



## **A CASE STUDY OF MERGED BANKS IN INDIA**

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### **ABSTRACT :**

Banks assume a fundamental part in the financial success of any country. Since 1991 the financial area in India gone through extremist changes both in innovation and administrations front. Today banking organizations in India are innovation driven and doing energetic activities standard with unfamiliar banks. The monetary changes drove huge number of consolidations and acquisitions inside India. The current investigation led for a time of ten years from 1995-'96 to 2004-'05. The optional information were gathered from various authority sources like RBI, Ability and other conspicuous sites. This investigation plans to know the functional exhibition of consolidated banks prior and then afterward consolidation just as components affecting the functional execution of those banks utilizing discriminant investigation.

**KEYWORDS :** banking organizations , energetic activities , consolidated banks.

### **INTRODUCTION :**

The Indian business climate has been adjusted drastically since 1991 with the progressions in the financial arrangements and presentation of new institutional system. This adjustment of the business climate, which is the impact and effect of Liberalization, Privatization, Globalization, Information innovation and Financial mindfulness, has contributed fuel to a dynamism in the Indian Economy. Financial climate in India has been made more ideal for the development of the different business ventures alongside aggressive strength. Such development, openings and difficulties come in different shapes and size in the unique worldwide market climate require imaginative methodologies. To address the issues and prerequisites of monetary stack holders and different parts on the lookout, it is essential to reorient the procedures embraced by the organizations. These methodologies considered freedoms for development both inside and remotely.

The general rush of financial changes and advancement has changed the business situation from one side of the planet to the other. The main improvement has been the coordination of public economies with market situated globalized economy, bringing about contracting of the size of the market. What's more, it becomes remotely hard for every one of the organizations to endure, except if they cut cost and keep up with cost. In such a circumstance M&A which works with disposal of duplication of the regulatory and showcasing costs is unavoidable. To support this M&A exercises and furthermore to proceed with the business exercises for a huge scope, the customary clients of a financier dismiss progressively from conventional advance to new elective administrations.

Because of changes in the assumptions for the corporate clients, banks are compelled to reexamine their business and devise new procedures to confront the difficulties before them. In addition, unfamiliar banks have been allowed to bring their offer up to 74% in the Indian banks. This adds more oil to the spreading fire.

The unfamiliar banks would think about M&As as a fast technique for inorganic development. Accordingly, Indian Banks are additionally compelled to think on similar line to confront the rivalries viably.

In the changing scenario, every business including service institutions like banks strive hard for survival in this growing era of core competence. Due to intense completion among the banks, every bank is doing something better than others to capture the business. It is necessary for any business firms to analyze its financial health. In this regard, it is necessary to analyze the financial health of merged banks to establish its financial health in the form of profitability, liquidity, solvency etc. This analysis provides a clear picture of the financial soundness of a firm and a road map outlining the directions the business is heading to. So an attempt has been made in this present chapter to have an insight into the examination of financial health of merged banks in India selected for the study.

#### **OBJECTIVES OF THE STUDY:**

The separate factor is acted to recognize the segregating variable between the gatherings and discover the relative significant of these factors in separating between the gatherings.

1. To examine and think about the functional execution of combined banks previously, then after the fact consolidation.
2. To examine factor affecting the functional execution of pre and post consolidation period.

#### **REVIEW OF LITERATURE :**

Sanjay Kumar<sup>1</sup> (1998) took an examination on "Benefit of Indian Commercial Banks – The Key Discriminators" and endeavored to investigate the connection between bank benefit and its determinants. The examination utilized a model with the most basic factors/proportions utilizing multi-discriminant investigation for the exact investigation and estimation of benefit. The investigation uncovered that lone four generally separating factors out of 14 factors are the key discriminators which can be utilized in productivity investigation of banks, estimating their monetary wellbeing and judicious choice of banks for venture, loaning or stores.

Devivedi V. K<sup>2</sup> (1999) has inspected Merger and Acquisition as a Tool for Business to Improve the Potentialities in his examination on "Consolidations and procurement – Possibility Banking Industry". It is uncovered by his examination that M&A can be utilized to advance the monetary position and increment the benefit in case it is done efficiently and expertly by focusing on the HR issues.

