

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2616

ANSWERED ON:04.12.2009

MERGER CONSOLIDATION OF NATIONALISED BANKS

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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government suggested for merger / consolidation of in banking sector;
- (b) if so, the details thereof;
- (c) the time by which this merger / consolidation is likely to be made effective;
- (d) whether any such merger / consolidation has been effected during the last three years;
- (e) if so, the details thereof; and
- (f) the manner in which the Government propose to safeguard the interests of the shareholders and employees of such banks?

Answer

The Minister of State in the Ministry of Finance(Shri Namo Narain Meena)

(a) to (c) : Consolidation entails better management of risks, economies of scale in terms of footprint, manpower and other resources. Larger sizes also enable banks to face competition arising from the internationalisation of the economy, Government has, however, not given direction to any specific bank to consider proposal for merger / amalgamation with a particular bank. Government is of the view that the initiatives for consolidation amongst the Public Sector Banks should emanate from the management of the banks themselves with Government playing a supportive role as the common stakeholder,

As regards private sector banks, RBI has issued guidelines on voluntary merger/amalgamation between two banking companies or between a banking company and a non-banking financial company (NBFC) on 11.05.2005 laying down, inter-alia, the process of merger proposal, determination of swap ratios, disclosures, the stages at which the Boards will get involved in the merger process, etc.

So far Government has not received any proposal for merger / consolidation from any nationalised bank. On a proposal received from the State Bank of India (SBI) for acquiring the business of the State Bank of Indore (SBIIn), Government has granted Sanction to SBI on 8th October,2009,under Section 35 (1) of the Act for proceeding with the negotiations with SBIIn for acquiring its business.

(d) & (e) : During the last three years (from April 2006 to March 2009), the following mergers have taken place in the banking sector:-

Year	Name of Transferor Bank	Name of Transferee Bank	Type of merger
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2006-07

(i) Ganesh Bank of Kurundwad Federal Bank Ltd. Regulatory

(ii) United Western Bank Ltd. IDBI Bank Ltd. Regulatory

(iii) Bharat Overseas Bank Ltd. Indian Overseas Bank Voluntary

2007-08

(i) Sangli Bank Ltd. ICICI Bank Ltd. Voluntary

(ii) Lord Krishna bank Ltd. Centurion Bank of Punjab Ltd. Voluntary

2008-09

(i) Centurion bank of Punjab HDFC Bank Ltd. Voluntary
Ltd.

(ii) State Bank of Saurashtra State Bank of India Voluntary

(f) : While supporting any merger proposal of the public sector banks, Government keeps in view the interests of the stakeholders and employees of the merging banks by incorporating appropriate provisions in the terms and conditions for such merger.