



# JALGAON BRANCH OF WIRC OF

The Institute of Chartered Accountants of India

(SETUP BY AN ACT OF PARLIAMENT)

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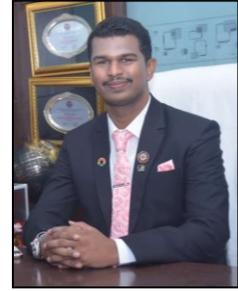
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## CHAIRMAN'S COMMUNIQUÉ



**D**ear Professional Colleagues & Students, Namaskar.

Warm greetings from the Jalgaon Branch of WIRC of ICAI.

The month of **November 2025** stands as a testimony to the **vibrant, socially responsible and professionally proactive approach** of our Branch. With the active support of WIRC leadership and enthusiastic participation of members, students and stakeholders, we successfully conducted a **wide spectrum of programmes** covering professional development, student engagement, social initiatives, academic outreach and stakeholder interaction.

A significant highlight of the month was the **WIRC Team's visit on 12th November 2025**, which marked a series of impactful initiatives. The day included **Gau Seva and Tree Plantation activities**, reflecting our commitment towards sustainability and social responsibility.

The **inauguration of the new Accounting Museum** at Bhau Saheb Gulabraoji Patil Senior College, Paldhi, in the August presence of **Hon. Shri Gulabraoji Patil, Guardian Minister, Jalgaon District**, along with other dignitaries, was a proud moment for the profession and an important step towards spreading accounting awareness among students.

The same day witnessed **multiple stakeholder interactions**, including a **Past Chairmen Meet, meeting with newly enrolled members, press meet**, and a **university tie-up meeting with the Vice Chancellor**, reinforcing unity, inclusivity and future-focused collaboration within the fraternity.

We were also privileged to organize **interactive meets with Hon. Shri Girish Mahajan, Minister of Water Resources and Disaster Management, Maharashtra State**, and **Hon. Shri Gulabraoji Patil**, facilitating dialogue on matters of regional and professional relevance.



Together, let us continue to uphold the values of **professional excellence, public trust and nation-building**, and take our Branch to greater heights.

**With Best wishes,**

**CA Hitesh Kishor Agiwal**

**(Chairman, Jalgaon WIRC)**



# MEGA MERGER OF PSU BANKS: THE LAST NAIL IN REGION-BASED PSBS



**CA Rahul Sharma**

India's public sector banking (PSB) landscape has been transformed by two waves of consolidation—first, the merger of State Bank of India with its associate banks in 2017, and second, the 2019–2020 'mega merger' that compressed ten PSBs into four large anchors. The stated policy objective was clear: create banks with the operational scale, technology depth, and balance-sheet capacity to support India's infrastructure ambitions and to compete with global peers. This article examines the logic, international context, and on-ground outcomes of the PSB consolidation drive; compares universal-bank benefits with their inherent risks; explores the basis on which specific banks were paired; and evaluates the frequently asked question—why UCO Bank has thus far remained outside a fresh round of amalgamation. Throughout, we blend regulatory analysis with case studies, real-life examples, and numerical illustrations relevant for practitioners—especially chartered accountants and bankers who must translate policy into portfolio, risk, and performance decisions.

## **1) Global and World Bank Perspectives on PSB Scale, Governance, and Consolidation**

The World Bank–IMF Financial Sector Assessment Program (FSAP) has, since 2011 and again in 2017, highlighted structural features of India's financial system: the dominance of PSBs in intermediation, lower credit-to-GDP compared with peers, asset-quality weaknesses, and the crowding-out effects of statutory requirements. The FSAP recommendations for India emphasized: (i) strengthening PSB governance and risk management; (ii) improving the



resolution framework and provisioning; and (iii) developing a strategic plan for consolidation, divestment, and selective privatisation of PSBs. In other words, scale and governance were to go hand-in-hand. Consolidation was not an end in itself but a means to achieve better capital allocation, lower operating cost per unit of business, and a platform for technology and analytics.

In parallel, multilateral guidance and peer-country experience underscore that sub-scale, region-bound public banks often struggle to absorb credit cycles, modernise their cores, and invest in cyber resilience. Global bank supervision has also shifted toward consolidated, risk-based oversight, which is more effective when regulated entities are fewer, larger, and technologically integrated. Hence the policy logic for creating fewer but stronger PSBs with national footprints and diversified portfolios.