Laxman G<sup>3</sup> (2004) in his examination article "Effect of Merger and Acquisitions on Financial Execution of Private Sector Banks", has made an endeavor to asses the effect of consolidation on monetary execution as far as CAR, NPAs, Interest pay, Interest Expenditure, Operating use, Arrangements and Contingencies, Spread, Gross Profit, Net benefit as rate to add up to resources previously and after consolidation. The examination inferred that there is a diminishing pattern in spreads and expanding propensity in NPAs of the objective bank. Yet, these pointers are pretty much continued as before when contrasted with normal pointers of the Private Sector Banks during the period under examination.

Selvam. M, Vanitha.S, Babu.M<sup>4</sup> (2005) completed an investigation named "Consolidation and Acquisition in Banking Industry – An Evaluation". The investigation was completed with the target of examining and looking at the monetary presentation of combined banks prior and then afterward

consolidation as far as development of aggregate resource, benefits, income, speculation and stores. The example units of the investigation were State Bank of India, Situated Bank of Commerce, Centurion Bank, Bank of Baroda, Union Bank of India, HDFC Bank and ICICI bank. The examination uncovered that the ICICI Bank accomplished the higher development rate in all regards aside from store. It is finished up by the examination that the banks may foster freedom measure to check the achievement and furthermore to further develop their post consolidation execution.

Sathya Swaroop Debasish<sup>5</sup> (2005) in her investigation "Consolidation in Indian Banking – Case of ICICI Bank and Bank of Madura" has broke down the calculated outline on the series of ongoing consolidation and acquisitions. It recommended that the evacuation of passage boundaries saw rise of private area banks (both old and new) in India and how market influences are convincing these to aggregate and merge their cutthroat capacities.

Sivaram Y.G<sup>6</sup> (2006) in his article named on "M&As in Banks – The Indian Dilemma", examined the situation of M&A exercises in India. He inferred that the financial area has acquired force in consolidation and obtaining exercises and the components like globalization, innovative changes administrative, adaptability have set off the M&As in the Indian financial area.

## **METHODOLOGY :**

### **Sources of Data :**

The examination depends on optional information. The information were gathered from the authority catalog and information base of Center for Monitoring Indian Economy (CMIE) in particular PROWESS. The distributed yearly reports of the chose banks related sites, magazines and diaries on finance have additionally been utilized as information source.

### **Period of Study :**

The study covers a period of 10 years as five years before the date of merger and five years after the date of merger including the year of merger. So it covers a period from 1995-2006.

### **Sampling Design :**

The examination is identified with the financial business. The consolidation interaction in financial industry began in 1950s-consolidation of private banks to stay away from misfortune making by them. During late 1960's the public authority of India expected nationalization of banks by RBI.

In continuation of this, consolidation and securing occurred as open area banks getting private banks/private area manage an account with another private area bank and so forth After monetary area changes in the year 1991 the financial area particularly the public area banks had to improve their intensity. So the banks converged after the period 1991 were thought about as it needs exceptional thoughtfulness regarding see to what in particular expand these banks accomplished achievement in their consolidated interaction. So such banks were chosen converged from 1995 onwards based on the accessibility of information for a time of 5 a long time before the consolidation and five years from the combined period.

## **FRAMEWORK OF ANALYSIS :**

The optional information were gathered from various sources. Factual instruments are applied to investigate diverse monetary proportions which are assembled under 5 classes. Computations were made to test the monetary execution of the combined bank for a time of 5 years prior and five years after the blended enough said. The measurable apparatuses utilized are: Discriminat examination.

## OPERATIVE DEFINITION OF INNOVATION

The investigation endeavor to consider the inventive contribution and practices in banks, effect of creative practices on the exhibition (Customer fulfillment and monetary execution) of banks.

**Banc assurance:** Banc confirmation is the selling of protection items by a bank. The use of the word gotten as banks and insurance agencies combined and banks tried to give protection.

**Health assurance:** Health confirmation is the selling of health care coverage item by banks. The use of the word got as banks and medical coverage organizations combined and banks looked to give wellbeing protection.

**Wealth assurance:** Wealth confirmation is the selling of abundance protection item by banks. The utilization of the word got as banks and abundance insurance agencies combined and banks tried to give riches protection.

