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Government looking at more avenues to merge PSU banks: Finance Minister Arun Jaitley

BY PTI | UPDATED: JUN 05, 2017, 08.07 PM IST

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NEW DELHI: The government today said it is examining the possibility of further consolidation in the public sector banking space without waiting for their finances to improve.

Merger of five associate banks and Bhartiya Mahila Bank with the country's largest lender SBI took place in April.

"Internally there was a thinking after the SBI amalgamation took place to wait for the rest till the health of the banks improve.

"We have now relooked at the whole system and there are some institutions within the public sector banks which can be consolidated even in the present circumstances. We are seriously examining them," Finance Minister Arun Jaitley told CNBC TV18.

Even Reserve Bank Governor Urjit Patel in April had said the Indian banking system could be better off if some public sector banks are consolidated to have fewer but healthier entities, as it would help in dealing with the problem of stressed assets.

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 infra and textile sectors.



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Currently, there are 21 PSU banks in the country, including [State Bank of India](#).

According to experts, [Punjab and Sind Bank](#) can be merged into [Punjab National Bank](#), while other big lenders like [Bank of Baroda](#) can take over some turnaround banks in the southern region such as [Indian Overseas Bank](#). Similarly, [Dena Bank](#) could be merged with some large banks like [South Indian bank](#).

On privatisation of [IDBI Bank](#), Jaitley said that initially the government had moved substantially but the process got slowed down as it had to decide on the complicated issues related with large real estate assets of the bank in Mumbai and elsewhere.

Referring to the complications, he said, "Can you without segregating that (real estate), sell just the banking system which in the present state is not in the best of health. That process got slowed down a little".

Jaitley in 2015 had hinted at a change in IDBI Bank wherein the government would continue to hold a majority stake, yet keep it at arm's length.

Citing the example of [Axis Bank](#), he had wondered if IDBI Bank could follow that model.

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But since then, there has not been much progress on the plans due to one reason or another. IDBI Bank has a large portfolio of real estate, which was not taken into consideration during the valuation exercise.

In the year ended March 31, 2017, IDBI Bank posted a net loss of Rs 5,158 crore as against net loss Rs 3,665 crore in fiscal 2016.

The bank's gross NPAs almost doubled to 21.25 per cent of the gross advances in the fourth quarter of the last fiscal compared to 10.98 per cent in the corresponding period of the previous financial year. The net NPAs were 13.21 per cent against 6.78 per cent.

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