GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

RAJYA SABHA
UNSTARRED QUESTION NO. #875
Answered on Tuesday, December 3, 2024/12 Agrahayana, 1946 (Saka)

Strengthening of public sector banks

#875. SHRI NARHARI AMIN:
Will the Minister of Finance be pleased to state:
(a) the details of the decisions being taken by Government to strengthen the financial condition of the public sector banks;
(b) whether the merger of public sector banks is being considered;
(c) whether there is any improvement in the financial condition of banks after the merger of banks in the past; and
(d) if so, the details thereof?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a): A number of steps have been taken by the Government to strengthen the financial condition of Public Sector Banks (PSBs). Through the Enhanced Access & Service Excellence (EASE) framework, an objective process of incremental reforms in sync with the evolving ecosystem has been institutionalised across PSBs having continued area of focus, which includes, *inter-alia*, governance, prudential lending, risk management, technology- and data-driven banking and outcome-centric HR. It has created systemic improvements and instituted checks and controls to minimise the risk of recurrence of excessive stress. Highlights of the steps taken under EASE to strengthening financial condition of PSBs include, inter alia, the following –

1. For prudential lending, PSBs are now systematically keeping watch on adherence to risk-based pricing and have in place data-driven risk-scoring for appraisal of high-value loans that factors in group-entities.
2. IT-based Early Warning Systems leveraging third-party data have enabled early, time-bound action in stressed accounts.
3. Stressed assets management verticals for focussed slippage prevention and recovery in large-value stressed loans have been set up and there has been sharp fall in stressed loans.
4. PSBs have adopted tech-enabled, smart banking in all areas:
   - Retail and MSME Loan Management Systems have been set up for reduced loan turnaround time; and
   - OTS platforms and e-Bक्रय stressed assets auction platform have boosted recovery.

Further, Governance in PSBs has been strengthened through arm's length selection of top management through independent board, introduction of non-executive chairmen in nationalised banks, widening talent pool and instituting performance-based extensions for Managing Directors, instituting appraisal by Boards of top management and Non-Official Directors (NOD), effectively utilizing NODs by assigning them a mandate akin to that of independent directors and filling up top positions through market recruitment.

(b): No sir.

(c) and (d): As per inputs from Reserve Bank of India (RBI), comparison of pre-merger consolidated figures of banks merged (*adjusted for pre-merger position*) with that of the anchor bank as of September 2024 are as under –

- Punjab National Bank reported an improvement in CRAR (from 12.67% to 16.36%), CET1 Capital ratio (from 9.55% to 11.59%), GNPA ratio (from 13.79% to 4.48%) and RoA (from -0.66% to 0.94%).
- Union Bank of India reported an improvement in CRAR (from 12.14% to 17.13%), CET1 Capital ratio (from 8.60% to 13.88%), GNPA ratio (from 14.59% to 4.36%) and RoA (from -0.64% to 1.21%).
- Canara Bank reported an improvement in CRAR (from 13.03% to 16.57%), CET1 Capital ratio (from 8.47% to 12.00%), GNPA ratio (from 9.25% to 3.73%) and RoA (from -0.55% to 1.04%).
- Indian Bank reported an improvement in CRAR (from 13.23% to 16.56%), CET1 Capital ratio (from 10.19% to 13.51%), GNPA ratio (from 11.39% to 3.48%) and RoA (from -0.82% to 1.27%).
- Bank of Baroda reported an improvement in CRAR (from 11.56% to 16.26%), CET1 Capital ratio (from 8.58% to 12.67%), GNPA ratio (from 10.47% to 2.50%) and RoA (from -0.98% to 1.22%).

Thus, it can be observed from above financial improvements that the merger has helped in improved synergies, economies of scale, better technology integration and the same has resulted in uniform improvement across all key financial parameters.

Further, the consolidation of PSBs played a crucial role in facilitating geographical diversification, penetrating new markets, and extending customer base. The consolidation has enhanced the ability of PSBs to reach out to untapped markets that were previously inaccessible. Through a wider network of banking outlets, PSBs now cater to a larger customer base in remote areas where financial services were scarce. This not only promotes financial inclusion but also stimulates economic growth in these regions.

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