Chapter 6
Present position of the weak banks

6.1 The Working Group has examined the financial position of the three weak banks based on their results till the year ended March 1999. An analysis of the current position of the banks based on the published results of Indian Bank, UCO Bank and United Bank of India for the year ended 31 March 1999 is given below.

Indian Bank

6.2 The financial position of the bank has steadily deteriorated over the last three years. A summary of the Income and Expenditure Account of the bank and a few important financial indicators for the last three years are furnished below:

Table 5: Indian Bank – Financial indicators (Amount in Rs. crore)

	1996-97	1997-98	1998-99
Interest Income	1,563	1,464	1,625
Other Income	217	202	199
Total Income	1,780	1,666	1,824
Interest Expense	1,442	1,353	1,428
Operating Expenses	477	523	559
Total Expenses	1,919	1,876	1,987
Operating profit/loss	(-) 139	(-) 210	(-) 163
Provisions and Contingencies	250	92	615
Net Profit/Loss	(-) 389	(-) 302	(-) 778
Interest on Recap bonds	38	38	235
Net Interest Margin (%)	0.81	0.65	1.08
Gross NPAs	3,303	3,428	3,709
Percentage to gross advances	39	39	37
Net NPAs	1,735	1,889	1,644
Percentage to net advances	25	26	21
Capital Adequacy Ratio (%)	(-) 18.81	1.41	(-) 8.94

6.3 The bank continued to incur operating losses in 1998-99 also. The operating loss in 1998-99 was lower as compared to 1997-98, due to accretion of additional interest income (Rs. 175 crore) on the recapitalisation of Rs. 1,750 crore received in 1998. The operating loss of the bank adjusted for the income on recapitalisation bonds has increased steadily and aggregated Rs. 177 crore, Rs. 248 crore and Rs. 398 crore during 1996-97, 1997-98 and 1998-99 respectively. The capital adequacy turned positive with the infusion of Rs. 1,750 crore and reached 1.41 per cent in March 1998. It turned negative again in March 1999. Despite recapitalisation of the bank by the Government of India to the extent of Rs. 100 crore in 1998-99, it has ended up with a negative net worth.

6.4 The total income of the bank during 1998-99 grew only by Rs. 158 crore (9.5 per cent). The share of interest income in the total income during 1998-99 was 89.1 per cent, marginally higher than 87.9 per cent recorded in 1997-98. The decline in other income continued during 1998-99 as well and was at Rs. 199 crore (i.e., 10.9 per cent of the total income) as against Rs. 217 crore and Rs. 202 crore recorded in 1997 and 1998 respectively. The bank did not make any provision for liabilities arising on account of the proposed wage revision.

6.5 The total expenses in 1998-99 was higher than that of 1997-98 by Rs. 111 crore (5.9 per cent) though it had gone down between 1996-97 and 1997-98. The share of interest expenses and other expenditure during 1998-99 had remained nearly at the same level as the previous year, viz., 72 per cent and 28 per cent. The deterioration on the NPA front is unabated. Gross NPAs went up to Rs. 3,709 crore as on 31 March 1999 from Rs. 3,428 crore as on 31 March 1998. In percentage terms, the gross NPAs constituted 37 per cent of gross advances, the highest among public sector banks. The net NPAs stood at Rs. 1,644 crore as on 31 March 1999 as against Rs. 1,889 crore as on 31 March 1998. Reduction in the amount of net NPAs in this case is not an indication of improvement as the additional provisions, which have brought it down, did not come out of operating income. These have only added to the net losses.

UCO Bank

9.6 A summary of the Income and Expenditure Account of the bank and a few important financial indicators for the last three years are furnished in the table below. As may be seen from the table, the bank's operating profit improved marginally in 1998-99 as compared to 1997-98. However, if the interest income on recapitalisation bonds is excluded, the bank would have incurred operating loss of Rs. 91 crore in 1997-98 and Rs. 157 crore in 1998-99. The recapitalisation of the bank by the Government of India to the tune of Rs. 200 crore helped the bank to maintain capital adequacy of 9.63 per cent in 1998-99 also.

