

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO. 5

TO BE ANSWERED ON THE 18TH NOVEMBER 2019/ KARTIKA 27, 1941 (SAKA)

Bank Merger

5. SHRI KOMATI REDDY VENKAT REDDY: SHRI RAJAN VICHARE:
SHRI KANUMURU RAGHU RAMA KRISHANA RAJU:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has taken a decision to consolidate Andhra Bank, Union Bank of India and Corporation Bank to strengthen the banks and if so, the details thereof;
- (b) whether the Government has received any requests seeking no merger of these banks, if so, the details thereof along with the stand of the Government in this regard;
- (c) whether the Government is considering to close nine banks in the country; and
- (d) if so, the details thereof and if not, the reasons therefor?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI ANURAG SINGH THAKUR)

(a) to (d): The Banking Companies (Acquisition and Transfer of Undertakings) Acts of 1970 and 1980 provide that the Central Government, in consultation with the Reserve Bank of India (RBI), may make scheme, inter alia, for the amalgamation of any nationalised bank with any other nationalised bank. Various committees, including Narasimhan Committee (1998) constituted by RBI, Leeladhar Committee (2008) chaired by RBI Deputy Governor, and Nayak Committee (2014) constituted by RBI, have recommended consolidation of Public Sector Banks (PSBs) given underlying benefits/synergies. Taking note of this and potential benefits of consolidation for banks as well as public at large through enhanced access to banking services, with a view to facilitate consolidation among PSBs to create strong and competitive banks, serving as catalysts for growth, with improved risk profile of the bank, Government approved an approval framework for proposals to amalgamate PSBs through an Alternative Mechanism (AM).

AM, after consulting RBI, approved that the respective Boards of 10 PSBs may consider the amalgamation four amalgamated entities. Bank Boards concerned have since considered the amalgamation and approved the same in-principle. After considering the inputs of banks and RBI, AM, gave in-principle approval to the amalgamation of Oriental Bank of Commerce and United Bank of India into Punjab National Bank, Syndicate Bank into Canara Bank, Andhra Bank and Corporation Bank into Union Bank of India and Allahabad Bank into Indian Bank.

Government is in receipt of representations/requests regarding the amalgamation of, inter alia, Andhra Bank, Corporation Bank and Union Bank of India on various issues including, *inter alia*, amalgamation, recapitalisation of the banks and employee concerns. For recapitalisation of banks, Government has recently infused capital in these banks. Further, following discussions between the Indian Banks' Association and employee representatives on various demands raised by employee organisations including, inter alia, amalgamation. Government has requested amalgamating banks to form joint committees of the bank Executive Directors concerned to consider and make appropriate recommendations to the management and/or bank's Board on matters arising from or related to proposed amalgamation.
