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# SBI seeks government nod for acquisition of associate banks, Bharatiya Mahila Bank

By Sangita Mehta, ET Bureau | Updated: May 17, 2016, 08:55 PM IST

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MUMBAI: State Bank of India and its five associates revived the two decade old idea of merging their businesses into one that would add to the parent lender's market share of loans and deposits by about 5%. But the bank tempered the enthusiasm saying the 'decision is purely exploratory' after past attempts were abandoned due to various obstacles.

But shares in associate banks surged on hopes that time may be ripe for the merger to happen with the Narendra Modi government committing itself to the consolidation of banks when Finance Minister Arun Jaitley declared the intention in his budget speech in February.

Speaking to ET, chairman of SBI Arundhati Bhattacharya said, "The merger will happen this fiscal year itself... the problem is getting all the regulatory approval in time."

State Bank of Mysore surged 12.7% to Rs 426 crore, State Bank of Travancore gained 9.8% to Rs 399 while shares of State Bank of Bikaner and Jaipur advanced 4.2% to Rs 509. State Bank of Patiala and State Bank of Hyderabad are unlisted. McKinsey, a consultant, recommended in 1995 that all associates be merged with SBI, or merge themselves into one separate entity.

The country's biggest bank will also consider taking in its fold the Bharatiya Mahila Bank, a product of the Manmohan Singh government for specialised lending to women entrepreneurs.

"The decision is purely exploratory at this stage and there is no certainty in relation to completion of the acquisition, the bank as a matter of good corporate governance, to ensure complete transparency, are intimating this decision to the exchange."

Banks consolidation has been a topic of discussion for nearly two decades with the state-run lenders having nearly 70 per cent of market share and involved in similar line of businesses. There is also a concentration of more banks in same localities when they could have spread their branch network in different regions.

While the managements and government may have decided to move ahead with mergers, but the first obstruction has already emerged with the associate banks' 45,000 staff planning to strike work on May. 20. SBI and its associate banks have one-fourth of market share in terms of advances and deposits. Post-merger, SBI would have deposits of over Rs 21 lakh crore and advances of Rs 17.5 lakh crore.

SBI holds 75% in State Bank of Bikaner and Jaipur, 90% State Bank of Mysore and 79% in State Bank of Travancore and 100% stake in the two unlisted bank - State Bank of Patiala and State Bank of Hyderabad.

It is not that nothing happened in the past. State Bank of Indore and State Bank of Saurashtra were merged with SBI.

SBI's associates have passed a resolution saying they are "entering into negotiations with SBI for acquisition of business including the assets and liabilities of each of the five associate banks by State Bank of India."

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