

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
RAJYA SABHA

UNSTARRED QUESTION NO. 2156

TO BE ANSWERED ON THE 1ST JANUARY 2019/ PAUSHA 11, 1940 (SAKA)

Growth of Public Sector Banks

**2156. PROF. MANOJ KUMAR JHA:
SHRI ELAMARAM KAREEM:**

Will the Minister of FINANCE be pleased to state:

- (a) what has been the rate of growth of credit and deposits of public sector and private sector banks over the past three years;
- (b) whether the Public Sector Banks (PSBs) have been losing market share to the private sector banks in terms of advances and deposits;
- (c) if so, the causes behind such phenomenon and the steps undertaken by Government to revive the business of the PSBs; and
- (d) whether the decision to merge the Bank of Baroda, Dena Bank and Vijaya Bank has been taken at the level of the Alternative Mechanism formed with Cabinet Ministers?

ANSWER

**Minister of State in the Ministry of Finance
(SHRI SHIV PRATAP SHUKLA)**

- (a): Rates of growth of credit and deposits of PSBs and private sector banks over the past three financial years is at Annex.
- (b) & (c) With regard to the trends in the advances and deposits market share of PSBs vis-à-vis private sector banks and causes thereof, it may be noted that earlier Development Financial Institutions (DFIs) were in the lead in lending for long-gestation projects for core industries and infrastructure, with little contribution from banks for such loans and subsequent to their withdrawal from such lending in the previous two decades, PSBs assumed the lead in such lending. As long-gestation project-based lending is necessarily based on future cash flows that are generated only after

commissioning of the project, higher risk is inherent in financing such projects, and the greater contribution of PSBs in such lending resulted in higher level of NPAs in PSBs. Following transparent recognition of NPAs, as revealed by the Asset Quality Review initiated by RBI in 2015, banks made up-front provisions for restructured advances which were earlier recognised as standard under flexibility given by RBI. Keeping in view higher provisioning requirement, since 2015-16 PSBs have adopted a prudential approach, prioritising improvement in asset quality management over growth in business. Further, it may be noted that while PSBs offer banking services extensively to the masses, including for under-served areas and segments of population, private sector banks have a focus on mobilisation of deposits from upper income segment customers, and have followed an approach of offering them personalised banking services, while keeping relatively higher minimum account balance thresholds, higher service charges and concentration in urban areas. As a result, private sector banks have registered higher rates of growth in deposits.

(d) The Banking Companies (Acquisition and Transfer of Undertakings) Acts of 1970 and 1980 provide that the Central Government, in consultation with the Reserve Bank of India (RBI), may make a scheme, *inter alia*, for the amalgamation of any nationalised bank with any other nationalised bank or any other banking institution. Various committees, including Narasimhan Committee (1998) constituted by RBI, Leeladhar Committee (2008) chaired by RBI Deputy Governor, and Nayak Committee (2014) constituted by RBI, have recommended consolidation of Public Sector Banks (PSBs) given underlying benefits/synergies. Taking note of this and potential benefits of consolidation, Government, with a view to facilitate consolidation among public sector banks to create strong and competitive banks, that may serve as catalysts for growth with improved risk profile of the bank, approved an approval framework for proposals to amalgamate PSBs through an Alternative Mechanism (AM).

AM, after consulting RBI, in its meeting held on 17.9.2018, approved that Bank of Baroda (BoB), Vijaya Bank and Dena Bank may consider amalgamation of the three banks. As per information received from banks in this regard, after consideration of the amalgamation, the Boards of BoB and Vijaya Bank gave their in-principle approval and the Board of Dena Bank recommended for amalgamation. After considering banks and RBI's inputs, AM in its meeting held on 20.12.2018 gave in-principle approval for the amalgamation of BoB, Vijaya Bank and Dena Bank.

Unstarred Question No. 2156 to be answered on 1st January 2018 / Pausha 11, 1940 (Saka)

