Bank of India."

The capital infusion would also be accompanied by (के साथ) a series of banking sector reforms, Mr. Jaitley said, without providing any specifics, adding that the measures (उपाय) would be revealed (खुलासा) in the coming months.

Mr. Jaitley said the nature of the recapitalisation bonds would be decided in the coming months, adding that the impact (असर) from the capital infusion on the fiscal deficit (आर्थिक घाटा) 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 (at the appropriate time)," 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

Capital starved (भूखा) banks "The government's capitalisation package for public sector banks will provide a strong booster dose of relief for the capital starved public sector banks," Krishnan Sitaraman, Senior Director, CRISIL Ratings said. "CRISIL's assessment (मूल्यांकन) of capital requirement for public sector banks to meet Basel III requirements is in the range of ₹1.4-1.7 lakh crore which will be met by the government's relief package."

Capitalize: लाभ उठाना