SBI Merger

Why in news?

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The cabinet approved the proposed merger of State Bank of India (SBI) and five subsidiaries. And it said that the proposal to merge Bharatiya Mahila Bank (BMB) with SBI is still under consideration.

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What are the prior mergers?

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- The merger of SBI with its associates began eight years ago when State Bank of Saurashtra was merged with the SBI in 2008.
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- In 2010, State Bank of Indore was also merged with the SBI.
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- SBI has since made repeated attempts to merge its units but none came to fruition **due to a shortage of capital.**
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What are the advantages?

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- State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore are merged with the SBI – a combination that will create a lender to rank among the world's top 50 (45^{th}).
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- It is an important step towards strengthening the banking sector through consolidation of public sector banks.
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- The merger will result in creation of a stronger entity. It will **minimize vulnerability** to any geographic concentration risks faced by associate

banks.
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- The merger is likely to lead to savings of Rs 1,000 crore annually.
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- SBI along with its subsidiaries shares will post enormous earnings in stock exchanges, thereby benefitting all the stakeholders.
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- Any introduction of new technology by SBI would simultaneously be available uniformly. **The scale of operations and common cost will also get rationalised.**
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Why the merger faced resistance?

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- With this merger, it is expected that the management will bear critical challenges related to staff integration and rationalisation of branches.
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- The whole process has faced resistance from employee unions, who were **fearful of losing their jobs.**
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- The employees are also worried that their promotion prospects may be hampered due to curtailment of seniority. Further, rationalisation of branches due to overlap may lead to their relocation.
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- Immediate negative impact would be from pension liability provisions (due to different employee benefit structures).
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Source: The Hindu

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