## **2) India's Banking Landscape Post-Mergers and the Emerging Future**

Following the 2019–2020 amalgamations, India's PSB count reduced to 12. Anchor combinations included: Punjab National Bank with Oriental Bank of Commerce and United Bank; Canara Bank with Syndicate Bank; Union Bank with Andhra and Corporation Bank; and Indian Bank with Allahabad Bank. Earlier, Bank of Baroda had absorbed Dena and Vijaya (2019). The immediate policy outcomes were larger balance sheets, wider CASA franchises, and opportunities to standardise risk frameworks. The broader banking system remains a three-tier structure: large PSBs, a set of agile private-sector banks, and differentiated entities (SFBs, PBs, NBFCs).

Looking forward to FY2026–FY2028, policy discussions periodically return to whether a second consolidation wave is warranted—particularly around the smaller PSBs. Any such decision will depend on three moving parts: (a) sustained improvements in asset quality and profitability; (b) capital adequacy versus growth aspirations; and (c) the capacity to support large-ticket project lending in renewable energy, logistics, and urban infra.

## **3) Universal Banks: Benefits and Problems**

Universal banks combine retail, corporate, treasury, and fee-based businesses on one balance sheet. For PSBs, the benefits include economies of scale, cross-sell potential, smoother earnings due to diversified revenue, and stronger



capacity for consortium lending. Technology investments—core banking, fraud analytics, cloud, and API banking—also amortise more efficiently over a larger base of customers and transactions.

However, universal banking is not a free lunch. Complexity risk rises non-linearly with size: operational risk, cyber exposure, and model risk become material. Governance and cultural integration after mergers can take years; cost synergies arrive faster than revenue synergies, and merger accounting can mask asset-quality issues if not ring-fenced. From a systemic view, concentration risk grows, necessitating more intrusive supervision, recovery and resolution planning, and clear ‘living will’ protocols.

### **Numerical Illustration: Scale Economies vs Complexity Drag**

Consider two stylised PSBs—Bank A (standalone) and Bank A+ (post-merger). Suppose both target ₹10 lakh crore of business (deposits + advances) by FY2027. Bank A’s cost-to-income (C/I) is 50%, credit cost 1.8%, and pre-tax ROA 0.9%. With integration, Bank A+ realises operating opex synergies of 80 bps on assets and treasury spread improvements of 10 bps, but faces one-time integration costs equal to 25 bps of assets over two years.

Result: C/I improves to 45% by Year 3; credit cost stays at 1.8% (assuming conservative provisioning); pre-tax ROA lifts to ~1.05% and ROE to ~13–14% with a Tier-1 ratio of 13%—provided slippage ratios do not spike during integration. If slippages rise by 30 bps, the uplift in ROA vanishes, illustrating the narrow channel through which merger synergies operate when asset-quality volatility is high.

### **4) How Authorities Choose ‘Who Merges with Whom’**

Pairing is not random. Authorities typically evaluate a multi-factor matrix:

- **Geographic complementarity:** Avoiding excessive branch overlap while securing presence in under-banked regions.
- **CASA and deposit mix:** Anchors with strong low-cost deposits can support higher loan growth post-merger.
- **Asset quality and provisioning buffers:** Pairing should not aggregate stressed books without capital backstops.



- **Technology core and CBS compatibility:** Integration risk reduces sharply when cores, channels, and middleware are aligned.
- **People and unions:** HR integration plans (seniority mapping, fitment, and mobility) are critical to execution.
- **Capital and market access:** Ability to raise AT-1/Tier-2, ESG-linked lines, and tap global capital markets.
- **Customer mix and products:** MSME focus, agri portfolios, corporate consortium relationships, and payments ecosystems.

The 2019–2020 combinations largely reflected these principles: branch overlaps were meaningful but manageable; technology migrations were staged; and capital support came from both market issuances and budgetary allocations. Where misalignment existed (e.g., divergent credit cultures), authorities sequenced integration to preserve business continuity.

## 5) Case Studies and Real-Life Examples

### Case Study 1: Bank of Baroda–Dena–Vijaya (2019)

Rationale: Create a top-3 PSB with a pan-India footprint and a diversified book. Dena’s asset-quality stress was offset by Vijaya’s stronger metrics, while BoB provided capital-market access and a modern tech stack. Integration: Treasury and wholesale lending integrated earlier; retail migration phased. Post-merger, the combined entity leveraged analytics to cross-sell liabilities and retail assets, compressing C/I by ~200–300 bps over three years while maintaining capital adequacy.

