

# 'IT'S WRONG TO PRESUME THAT MERGERS WILL SOLVE BANKS' WOES'

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

*Mergers of nationalised banks will lead to closure of certain branches and doubling or trebling of depositors. It would be a big challenge for the bank with limited staff to servicing them as before, says All India Bank Employees Association general secretary **C.H. Venkatachalam**. Besides, the recovery of NPAs would take a back seat as witnessed in the case of SBI. Excerpts from an interview:*

## **Do you foresee hurdles in the proposed merger of nationalised banks?**

The main hurdle will be to the smooth process of integration. In our country, all our banks have their own importance in terms of origin, growth, expansion and geographical [focus], and have been contributing to economic development in their own way. When banks were nationalised in 1969, they were small.

In the last 50 years, all of them have grown in terms of branch network, business volume and customer reach. Merger of banks will take away their identity and customers will find it difficult to deal with the new bank. Secondly, branch rationalisation and branch closures are bound to happen on account of mergers.

## **What challenges would investors and depositors face?**

By merging branches in a certain locality, the number of customers to be taken care of by the merged branch will double or treble. Hence, customer attention and quality of customer service are bound to be affected adversely. When every customer wants better service, the branch will face a big hurdle in this regard.

Borrowers also are used to a particular branch servicing their requirements. They will now be compelled to deal with a new branch. The branch staff too will not be aware of the borrower's history.

Investors have made their savings in various banks based on preference, convenience, etc. There are customers dealing with such banks for years and for a few generations.

Banking is no simple commercial transaction, but one accompanied by personal experiences and relationship with a particular bank. Now, in the name of mergers, they will be forced to bank with a lender not of their choice.

## **What would be the status of employee unions as some banks have more than one?**

All banks in India are covered by a common and uniform industry-level settlement covering their wages and service conditions. In this regard, the unions will not face any problem, because even after the mergers, employees will continue to have the same wages and service conditions. But, the policies pertaining to transfers and promotions are different in each bank, governed by each bank-level settlement.

Mergers of banks will create a lot of problems for employees in inter-se seniority, transfers to their place of choice, etc. This will pose a challenge to the unions dealing with these problems.

Further, there are many welfare schemes, fringe benefits and other schemes that vary from bank to bank. Mergers will impact these benefits and schemes and unionists have to address these issues to harmonise these benefits.

Further, due to rationalisation and closure of branches, employees may be displaced and deployed to other centres, which will be an important problem to be addressed by the unions.

### **Will recovery of bad debts take a back seat?**

Mergers will totally divert the attention of the banks from loan recovery and it is bound to take a back seat.

The new entity bank will not know the background of the defaulters and borrowers. The volume of borrowal accounts in a branch will rise This is one reason why we are opposing mergers. After merger of six associate banks with SBI, non-performing assets went up. Hence, it is also a wrong presumption that the proposed move [to merge] will resolve problems faced by the banks.

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