Table 6: UCO Bank – Financial indicators (Rs. In crore)

	1996-97	1997-98	1998-99
Interest Income	1,303	1,445	1,693
Other Income	127	192	187
Total Income	1,430	1,637	1,880
Interest Expense	987	1,085	1,247
Operating Expenses	516	537	595
Total Expenses	1,503	1,622	1,842
Operating profit/loss	(-) 73	15	38
Provisions and Contingencies	103	111	106
Net Profit/Loss	(-) 176	(-) 96	(-) 68
Net Interest Margin (%)	1.99	2.14	2.36
Interest on recap bonds	101	106	195
Gross NPAs	1,873	1,780	1,716
Percentage to Gross advances	28	24	23
Net NPAs	753	705	716
Percentage to net advances	14	11	11
Capital Adequacy Ratio (%)	3.16	9.07	9.63

6.7 Total income during 1998-99 registered an increase of Rs. 243 crore (17.2 per cent) over that of 1997-98. The interest income as a percentage of total income increased from 88.3 per cent in 1997-98 to 90.1 percent in 1998-99. However, the share of other income in total income decreased from 11.7 per cent in 1997-98 to 9.9 per cent in 1998-99. On the expenditure side, the share of interest and operating expenses in the total expenditure did not vary very significantly over the two years. The bank has not made provision for liability on account of wage revision.

6.8 The bank's gross NPAs as on 31 March 1999 aggregated Rs. 1,716 crore (23 per cent of gross advances) as against Rs. 1,780 crore (24 per cent of gross advances) as on 31 March 1998 showing marginal decline both in absolute and percentage terms. However, the net NPAs at Rs. 715.63 crore were higher as compared to Rs. 705 crore as on 31 March 1998. It would appear that while the bank has written off NPAs which were already fully provided for, the net NPAs have grown due to fresh additions. The inability of the bank to register any improvement in net NPA position is a matter for concern. It is likely that the provisioning requirements have been comparatively lesser during 1998-99.

United Bank of India

6.9 A summary of the Income and Expenditure Account of the bank and a few important financial indicators for the last three years is as under.

Table 7: United Bank of India – Financial indicators (Rs. in crore)

	1996-97	1997-98	1998-99
Interest Income @	1,007	1,334	1,453
Other Income	97	141	114
Total Income	1,104	1,475	1,567
Interest Expense	800	936	1,108
Operating Expenses	359	375	413
Total Expenses	1,159	1,311	1,521
Operating profit/loss	(-) 55	164	46
Provisions and Contingencies	59	155	31
Net Profit/Loss	(-) 114	9	15
Net Interest Margin (%)	1.73	2.22	1.95
Interest on recap bonds	118	142	163
Gross NPAs	1,398	1,451	1,549
Percentage to Gross advances	36	34	32
Net NPAs	567	472	573
Percentage to net advances	19	14	15
Capital Adequacy Ratio (%)	8.23	8.41	9.60

@: includes extraordinary income of Rs. 111 crore in 1997-98 and Rs. 36 crore in 1998-99 respectively on account of interest on IT refund.

6.10 As seen from the above, the bank's operating profit decreased substantially in 1998-99 as compared to 1997-98. During both the years, the operating profit increased mainly on account of extraordinary income as indicated above. Further, if the interest income on recapitalisation bonds is excluded, the bank would have incurred operating loss of Rs. 89 crore in 1997-98 and Rs. 117 crore in 1998-99. The recapitalisation of the bank by the Government of India to the tune of Rs. 100 crore helped the bank to maintain capital adequacy of 9.6 per cent in 1998-99.

6.11 Total income during 1998-99 registered an increase of only Rs. 92 crore over that of 1997-98. The interest income as a percentage of total income increased from 90.4 per cent in 1997-98 to 92.7 per cent in 1998-99. However, the share of other income in total income decreased from 9.6 per cent in 1997-98 to 7.3 per cent in 1998-99. On the expenditure side, the total expenditure rose by Rs. 210 crore. The share of interest expenditure in total expenditure has been going up over the last three years, i.e., from 69 per cent in 1996-97 to 71.4 per cent in 1997-98 and 72.8 per cent in 1998-99 indicating higher cost of funds. The bank has not made provision during 1998-99 for future pension liability and wage revision.

6.12 The gross NPAs of the bank as on 31 March 1999 increased to Rs. 1,549 crore from Rs. 1,451 crore as on 31 March 1998. The net NPAs also went up to Rs. 573 crore as on 31 March 1999 from Rs. 472 crore as on 31 March 1998. The percentage of gross NPAs however marginally declined to 32 per cent from 34 per cent while net NPAs increased to 15 per cent from 14 per cent.

