

# AMALGAMATION OF SUBSIDIARY BANKS WITH STATE BANK OF INDIA: A BIG MADE MEGA

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## ABSTRACT

The State Bank of India is a multinational big public sector bank with government share of 61.23 percent, functioning with the head quarter at Mumbai, Maharashtra. It is providing banking and financial services in India as well as worldwide. Consumer banking, corporate banking, finance, investment banking, mortgage loans, private banking, private equity, savings, securities, asset management, wealth management, credit cards, etc are its important products of State Bank of India. Amalgamations and mergers of banks is not a new thing to Indian banking sector. State Bank of India acquired the control of seven subsidiaries which were seven regional banks of Indian princely states viz. State Bank of Bikaner (SBB), State Bank of Jaipur (SBJ), State Bank of Hyderabad (SBH), State Bank of Mysore (SBM), State Bank of Patiala (SBP), State Bank of Travancore (SBT), State Bank of Saurashtra (SBS) and State Bank of Indore (SBI- Indore). In view of creating SBI as "Mega Bank" with trillion dollar business, it was proposed to merge all the subsidiary banks. The SBI Board approved the amalgamation of State Bank of Indore on 19<sup>th</sup> June 2009.

**Key Words:** Amalgamations, Corporate, Management, Mergers, Multinational

## I.INTRODUCTION

The State Bank of India is a multinational big public sector bank with government share of 61.23 percent, functioning with the head quarter at Mumbai, Maharashtra. It is providing banking and financial services in India as well as worldwide. Consumer banking, corporate banking, finance, investment banking, mortgage loans, private banking, private equity, savings, securities, asset management, wealth management, credit cards, etc are its important products of State Bank of India. Its total revenue was ₹ 298,640.45 and its operating income was ₹ 50,847.90 crore for the year 2017. It earned a profit of ₹ 10484.10 crore, its total value of assets stood at ₹ 27,05,966.30 crore in 2017. It hold total equity of ₹ 144,274.65 crore in 2016. As on 2017, the SBI has given employment to 209,567.

Amalgamations and mergers of banks is not a new thing to Indian banking sector. Banking sector plays a significant role in the economic development. Economic development is the dream and aim of all economies in the world. The sound banking sector in the economy provides good security to the nation. The history of State Bank of India begun during the British Rule with the establishment of Bank of Bengal on 2<sup>nd</sup> June, 1806. Bank of Bombay and Bank of Madras were incorporate on 15th April 1840 and 1st July 1843 respectively and called as presidency banks. Till 1861, these banks enjoyed the power of issuing currency notes. After the unification of these presidency Banks of Madras a presidency bank into the other presidency bankson 27<sup>th</sup> January 1921 and called imperial bank of India, under Imperial Bank of India Act.1920. These banks were incorporated as joint Stock Companies. As per the provisions of the State Bank of India Act. 1955, the Government of India, along with Central Bank of India i.e Reserve Bank of India owned Imperial Bank with 60 percent of stake and renamed it as the State Bank of India, on 1<sup>st</sup> July 1955. The Government of India nationalized State Bank of India on 2<sup>nd</sup> June 1956. Government of India in 1959 passed the State Bank of India (Subsidiary Banks) Act. and seven subsidiaries of State Bank of India came into existence in princely states.

In 1960, State Bank of India acquired the control of seven subsidiaries which were seven regional banks of Indian princely states viz. State Bank of Bikaner (SBB), State Bank of Jaipur (SBJ), State Bank of Hyderabad (SBH), State Bank of Mysore (SBM), State Bank of Patiala (SBP), State Bank of Travancore (SBT), State Bank of Saurashtra (SBS) and State Bank of Indore (SBI- Indore).

State Bank of India, apart from banking subsidiaries it has non-banking subsidiaries. They are-

- SBI Capital Markets Ltd
- SBI Funds Management Ltd
- SBI Factors & Commercial Services Pvt. Ltd
- SBI Cards & Payments Services Pvt. Ltd. (SBICPSL)
- SBI DFHI (Discount and Finance House of India) Ltd
- SBI Life Insurance Company Ltd
- SBI General Insurance.

With the aim of development of rural areas and to expand the functions of SBI to rural areas the government integrated the subsidiary banks in to the State Bank of India System. The State Bank of Jaipur and State Bank of Bikaner which were established in the year 1943 and 1944 respectively amalgamated with SBI in 1963. The State Bank of India has been acting as rescuer to the local banks. Rescuing and acquiring are the policies of SBI. SBI in 1969, Bank of Bihar with 28 branches, in 1970 National Bank of Lahore with 24 branches, in 1975, Krishnaram Baldeo Bank, in 1985 Bank of Cochin with 120 branches, etc. are the examples of SBI rescues.. The government took over the stake held by the Reserve Bank of India in 2008. Now the State Bank of India is having market share of 20 percent in deposits and loans among India's commercial banks.

