



A REVIEW ON MERGER OF COMMERCIAL BANKS IN INDIA: ITS IMPACT, PROS AND CONS

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ABSTRACT

Majority of the Indian banking sectors face a main challenge of NPA's. Therefore, the Government of India, come up with the solution of merger of banks. Hence 2017 onwards merger of banks came into existence in the banking field. But, unfortunately merger of banks is not a new term. In India merger of banks began in the year 1960's. But it was popularized after 2017. In 2017, SBI merged with its five associated banks- State bank of Bikaner and Jaipur, SBM, SBT, State bank of Hyderabad, State bank of Patiala along with Bharatiya Mahila Bank. After that till 2021, many banks have merged. Hence this study was conducted to study the pros and cons of merger of banks, its impact on customers as well as employees and to know the different merger of banks.

KEY WORDS: Banks, Merger, Pros and cons, impact.

1.0 INTRODUCTION

Merger of banks started in India in the year 1960's. A Merger implies mix of two organizations into one organization. During the merger interaction, one organization endures and the other organization loses their corporate presence. To put it plainly, it's anything but a circumstance where, two banks pool their assets and liabilities to become one bank.

In the period of August 2019, the Finance Minister of India, MS Nirmala Sitaraman has reported to merger ten public area banks into four substances. The essential rationale behind this merger is to expand the worldwide seriousness of the Indian Banks. Presently the all-out public sector banks decreased to 12 from 27 out of 2017 in India.

Merger of banks will protect the financial system and depositor's money, since the merged banks will be more profitable and in better condition.

1.1 OBJECTIVES

The objectives of the study are as mentioned below:

- To know about merger of banks in India

- To highlight the usages from merger of banks
- To study the problems from merger of banks.

1.2 METHODOLOGY

This study is based on secondary data. The information's are collected from various peer reviewed journals, books, websites and magazines.

1.3 PURPOSE OF THE STUDY

In today's highly competitive business environment, banks and financial services play a very important role. In India there will be many PSU banks, Private sector banks, foreign banks and cooperative societies. Most of the people have account in more-than one bank. Even people get confuse to select the banks. In India, the major challenge faced by the banks, especially PSU banks are the NPA's. Hence government of India recommended to go for merger of banks. This makes me to study the concept of merger of commercial banks in India.

1.4 REVIEW OF LITERATURE

- Praveen S Kambar (2019): he states in this article that, the banking area is considered as



the help of an economy. The merger will assist the manages an account with improving operational proficiency and client administrations. This would include the cooperative energies in the branch organization, minimal expense stores and auxiliaries. In this paper the creator has attempted to look at the degree, suggestions and downsides of the consolidation interaction and furthermore to recognize the significant difficulties in its manner [1].

- Pardeep Kaur (2010): In this paper he inspects the effect of merger on the cost effectiveness of banks, that have been converged during post progression period. In this paper to test the effectiveness among private and public banks, both parametric and non-parametric tests are utilized. The discoveries of the examination recommends that, over the whole investigation period normal expense proficiency of public area banks discovered to be 73.4% and for private area banks is 76.3%. He additionally proposes that somewhat consolidation has been fruitful in Indian banking sector [2].
- Jaskaran Singh Madray (2020): this examination was attempted to dissect the conditions which lead to merger of public area banks and to investigate the impacts of merger on banking sector in India. The examination shows that, the merger of public

area banks was a required activity made by the public authority of India to reinforce the financial arrangement of the country and it will improve the NPA's and increment credit development of banks [3].

- Shabnam Nishat (2020): she accentuation in her article that, in arising economies like India M&A's assistance in supporting financial development, to contend with rivals, to grow business aboard and furthermore to increase market share. The examination uncovers that solitary converging of banks probably won't be productive for improving the effectiveness of the Indian PSU banks, rather than that staff of banks should invest genuine amounts of energy for improving their proficiency through better participation, understanding, proficient usage of the assets and carrying out better strategic decisions [4].
- Ishwarya J (2019), this paper looks at M&A's that have happened in Indian Banking sector. The paper analyses emerging trends and commends steps that banks should reflect for futures. The article compares pre- and post-merger financial performance of merged banks with the benefit of financial constraint. The results suggest that, M&A's have been effective in some extent for the Indian banking sector. The government should not encourage merger between strong and weaker banks [5].

