

[Finance](#) Minister Piyush Goyal will meet the chief executives of 15 public sector [banks](#) (PSBs) in Mumbai on Friday, at a time when talk related to merging [banks](#) gathers steam within the government machinery.

Sources said Goyal would meet heads and senior executives of PSBs based in the western and southern regions to discuss issues plaguing [banks](#) and the way forward for the banking system. The meeting is organised by [State Bank of India](#) (SBI) and will be attended by Rajiv Kumar, secretary in the department of financial services, along with other [finance](#) ministry officials.

The meeting with bankers comes hard on the heels of a stock-taking meeting by Prime Minister Narendra Modi with top bureaucrats of the [finance](#) ministry and Goyal on Tuesday.

The government will discuss a road map that banks are supposed to prepare to strengthen their risk mechanism systems. Issues related to multiple banking arrangements, the [prompt corrective action](#) (PCA) framework, and plugging gaps in credit flow were likely to be discussed, bank executives said.

**ALSO READ: [Piyush Goyal hopes PSU banks will overcome 'legacy issues'](#)**

Mergers or consolidation of PSBs might come up in discussions, but would not be a major point for deliberation, sources said.

“With feedback from cases before the National Company Law Tribunal for insolvency, many gaps in preparations have come to the fore. Now the effort is to improve the quality of groundwork in multiple banking arrangements,” a source said.

In March, chief technology officers, chief risk officers and executive directors of PSBs had met in New Delhi to prepare a road map that banks could follow to strengthen their risk mechanism systems in the aftermath of the Rs 140 billion fraud related to loans by Punjab National Bank. One of the decisions includes discouraging multiple banking arrangements for companies with an exposure of more than Rs 2.5 billion and moving all such loans to a consortium of banks for better monitoring.

PSBs had also decided to tighten lending to corporates by asking promoters to provide equity upfront and assessing the quality of equity by verifying the loss absorption capacity of firms.

A finance ministry official said the government was discussing the [merger](#) of PSBs in an effort to usher reforms in the banking sector. A senior banker said the issue could be discussed in the meeting.

“The [merger](#) of PSBs is certainly on the table. We are discussing various possibilities,” said a ministry official. Industry sources said to begin with Bank of Baroda and Canara Bank might be asked to merge with smaller banks based on geographical and business synergies.

In August last year, the government had approved a framework for the [merger](#) of PSBs. The Centre had said the merger proposal should ideally emanate from the boards of banks and must be “solely based on commercial considerations”.

The banks were supposed to send a proposal to a group of ministers led by the finance minister. At that time, the government had said the merger of PSBs would lead to creation of “strong and competitive banks”.

However, none of the PSBs had come forward with any merger proposal due to various challenges and the deteriorating health of banks, another finance ministry official said.

# FRIDAY'S AGENDA

## This is the second meeting of bankers Finance Minister

**Piyush Goyal** will hold after taking charge of the finance ministry

## Centre likely to address issues related to PSBs

- Multiple banking arrangements
- Prompt corrective action framework
- Gaps in credit process

## Issue of PSB merger likely to be on the table

Commission of India and minority stakeholders.

With banks reluctant to merge, the finance minister-led group of ministers may likely direct them to examine various proposals. The government's overall aim was to bring two or three banks out of [prompt corrective action](#) (PCA) by March 2019, an official said.

At present, 11 of 21 PSBs are under the Reserve Bank of India's (RBI's) [PCA](#) framework due to which they face various restrictions in expansion of business. The [RBI](#) has imposed restrictions on fresh lending by [Dena Bank](#) because of its worsening [non-performing assets](#) (NPA) and other financial parameters.

Officials said any merger of banks would take about a year to materialise as the proposal would have to be approved by the [Securities and Exchange Board of India](#) (SEBI), the RBI, the Competition

“A merger is a process that requires a lot of synergies. The merger of [SBI](#) and its

subsidiaries in 2016 continues to face teething problems, even at the customer level as systems continue to be upgraded,” an official said.

This is Goyal’s second meeting with PSBs after taking charge as finance minister recently. Union Minister Arun Jaitley, who held the finance ministry portfolio, is recovering after a kidney transplant.

Goyal had met the chief executives of 11 PSBs under the [PCA](#) to discuss means of emerging from the framework. Five more PSBs are on the verge of falling into the [PCA](#) regimen with their financial performance worsening during the fourth quarter of 2017-18.