

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:515
ANSWERED ON:24.11.2006
MERGER OF PRIVATE BANKS
Francis George Shri K.

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has allowed through the Reserve Bank of India, the merger of certain old private banks in the country with other banks recently;
- (b) if so, the details of such merger / takeover and the reasons therefor;
- (c) whether certain Public Sector Banks were saved by the Government through massive capital infusion to bolster their net worth and capital adequacy ratio;
- (d) if so, the details of such banks and the quantum of funds provided for such banks from the Government;
- (e) whether the employees and share holders of these merged banks have protested against the Management's decision to merge with `new generation private banks`;
- (f) if so, the reaction of the Government thereto; and
- (g) the steps taken by the Government to protect the interests of the employees?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b): On the recommendations of Reserve Bank of India, Government of India has sanctioned the schemes of amalgamation of Ganesh Bank of Kurundwad Ltd with Fedeul Bank Ltd and United Western Bank Ltd with the Industrial Development Bank of India Ltd. w.e.f 2nd September, 2006 and 3rd October, 2006 respectively, due to poor financial health of the transferor banks and in the interest of the depositors and the banking system.

(c) & (d): Government of India has infused a total capital to the extent of Rs. 22,591 crore in all the nationalised banks.

(e) & (f): Neither of the transferee banks are `new generation private banks`. However, RBI had invited suggestions / objections to the draft scheme of amalgamation from depositors, shareholders, transferor bank and transferee bank and others including employees of the transferor bank. The suggestions / objections were duly considered before finalizing the scheme of amalgamation. The amalgamation of the banks was also opposed by some of the shareholders and employees of the banks, in petitions before the Court of Law, which were duly disposed of.

(g) Interests of the employees of these banks have been adequately protected by the respective schemes of amalgamation, which provide that all the employees of the respective transferor banks shall continue in service and be deemed to have been appointed in the respective transferee banks at the same remuneration and on the same terms and conditions of service, as were applicable to such employees immediately before the imposition of moratorium.