NEW DELHI: More banks are unlikely to be brought under the RBI

's Prompt Corrective Action (PCA) framework as the situation pertaining to bad loans is expected to improve in the next couple of quarters, according to a finance ministry official.

Currently, 11 banks including Bank of India, IDBI Bank, Dena Bank, and Allahabad Bank are under the PCA framework.

As the debt resolution process under bankruptcy law is gaining strength, it is bound to bring down the non-performing assets (NPAs) or bad loans of the public sector banks (PSBs) in the next few quarters, the official said.

The banks have already seen a surge in NPAs in the fourth quarter of 2017-18 and are likely to see sizeable decline in them in the coming months, the official said.

Since there is clear pipeline for NPA resolution, the official said, the ministry does not expect more banks to come under the PCA.

PSBs which are on the verge of coming under the PCA will improve their financial health within a quarter or two, the official added.

The recent tight prudential norms released by the RBI on February 12 have added to the woes of the lenders, he said.

As per the revised PCA guidelines released last year, if a bank enters 'Risk Threshold 3', it may be a candidate for amalgamation, reconstruction or even be wound up. Among the many metrics that are used to gauge how weak a lender is are capital, net NPAs, RoA and Tier 1 leverage ratio etc.

Under PCA, banks face restrictions on distributing dividends and remitting profits and the owner may be asked to infuse capital into the lender.

That apart, lenders would also be stopped from expanding their branch networks. It would need to maintain higher provisions and management compensation and directors' fees would be capped.

To resolve the stressed assets in the power sector, the finance ministry is expected to hold stakeholders' meeting later this list month.