

# Punjab National Bank, Canara Bank Can Be Merged With 9 Smaller Banks: Find The Shocking Reason Why!



By Malvika Gurung Last updated May 15, 2019



*Punjab National Bank can be merged with smaller banks*

With 144,952 branches of 159 scheduled [commercial banks](#) catering to the needs of about 1.3 billion people, the Indian banking system is one of the largest in the world. With the [recent merger of Bank of Baroda, Vijaya Bank and Dena Bank](#) carried out by the Central govt, on April 1, 2019, the government is now looking forward to having another merger, irrespective of which party comes to power, by the end of this financial year.

## All The Hustle About the PSB Mergers

As mentioned above, the government proposed the merger of three public sector banks in Oct 2018, which was successfully brought into action by Vijaya Bank and Dena Bank amalgamating with Bank of Baroda this year, transforming it into the country's second [largest state-run lender after SBI](#). This has brought down the count of PSBs to 18 from 21. Last year too, witnessed the merger of IDFC Bank and Capital First, giving the combined entity, IDFC First a loan book of 1.02 lakh crore.

Many financial experts, including [Arun Jaitley](#) have been repeatedly pressing that India has a surplus of large banks and is in dire need of reducing this number from 18 to 6, by amalgamating smaller banks into larger ones, for a number a reasons. It has come to notice that a few mid-sized banks, Andhra Bank, Bank of Maharashtra, Central Bank of India, Indian Overseas Bank, UCO Bank, United Bank of India and Union Bank of India are in talks of being merged with Punjab National Bank and Canara Bank.

The objective is to bring down operating cost and improve operational efficiencies, while strengthening risk management practices.

## The Reason Behind the Mergers and How Will They Affect You?

- Combating bad loans and struggling to maintain [credit growth](#), particularly industrial credit, gives rise to the consolidation of banks to nurse its balance sheets back to health and boost its capital raising ability.
- Small-scale banks have limited business operations, while larger banks reap the benefits of economies of scale. This can help the former to overhaul their business models and resolve liquidity issues.
- Mergers reduce costs of banking operations, with better [NPA and Risk management](#).
- With a larger capital base and higher liquidity, the burden on the central government to recapitalize the public sector banks reduces.
- The geographical reach of banking widens with the merger of large public sector banks and leveraging on their expertise, with newer employees.
- Larger sized banks offer more products and services and help in the integrated growth of the [banking sector](#), thus improving professional standards.
- The Indian banks shall gain greater recognition and a higher rating, as the focus now reduces on some most prominent banks.

The Congress on Tuesday released its manifesto for the 2019 Lok Sabha elections and emphasized on creating globally competitive [large banks](#) through the merger of small banks. It says that under their reign, there will be only 6-8 state-run lenders with a national presence and adequate capital. With the inauguration of three banks merging into one, time shall show if this, as well as some more future mergers, shall prove to be the best move in the financial system.

### [Image Source](#)

5 7 Rate This

[amalgamation](#)

[arun jaitley](#)

[Bank of Baroda](#)

[banks](#)

[Canara Bank](#)

[Central Government](#)

[Congress](#)

[Dena Bank](#)



**Malvika Gurung** 39 Posts 0 Comments

Right from jazz cafes to the hustle of social media, you can find me with a book, a pen and a fairly excited attitude. To know more about my work, keep Trakin!

### [Comments](#)

### [Facebook Comments](#)

Comments are closed, but [trackbacks](#) and pingbacks are open.