**Jewelry assurance:** Jewelry affirmation is the selling of abundance protection item by banks. The use of the word got as banks and gems insurance agencies combined and banks looked to give gems protection.

**Credit cards:** A Mastercard is important for an arrangement of installments named after the little plastic card gave to clients of the framework.

**International debit card:** A charge card (otherwise called a bank card or check card) is a plastic card which gives an elective installment strategy to cash when making buys. Practically, it very well may be called an electronic check, as the assets are removed straightforwardly from either the ledger (regularly alluded to as a check card), or from the leftover equilibrium on the card.

**Smart card:** A savvy card, chip card, or coordinated circuit card (ICC), is in any pocket-sized card with inserted coordinated circuits which can deal with information.

**Gold/ platinum card:** A gold/platinum Mastercard is essential for an arrangement of installments named after the little plastic card gave to clients of the framework. It is a card qualifying its holder for purchase labor and products based on the holder's guarantee to pay for these labor and products.

**SME gold credit card:** It is a one sort of charge card which is extraordinarily made for the little and medium undertakings and with having some additional attributes.

**SMS banking:** SMS Banking is an innovation empowered assistance offering from banks to its clients, allowing them to work chosen banking administrations over their cell phones utilizing SMS informing.

**Mobile Banking:** Mobile banking (otherwise called M-Banking, mbanking, SMS Banking and so on) is a term utilized for performing balance checks, account exchanges; installments and so on through a cell phone, for example, a cell phone.

**Tele banking:** Tele banking is a term utilized for performing balance checks, account exchanges; installments and so forth by means of a phone.

**Internet banking:** Online banking (or Internet banking) permits clients to direct monetary exchanges on a safe site worked by their retail or virtual bank, credit association or building society.

**Branch banking:** A branch, banking focus or monetary focus is a retail store where a bank, credit association or other monetary organization (and likewise, financier firms) offers a wide exhibit of up close and personal also, mechanized administrations to its clients.

**Corporate banking :** Corporate Banking administrations are a basic piece of the Corporate, Investment Banking and Markets (CIBM) structure, which centers around offering a full scope of administrations to multinationals, huge homegrown corporate and institutional customers.

**Trade finance :** Trade finance is identified with worldwide exchange. While a vender (the exporter) can require the buyer (a shipper) to prepay for products transported, the buyer (merchant) may wish to decrease hazard by requiring the merchant to record that the products have been sent. Banks may help by giving different types of help.

**Merchant banking:** In banking, a trader bank is a monetary establishment basically occupied with offering monetary administrations and exhortation to enterprises and rich people on the best way to utilize their cash. The term can likewise be utilized to depict the private value exercises of banking.

**Correspondent banking :** Correspondent banking is otherwise called a relationship gone into between a little bank and a major bank in which the enormous bank gives various store, loaning, and other administrations.

**Cash mgt services:** Banks are offering types of assistance of money the board it is very much like portfolio the board. A few administrators is fixed in banks who offer this types of assistance to their client.

**Sell gold coins :** Most presumably all banks now a days detail rehearsing in giving the gold coins they give some assurance with respect to the virtue of gold.

**Mutual funds :** A Mutual funds is an expertly overseen kind of aggregate venture conspire that pools cash from numerous financial backers and puts it in stocks, securities, momentary currency market instruments, or potentially different protections .

**Pension plan, child plan :** This assistance is actually similar to the protection plan like kids plan, annuity plan which is for senior resident and for their better future. These administrations are given by banks however they are working together with some other organization and begin selling the results of different organizations.

**Portfolio investment services:** The term portfolio the board is frequently used to allude to the speculation the board of aggregate speculation, (not really) while the more nonexclusive asset the executives may allude to all types of institutional speculation just as venture the executives for private financial backers.

**Locker facility:** This is a customary framework which is kept up with by each bank, bank give it to security keeping of gems, archives and so on bank keep your storage safe and they give 2 keys one of which is there with the bank and the other with the client.

**E- Transfer :** Electronic Transfer is an office where we can move the sum from our record to any other record with the assistance of web, versatile and so forth

**E- rail:** Electronic rail is an office given by banks through which we should booked railroad ticket.

**E-tax pay :** Electronic expense installments are made by the office gave by bank as its web banking framework.

**E-bill pay :** Bill installments are additionally made by the administrations given by the banks as electronic bill pay the client simply need to give their record number in web and the measure of bill is paid immediately.