1.5 FOLLOWING IS THE LIST OF MERGERS OF PSU BANKS AFTER 2017

Anchor bank	Amalgamated bank	Acquisition year
SBI	State bank of Bikaner and Jaipur, SBM, SBT, State bank of Hyderabad, State bank of Patiala along with Bharatiya Mahila Bank.	31 st March 2017
Canara Bank	Syndicate Bank	1 st April 2020
Union Bank of India	Corporation Bank, Andhra Bank	1 st April 2020
Bank of Baroda	Dena Bank, Vijaya Bank	1 st April 2019
Indian Bank	Allahabad Bank	1 st April 2020
Punjab National Bank	Oriental Bank of Commerce, United Bank of India	1 st April 2020

1.6 THE BELOW MENTIONED TABLE SHOWS THE LIST OF DIFFERENT BENEFITS FROM MERGER OF PSU BANKS;

Sl no	Benefits from merger of banks
1	Reduced operational risk
2	Higher scale of operations, resulting improved efficiency and lower cost
3	Improves the professional standard
4	Better efficiency ratio for operations
5	Helps to expand their coverage in regional areas
6	NPA is beneficial
7	Reduced financial risk
8	Increased opportunities
9	Reduced fee or charges
10	Availability of cheap loans
11	Economies of large scale



12	Development of rural areas, also increased growth and expansion
13	Better management of banking capital
14	Increased goodwill and market share
15	Helps to face competition
16	Improves customer base
17	Entry in the global market

1.7 LIST OF DRAWBACKS FROM MERGER OF PSU BANKS

Sl no	Drawbacks from merger
1	Have to bear the burden of weaker banks
2	Difficult to manage the people and culture of different banks
3	Chances of bank going bankrupt
4	No past experience
5	Risk of fraud and robberies
6	Risk of public debt
7	Strict assessment
8	Governance issues
9	Need of collateral
10	Complications

1.8 IMPACT OF MERGER OF COMMERCIAL BANKS ON CUSTOMERS

- The Account holders may get another account number and client ID. So, they can get official hint on allotment of new accounts right away.
- The account holders can utilize the remaining cheque book leaves for the period of 6-12 months.
- Account holders should be furnished with new SIP enlistment and command structures, where there is a programmed charge for SIP. A similar method must be followed for advance EMI's.
- Account holders of the merged bank, should refresh their new IFSC code.
- The clients of the merged bank can use their old passbooks, till it wraps up.

1.9 IMPACT OF MERGER OF COMMERCIAL BANK ON EMPLOYEES

After the merger, the employees of the bank may not lose their employment as guaranteed by the government. The employees have to work with the new work environment, new staffs, new locations. Most of the employees get transfer to other branches. The merged bank will provide all the basic facilities which they use to get from their existing bank.

1.10 IMPACT OF MERGER OF COMMERCIAL BANK ON COVID-19 PANDEMIC

The main reason of merger of PSU banks is to reduce the NPA's and expand the credit flow in the economy. But due to the effect of Covid-19, the Indian economy is facing a financial crisis. Which affects all the sectors like industry,

farming, business, education and so on. Thus, pandemic has put break for all merger related activities. The true intention of the merger will be possible only after the pandemic.

1.11 SUGGESTIONS

The suggestions of the study are as follows;

- Due to merger of banks, most of the old staffs have shifted to other branches, which affects the customer services. Hence proper service is very important.
- Most of the clients finds the difficulty of server problems, when the banks started the process of merger. Therefore, the bank should give more emphasis on server related issues.

1.12 CONCLUSIONS

Mergers are important for the growth and expansion of the public sector banks. Most of the bank have the burden huge NPA's. To safeguards the banks from the problem of NPA's, government has come up with the idea of merger. This will also help the economic growth of the country. Due to the merger of banks, the bank networks will increase and they will have a branch in regional areas. This helps the increased credit flows in the village areas and hence Indian economy will improve.

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