

South Asian Survey

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Decoding the Great Indian Recapitalisation Plan: Restoring the Health of Public Sector Banks in India

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Summary

Indian government has infused ₹250,000 million in the year 2016 and 2017 followed by ₹100,000 million within the year 2018 and 2019 with an inspiration of reducing the non-performing assets (NPAs) levels of public sector banks (PSBs). Figuring among the top 20 banks with the highest gross non-performing asset (GNPA) ratios, according to CARE Ratings' analysis of the first quarter results of 38 banks, PSBs are more stressed than their private sector counterparts. On a quarter-on-quarter basis, the increase in NPAs has been the highest in Quarter 1 FY18 witnessing a rise of 16.6 per cent, achieving ₹8,293,380 million as of June 2017. This study is an effort to study the impact of NPAs, causes, suggestive measures and the need of recapitalisation of PSBs to tackle the crisis. It further suggests a standardised model which can help banks to keep in check of additional capital required for maintaining minimum CET 1 as per regulatory norms.

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