CHAPTER-11
RECOMMENDATIONS AND UTILITY OF THE STUDY

11.1 RECOMMENDATIONS OF THE STUDY:

The study has the following recommendations so that mergers and acquisition deals could achieve the objectives set in it and enhances performance of the acquiring bank.

1. Based on the insights of the study and trends in the Indian banking sector, mergers and acquisitions can also be considered as a strategy to reduce the Non-Performing Assets by Indian Private Sector Banks as seen in the Asset Quality parameter. This could be due to the reason that Private Sector Banks have business and commercial reasons for their mergers unlike Public Sector Bank acquisitions that are due to RBI notifications, therefore if Public Sector Banks also initiate mergers for business and commercial reasons, it could have a positive impact on the Non-Performing Assets.

2. It is also noted that mergers and acquisition is a strategy only to facilitate improved performance, the emphasis should be on improving Management Efficiency in banks. The study shows that, post-merger the Management Efficiency has shown a positive impact especially with the Private Sector Banks, and hence banking mergers and acquisitions can be taken up to facilitate and improve Management Efficiency.

3. It is recommended that Private sector banks need to increase their investment in government securities in order to decrease the risk on their investment as well as reduce the ambiguity in income.

4. The Public Sector banks in India need to take measures to reduce The Total Expenditure to Total Income ratio. This would also result into further improving the Earnings Quality for Public Sector banks. The role of technology in Public Sector Bank’s therefore needs to assume importance as it will not only improve the efficiency of the Public Sector banks but will also reduce costs.

5. A major percentage of the income of Public Sector banks is derived from interest income however the Private Sector banks have income being generated from both Interest Income as well as non-interest income in the form of fees and commission received, the Public Sector
banks in India need to take required measures so as to enhance their Non-Interest income which would ultimately result into enhancing the Earnings Quality of the bank.

6. The implementation of latest and innovative technology in Public sector banks will also enable the banks to increase the profit Per Employee and Business per Employee.

7. As indicated by the experts through the interviewee, Indian banks that are planning to grow through mergers and acquisitions consider regulatory issues as a big deterrent to banking acquisitions, therefore the banking regulators should bring clarity and simplicity in the present and yet to be issued regulations on mergers and acquisitions.

8. The interviewees opined that the banking regulators should lay increased emphasis on the due-diligence process so that right from the initiation of the deal the acquirer banks have full, complete and true information of the target bank to ensure seamless integration of the two banks.

9. Regulators should encourage banks with strong balance sheets to consider mergers to create mega-entities that could take on global competition and the regulators should also infuse capital into such banks. The inorganic growth model through bank mergers and acquisitions should be encouraged and completed before the Indian financial markets is opened up to large foreign players.

India is presently one of the most pulsating global economies, which has a vigorous banking sector. The country is estimated to become the fifth largest banking sector globally by 2020, as per a joint report by KPMG-CII. This implies that Indian banks would see large mergers and acquisitions in the years to come.

11.2 UTILITY OF THE STUDY:

It is proposed that the present research will be beneficial to the Indian banks and Indian banking officials and banking regulators, as, the results and conclusions drawn could be used to evaluate whether mergers and acquisitions in Indian banks have been an effective tool to improve the performance of the acquiring Indian public sector banks and acquiring Indian private sector banks and achieve the desired objectives set in the deal.

The study would also enable the banking officials to evaluate whether mergers and acquisitions can be an effective tool for improving performance for both types of banks –
public sector as well as private sector banks and in both the cases of forced acquisitions as well as voluntary acquisitions. The findings of this research could create a base, as to whether mergers and acquisitions can be considered as a viable mechanism to improve performance by both public sector banks as well as private sector banks, so that banks can adapt this mechanism to positively influence their performance based on CAMEL Parameters.

11.3 **SCOPE FOR FURTHER RESEARCH:**

The present study evaluates the pre-merger versus post-merger performance of public sector banks vis-à-vis private sector banks in India that have merged during the period 1993-1994 to 2004-2005. The scope recommends that mergers and acquisitions in the present business environment in general and, the Indian banking sector in particular throw remarkable opportunities for future research with respect to:

1. The study with similar objectives could be made from time to time.
2. The identification of factors related to markets and investors that influence the performance of Indian bank will be of considerable use to banking officials and banking regulators as well as investors.
3. Study to evaluate the performance of banking mergers and acquisition deals after the study period till date can be taken.
4. The study has evaluated performance of Indian banks in financial terms with reference to CAMEL Model. The Human Resource aspect of mergers, which is an important factor that influences mergers and acquisitions, could be another area of research.

The study, in spite of all the above limitations, has fulfilled its objectives and its findings and conclusion are universal in nature.