PSBs well-capitalised; Not to require major infusion in FY23

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New Delhi, March 12 India's public sector banks (PSB) are expected to achieve credit growth as well as adhere to the minimum capital requirements without any fresh capital infusion from the Centre.

According to Brickwork Ratings, in FY23, banks will be able to achieve credit growth of 8-9 per cent. "Between FY17-FY20, the government injected Rs 3,000 billion in PSBs in order to help the banks maintain the minimum capital requirement, as well as manage huge amounts of bad assets in their books," the agency said.

"The funds not only improved the Capital to Risk weighted Assets Ratio (CRAR) of PSBs from 11.7 per cent in FY18 to 14 per cent in FY21, but also acted as a cushion for the banks against the potential shocks of the pandemic."

Notably, the Centre had further infused Rs 200 billion and Rs 150 billion in FY21 and FY22, respectively.

"There has been no further announcement of capital infusion in FY23 as per Union Budget FY23."

As part of the restructuring of the banking sector of India, Centre has merged 10 PSBs into four banks in 2021.

"This has provided a larger capital base for the banks and has reduced the need for capital infusion from the government."

Besides, the agency cited that credit growth has been anaemic over the past few years due to the economic slowdown, as well as the stressed balance sheets of banks in India.

"The Covid-19 pandemic proved to be another setback as credit growth slipped on account of huge business disruptions."

"However, with economic revival being faster than expected, credit growth for banks is expected to be around 7.5-8.5 per cent in FY22 and to further improve to 8-9 per cent in FY23."