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Vijaya Bank, Dena Bank to become BoB from Apr 1

BY PTI | MAR 31, 2019, 02.39 PM IST

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NEW DELHI: In a first three-way [amalgamation](#), [Vijaya Bank](#) and [Dena Bank](#) will merge with [Bank of Baroda \(BoB\)](#) from April 1 to create the third-largest [lender](#) of the country.

As a result, branches of Vijaya Bank and Dena Bank will function as BoB outlets from Monday onwards.

"Customers including depositors of Vijaya Bank and Dena Bank will be treated as customers of Bank of Baroda with effect from April 1, 2019," the Reserve Bank of [India](#) (RBI) had said in a statement on Saturday.

To make merger a smooth affair, the government last week decided to infuse Rs 5,042 crore in BoB to enhance its capital base to meet additional expense.

According to the Scheme of Amalgamation, shareholders of Vijaya Bank will get 402 equity shares of BoB for every 1,000 shares held. In the case of Dena Bank, its shareholders will get 110 shares of BoB for every 1,000 shares.

The government in September last year announced the first-ever three-way consolidation of banks in India, with a combined business of Rs 14.82 lakh crore, making it the third-largest bank after State Bank of India (SBI) and ICICI Bank.

The announcement of the three-way merger was among several reforms initiatives undertaken by Financial Services Secretary Rajiv Kumar to make public sector banks (PSBs) healthy, robust and globally competitive.

As part of the reform process, the government had also announced transfer of majority 51 per cent stake to Life Insurance Corporation (LIC) in IDBI Bank in August last year to transform the Mumbai-based lender.

Besides, the Department of Financial Services made a record capital infusion of Rs 1.06 lakh crore in the PSBs in the current fiscal. As a result five public sector banks including Bank of India, Corporation Bank and Allahabad Bank were out of the prompt corrective action framework of the RBI earlier this year. Non-performing assets (NPAs) have shown negative trend in 2018-19 and have reduced by Rs 23,860 crore between April-September 2018.

Following the merger, the number of PSBs will come down to 18.

Announcing the merger, Finance Minister Arun Jaitley had said "the consolidation will help create a strong globally competitive bank with economies of scale and enable realisation of wide-ranging synergies".

The merged entity will have better financial strength, Financial Service Secretary Kumar had said adding that its net NPA ratio will be at 5.71 per cent, significantly better than PSBs' average of 12.13 per cent.

Besides, provision coverage ratio would be better at 67.5 per cent against an average of 63.7 per cent and the cost-to-income ratio of the combined entity would come down to 48.94 per cent as compared to average of 53.92 per cent, he had said last year.

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