### Case Study 2: Punjab National Bank–OBC–United Bank (2020)

Rationale: Consolidate North and East strengths to build a national lender with deep MSME and agri relationships. Execution: Given United Bank’s legacy stress, provisioning buffers were strengthened pre-merger. Risk Controls: Centralised underwriting for select retail and MSME products, with regional credit cells for agriculture. Outcome: Larger balance sheet enabled participation in bigger working-capital syndications; however, integration required tight control of fraud risk and early-warning systems due to disparate portfolios.



### Case Study 3: Canara–Syndicate (2020)

Rationale: Combine two South-anchored lenders with complementary CASA and forex/treasury capabilities. Execution: Early unification of digital channels and UPI rails delivered rapid cross-sell wins. Illustration: If combined CASA improved by 150 bps and blended cost of deposits fell by 20 bps, net interest margin (NIM) uplift of 12–15 bps on a ₹10 lakh crore book translates to ₹1,200–1,500 crore additional annual NII.

### Case Study 4: Union–Andhra–Corporation (2020) and Indian Bank–Allahabad (2020)

Rationale: Expand national reach while preserving strong MSME and agri franchises. Execution lessons: Early migration of treasury and common procurement; staggered core migration; well-defined credit overlays for legacy stressed sectors (power, metals). Key takeaway: Revenue synergies require product unification and data harmonisation—not just branch consolidation.

## 6) Integration Risks and Control Framework

Integration amplifies five risk vectors: (i) core banking migrations; (ii) concurrent data-quality issues; (iii) fraud and cyber exposures due to expanded attack surface; (iv) HR and union sensitivities; and (v) customer attrition if service levels wobble. A robust Program Management Office (PMO) and an independent Model Risk/Validation function are critical. Banks should also maintain a conservative liquidity buffer during migration windows and run liquidity stress tests (LCR/NSFR) under combined scenarios.

### Illustrative Pairing Matrix (Stylised)

Criteria	Weight	Bank X	Bank Y	Bank Z	Commentary
Geographic complementarity	20%	High	Medium	Low	Avoid excessive branch overlap
CASA strength	15%	Medium	High	Medium	Lower deposit cost improves NIM



Asset quality (GNPA/NNPA)	20%	Moderate	Better	Weak	Need capital if two weak books combine
Tech/CBS compatibility	15%	Aligned	Aligned	Divergent	Reduces migration risk
Capital adequacy (CET1)	15%	Adequate	Strong	Adequate	Supports growth without dilution
HR integration complexity	15%	Medium	Low	High	Seniority mapping & pay parity drive timelines

Scoring such a matrix helps policymakers avoid ‘stress-on-stress’ combinations and focus on combinations that deliver deposit, technology, and governance synergies.

### 7) Are Region-Based PSBs Obsolete?

Branch-led, region-bound models delivered inclusion in an earlier era. Today, payments are national, customers are mobile, and risk is adjudicated centrally using data. A bank whose competitive moat is solely regional density risks being outflanked by private banks and fintechs with national digital reach. Hence the metaphorical ‘last nail’ for region-based PSBs: they must either scale nationally—organically or via mergers—or pivot to specialised niches with clear unit economics.

### 8) Why Is UCO Bank Often Discussed as a Standalone (So Far)?

From time to time, media speculation has linked UCO Bank with merger candidates. Officially, the bank has refuted specific merger reports in the past. Beyond media noise, there are policy and business reasons why a standalone posture can be rational at certain junctures:

- **\*\*Performance Trajectory:\*\*** Over the last few years, UCO has reported improving profitability, stronger capital ratios, and a declining GNPA



trajectory—metrics that argue for consolidating gains before undertaking integration risk.

- **Geographic Role:** UCO's Eastern India franchise (including the North-East) has developmental relevance. Policymakers may prefer a locally anchored PSB to maintain competition and inclusion in historically credit-starved districts.
- **Systems Readiness:** Successful mergers require CBS and channel compatibility and a dedicated integration PMO. A 'merge-when-ready' stance avoids execution risk.
- **Portfolio Mix:** If two banks carry legacy sectoral stress, combining them without fresh capital can dilute the benefits of consolidation.

None of these points imply permanence. If policy moves toward another consolidation wave, UCO Bank's trajectory—capital, asset quality, and growth aspirations—will determine whether it anchors or joins a combination. Until then, disciplined standalone execution can be value-accretive.

## 9) Governance, Risk and Compliance (GRC) Blueprint for Mega-PSBs

Mega-PSBs must institutionalise governance beyond compliance:

- Board-level Risk, Audit, and IT Strategy Committees with explicit accountability for model risk and cyber.
- Three-lines-of-defence with empowered Credit Risk and Operational Risk analytics.
- Early Warning Systems (EWS) using bureau, GST, and account analytics; UPI/IMPS fraud controls; and insider-threat monitoring.
- Group Recovery and Resolution Plans (RRPs) and pre-positioned liquidity buffers during migration windows.
- ESG integration in treasury and corporate lending to access sustainable finance pools.