**E-petro:** Electronic installment of petroleum is additionally done through this framework. This office is just given by ICICI bank.

**Online trading :** Banks are giving the exchanging administrations which are done on the web. With the assistance of which we can move the offers, stocks and so on and can likewise purchase something similar. In straightforward manner we can exchange through web based exchanging office.

**Demat facility:** Demat mean dematerialized account which is required when we need to exchange our offers what's more, protections through internet exchanging. Presently a day it is made obligatory to exchange through this on the web exchanging.

**NRE term deposit :** The store is kept up with in Indian Rupees. Subsequently the cash you store in unfamiliar cash is changed over into Indian Rupees, according to the predominant unfamiliar conversion scale.

**NRO term deposit :** Higher returns, Attractive fixed financing costs; A NRO Term Deposit gives you higher post government forms in India than a NRO or NRE reserve funds/current record. Premium procured on your NRO term store can be cumulated and gotten at the hour of development or can be gotten in your NRO account each quarter.

**FCNR deposit :** A Foreign Currency Non Resident Deposit (FCNR) offers you the choice of making a store in four unfamiliar monetary standards: US Dollar (USD), EURO (EUR), Pounds (GBP) and Yen (JPY). NRIs with convertible monetary standards other than the four referenced here may in any case open records by changing over the cash into US GBP.

**Electronic fund transfer :** Electronic subsidizes move or EFT alludes to the PC based frameworks used to perform monetary exchanges electronically.

**Saving cum recurring account :** Most reasonable for the clients who want to contribute their month to month excess assets of a fixed sum for a fixed period and reinvest the accumulated/acquired revenue

consequently at an alluring paces of interest. The investors can set the objective for development sum, period and partake in the advantage of quarterly building of interest.

**Multi city cheque:** " Multi city cheque " is an office wherein the client can give checks drawn at the base branch and payable at any far off focus. These checks will in this way, be treated as nearby checks at the distant focus, regardless of whether they are introduced through any Bank other than Andhra Bank. There will be no assortment charges and the credit will be given around the same time, as appropriate to nearby checks.

**Auto sweep facility :** Enables assets to be moved consequently starting with one record then onto the next account and unites balances from numerous records into a solitary essential record.

**At-par cheque :** At standard check is a keep an eye on which no charge is deducted by the bank for crediting to your record, regardless of whether your record is in a branch that is in an alternate city from where the check is given. For instance, if your record is in Mumbai, and an organization with its record in Delhi gives you a check, the Bank will charge certain sum from the check, as the check should be shipped off Delhi to get cleared. Nonetheless, with the systems administration of parts of most banks, it is feasible to get the check cleared without sending it to the responsible branch. Along these lines, numerous private and some open area banks are giving at standard check books to their record holders. This implies that you can take care of a bill in Delhi by check regardless of whether your record is in some unique city. The beneficiary of the check won't need to pay any charge on the credit of the check, implying that he will be more able to acknowledge your check.

## **ANALYSIS RESULT AND DISCUSSION :**

### **PRE MERGER PERIOD :**

Step shrewd Discriminant Function Analysis is a multivariate factual strategy which permits to study the contrasts between at least two gatherings regarding a few factors at the same time and give a method for characterizing any article/individual into the gathering with which it is most intently related and to deduce the general significance of every factor used to segregate between various gatherings.

### **CONCLUSION :**

The new financial climate of the 1990s has worked with M&As between banks which worked with productive execution. Be that as it may, it very well may be closed the improvement as far as different boundaries can be related to upheld relative data of their own. The strategy creators can utilize the discoveries of the investigation as a base for outlining arrangements identifying with M&As in assistance area and to recognize the spaces of progress for better functional and execution for the banks.

The above examination uncovers that the lower or better yield on value is separating between the gatherings. The discriminant examination unmistakably uncovers that both the pre and post consolidation time of this investigation either manage an account with lower return on value or keep money with better yield on value worked on its proficiency due to the accompanying functional proportions and the key factors to be specific, market capital, share capital, return on resource and procuring per share.

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