

Will former Dena, Vijaya bank heads explore another merger in PSB space?

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Sankara Narayanan and Karnam Sekar are well-positioned to set the ball rolling for a fresh amalgamation, say banking experts

Having successfully piloted the merger of Vijaya Bank and Dena Bank with Bank of Baroda, will the erstwhile chiefs of the merged banks, moved recently by the government to helm Canara Bank and as a Whole-Time Director in Indian Overseas Bank, respectively, take a stab at another merger in the public sector banking space?

Banking industry experts feel this is within the realm of possibility as both top bankers are unlikely to face any difficulty in replicating their learning from putting through a complex merger.

Putting two and two together, the experts say that RA Sankara Narayanan, MD and CEO of Canara Bank (chief of erstwhile Vijaya Bank) and Karnam Sekar, Officer on Special Duty and Whole-Time Director in Indian Overseas Bank (chief of erstwhile Dena Bank), may be asked to explore another merger involving their respective banks and one more state-owned bank (possibly Oriental Bank of Commerce) by the government that takes power after the ongoing general elections.

They reasoned that Sankara Narayanan and Sekar, both veteran bankers with collective experience of close to seven decades in commercial banking, have gained a wealth of knowledge and experience with the amalgamation of their erstwhile banks with BoB, and now are well-positioned to set the ball rolling on another merger in the state-owned banking space.

Sankara Narayanan was appointed MD and CEO of Canara Bank with effect from April 1, 2019, till his superannuation on January 31, 2020. Sekar has been appointed as Officer on Special Duty and Whole-Time Director in Indian Overseas Bank, with effect from April 1 till the time of his taking charge as MD and CEO on July 1, 2019. He will superannuate on June 30, 2020.

Merger in the public sector banking space is expected to gather steam as the main national parties – the BJP and Congress – are on the same page regarding consolidation among public sector banks (PSBs).

During its five-year tenure, the BJP-led NDA government kickstarted the amalgamation process in the public sector banking space, with the five associate banks within the State Bank Group, and the Bharatiya Mahila Bank getting merged with State Bank of India in 2017, and Vijaya Bank and Dena Bank merging with BoB with effect from April 1, 2019. The Congress party, in its 2019 Lok Sabha election manifesto, said it will amalgamate two or more PSBs, so that there will be only six to eight PSBs with a national presence.

When the consolidation of Vijaya Bank and Dena Bank with BoB was initiated in September 2018 to create India's third-largest bank, the finance ministry emphasised that it will help create a strong, globally-competitive bank with economies of scale and enable realisation of wide-ranging synergies.

Leveraging of networks, low-cost deposits, and subsidiaries of the three banks have the potential of yielding significant synergies for positioning the consolidated entity for substantial rise in customer base, market reach, operational efficiency, wider bouquet of products and services, and improved access for customers, the ministry said.

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