Public Sector Banks & Private Sector Banks	Deposit As on (in Crore Rs.)	Deposits (Annual Rate of Growth)			Advances as on (in Crore Rs.)	Advances (Annual Rate of Growth)		
	31.3.2015	31.3.2016	31.3.2017	31.3.2018	31.3.2015	31.3.2016	31.3.2017	31.3.2018
ALLAHABAD BANK	193424	3.73%	0.61%	5.81%	153095	3.01%	0.25%	5.27%
ANDHRA BANK	155012	12.44%	12.13%	6.46%	129576	5.24%	5.76%	14.08%
AXIS BANK LIMITED	322442	11.02%	15.76%	9.47%	284009	20.53%	12.39%	18.15%
BANDHAN BANK LIMITED			92.15%	45.81%			35.50%	77.38%
BANK OF BARODA	617560	-7.05%	4.81%	-1.72%	437280	-7.26%	0.74%	12.79%
BANK OF INDIA	531907	-3.55%	5.27%	-3.55%	410661	-7.06%	3.18%	-4.52%
BANK OF MAHARASHTRA	122119	13.82%	0.05%	-0.05%	101210	9.91%	-8.72%	-6.79%
BHARATIYA MAHILA BANK LTD.	751	23.54%	5.16%		352	76.40%	-7.13%	
CANARA BANK	473840	1.26%	3.23%	5.96%	335106	0.43%	5.57%	12.82%
CATHOLIC SYRIAN BANK LTD	14474	-0.25%	3.28%	-1.48%	9582	-16.96%	3.96%	17.09%
CENTRAL BANK OF INDIA	255572	4.15%	11.45%	-0.62%	194967	-2.47%	-19.53%	16.00%
CITY UNION BANK LIMITED	24075	12.81%	10.89%	9.09%	18089	17.49%	13.45%	17.11%
CORPORATION BANK	199346	2.92%	7.50%	-16.89%	147708	-1.35%	0.00%	-12.15%
DCB BANK LIMITED	12609	18.37%	29.23%	24.46%	10558	23.44%	22.45%	28.86%
DENA BANK	115936	1.29%	-2.97%	-6.86%	80629	6.43%	-9.64%	-4.26%
FEDERAL BANK LTD	70825	11.79%	23.36%	14.67%	51951	13.16%	26.02%	25.75%
HDFC BANK LTD.	450796	21.21%	17.79%	22.55%	367888	27.10%	19.46%	18.92%
ICICI BANK LIMITED	361563	16.56%	16.28%	14.48%	398962	12.84%	7.17%	11.50%
IDBI BANK LIMITED	259836	2.26%	1.06%	-7.67%	215792	4.95%	-7.01%	-5.58%
IDFC BANK LIMITED			389.21%	19.87%			3.95%	4.11%
INDIAN BANK	169225	5.35%	2.37%	14.13%	128832	2.95%	-0.37%	23.14%
INDIAN OVERSEAS BANK	246049	-8.75%	-5.87%	2.60%	179041	-3.53%	-9.23%	-3.68%
INDUSIND BANK LTD	74134	25.45%	36.10%	19.80%	69141	28.54%	27.93%	28.34%
JAMMU & KASHMIR BANK LTD	65756	5.53%	4.43%	10.41%	46301	13.38%	2.06%	12.55%
KARNATAKA BANK LTD	46009	9.74%	12.37%	10.82%	31995	7.12%	9.66%	28.36%
KARUR VYSYA BANK LTD	44690	12.06%	7.23%	5.94%	36691	7.59%	4.96%	10.95%
KOTAK MAHINDRA BANK LTD.	74860	85.20%	13.55%	22.37%	66785	80.00%	14.78%	24.61%
LAKSHMI VILAS BANK LTD	21964	15.78%	20.14%	9.02%	16513	20.02%	20.89%	12.71%

Public Sector Banks & Private Sector Banks	Deposit As on (in Crore Rs.)	Deposits (Annual Rate of Growth)			Advances as on (in Crore Rs.)	Advances (Annual Rate of Growth)		
	31.3.2015	31.3.2016	31.3.2017	31.3.2018	31.3.2015	31.3.2016	31.3.2017	31.3.2018
NAINITAL BANK LTD	5344	-0.63%	29.04%	6.99%	2596	5.50%	19.77%	4.88%
ORIENTAL BANK OF COMMERCE	204010	2.40%	4.99%	-5.47%	148039	3.78%	8.33%	-10.95%
PUNJAB AND SIND BANK	86715	5.23%	-6.26%	18.92%	64796	0.74%	-7.68%	15.72%
PUNJAB NATIONAL BANK	501379	10.31%	12.41%	3.30%	392422	10.28%	2.07%	6.69%
RBL BANK LIMITED	17099	42.40%	42.05%	26.93%	14530	46.70%	38.95%	36.81%
SOUTH INDIAN BANK LTD	51912	7.34%	18.66%	8.94%	37726	9.93%	12.96%	17.64%
STATE BANK OF BIKANER AND JAIPUR	84239	11.59%	10.64%		71153	5.05%	-7.99%	
STATE BANK OF HYDERABAD	130166	5.38%	3.44%		108710	5.39%	-23.48%	
STATE BANK OF INDIA	1576793	9.76%	18.14%	32.36%	1335437	13.04%	7.80%	25.88%
STATE BANK OF MYSORE	66064	6.82%	11.20%		53296	3.98%	-30.33%	
STATE BANK OF PATIALA	92705	15.37%	-5.76%		80648	6.56%	-10.29%	
STATE BANK OF TRAVANCORE	91077	11.03%	13.42%		69907	-4.15%	-21.64%	
SYNDICATE BANK	255388	2.49%	-0.45%	4.69%	205804	0.31%	0.30%	7.86%
TAMILNAD MERCANTILE BANK LTD	25650	18.40%	6.00%	0.74%	19545	16.77%	-2.45%	8.40%
THE DHANALAKSHMI BANK LTD	12382	-8.30%	-0.53%	-3.31%	7976	-9.49%	-8.62%	-3.17%
UCO BANK	214337	-3.37%	-2.82%	-9.66%	151812	-10.74%	-2.84%	-5.82%
UNION BANK OF INDIA	316870	8.16%	10.41%	7.96%	262757	5.70%	11.83%	1.06%
UNITED BANK OF INDIA	108818	6.97%	9.05%	1.88%	69070	3.39%	-1.27%	-2.57%
VIJAYA BANK	126343	-0.71%	6.04%	18.25%	87692	3.50%	6.67%	22.57%
YES BANK LTD.	91176	22.53%	27.89%	40.50%	75775	30.22%	35.00%	53.78%