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How bank-HFC mergers can impact borrowers, depositors

Experts say that rather than having a weak bank that underperforms, banks-banks and even banks-HFCs joining hands as a new alternative augurs well for the common man, the banking and lending sector, and the Indian economy as a whole

By: [Adhil Shetty](#) | Published: January 12, 2016 12:03 AM



Mergers and acquisitions are fair game in any business. It is not uncommon in banking as well. The sluggishness in the market, along with other financial developments had eventually led to a merger of various banks and home finance companies (HFCs).

With the home loan and banking sector turning a few corners, and the government now giving special attention to strengthen weak public sector banks, mergers and acquisitions may again be at the forefront of the banking and financial sector.

Here is everything you should know about how such mergers between banks and HFCs can impact you.

Mergers on the horizon: The minimum balance criteria of the same bank sometimes vary in cities and towns. ICICI Bank and HDFC Bank have a minimum monthly balance requirement of R10,000 in metros and big cities, while it is Rs 5,000 in small towns and Rs 2,000 in rural areas. For non-maintenance of monthly average balance, they charge a penalty of Rs 250-350 depending on the city of the account holder.

How mergers impact you as a bank account holder: If you are a bank account holder and if your bank is merged with another bank, you will still continue to get the same services as earlier but with a new name.

Therefore, for a saving bank account, expect to get a new debit or ATM card, cheque book and other services as per the new bank's norms.

Usually, the rates for banking services like maintenance of minimum balance or average quarterly balance is left unchanged for some time.

However, eventually these can be changed as per the acquiring bank's rules and regulations. Any new service that you may seek, however, will be offered to you as per the rules of the new bank.

How mergers impact you as a loan borrower: If you have a loan running with your bank which gets merged with a new entity, there may be a change in the interest rate for your loan.

The new rates will be linked to the base rate of the bank which takes over your current lender. The bank will inform you much in advance before affecting any change in your loan interest rate.

Your property documents, which were in the custody of your current lender, will now be handed over to the acquiring bank, and decisions regarding handling of NPAs will be taken by the acquiring bank.

The latest talk is about the merger of SBI and its five associates—State Bank of Patiala, State Bank of Bikaner and Jaipur, State Bank of Mysore, State Bank of Travancore, and State Bank of Hyderabad.

All banks, post mergers have become better financial institutions with a lower loss ratio and higher returns.

Experts are also of the view that rather than having a weak bank that underperforms, banks-banks and even banks-HFCs joining hands as a new alternative augurs well for

the common man, the banking and lending sector, and the Indian economy as a whole. It will build big Indian banks with international stature that could stand tall in the global banking sector and also provide world-class services at competitive cost structures.

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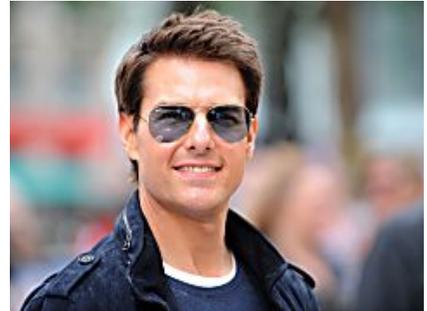
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