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Merger of SBI, Bharatiya Mahila Bank to herald slew of reforms

BY [DHEERAJ TIWARI](#), ET BUREAU | UPDATED: MAR 16, 2017, 12.34 PM IST

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NEW DELHI: The government is expected to initiate reforms in the [financial sector](#) soon, starting with merger of [Bharatiya Mahila Bank](#) with [State Bank of India](#), India's largest lender.

Other key decisions that may be unveiled over the next 2-3 months include new capital infusion parameters for 2017-18, a consolidation road map for state-run banks and insurance firms and steps to resolve stressed assets.

"The merger of Bharatiya Mahila Bank may happen within the next few days," said a senior finance ministry official, adding that consolidation of other state-run banks will be taken forward by bringing in the [Banks Board Bureau](#). "The government is only expected to play a matchmaker. It is for the banks to finally decide and kick-start the process," the official said. There are six to seven merger combinations on the table.

After being nudged by the government, [SBI](#) announced its intent in 2016 to merge its five associate banks and Bharatiya Mahila Bank. The cabinet approved the merger last month and said in a gazette notification that the entire undertakings of these five banks will stand transferred to and vested in SBI from April 1.

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On the proposal to merge Bharatiya Mahila Bank with SBI, finance minister [Arun Jaitley](#) had then said, "It is under consideration as of now."



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The government is open to sell stakes in [IDBI Bank](#) in small tranches, including a possible follow-on offer of shares. "We are providing extended capital support to IDBI. Once it has more control on its bad loan portfolio, we are sure there will be enough interest from investors," the official said. IDBI Bank's gross nonperforming assets widened to Rs 35,245 crore, or 15.1% of gross advances, at the end of December from Rs 30,134 crore, or 13.05% of advances, as of September 30.

Separately, the finance ministry is giving final shape to more stringent norms on capital infusion in PSBs. The government budgeted Rs 10,000 crore for supporting banks in this fiscal.

"We have already directed banks to divest non-core assets. Increasingly, capital will only be allocated to performing lenders and laggards will either need to change business strategy or merge to achieve economies of scale," said another ministry official aware of the developments.

The Banks Board Bureau will work with lenders to develop business strategies and capitalraising plans.

In 2016-17, the government decided to infuse funds early to allow banks to step up lending. It set aside 25% of funds to be disbursed based on performance parameters including more efficiency, growth of credit and deposits and reduction in operation costs.

Jaitley and senior government officials met Reserve Bank Governor Urjit Patel and his two deputy governors last week to take stock of stressed assets in staterun banks and firm up ways for their quicker resolution, which may include the setting up of a bad bank, an asset management company to tackle stressed loans.

The non-performing assets of public sector banks stood at Rs 5,89,502 crore (11.82%) in September, the government said in parliament last month.

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