

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1811
ANSWERED ON:17.07.2009
CONSOLIDATION OF BANKS
Muttemwar Shri Vilas Baburao

Will the Minister of FINANCE be pleased to state:

- (a) whether the Narasimhan Committee-11 had recommended the consolidation of Banks;
- (b) if so, the details thereof;
- (c) whether the Government proposes to review the recommendations made by the Committee in this regard; and
- (d) if so, the details thereof and if not, the reasons therefor?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) & (b): The Committee on Financial Sector Reforms (Narasimham Committee - I), in its report in 1991, suggested consolidation in the banking sector as an important element of the financial sector reforms. The Committee, inter-alia, suggested that India should have 4-5 banks of larger size, 6-8 medium size banks and 10-12 regional banks.

(c) & (d): Consolidation entails better management of risks, economies of scale in terms of footprint, manpower and other resources. Indian banks of a larger size would enable them to face competition arising from internationalisation of the economy. Hence, it is seen as a timely response to augment efficiency, which would lead to income generation and add to Gross Domestic Product (GDP) of the country. However, Government is of the view that the initiatives for consolidation should emanate from the management of the banks themselves with Government playing a supportive role as the common shareholder. While supporting any merger proposal, Government keeps in view the interests of the stakeholders and employees of merging banks.