

## Bank consolidation: no major decision likely until late FY17

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New Delhi, March 18:

The Centre will tread cautiously on the issue of merger and consolidation of public sector banks (PSBs) as there is no clear-cut mechanism in place for human resource management.

Sources involved with the process said the Finance Ministry is keen on reducing the number of PSBs to about 10 or less from the current 27, but cadre management and work culture of banks are an issue.

“The matter of consolidation of banks has been on the table for long. Following the Finance Minister’s announcement, an expert group is being set up to look into the issue. We have to make sure that the work cultures of the banks being merged are similar so that there are no legacy problems,” said a senior official privy to the development. Official sources said that while it is easier to consolidate subsidiaries with their parents, as is being proposed for State Bank of India and its subsidiaries, doing the same for two individual entities will pose challenges.

### **Unions oppose it**

“We are against consolidation. What is needed is to improve the efficiency of banks and strengthen their recovery process,” CH Venkatachalam, General Secretary, All-India Bank Employees Association, told *BusinessLine*. The union has called for a strike on May 25 against banking sector reforms.

The merger of SBI with one or two of its subsidiaries will be looked into this fiscal, but any further decision will be made only after the expert group submits its report.

SBI has five associate banks: State Bank of Mysore, State Bank of Patiala, State Bank of Hyderabad, State Bank of Bikaner and Jaipur, and State Bank of Travancore.

“It is unlikely that merger and consolidation plans in any of the other public sector bank will be actively pursued until the second half of 2016-17. Whether any merger will take place next fiscal is difficult to say,” said the official.

Finance Minister Arun Jaitley had earlier this month announced the government’s intent to pursue mergers and consolidation to improve the financial health of PSBs.

“What we need are strong banks than numerically a large number,” he had said at the end of a brainstorming session with public sector financial institutions.

“If government proceeds with its merger and consolidation plans, there will be more bank strikes,” Venkatachalam said.

With inputs from Richa Mishra

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