

BIG BANK THEORY**For the mergers to work, realising staff cost synergies is key**

For its sheer magnitude, the scale and the ability to disrupt the status quo, the mega bank mergers announced by Finance Minister Nirmala Sitharaman on Friday must go down as the most significant the banking industry has seen in the five decades since nationalisation. The bottomline is clear: to create banks of global level that can leverage economies of scale and balance sheet size to serve the needs of a \$5-trillion economy by 2025. The jury is, of course, out on whether this strategy will succeed. Mergers are driven by synergies — in products, costs, business, geographies or technology and the most important, cost synergies. While there may be some geographical synergies between the banks being merged, unless they realise cost synergies through branch and staff rationalisation, the mergers may not mean much to them or to the economy. This is where the government’s strategy will be tested. It is no secret that public sector banks are overstaffed. There is also bound to be overlap in branch networks such as in the Canara-Syndicate Bank merger, especially in Karnataka and a couple of other southern States. Ditto with Punjab National Bank and Oriental Bank of Commerce, both of which have strong networks in the north and the west. The success of these mergers, therefore, will hinge on how well these banks handle the sensitive issue of staff rationalisation. The All India Bank Employees Association has already raised the red flag.

It was the Narasimham Committee in the late 1990s that recommended consolidation through a process of merging strong banks. The issue has been the proverbial bee in the bonnet of successive governments since then. What the committee also recommended was shutting down the weaker banks and not merging them with the strong ones as is being done now. But this is obviously not an option politically even for a government with a brute majority in Parliament. The biggest plus of the mergers is that they will create banks of scale — there are too many banks in India with sizes that are minuscule by global standards with their growth constricted by their inability to expand. Yet, this advantage of scale cannot be leveraged without adequate reforms in governance and management of these banks. To be sure, Ms. Sitharaman did announce a few measures to make managements better accountable to the board. But the key reforms to be made are at the board level, including in appointments, especially of government nominees. These are often political appointees, with little exposure to banking. Surely, such practices need to be curbed as the definition of global banks is not just about size but also professionalism in governance. The government will also have to manage the fallout of unleashing four mergers simultaneously which is bound to cause upheaval in the industry. Would it have been better if these mergers had been done one by one? The future will colour the past.

<u>Words</u>	<u>Kind</u>	<u>Meaning</u>
Merger	Noun	Amalgamation, combination, union, coalition

Synergy	Noun	Interaction of two / more organization
Sheer	Adj.	Utter, complete, absolute, down right
Magnitude	Noun	Immensity, vastness, enormity, hugeness
Disrupt	Verb	Throw into confusion, derange, turmoil
Status quo		Existing state of affairs
Go down	Verb	Be remembered
Bottom line	Noun	Balance sheet
Leverage	Verb	Clout, credit, heft, influence
Rationalisation	Noun	Logic
Overlap	Verb	Extend over so as to cover partly
Ditto		The same thing again
Hinge on	Verb	Depend on, bank on, confide in
Consolidation	Noun	Combination, connection, coupling, linking
Bee in the bonnet		Obsessed
Obviously	Adv.	Certainly, surely, undoubtedly
Brute	Adj.	Absence of reasoning / intelligence
Minuscule	Adj.	Tiny, microscopic, nanoscopic
Constrict	Verb	Narrow, tighten, compress, contract
Accountable	Adj.	Responsible, liable, answerable, chargeable
Exposure	Noun	Subjection, submission, vulnerability
Curb	Verb	Control, check, constrain, restrain, impede
Fall out		Quarrel, squabble, argue, row, disagree
Unleash	Verb	Let loose, release, free, unbridle, untether
Upheaval	Adj.	Difficult, exacting, taxing, onerous

