A relook on Banks Consolidation

What is the issue?

\n\n

\n
- SBI recently merged its five associate banks and Bharatiya Mahila Bank (BMB) with itself.
\n
- The release of first quarterly performance of the merged entity calls for a rethink on the government's consolidation strategy.
\n

\n\n

What is the impact?

\n\n

\n
- The consolidation has weakened the original standalone entity of the SBI in terms of NPAs.
\n
- The merger took a heavy toll on the bank’s recovery.
\n
- The deterioration in asset quality was essentially because of the merger.
\n
- SBI's lending growth has slowed down.
\n

\n\n

Is consolidation the right choice?

\n\n

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

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

\n\n

\n\n

Source: Business Standard

\n

