

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

GOVERNMENT DECIDES IN PRINCIPLE TO ENHANCE THE AMOUNT OF CAPITAL TO BE INFUSED INTO PUBLIC SECTOR BANKS; ADDITIONAL AMOUNT OF CAPITAL TO BE PROVIDED TO ENABLE BANKS TO LEND TO BORROWERS IN SELECTED SECTORS AT LOWER RATES TO STIMULATE DEMAND; EXPECTED TO GIVE A BOOST TO CAPACITY ADDITION, EMPLOYMENT AND PRODUCTION

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The Central Government has decided in principle to enhance the amount of capital to be infused into Public Sector Banks (PSBs). It may be recalled that in the Budget for 2013-14, a sum of Rs. 14,000 crore was provided for capital infusion. This amount will be enhanced sufficiently.

The additional amount of capital will be provided to banks to enable them to lend to borrowers in selected sectors such as two wheelers, consumer durables etc, at lower rates in order to stimulate demand. While this will bring relief to the consumers, especially the middle class, it is also expected to give a boost to capacity addition, employment and production.

This decision is based on the discussions between Dr. Raghuram Rajan, Governor, Reserve Bank of India (RBI) and the Union Finance Minister, Shri P. Chidambaram when Dr Rajan called on the Finance Minister here today this morning. Secretary, Department of Economic Affairs, Shri Arvind Mayaram was also present on the occasion.

The issue of credit growth in different sectors was discussed. At the end of September 2013, growth of Gross Bank Credit stood at about 18 per cent, year-on-year. However, credit growth is sluggish in some sectors leading to the conclusion that demand in these sectors remains subdued.

Based on the discussions, the Government has decided in principle to enhance the amount of capital to be infused into Public Sector Banks.