### Numerical Illustration: Capital Planning for a Merged PSB

Assume a merged PSB targets 14% CET1 and 9% loan CAGR. On a ₹8 lakh crore loan book with 70% RWA density, RWA grows ~₹50,400 crore per year. To keep



CET1 at 14%, common equity must rise by ~₹7,056 crore annually (excluding internal accruals). If PAT is ₹10,000 crore and payout 20%, retained earnings of ₹8,000 crore can fund most of it; the gap can be bridged via AT1/Tier-2 and risk-weight optimisation (e.g., retail secured).

## 10) International Comparisons and Lessons

Internationally, consolidation has produced mixed results. European mega-mergers delivered cost take-outs but often underwhelmed on revenue synergies amid low-rate environments. In Asia, concentrated systems (e.g., Singapore) balance scale with high supervisory intensity and strong tech risk controls. The lesson for India is to link consolidation with governance reforms, digital resilience, and accountable leadership incentives.

## 11) Future Scenarios for India's PSB Architecture (2026–2030)

Scenario A—'Selective Consolidator': One or two additional mergers among smaller PSBs, resulting in ~10 PSBs, with clear product specialisation (e.g., agri/MSME, infrastructure). Scenario B—'Digital National Champions': No further mergers, but rapid digital scale-up, embedded finance partnerships, and superior credit analytics yield market-share stability against private peers. Scenario C—'Anchor-Subsidiary Model': PSBs build specialised, ring-fenced subsidiaries (leasing, infra-finance, merchant acquiring) to prevent complexity risk from contaminating the core bank.

## 12) What CFOs, CROs, and Controllers Should Do

- **Provisioning Strategy:** Maintain conservative overlays during integration; avoid releasing provisions prematurely to 'fund' synergy optics.
- **Purchase Price Allocation (PPA):** Fair-value acquired NPAs and intangibles; recognise day-1 gains/losses transparently.
- **Harmonise Policies:** Align ECL models, NPA recognition, write-off policy, and collateral valuation.
- **Liquidity Management:** Hold higher HQLA buffers during cutovers; rehearse crisis playbooks with RBI/DFS.



- **People Costs:** Budget for harmonisation of allowances and mobility; quantify benefits from rationalised branch footprint.

### Practitioner's Q&A (Concise)

Q1: Do mergers always reduce GNPA? **Not automatically.** If both banks carry stressed pools, capital and collection intensity must precede consolidation.

Q2: Is universal banking superior to specialised models? **Depends on governance.** Specialised models can outperform if they have clarity of mandate and risk appetite.

Q3: Will region-based PSBs disappear? **They will be redefined.** Either they scale as national digital banks or focus on defensible niches with strong unit economics.

### Conclusion

The mega-merger strategy signalled a decisive shift away from region-bound PSBs toward nationally scaled, digitally enabled universal banks. The policy logic is sound—scale, governance, and technology—but execution is everything. For stakeholders—from auditors and controllers to CROs and boards—the critical task is to translate policy into disciplined provisioning, data integrity, and integration governance. Whether or not another consolidation wave materialises, PSBs that combine capital strength with operational excellence will define India's next decade of credit intermediation—and ensure that the 'last nail' in region-based banking is remembered not as an epitaph, but as a pivot to resilient, inclusive growth.

### Note on Sources (Non-exhaustive)

This article draws on official communications of the Government of India on PSB amalgamations, multilateral assessments of India's financial sector (World Bank–IMF FSAP), and public domain financial disclosures of PSBs. Figures and numerical illustrations marked as 'stylised' are hypothetical and used solely to explain concepts for professional readers.



## MEMORIES GALORE

**Gauseva at Panjhrapol Goshala Neri Naka, by WIRC Team on date 12-11-2025**



**Inauguration of the Accounting Museum of India in the distinguished presence of WIRC Team — 12 November 2025**









### Members Meet with WIRC Team







### Past Chairman Meeting



### Press Conference





## Tree Plantation made by WIRC Team





### Free Eye Check up Camp organized for students in Sheth Lalji Narayanji Sarvjanik Vidyalaya







**Interaction meet with Prof. V. L. Maheshwari Vice-Chancellor of Kavyitri Bahinabai Chaudhari North Maharashtra University on date 12-11-2025**





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