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SBI may be told to merge five associate banks

By *Dheeraj Tiwari*, ET Bureau | Updated: May 02, 2016, 07:25 AM IST

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NEW DELHI: The government will nudge [State Bank of India](#), the country's largest, to actively consider merging its five [associate banks](#). The government is looking to push consolidation among state-owned lenders and has set up a committee to identify candidates for mergers and acquisitions.

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"There have been some discussions and also the merger has been pending for a long time. It is up to the bank to start the process simultaneously for all associate lenders or initially go for the unlisted entities," said a government official who did not wish to be identified.

A New Account

Govt looking to push consolidation among state-owned lenders

There are 27 state-owned banks, including five associates of SBI

There has been no consolidation since State Bank of Indore was merged with SBI in 2010



Two of SBI's 5 associate banks - State Bank of Patiala & State Bank of Hyderabad - are unlisted



SBI holds 75% stake in State Bank of Bikaner & Jaipur, 90% in State Bank of Mysore & 79% in State Bank of Travancore

SBI has kept any merger in the group in abeyance

Two of the five associate banks - [State Bank of Patiala](#) and [State Bank of Hyderabad](#) - are still unlisted. "It is up to the bank to decide on the timing. Given that they all are on the same technology platform and follow similar policies, it should not be an issue," the official said.

The government expects that the merger of SBI group banks into one entity will create a suitable environment for consolidation among other public sector banks. There are 27 state-owned banks, including the five associates of SBI.

Mumbai-based SBI holds a 75% stake in State Bank of Bikaner & Jaipur, 90% in State Bank of Mysore and 79% in [State Bank of Travancore](#). There has been no consolidation since State Bank of Indore was merged with SBI in 2010. The parent lender took over [State Bank of Saurashtra](#) in 2008. A similar exercise involving Bharatiya Mahila Bank and SBI has been on hold for some time.

SBI has kept any merger in the group in abeyance, saying it would prefer them to continue as strong, local entities. Last year, bank chairman Arundhati Bhattacharya had said the timing was not right for consolidation. "At some point of time, yes, we'll merge.

But I don't think this is the right time. Because today there are a lot of challenges and those challenges are more immediate and important than merging banks." Bhattacharya had said State Bank's balance sheet would not improve and the group's balance sheet would also remain the same.

"And therefore, the valuation I get will almost remain the same. Only thing that will happen is I can bring about greater efficiency. But I can do that even without merging," she had said.

An executive with SBI said the bank may give in since a change in leadership is on the anvil. "If we start the process now, it will take a year to successfully complete one merger. The next chairman will have to deal with it," he said. Bhattacharya's term as chairman ends in September.

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