

After merger of 5 associates with SBI, Govt keen to consolidate more PSBs

Merger proposals in banking sector would require clearance from the Competition Commission of India

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Illustration: Ajaya Mohanty

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Fresh from the successful [merger](#) of five associates with SBI, the [government](#) is looking to consolidate more public [banks](#) going forward, with an aim to create only a few lenders of global size and scale.

The [finance](#) ministry, according to an official, "will soon undertake a broad study on further consolidation and look at various options for [merger](#) among the remaining 21 public sector banks".

There are factors like regional balance, geographical reach, financial burden and smooth human resource transition that have to be looked into while taking a [merger](#) decision, the official said, adding that there should not be [merger](#) of a very weak [bank](#) with a strong [bank](#) "as it could pull the latter down".

"There are some low-hanging fruits. For example, [Punjab](#) and [Sind Bank](#) can be merged into [Punjab National Bank](#). Big lenders like [Bank](#) of Baroda can take over some turnaround [banks](#) in the southern region such as [Indian Overseas Bank](#). [Dena Bank](#) could be merged with some large South Indian bank," the official explained.

The [merger](#) process will get a boost with the likely improvement in the NPA (non-Performing Asset) situation over the next two quarters, the official said, adding that "some movement on this front would begin soon".

Toxic loans of public sector [banks](#) rose by over Rs 1 lakh crore to Rs 6.06 lakh crore during April-December of 2016-17, the bulk of which came from power, steel, road infrastructure and textile sectors.

Last week, RBI Governor Urjit Patel said Indian banking system could be better off if some public sector [banks](#) are consolidated to have a fewer but healthier entities as it would help in dealing with the problem of stressed assets.

"As many have pointed out, it is not clear that we need so many public sector [banks](#). The system could be better off if they are consolidated into fewer but healthier banks," Patel said.

The [merger](#) proposals in the banking sector would require clearance from the Competition Commission of India (CCI), the ministry official added.

In the last consolidation drive that saw the light of day earlier this month, CCI nod was needed only in the case of [merger](#) of the Bharatiya Mahila [Bank](#) (BMB) with the State [Bank](#) of India (SBI). There was no such

requirement for [merger](#) of associate [banks](#) with [SBI](#) as they were part of the parent.

Five associates and BMB became part of [SBI](#) on April 1, 2017, catapulting the country's largest lender to among the top 50 [banks](#) in the world.

State [Bank](#) of Bikaner and Jaipur (SBBJ), State [Bank](#) of Hyderabad (SBH), State [Bank](#) of Mysore (SBM), State [Bank](#) of Patiala (SBP) and State [Bank](#) of Travancore (SBT), besides BMB, were merged with [SBI](#).

With the merger, the total customer base of the [SBI](#) reached around 37 crore with a branch network of around 24,000 and nearly 59,000 ATMs across the country.

The merged entity began operation with deposit base of more than Rs 26 lakh crore and advances level of Rs 18.50 lakh crore.

The [government](#) in February had approved the [merger](#) of these five associate [banks](#) with [SBI](#). Later in March, the Cabinet approved [merger](#) of BMB as well.

[SBI](#) first merged State [Bank](#) of Saurashtra with itself in 2008. Two years later, State [Bank](#) of Indore was merged with it.