Analysis of projected business plans

6.13 During the course of preliminary discussions, the Working Group requested the CMDs of the three weak banks to pinpoint the underlying causes of their weaknesses and why they had not been able to achieve a viable turnaround despite various rounds of MOU and Strategic Revival Plan exercises. The Working Group also advised the CMDs of banks to take note of the past deficiencies in the formulation and implementation of the plans and draw up afresh what in their view constituted, viable business revival plans on a realistic basis. The banks were advised to demarcate milestones which could be monitored in their progress towards revival and also to assess the capital support that they would be requiring from the Government of India for completing the restructuring exercise. The three sub-groups constituted to study in detail the three weak banks, before drawing any conclusion of their own, critically analysed whether these business plans drawn up by the banks were feasible and could enable the banks to achieve a turnaround on sustained basis. The reports and assessments of the three sub-groups on this exercise are detailed in the following paragraphs.

Restructuring Plan of Indian Bank

6.14 The bank provided the sub-group during May 1999 their projected action plan for achieving sustained profitability over the next five years. The projections in respect of the important parameters are listed in Table 8. It may be added that the projected figures of performance for 1998-99 given by the bank earlier is at variance with the actual figures reported subsequently in July 1999. However, the analysis is based on the initial estimates/projections provided to the sub-group.

6.15 The bank’s projected restructuring plan was also confined only to its domestic operations and was extended up to the year ending March 2002 when it expected to make an operating profit of Rs. 29 crore. The bank was not in a position to assess its provisioning requirements for the period and was therefore unable to arrive at the estimated net profit figures. The bank was also not able to indicate the recapitalisation requirements during the restructuring process nor could it furnish the projected improvements in Net Interest Margin or Return on Assets. The sub-group was informed that the projections were based mainly on expected levels of growth in business and increase in incomes. On the expenditure front, annual increase in staff cost was taken uniformly at 10 per cent without building in the proposed wage revision.

The other assumptions of the bank while drawing up the projected business plan are as under:

a. Regulatory forbearance (including CRR at the minimum level of 3 per cent).

b. Favoured treatment for PSU accounts, higher food credit allocation, and higher share in consortium accounts.

c. Retailing of government securities.

d. NPA reduction through aggressive recoveries at various levels.

Table 8: Indian Bank – Bank's projections (Rs.in crore)

	March 1999	March 2000	March 2001	March 2002
Deposits	14,777	16,819	19,315	22,213
Growth (%)	11.5	13.8	14.8	15.0
Advances	7,193	8,090	9,310	11,086
Growth (%)	2.3	12.5	15.1	19.1
Investments	7,174	8,054	9,069	9,886
Growth (%)	32.95	12.27	12.60	9.00
Interest Income	1,489	1,704	2,016	2,393
Other Income	180	171	188	207
Total Income	1,669	1,875	2,204	2,600
Interest Expenditure	1,322	1,431	1,598	1,778
Other Expenditure	619	656	721	793
Total Expenditure	1,941	2,087	2,319	2,571
Operating profit	(-) 272	(-) 212	(-) 115	29
Yield on advances (%)	14.3	14.5	14.5	14.5
Yield on Investments (%)	10.65	10.66	10.67	10.66
Gross NPAs at the beginning of the year	3,646	3,670	3,495	3,315
Addition of NPAs	179	125	120	120
Reduction of NPAs	155	300	300	300
Gross NPAs at the end of the year	3,670	3,495	3,315	3,135

Analysis of the projected business plan

6.16 The sub-group noted that the business plans were deficient and failed to provide any realistic basis for a meaningful analysis of the likely growth in its income or profits. The plans which were devoid of critical data on the possible levels of CAR in the ensuing years, the quantum of expected capital shortfalls and the overall requirements of provisions, made the task of assessment of the viability plan difficult. The management's perception that the bank will not be able to earn net profit in its operations till the end of the year 2001-02 is a sad commentary on its current state of affairs. Even on the bank's own assumptions the expected operating profit at the end of the year 2001-02 is likely to be a meagre Rs. 28.69 crore. Clearly, this level of income generation would be totally inadequate to support provisioning requirements necessary to earn net profit. The obvious inference was that for the bank, the stage of recording net profits was much farther beyond 2001-02. The turnaround of the bank, measured in terms of its ability to earn net profit, is therefore unlikely in the foreseeable future unless drastic cost cutting measures are resorted to.

