RBI Lifts Curbs on Three PSBs

The Reserve Bank of India (RBI) has decided to allow three public sector banks — Bank of India, Bank of Maharashtra and Oriental Bank of Commerce (OBC)— to exit the Prompt Corrective Action (PCA) framework following capital infusion by the government and a decline in net non-performing asset ratio.

- The RBI, conducted a review of PCA following governments request to lift the restrictions on Public Sector Banks (PSB's) in order to boost credit growth in the country.
- The PCA framework is triggered when a bank breaches one of the three risk thresholds, namely **capital to risk-weighted assets ratio, net non-performing assets (NPA) and return on assets (RoA).**
- The three public sector banks are now out of PCA, but there are another eight public sector banks which are still facing restrictions under PCA.

What is Prompt Corrective Action (PCA)?

- Prompt Corrective Action (PCA) is a framework under which banks with weak financial metrics are put under watch by the RBI.
- The RBI introduced the PCA framework in 2002 as a structured early-intervention mechanism for banks that become undercapitalized due to poor asset quality, or vulnerable due to loss of profitability.
- PCA is intended to help alert the regulator as well as investors and depositors if a bank is heading for trouble.

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