



24.05.2016

**Notice given by Sarva Haryana Gramin Bank and Punjab National Bank pursuant to an inquiry under sub-section (1) of Section 20 of the Competition Act, 2002 (“Act”)**

**CORAM:**

Mr. Devender Kumar Sikri  
Chairperson

Mr. Augustine Peter  
Member

Mr. U. C. Nahta  
Member

Mr. M. S. Sahoo  
Member

Mr. G. P. Mittal  
Member

**Legal representative of the parties:** M/s Vaish Associates, Advocates

**Order under Section 31(1) of the Competition Act, 2002**

1. On 01.12.2015, the Competition Commission of India (“**Commission**”) received a notice given jointly by Sarva Haryana Gramin Bank (“**SHGB**”) and Punjab National Bank (“**PNB**”) (hereinafter SHGB and PNB are collectively referred to as the “**Parties**”), pursuant to the Commission’s directions issued under sub-section (1) of Section 20 of the Act. The combination relates to amalgamation of Gurgaon Gramin Bank (“**GGB**”), sponsored by Syndicate Bank; and Haryana Gramin Bank (“**HGB**”), sponsored by PNB; into a single regional rural bank (“**RRB**”), i.e., SHGB with PNB as its sole sponsor bank (“**Combination**”).
2. The amalgamation came into being vide a Gazette of India Notification dated 29.11.2013 issued by the Department of Financial Services, Ministry of Finance,



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Government of India under sub-section (1) of Section 23A of the Regional Rural Banks Act, 1976 (“**RRB Act**”) (“**Notification**”).

3. In terms of Regulation 14 of the Competition Commission of India (Procedure in regard to transaction of business relating to combinations) Regulations, 2011 (“**Combination Regulations**”), vide letter dated 05.04.2016, the Parties were required to remove defects and furnish certain information/document(s) pertaining to market shares of the Parties and their competitors by 12.04.2016. The Parties filed their response on 12.04.2016. The Parties have also submitted some additional information on 26.04.2016 and 03.05.2016.
4. The Commission noted that the Parties had earlier filed a notice on 01.10.2015 with regard to the Combination. The same was considered by the Commission in its ordinary meeting held on 20.10.2015 wherein it was noted that the notice filed by the Parties was incomplete in all material aspects and not accompanied with the requisite fee. In view of the foregoing, the Commission decided that the notice filed by the Parties is not in conformity with the provisions of sub-regulation (1) of Regulation 5 read with sub-regulation (1) of Regulation 14 of the Combination Regulations. Accordingly the Commission decided that the Parties be directed to file a fresh notice for the Combination within a period of thirty days from the date of receipt of communication in this regard. In view of the foregoing, a fresh notice was filed by the Parties on 01.12.2015, pursuant to the said directions of the Commission.
5. HGB was established in 2005 under the RRB Act with its head office at Rohtak. HGB was engaged in provision of banking services in its notified area which included 16 districts of Haryana namely Bhiwani, Rohtak, Jhajjar, Jind, Panipat, Ambala, Kurukshetra, Kaithal, Panchkula, Yamuna Nagar, Hisar, Sirsa, Fatehabad, Rewari, Mohindergarh and Karnal.
6. GGB was established in 1976 under the RRB Act with its head office at Gurgaon. GGB was engaged in provision of banking services in its notified area which included 7 districts of Haryana namely Gurgaon, Rewari, Mahendergarh, Mewat, Palwal, Faridabad and Sonapat.
7. SHGB, the amalgamated entity, established pursuant to the Combination has its head office at Rohtak, Haryana. It is engaged in provision of banking services in its notified



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area, which is the combined area of operations of HGB and GGB, i.e. 21 districts of Haryana, namely, Ambala, Bhiwani, Faridabad, Fetehabad, Gurgaon, Hisar, Jhajjar, Jind, Kaithal, Karnal, Kurukshetra, Mahendergarh, Mewat, Palwal, Panchkula, Panipat, Rewari, Rohtak, Sirsa, Sonipat and Yamunanagar.

8. The Commission noted that the share capital of a RRB is held by Central Government, State Government and sponsor bank in the ratio of 50:15:35. Further, the sponsor bank, apart from subscribing to the share capital of a RRB, is entrusted with certain responsibilities in running the RRBs; such as, nominating directors on board of a RRB, providing refinance, expert guidance to RRBs etc.
9. As regards working of the RRBs, the Commission noted that RRBs were established with a view to develop the rural economy and to enlarge institutional credit for the rural and agriculture sector. The RRBs are expected to mobilise deposits primarily from rural/semi-urban areas and provide loans and advances mostly to small and marginal farmers, agricultural labourers, rural artisans and other segments of priority sector. The Commission further noted that a process of consolidation of RRBs had been initiated in the year 2005 with amalgamation of RRBs in a state under the sponsorship of same sponsor bank. The second phase of consolidation was initiated in 2012 with amalgamation of RRBs across the sponsor banks in a state. The process was initiated with a view to provide better customer service by having better infrastructure, computerization, experienced work force, common publicity and marketing efforts etc.
10. In this backdrop, the Commission observed that, both HGB and GGB were engaged in provision of banking services in their respective notified areas in Haryana. At district level, the activities of HGB and GGB were overlapping in two districts of Haryana, viz., Rewari and Mahendergarh.
11. For the purposes of competition assessment, the Commission considered market share of the Parties in various segments of banking services and observed that given the low incremental market shares, insignificant change in market concentration and presence of other substantial competitors, the Combination does not seem likely to cause appreciable adverse effect on competition in any of possible relevant markets that could be delineated.
12. Considering the facts on record, details provided in the notice and assessment of the Combination on the basis of factors stated in sub-section (4) of Section 20 of the Act,



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the Commission is of the opinion that the Combination is not likely to have an appreciable adverse effect on competition in India and, therefore, the Commission hereby approves the same under sub-section (1) of Section 31 of the Act.

13. This order is issued without prejudice to any proceedings under Section 43A of the Act.
14. This order shall stand revoked if, at any time, information provided by the Parties is found to be incorrect.
15. The Secretary is directed to communicate to the Parties accordingly.