



Cabinet

Cabinet approves acquisition of subsidiary banks of State Bank of India

Posted On: 15 FEB 2017 9:05PM by PIB Chennai

The Union Cabinet, chaired by the Prime Minister Shri Narendra Modi has approved the acquisition by the State Bank of India of its subsidiary banks namely State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore.

The Cabinet also approved the introduction of a Bill in Parliament to repeal the State Bank of India (Subsidiary Banks) Act, 1959 and the State Bank of Hyderabad Act, 1956.

The merger is likely to result in recurring savings, estimated at more than Rs. 1,000 crore in the first year, through a combination of enhanced operational efficiency and reduced cost of funds. Existing customers of subsidiary banks will benefit from access to SBI's global network. The merger will also lead to better management of high value credit exposures through focused monitoring and control over cash flows instead of separate monitoring by six different banks.

The acquisition under Section 35 of the State Bank of India Act, 1955 will result in the creation of a stronger merged entity. This will minimize vulnerability to any geographic concentration risks faced by subsidiary banks. It will create improved operational efficiency and economies of scale. It will also result in improved risk management and unified treasury operations.

The acquisition of subsidiary banks of State Bank is an important step towards strengthening the banking sector through consolidation of public sector banks. It is in pursuance of the Indradhanush action plan of the Government and it is expected to strengthen the banking sector and improve its efficiency and profitability.

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