

A relook on Banks Consolidation

What is the issue?

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- SBI recently merged its five associate banks and Bharatiya Mahila Bank (BMB) with itself.

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- The release of first quarterly performance of the merged entity calls for a rethink on the government's consolidation strategy.

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What is the impact?

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- The consolidation has weakened the original standalone entity of the SBI in terms of NPAs.

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- The merger took a heavy toll on the bank's recovery.

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- The deterioration in asset quality was essentially because of the merger.

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- SBI's lending growth has slowed down.

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Is consolidation the right choice?

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- In SBI's case the conflicts and disparities of work culture might have been fewer.

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- But in case of an increased geographical reach for a merged entity in future, bridging the work culture gap at operational level would be challenging.

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- The problems faced by Indian public sector banks run deeper, and mergers cannot provide a quick fix.
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- The solution requires better recapitalisation as well as governance reforms so that the banks' shortcomings are sorted out.
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Source: Business Standard

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