6.17 The sub-group also assessed the feasibility of the bank achieving the other projected growth levels and observed that many of them were not realistic in the light of the bank's growth pattern in the last few years and lack of intrinsic strength to grow at a rapid pace, especially in a very competitive external environment. The projected yield on advances and diversification of the portfolio are unlikely to materialise since even the existing limits sanctioned to corporate bodies are not being availed of by them fully due to the bank's higher rates of interest. The yield on investment is, however, feasible. With no major improvements expected in its financials, the cost of funds is not expected to decline as projected and may in fact even go up from the current levels. Non-interest income, which is largely linked to growth in credit portfolio, may not increase as planned.

6.18 On the expenditure side, the bank has not taken into account the impact of the proposed wage revision. The proposal to limit annual growth of staff expenses to a uniform level of 10 per cent is out of alignment with the growth under this head at the rate of 16 per cent for the last ten years. Above all, the key factor in the turnaround of Indian Bank is critically linked to the management of its NPAs at Rs. 3,709 crore which is the highest among public sector banks in percentage terms (i.e., 37 per cent of gross advances). The bank's projections for slippages in NPAs estimated at respectively 2.2 per cent, 1.6 per cent and 1.25 per cent in the next three years are clearly unrealistic with the bank reporting slippage ratio of 21 per cent in 1996, 10.7 per cent in 1997 and 9.2 per cent in 1998. It may be added that even the low slippage of 1998 is above the median level of slippage in NPAs of public sector banks for the year 1998 at 6.2 per cent. The assumption that NPAs would go down sharply as a result of aggressive recovery appears to be misplaced, particularly because a number of high value borrowal accounts are under investigation/ scrutiny and compromise proposals, despite the setting up of a high level Settlement Advisory Committee, are not making much headway. The sub-group was also concerned to note emerging signs of slippage in the existing portfolio of performing advances. In sum, the business plan submitted by the bank is far removed from reality and its pursuance can only prolong the cost and time of the restructuring. The enormous burden of NPAs is a big stumbling block in the bank's turnaround efforts.

6.19 The sub-group, therefore, worked on modified business plans built around more realistic scenarios and taking into account the bank's capabilities. The scenarios were built on realistic assumptions of business growth, containment of staff expenses at different levels and also the cleaning up of the balance sheet through transfer of NPAs to an Asset Reconstruction Company. A summary of the various scenarios is contained in the Executive Summary of the sub-group report provided at Annex 4. The conclusion that emerges from the analysis is that the bank would not be able to make a turnaround until 2004 unless there is drastic reduction in staff and other expenses and the bank's NPA problem is met by transferring these to a specialised debt recovery/asset reconstruction agency. The sub-group also observed that alternative scenarios envisaging capital infusion not accompanied by reduction in expenditure would not assist the bank's turnaround and, therefore, prove infructuous. The sub-group's scrutiny has revealed that in only one of the alternatives suggested by the bank is turnaround feasible. This particular scenario factors in expenditure containment, transfer of the bank's NPA to an asset reconstruction agency and capital infusion of around Rs. 2,000 crore between 1999 and 2003.

Restructuring Plan of UCO Bank

6.20 The bank's projections in respect of certain important parameters are given in Table 9.

Table 9: UCO Bank – Bank's projections (Amount in Rs. crore)

	March 1999	March 2000	March 2001	March 2002	March 2003	March 2004
Deposits	16,710	19,115	21,890	25,035	28,665	32,590
Growth (%)	16	14	15	14	14	14
Advances	5,667	6,922	8,437	10,262	12,652	15,642
Growth (%)	1	22	22	22	23	24
Investments	6,532	7,525	8,450	9,345	10,205	11,074
Growth (%)	(-)12.95	15.20	12.29	10.59	9.20	8.51
Interest Income	1,668	1,865	2,148	2,455	2,798	3,207
Other Income	169	201	239	284	339	403
Total Income	1,837	2,066	2,387	2,739	3,137	3,610
Interest Expenditure	1,218	1,349	1,519	1,741	1,995	2,287
Other Expenditure	589	684	729	786	857	927
Total Expenditure	1,807	2,033	2,248	2,527	2,852	3,214
Operating profits	30	33	139	212	285	396
Provisions and Contingencies	184	115	120	131	135	140
Net profit	(-)154	(-) 82	19	81	150	256

Note: The projections for 1999 furnished in May 1999 to the sub-group vary from the actual data published in June 1999 and indicated earlier in this chapter.

