Prompt Corrective action (PCA)

Union Finance Ministry as a part of reforming process about to initiate a performance review for public sector banks. These reforms will be under the RBI’s Prompt Corrective Action (PCA). The PCA is invoked when certain risk thresholds are breached, there are three risk thresholds which are based on

- Asset quality.
- Profitability.
- Capital and the like.

The third threshold is the maximum tolerance limit, which has set NPA at over 12% and negative return on assets for four consecutive years. Under PCA there are two type of sanctions restrictions on dividend, branch expansion and directors compensation are of mandatory type and curbs on lending and deposit are discretionary type.