## II. AMALGAMATION OF SUBSIDIARY BANKS WITH STATE BANK OF INDIA

In view of creating SBI as "Mega Bank" with trillion dollar business, it was proposed to merge all the subsidiary banks. The merger of associate banks initiated by the amalgamation of State Bank of Saurashtra on 13<sup>th</sup> August 2008 with SBI. The SBI Board approved the amalgamation of State Bank of Indore on 19<sup>th</sup> June 2009. This added 470 branches to SBI's existing network of branches. With this total assets of SBI's reached ₹ 10 trillion. The process of amalgamation of State Bank of Indore was finished by April 2010 and since 26<sup>th</sup> August 2010 the branches of State Bank of Indore are working as SBI branches. Throughout India, SBI is functioning with 18,354 branches and having 14 regional centers and 57 Zonal Offices at main cities. The revenue of SBI was ₹ 2.005 trillion of which 95.35 percent of revenue was from domestic business which brought 88.37 percent profit in the financial year 2012-13. In August 2014, the government of India has launched Pradhan Mantri Jan Dhan Yojana and under this scheme SBI conducted 11300 camps and opened about 3 million accounts of which 2.1 million accounts in rural and 1.57 million accounts in urban areas by September 2014.

The dialogue for amalgamation of 6 subsidiary banks of SBI such as State Bank of Bikaner (SBB), State Bank of Jaipur (SBJ), State Bank of Hyderabad (SBH), State Bank of Mysore (SBM), State Bank of Patiala (SBP), State Bank of Travancore (SBT) by acquiring their business including assets and liabilities with SBI started in 2016. On 15<sup>th</sup> June 2016 the central cabinet approved the merger of these associates with SBI. The central government on 15<sup>th</sup> February approved the amalgamation of five subsidiary banks with State Bank of India. As a result State Bank of Bikaner (SBB), State Bank of Jaipur (SBJ), State Bank of Hyderabad (SBH), State Bank of Mysore (SBM), State Bank of Patiala (SBP), State Bank of Travancore (SBT) and Bharatiya Mahila Bank have been merged into State Bank of India with effect from 1<sup>st</sup> April 2017 and functioning under same banner and logo with same customers.

## III. A MEGA BANK THE PRESENT STATUS OF STATE BANK OF INDIA

After the completion of merger the position and strength of SBI have raised and with this, the State Bank of India has entered the group of top 50 international banks, reached the capital level of ₹33 trillion. The number of employees increased to 209567 (as on March 2017) of which 23 percent female and 3179 (1.5 percent) physically challenged. The number of customers reached to 420 million, more than 24000 branches and 59,291 ATMs, 22 percent of market share (before it was 17 percent). SBI, in 37 countries has 198 offices, 301 correspondents in 72 countries. This company is ranked 232<sup>nd</sup> on the Fortune Global 500 list of world's biggest corporations as of 2016. SBI has created integrated digital banking platform called YONO, since November 2017. With this the aim of the government to make SBI as a mega bank is fulfilled.

## IV. FUNCTIONING OF STATE BANK OF INDIA IN OVERSEAS

The State Bank of India is also having its business in 36 different countries and with 191 abroad offices and manages many foreign subsidiaries. Since 1979, the Indian Ocean International Bank was doing retail banking business with the name SBI (Mauritius) Ltd. in Mauritius. SBI established State Bank of India International (Mauritius) Ltd. in year 1989. SBI International (Mauritius) Ltd. merged with the Indian Ocean International

Bank. At present SBI (Mauritius) Ltd. is functioning with 14 fully integrated branches and 18 24X7 ATMs in Mauritius. Also the bank has facilitated strong Internet Banking Channel for 24X7. In Sri Lanka, SBI (SBI Sri Lanka) has three branches each at Colombo, Kandy and Jaffna and on 1-7-2014, celebrated 150<sup>th</sup> anniversary. The State Bank India has 10 branches in the state of California they are at Washington D.C., Fremont, Los Angeles, Artesia, San Jose, Canoga Park, Fresno, San Diego, Tustin and Bakersfield. Indo-Nigerian Merchant Bank is being operated by SBI in Nigeria. State Bank of India is having branches all over Nepal and owning 49 percent share of State Bank in Nepal and remaining share is being owned by the government of Nepal. In Moscow, SBI (60 percent share) and Canara Bank (40 percent share) of Commercial Banks of India. It owns 76 percent of PT Bank Indo Monex in Indonesia and has branch at Shanghai. State Bank of India has 76 percent share of Giro Commercial Bank, it acquired for US\$8 million in October, 2005. SBI opened its first branch at Seoul, South Korea in January 2016 and due to the 'Comprehensive Economic Partnership Agreement' of 2009, between Delhi and Seoul.

## V.SHAREHOLDERS OF SBI

Following table gives information about the shareholders of SBI.

**Table 1: The Shareholders of SBI**

Shareholders	Shareholding (%)
<b>Government of India</b>	<b>61.23</b>
<b>FII's/GDRs/OCBs/NRIs</b>	<b>11.17</b>
<b>Banks and Insurance Companies</b>	<b>10.00</b>
<b>Mutual Funds &amp; UTI</b>	<b>8.29</b>
<b>Others</b>	<b>9.31</b>
<b>Total</b>	<b>100</b>

*Source: Wikipedia, the free encyclopedia*

## VI.CONCLUSION

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