Non-Performing advances

6.21 The bank's gross NPAs as on 31 March 1999 aggregated Rs. 1,716 crore (23 per cent of gross advances) and performing advances stood at Rs. 5,893 crore. The bank has not provided detailed annual projections indicating the expected recovery/reduction of NPAs or the likely incidence of fresh NPAs during the five-year period. Instead, the bank has assumed slippage of three per cent every year on the level of performing advances uniformly and reduction of NPAs in stages from the current level of 22 per cent to a level of 5 per cent by the year 2004. The bank has projected a yield between 8 – 8.5 per cent on advances and a return on investment between 13 – 15 per cent in the business plans without indicating the specific target year-wise.

Analysis of the projected business plan

6.22 The bank has drawn up the proposed plan taking into account its past experience in the implementation of the strategic revival plans. The assumptions of structural and systemic steps contemplated by the bank to achieve the projections relate broadly to:

a. Clear business focus on mid market segments and introduction of new retail products.

b. Improving recoveries through camps and compromise settlements.

c. Revamping the organisational structure combined with rationalisation of branches and reducing levels of decision making.

d. Capital infusion aggregating Rs. 2,814 crore to maintain minimum CAR of 9 per cent in 2000 and 10 per cent thereafter.

6.23 The sub-group has noted that the projected business plan envisaged net profit of Rs. 19 crore to be generated in the year 2000-01 which is expected to grow in the subsequent years. The bank is not likely to record current median levels of minimum competitive efficiency even by 2003. It is pertinent to remember that by then, the efficiency parameters of the remaining public sector banks would have moved up considerably.

6.24 The sub-group assessed the revised business plan targets with reference to the capability of the bank based on its past record and the industry scenario. The growth projected in deposits appears reasonable while that in credit is clearly optimistic. Consequently, the assumptions behind the higher net interest income as well as growth in non-interest income of about 19 per cent (as against industry average of 12.7 per cent) are not realistic. The bank is also unlikely to reach projected levels of yield on investments with the planned shift to credit portfolio and the future movements in interest rates. Likewise, the reduction of NPAs to 5 per cent by year 2004 is out of line with the current levels of recovery performance. The assumptions behind the bank's business plans do not appear feasible and the sub-group has, therefore, drawn up modified plans. These have been built upon three different scenarios based on different growth levels in business, viz., advances, deposits, return on investments, non-interest income and expected level of NPAs. The scenarios also envisage reduction in the staff cost to the industry level in phases or in a single year. The sub-group concluded that in all scenarios, it would require a minimum of four years to reach a reasonable level of net profit. An earlier turnaround is, however, feasible if reduction of staff cost to industry median is attempted through wage reduction and postponing the industry wide wage revision as detailed in the scenario. The estimate of the additional capital infusion requirement from the government would vary between Rs. 600 and Rs. 1,800 crore under the three different scenarios.

Restructuring Plan of United Bank of India

6.25 The bank's projections in respect of important parameters contained in its action plan for achieving sustained profitability over the next five years are given below.

Table 10: United Bank of India - Bank's projections (Amount in Rs. crore)

	March 1999	March 2000	March 2001	March 2002	March 2003	March 2004
Deposits	14,513	16,646	19,288	22,364	25,934	30,072
Growth (%)	18.3	16	16	16	16	16
Advances	3,742	4,562	5,469	6,470	7,583	8,847
Growth (%)	12.7	15	15	15	15	15
Investments	7,182	8,583	10,146	11,972	14,202	16,847
Growth (%)	31.32	19.50	18.23	17.99	18.63	18.62
Interest Income	1,421	1,640	1,913	2,226	2,616	3,031
Other Income	95	145	174	209	251	301

Total Income	1,516	1,785	2,087	2,435	2,867	3,332
Interest Expenditure	1,098	1,257	1,434	1,640	1,902	2,178
Other Expenditure	407	503	564	633	708	791
Total Expenditure	1,505	1,760	1,998	2,273	2,610	2,969
Operating profit	11	25	89	162	257	363
Provisions and Contingencies	8	10	28	49	77	91
Net profit	3	15	61	113	180	272
Yield on advances (%)	14.5	14.0	13.8	13.8	13.6	13.4
Yield on investments (%)	11.8	11.3	11.2	11.1	11.1	11.0
Gross NPA at beginning of year	1,451	1,446	1,362	1,237	1,137	1,062
Expected Addition	150	100	95	120	125	150
Expected Reduction	155	184	220	220	200	230
Gross NPA at year-end	1,446	1,362	1,237	1,137	1,062	982

Note: The projections for 1999 furnished in May 1999 to sub-group vary from the actual data published in June 1999 and indicated earlier in this chapter.

