

<b>Benchmarks &gt;</b> <b>Nifty</b> <span style="color: red;">LIVE</span> 11,700.50 <span style="color: red;">-54.15</span>	<b>NSE Gainer-Large Cap &gt;</b> <b>HDFC Asset Manage...</b> 1,667.65 <span style="color: green;">54.60</span>	<b>Precious Metal &gt;</b> <b>Gold (MCX) (Rs/10g.)</b> 31,851.00 <span style="color: red;">-88.00</span>	Stock Analysis, IPO, Mutual Funds, Bonds & More <b>Market Watch</b>
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# Round 2 of PSB merger: PNB, Union Bank & BoI may get a call

BY [DHEERAJ TIWARI](#), ET BUREAU | UPDATED: APR 30, 2019, 12.02 AM IST

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New Delhi: The government is soon likely to invite select lenders for discussion on a second round of merger in public sector banks, according to a finance ministry official.

The lenders to be called may include [Punjab National Bank \(PNB\)](#), [Union Bank of India](#) and [Bank of India \(BoI\)](#).

"We wouldn't like to wait for too long," said the official, indicating that some merger activity is on the cards around second or third quarter of the current fiscal year. "If the banks are not able to give options then the alternate mechanism (AM) group can make suggestions."

In October 2018, the government had proposed the merger of three banks — [Bank of Baroda](#), [Vijaya Bank](#) and [Dena Bank](#) — to create the country's third-biggest lender through alternate mechanism. Both Vijaya and Dena were amalgamated with BoB on April 1, 2019.

"It need not be a tripartite merger again. We will be looking at various combinations. It has to be organic, besides we will like some of these large banks to further consolidate their balance sheets in the first two quarters," the official said.

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## On The Table

**NEXT PHASE**

- ◆ Govt looking for another merger by the end of this year
- ◆ Various options under consideration including merger of two banks
- ◆ Geography, HR and business mix to determine merger possibilities



**COUNTERPOINTS**

- ◆ Time may not be ripe for merger
- ◆ BoI has just exited RBI's PCA framework
- ◆ UBI, PNB also in early recovery stage
- ◆ Smaller banks have begun consolidating their ops in the same geography and focusing on niche areas



Another government official, however, argued that it was not the opportune time for merger in state-run banks. "Bank of India has just come out of the Reserve Bank of India PCA (prompt corrective action) framework.

Union Bank of India and Punjab National Bank are also in early recovery stage," he said.

In February 2019, the Reserve Bank of India had pulled out Bank of India, Oriental Bank of Commerce and Bank of Maharashtra from its PCA framework, which imposes certain lending restrictions on financially weak banks.

A senior executive with a PSU bank said smaller banks have begun consolidating their operations in the same geography by closing overlapping branches and focusing on niche areas.

"Merger is not the antidote for every banking woe. The government should not force mergers only to create toobig-to-fail structures," he said.

In an interaction with ET last week, Punjab National Bank managing director and chief executive Sunil Mehta had said that his bank has now made a turnaround and can consider offers for acquiring other lenders. "It all depends on the offers," he said.

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