WITH OR WITHOUT

Boris Johnson seems bent on delivering a no-deal Brexit

Prime Minister Boris Johnson's audacious move on Wednesday to prorogue Parliament for five weeks is a cynical attempt to silence elected representatives on the key issue of Britain's future ties with the European Union (EU). The decision is all the more suspect because the fraught political climate that has prevailed since June 2016 was the consequence of the country having to renegotiate the nature of its ties with its closest neighbours. Those complex questions could only have been addressed on the floor of the house. Mr. Johnson has sought to play down the controversial decision as no more than an intent to commence a fresh legislative session with the Queen's speech charting the

government's domestic priorities. But the outrage the country has witnessed suggests that despite its legal correctness, the move may have set a terrible precedent and possibly eroded the Conservatives base. The long suspension announced on Wednesday leaves MPs barely enough time — next week and the second half of October — to avert the risk of a disorderly British exit.

But then, Mr. Johnson, a hardline Eurosceptic, is committed to delivering Brexit with or without a deal. He knew all along that the chances of securing a fresh accord with the EU were next to nil. Brussels will never budge on the question of the Irish backstop, the mechanism that is meant to protect the soft border between Dublin and Belfast. All the same, reiterating that demand in his grandiloquent style put a gloss on the inability to forge a new agreement. Any serious obstacles Mr. Johnson faces to achieve a hard Brexit are entirely domestic. Foremost, the Conservative party's thin majority in the House of Commons renders Mr. Johnson's government highly vulnerable to defeat on two separate counts. One is the move to stop a no-deal exit; a vote of no confidence in the Johnson government is the other. In a bid to avert a cliff-edge exit, the Labour leader Jeremy Corbyn recently invited the opposition and Europhile MPs to back a transition government that would seek another extension to Article 50 and call a general election. The proposal enabled Mr. Corbyn to reset the current narrative, even if it elicited a lukewarm response from a rejuvenated Liberal Democratic party and pro-European Tories. Legislation to prevent a no-deal exit affords an opportunity for pro-European MPs across parties to take the decisive step. Meanwhile, a legal challenge against the prorogation has been mounted by activists drawing on a 2016 ruling that forced the government to consult the legislature before triggering Article 50. Britain's biggest peace-time crisis must be resolved through the democratic process.

<u>Words</u>	<u>Kind</u>	<u>Meaning</u>
Bent on	Adj.	Determined, tenacious, pertinacious, dogged
Audacious	Adj.	Impudent, impertinent, insolent, rude
Prorogue	Verb	Discontinue a session (Parliament / Assembly)
Fraught	Adj.	Anxious, worried, distraught, overwrought
Play down		De-emphasize
Commence	Verb	Begin, start, start off, kick off
Chart	Noun	Graph, tabulation, histogram, diagram
Outrage	Noun	Indignation, fury, angst, rage, wrath
Precedent	Noun	Model, exemplar, pattern, example
Erode	Verb	Abrade, scrape, away, crumble, dissolve
Hardline	Adj.	Uncompromising, strict, diehard, extreme
Eurosceptic	Noun	Apposed to increasing the powers of th European

union

Reiterate

Verb

Repeat, recapitulate, iterate

Today's Special

Cross

Cross (N) :-

1. Crucifix – A bronze cross
2. Misfortune – We all have our crosses to bear.
3. Hybrid – A cross between a yak and a cow.

Cross (V) :-

1. Travel across – They crossed the hill's on foot.
2. Pass over – A lake crossed by a fine stone.
3. Intersect – The point where the two roads cross.
4. Oppose - No one dared cross him.

Cross (Adj.) :-

1. Jane was getting cross – Angry, annoyed, irritated.
2. Cross something out – Delete, strike out, ink out, score out, edit out, bleu pencil.
3. Cross examine (verb) – Interrogate, cross, question.
4. Cross grained (adj.) – Bad tempered, cantankerous, irascible, perverse, grumpy, grouchy, recalcitrant.
5. Crossing (noun) – A busy road crossing – junctions.
6. Crossing (noun) – A short ferry crossing – journey.
7. Crosswise, cross ways (adv) – Diagonally, obliquely