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MERGERS AND ACQUISITION OF PSB'S: STUDY OF MERGER OF STATE BANK OF INDIA AND BHARTIYA MAHILA BANK

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ABSTRACT
Merger of State Bank of India with Bharatiya Mahila Bank which took place on 1 April, 2017 is the largest merger in history of Indian Banking Industry. The research has been conducted to know from where the journey of SBI to reach this point of success where post merger it is at 50th position among top banks of the world. The focus of this paper has been placed on reasons of this merger and also, after effects of merger has also been discussed.

Keywords: Merger; Associate Banks; Post Merger; Shareholders.

INTRODUCTION
An acquisition is when both the acquiring and acquired companies are still left standing as separate entities at the end of the transaction. A merger results in the legal dissolution of one of the companies, and a consolidation dissolves both of the parties and creates a new one, into which the previous entities are merged. A merger is generally understood to be a fusion of two companies. The term 'merger' means and signifies the dissolution of one or more companies or firms or proprietorships to form or get absorbed into another company. By concept, merger increases the size of the undertakings.

Mergers and acquisitions in the banking sector is a common phenomenon across the world. The primary objective behind this move is to attain growth at the strategic level in terms of size and customer base. This, in turn, increases the credit-creation capacity of the merged bank tremendously. Small banks fearing aggressive acquisition by a large bank sometimes enter into a merger to increase their market share and protect themselves from the possible acquisition.

Banks also prefer mergers and acquisitions to reap the benefits of economies of scale through reduction of costs and maximization of both economic and non-economic benefits. This is a vertical type of merger because all banks are in the same line of business of collecting and mobilizing funds. In some instances, other financial institutions prefer merging with a bank in case they provide a similar type of banking service.

OBJECTIVES
The present study aims to know about merger between State Bank of India and Bhartiya Mahila Bank. Being the largest amalgamation in history of Indian Banking Industry it attracts attention towards following objectives:

- To study the reasons behind the merger.
- To find out the effects of merger on shareholders, general public etc

SOURCES OF DATA
Research Methodology Data for the purpose of research has been collected form secondary sources. The data has then been analysed in order to find out reasons of merger and its effects on Indian banking system.

HISTORY
In history of SBI it is not the first time when SBI has merged with other banks. Earlier in 2008, State Bank of Saurashtra was merged with SBI and in 2010 State Bank of Indore was merged with SBI. In fact, SBI came into existence when Bank of Bengal, Bank of Madras and Bank of Bombay amalgamated to form Imperial Bank of India in 1921 which was subsequently converted to State Bank of India in 1955.

STUDY OF MERGER OF STATE BANK OF INDIA AND BHARTIYA MAHILA BANK
STATE BANK OF INDIA
The **State Bank of India (SBI)** is an Indian multinational, public sector banking and financial services company. It is a government-owned corporation headquartered in Mumbai, Maharashtra. The company is ranked 216th on the Fortune Global 500 list of the world's biggest corporations as of 2017. It is the largest bank in India with a 23% market share in assets, besides a share of one-fourth of the total loan and deposits market.

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The bank descends from the Bank of Calcutta, founded in 1806, via the Imperial Bank of India, making it the oldest commercial bank in the Indian subcontinent. The Bank of Madras merged into the other two "presidency banks" in British India, the Bank of Calcutta and the Bank of Bombay, to form the Imperial Bank of India, which in turn became the State Bank of India in 1955. The Government of India took control of the Imperial Bank of India in 1955, with Reserve Bank of India (India's central bank) taking a 60% stake, renaming it the State Bank of India. In 2008, the government took over the stake held by the Reserve Bank of India.

BHARTIYA MAHILA BANK

Bharatiya Mahila Bank (BMB) was an Indian financial services banking company based in Mumbai, India. Former Indian Prime Minister Manmohan Singh inaugurated the system on 19 November 2013 on the occasion of the 96th birth anniversary of former Indian Prime Minister Indira Gandhi. Although initially reported as a bank exclusively for women, the bank allows deposits to flow from everyone, but lending will be predominantly for women. India is the third country in the world to have a bank especially for women, after Pakistan and Tanzania.

