

Mega Merger to revitalize the banks' operations and reduce cost

Brickwork Ratings, 30 August 2019, Mumbai: Finance Minister, Nirmala Sitharaman, on Friday (August 30) unveiled a mega merger plan for public sector banks (PSBs), amalgamating 10 banks into 4.

The announced mergers include Punjab National Bank, Oriental Bank of India, United Bank of India; Canara Bank and Syndicate Bank; Union Bank, Andhra Bank and Corporation Bank; Indian Bank and Allahabad Bank. The consolidation will bring down the total number of public sector banks in the country to 12 from 27 in 2017. The capitalization to these Banks amounted to Rs 52,250 crores.

Commenting on the development, **Rajat Bahl, Chief Analytical Officer and Head- Financial institutions, Brickwork Ratings** said, "Merger of banks is a good initiative, which should help in improving operational efficiency of the banks and reduce cost by rationalisation of organisational structure and optimising branch network. However, this may not have any immediate impact on their financial parameters but will be positive in the long run. Focus of the bank managements in the immediate future, however, should not shift from normal business activities including lending."

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