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India is said to ask RBI to identify bar

BY BLOOMBERG | UPDATED: AUG 29, 2018, 03.07 PM IST

by Siddhartha Singh

India has asked its central bank to prepare a list of candidates for [merger](#) among 21 government-controlled lenders as it seeks to strengthen a banking system laden with bad debt, people familiar with the matter said.

In a meeting this month, [finance](#) ministry officials also asked the Reserve [Bank of India](#) to suggest a time frame for the consolidation, the people said, asking not be named as the information isn't public. The move is aimed at creating fewer, better-capitalized lenders and improving regulatory oversight, they said.

India has been battling for years to clean up its banks, which have the highest bad-loan ratio after Italy among the world's 10 largest economies. Government-controlled lenders are estimated to hold 90 percent of non-performing loans, and 11 of the 21 are operating under an emergency program, supervised by the [RBI](#), which restricts new lending.

A phone call to a finance ministry spokesman and an email to the RBI seeking comment weren't immediately answered.

State-backed lenders need to consolidate to avoid losing more market share to peers in the private sector, the outgoing chairman of Bank of Baroda Ravi Venkatesan said last month.

Almost 70 percent of new deposits went to private banks in the latest fiscal year and they're estimated to have cornered nearly 80

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percent of incremental loans through 2020 as mounting bad debt erodes capital and constrains lending at state banks. Weak balance sheets and laws that require the state to hold at least 51 percent of their shares have left public lenders dependent on the government for new capital.

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