In India, only 26% of women have an account with a formal financial institution, compared with 46% of men. (This has changed after the initiation of Pradhan Mantri Jan Dhan Yojana - accounts of women jumped radically to 60%) That means an account in a bank, a credit union, a co-operative, post office or a microfinance institution, according to a study by the World Bank Also, for women, per capita credit is 80 per cent lower than males. Furthermore, the results of a study using a global dataset covering 350 Microfinance Institutions (MFIs) in 70 countries indicates that more women clients is associated with lower portfolio-at-risk, lower write-offs, and lower credit-loss provisions, ceteris paribus.

MERGERS OF SBI WITH OTHER BANKS:

The most recent and largest merger in the history of banking industry was of State Bank of India with its 5 associate banks namely State Bank of Bikaner and Jaipur (SBBJ), State Bank of Hyderabad (SBH), State Bank of Mysore(SBM), State Bank of Patiala(SBP), State Bank of Travancore(SBT) and Bharatiya Mahila Bank. It was on 1st April 2017.

REASONS OF MERGER

The reasons behind the merger of SBI with its associate banks and Bharatiya Mahila Bank are listed as follows:

- Government of India provides subsidy and contribution for bad debt recovery and share capital to SBI and its associate banks. It will become easy for government to provide aid to this single amalgamated bank instead of giving it separately to SBI and its associate banks.
- Profitability of SBI was going down for last few years and this merger will be able to show better position of profitability in books of SBI. Net profit of the group fell from Rs. 12,225 crores in Financial Year 2016 to Rs. 241 crores in Financial Year 2017 and the losses were mainly due to associate banks.5
- To recover loans which have turned bad and to reduce NPA of SBI and associate banks in future, merger of SBI with associate banks was important.
- For reconstruction of SBI and associate banks in face of financial crises so that it can meet its liabilities.
- With the merger, SBI has become bigger than before. Now it has a larger asset base and ranks 45th among top banks of the world.
- Management of bank will become easier as earlier all the branches were managed by separate management though the holding was same and it used to make the whole process cumbersome.
- Cost of managing large number of branches will reduce which will increase profitability of bank.

EFFECTS OF MERGER

The State Bank is India's largest commercial Bank in terms of assets, deposits, branches, number of customers and employees, enjoying the continuing faith of millions of customers across the social spectrum. SBI, headquartered at Mumbai, provides a wide range of products and services to individuals, commercial enterprises, large corporate, public bodies and institutional customers through its various branches and outlets, joint ventures, subsidiaries and associate companies. SBI merged with its associate banks in order to have increased balance sheet and economies of scale. With this merger:

- SBI has entered into the league of top 50 global banks
- It has now 24,017 branches and 59,263 ATMs serving over 42 crore customers

- SBI is now a banking behemoth with an asset book of Rs 37 lakh crore.
- The merged entity will have one-fourth of the deposit and loan market, as the SBI's
- Market share will increase from 17% to 22.5-23%. SBI's asset base is now five times larger than the second largest Indian bank, ICICI Bank
- Apart from these facts, there are many perceived gains as well: the government, as shareholder, feels that now it will have six less capital-hungry banks to worry about.
- It was expected that a larger institution will be better equipped to deal with sticky loans, thereby enabling fresh credit outflows to productive sectors.
- Thus Productivity and efficiency are also among the expected benefits. But these benefits were questionable due to SBI's legacy and ownership structure.

CONCLUSION

In view that profitability of SBI was going down, and it needed reconstruction, this step of merger seems to be a smart step. It has brought SBI in list of top 50 banks in the world which is a big deal. However, profitability of the bank after merger has fallen by approximately Rs. 3000 crore. This was mainly because of accumulated losses of associate banks which were shown in balance sheet of the amalgamated entity and it reduced the enthusiasm of investors. Still, investors should not lose hopes as such bold steps have effects in long run and they take time to become visible.

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