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Govt keen on amalgamation of PSBs to create globally competitive, healthy large banks: Arun Jaitley

BY PTI | FEB 28, 2019, 03.56 PM IST

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The government is following the policy of amalgamating public sector banks to create healthy large banks which are globally competitive, Finance Minister [Arun Jaitley](#) said Thursday.

He said the NPA situation of PSU banks has improved in the last 2-3 quarters and the NDA government has ended the practice of "phone banking" and has maintained arm's length by not interfering in the functioning of lenders.

"In order to make them (banks) sound, whether it is legislative steps or important steps like creating healthy large banks, which can be globally competitive, the government is also gradually following the policy of amalgamation...", Jaitley said at an [Indian Banks' Association](#) (IBA) event.

The minister said the non-performing assets (NPAs) or bad loans had initially gone up because of truthful disclosure requirements which ensured that there was no sweeping of bad loans under the carpet.

Moreover, he said the Reserve Bank insisted that banks should provision for all stressed assets so that only sound banks survive.

"The NPA curve has gone down in the last two-three quarters," he said.

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Since 2014-15, PSU banks have recovered Rs 2.87 lakh crore bad loans up till December 2018.

In the first nine months of current fiscal, the amount recovered by state-owned banks stood at Rs 98,493 crore, a 100 per cent growth over the previous year.

Asked about the future plans for amalgamation, SBI Chairman Rajnish Kumar said "three are already in the process and April 1 is the date. The success of this merger will determine the future course."

In January, the Cabinet had approved the merger of [Vijaya Bank](#) and [Dena Bank](#) with Bank of Baroda (BoB). This will make BoB the third largest PSU bank after State Bank of India and [Punjab National Bank](#).

Kumar further said the situation for public sector banks is "looking much better" with declining NPAs and improving profitability.

On the rise in credit offtake, Kumar said: "If you look at RBI statistics, the industry has been growing at around 15-16 per cent and that trend will continue".

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