

# Bank mergers only good option, need to strengthen weak PSBs first: Arun Jaitley

In an exclusive interview to News18 Network, the Finance Minister also allayed fears of bank closures saying that shutting down is not an option for banks.

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Banking sector consolidation may take a little longer to fructify as weak public sector banks will need to grow stronger before any merger can take place, according to Finance Minister Arun

Jaitley.

In an exclusive interview to News18 Network, Jaitley also allayed fears of bank closures saying that shutting down is not an option for banks.

"That good option will have a good time for it to be exercised. You can't merge a weak bank and [another] weak bank and have a mega weak bank... you have to strengthen the banks first," Jaitley said

Many public sector bank chiefs have also been asked to submit memorandum of understanding (MOUs) to elaborate their strengths and weaknesses and also possible outlook on their merger options.

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So far, nothing concrete has come out of that exercise on merger plans, apart from allotment of capital based on that analysis.

"Once they get strengthened, of course some of the amalgamations of some of the banks will always be there," Jaitley said adding that India does not need 30 public sector banks.

After the merger of State Bank of India's five associates and Bharatiya Mahila Bank in April 2017, at present, there are about 21 public sector banks.

Ever since few of the weaker banks have been put under Prompt Corrective Action (PCA), there have been fears, especially on social media, that the government is looking to close down banks and customers may lose deposits.

Jaitley's remarks allay such fears. "I don't think shutting down is an option. Merging and amalgamation is always a good option," he said. "You could merge a weak bank with a strong bank and therefore come out with a reasonably sized bank or you could merge three banks into one."

There has been a conscious effort, both by the Reserve Bank of India and the government to resolve stressed loans in the banking system and maybe look at possible mergers of some public sector banks to weed out the weaker ones.

The balance sheets of banks are crippling under mammoth NPAs of over Rs 8.5 lakh crore. The gross non-performing assets as a percent of loans have only increased from 9.6 percent to 10.2 percent between March and September 2017.