6.26 The key assumptions behind the projections are:

a. The expenses towards staff would not increase on account of the proposed wage revision and arrears also would not be payable. (However, the bank has also worked out three scenarios of staff expenses contemplating (i) without wage revision, (ii) with wage revision but without payment of arrears, and (iii) with wage revision and payment of arrears).

b. Capital adequacy would remain at 9 per cent till 2002 (provided wage levels do not increase and thereby erode its profitability). Requirement, that would arise, can be met through Tier II bonds to the permitted extent.

c. The income growth would be based on changing the business focus by expanding into new areas of credit, acquiring accounts of large PSUs with government assistance and reduction of NPAs through aggressive recoveries and transfer of NPAs over Rs. 10 lakh to ARC.

d. Improvement in non-fund income through various products.

Analysis of the projected business plan

6.27 The projected business plan and the underlying assumptions were examined by the sub-group in the light of historic rates of growth of business, compounded annual growth rate, external competition, vulnerability of the existing advances and investment portfolio over the next five years and a conservative level of slippage in NPAs. The projections of growth in credit and non-interest income are unlikely to be achieved given the current levels of skill and technology in the bank. The projected decline in yields on investments as well as on advances is understandable but more important is the issue of their success in acquiring appropriate assets for investment in the teeth of competition. The projections in respect of reduction in NPAs and slippages as well as the resultant reduction in the burden of provisioning requirements were, in the opinion of the sub-group, not in line with the experience of the bank. The sub-group therefore observed that the bank would not be in a position to attain the profitability levels projected as above. The bank would continue to incur losses over the next five years, may be, at a declining rate. If the wage revisions become applicable, even as per the bank's own estimates, capital adequacy would go below the prescribed level. The sub-group also estimated that if wage revision is made applicable, the bank's CAR could fall below 4 per cent by 2002 as against 6.9 per cent estimated by the bank. Based on the above assumption, the estimated capital infusion required would be in the range of Rs. 565 crore over the next five years. The sub-group has, therefore, concluded that the projected plan of revival is not realistic and that the bank is not likely to be able to turn around within the next five years unless drastic cost reduction is undertaken on an urgent basis. For its revival and even continuation as at present, further sizeable capital infusion by the government is unavoidable.

Conclusion

6.28 As discussed in detail in Chapter 5, the three weak banks were unable to achieve a turnaround as contemplated under the revival plans. This was possibly because the plans drawn up in the course of strategic revival exercises with the help of consultants or at the time of discussions with the Reserve Bank of India during the MOU exercises took a very optimistic view of the banks' capability to implement the plan successfully. Recognising the fact that a revival plan with the best chances of success could possibly be drawn up by the banks themselves, the Group considered it necessary to advise them to draw up realistic restructuring plans consistent with their inherent capabilities. The Group also made it clear that plans, which do not address the main causes of declining income and increasing costs, would not help revival. Moreover, the challenges of emerging competition and continuing deregulation are bound to have an impact on any business restructuring plan extending over four to five years. The banks were, therefore, advised that they should, while drawing up the plans, consider carefully the organisation's inherent strengths and weaknesses, the likely direction that the industry and their own business will take in future, their requirement of capital (Tier I as well as Tier II), its sources and all measures needed to be taken towards a comprehensive financial and operational restructuring for their revival. It also needs to be appreciated that the prospects of receiving large capital infusions from the government would recede year after year. The banks must, therefore, plan to improve their overall efficiency and compete successfully rather than plan to remain afloat only with the help of capital infusions by the government.

6.29 The Group is constrained to observe that the plans prepared by the banks at its instance were no better than the earlier ones that failed. The study of these banks has highlighted a number of organisational and personnel-related weaknesses that would hinder achievement of their own growth projections. The plans continue to be based on ambitious projections of growth in business and income for which the banks do not seem to be equipped either in terms of skill or technology. The plans do not also reflect the growing compulsions of achieving steady growth in income and sustained control of expenditure within as short a time as possible. The Working Group, therefore, had to conclude that the restructuring plans drawn up by the banks do not meet the objectives. The impression gathered is that, as long as these banks are assured of continued capital infusion by the Government of India, they would look only at soft options regardless of the time and cost of restructuring.

6.30 In view of the foregoing, an objective and comprehensive approach to restructuring of these banks is necessary. The Working Group's recommendations regarding a viable and comprehensive restructuring strategy and other accompanying measures that are necessary for its implementation are discussed in Chapter 7.