

Centre tells PSBs to begin merger process 'immediately'

The Centre late on Thursday dashed off a letter to public sector banks asking them to start the merger process immediately and their respective boards to take up the issue. The government said the approval requirement of Competition Commission to expedite mergers among PSBs had been done away with. According to senior bank officials who received the communication, the government cited the Narasimham committee report and highlighted the need for large-sized bank that could fund the huge infrastructure need of the country. Bankers said this was the first time in recent history that an official communication had come from the government to the banks asking them to start the merger process.

Larger framework

The Centre has provided a broad framework to the banks to take the merger exercise forward. According to the framework, once the board approves the merger plan, it has to be sent to the 'alternative mechanism' approved by the Union Cabinet last week. Banks have also been asked to seek the banking regulator's view regarding their proposal. SBI Caps has also been given the mandate to identify synergies among the banks that could be merged. "The government wants the merger proposal to come from the bank boards," said a senior public sector banker, on condition of anonymity.

Bankers said the government had also started preparing the ground to remove certain hurdles for consolidation, such as doing away with the approval from Competition Commission.

Some bankers said the government would wait till the Q2 results, which will be out by the first week of November, before finally deciding which bank will be merged with whom.

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