CHAPTER 7

Historical Background of ICICI and Sangli Bank
ICICI Bank:

In the year 1994, ICICI Bank was promoted by the ICICI Ltd. which was an Indian financial institution and also it is wholly owned subsidiary. The shareholding of ICICI in ICICI Bank came down to 46% through public offer of shares in India in 1998. ICICI Bank acquired Bank of Madhura in 2001. The World Bank initiated the formation of ICICI which took place in 1955 along with the extended support by Government of India and Indian Industry representatives.

The main motive behind the formation was to create a financial institution which would provide the medium and the long term project financing to the Indian business. During the 1990s, the ICICI changed its business from a developed financial institution to a diversified financial services group. In the year 1999, ICICI has the privilege of becoming the first company in India and first bank from the non-Japan Asia which was listed on the NYSE.

ICICI has adopted an European Banking ideology i.e. it has opted

1. Man less Banking
2. Banking with no paper
3. Mail less banking

ICICI has also introduced modern banking services in India like

1. ATM
2. Credit Cards
3. Debit Cards

ICICI has achieved its target within 14 years since it offers various facilities to its customers. ICIC has 30480 branches and 4800 ATMs all over.
**Sangli Bank:**

Sangli Bank Ltd. which has recently merged with ICICI Bank was founded on Dashera on the 5th of October 1916. The then Highness of Sangli province was responsible for the establishment of this bank. It was established as a scheduled A Grade Commercial Bank. It was governed as per Banking Regulation Act.

Its main goal was to fund the trade merchants and to provide services to the people of Sangli and nearby areas. Initially it was operating only in the Sangli province. It was a private bank and therefore it rendered services only to the people of Maharashtra. It had only one lakh customers. This bank progressed rapidly and its number of branches jumped to 198 branches in the year 2006. It also spread its wings outside Maharashtra. Out of the total 198 branches, 158 were operating in Maharashtra and the remaining in other parts of the country. Out of Maharashtra it had branches in Bangalore, Ahmedabad, Tamil Nadu and Delhi.

**Merger of ICICI and Sangli Bank:**


**Reasons for the merger:**

1. Till the year 2007, Sangli Bank was performing well being a scheduled commercial A Grade Bank following the norms of RBI. It enjoyed the status of being a private commercial bank which provided valuable services to its customers.

2. The BOD of Sangli Bank suffered from fear psychosis whether they would be able to return the money of their customers which instigated them to invest in government securities where there was very less yield i.e. only 7 to 8%.

3. Since the year 1994 the pension issue in Sangli Bank was pending. It required fund worth 180 crores which they were not able to produce since their yearly profit was not more than Rs.5 crore.
4. The growth of Sangli Bank was deteriorating. They were in dire need of help and of course merger was the only option. Mergers often help the amalgamating firms to grow much faster. This in turn was the driving force behind Sangli Bank’s initiated merger.