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Cabinet approves merger of 5 associate banks with SBI

By Reuters | Updated: Jun 15, 2016, 03.39 PM IST

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NEW DELHI: Union Cabinet abinet on Wednesday approved the takeover by State Bank of India (SBI) of several subsidiaries, a government official said, in a first move to consolidate the country's struggling public sector banks.

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As earlier proposed, SBI was to take over five units that had been run at arms-length, as well as state-run Bharatiya Mahila Bank, a bank for women set up in 2013.

India's 27 public sector banks account for 70 percent of its banking sector assets, as well as the lion's share of the country's \$120 billion in troubled assets.

Policymakers want to recapitalise and consolidate the state banks so that they can extend fresh credit and help drive an investment-led recovery in Asia's third-largest economy that is now being buoyed by state and private consumption.

SBI's board had already approved the takeover of State Bank of Bikaner and Jaipur, State Bank of Hyderabad , State Bank of Mysore and State Bank of Travancore, as well as Bharatiya Mahila Bank.

Shares in all of the listed units rallied by between 19 and 20 percent in trading on the National Stock Exchange in Mumbai on Wednesday.

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