CHAPTER V

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SUMMARY OF THE FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 Some of the Major Findings of the Study:

1. More than 69 percent the employee respondents working in all the three regional rural banks in Karnataka strongly agreed that, even today regional rural banks provide loans and advances only to government sponsored schemes at subsided rate of interest to small and marginal agricultural farmers and there is huge gap between demand and supply for agricultural finance.

2. More than 68 percent of the respondents agreed that, even after the second phase of mergers in regional rural banks, banks are not in a position to provide good quality of banking services to its customers on par with other commercial banks. However the first and second phase of consolidations transformed the regional rural banking services from traditional to modern services.

3. More than 70 percent of the respondents expressed their opinion that social banking has negatively influenced the quality of banking services and profit of the banking sector. All the banking services provided under social banking has been free of cost and government sponsored schemes.

4. Equal weight age has been given to all the districts in Karnataka in selecting the sample size of branches and employees for administering the questionnaires except Bellary district due to lack of time constraint.

5. Equitable weight age has been given to all the three Grameena banks in selecting the same size of branches and employee respondents for interaction and administering the questionnaires 21.42 percent to Kaveri Grameena Bank, 35.71 percent to Karnataka Vikas Grameena Bank and remaining of 42.85 percent to Pragathi Krishna Grameena Bank.

6. The respondent employees are of a mixed age group 21.50 percent of the respondents below 25 years, 26%, of the respondents, 25 years to 35 years, 24 percent of the respondents are between 35 years to 45 years, 16.50 percent of the respondents are in the age group of 45 years to 55 years, and 12 percent respondents, above 55 years.
7. The employee respondents from the survey reveals that 31 percent of them have completed 20 years of experience, 48 percent of the employees are newly entrants, while 21 percent of them were on the verge of their retirement. Such of them were not showing a positive attitude towards further mergers and acquisition in Regional Rural Banks.

8. Employee respondent’s sex ratio is 75.60 male and 24.60 female.

9. More than 40 percent of the employees working in the Regional Rural Banks are graduates, 20 percent are Post graduates, 11 percent of respondents’ employees have completed their professional education, 5 percent of the employees are technically qualified and rest of them are sub-staff working as office help.

10. The sample size of the survey consists of 75.60 percent of the respondents who are Male Employees and 24.40 percent of the Respondents are Female Employees.

11. The sample size depicted the replica of organization structure in the banks 32.42 percent of the employee respondents are Senior Manager, 17.57 percent, of the employee respondents are Junior Managers, 25.71 percent of the Employees respondents are clerks cum cashiers, 10.00 percent of the respondents are Sub Staff, and 14.48 percent respondents are technical staffs.

12. Of the employee respondents selected for the survey 21.42 percent were from the urban area branches, 35.71 percent of the respondents were from semi-urban areas and the remaining 42.85 percent employees from rural areas.

13. Age of the employee respondents was 23.71 percent less than five years of experience, 24.85 percent of the employees had five to ten years, 20.85 percent of the employees 10-15 years, 19.28 percent of the employees 15-20 years, and 11.28 percent of the employees had experience of 20 years and above.

14. 88% of the employees had tasted the experience of Mergers and Acquisition in the RRBs during their stay in the banks and the remaining 12 percent of the employees had not tasted the mergers and acquisition in RRBs because they are new employees.

15. The employees working for RRBs are getting a competitive salary. 18.28 percent of the employees earned below Rs,20,000, 20.14 percent of the employees 20,000-30,000, 20.00 percent of the Employees are 30,000-40,000, 19.00 percent of the
employees are 40,000-50,000, and 9.71 percent of the Employees are Rs.50,000 and above.

16. More than 70 percent of employee respondents agreed that mergers and acquisition create a big platform for a single window system which would be provided by core banking solution in case of regional rural banking system.

17. 65 percent of the senior employees working in rural banks are complacent with what they are. In fact they have no keen interest to learn, acquire knowledge or skill, in core banking, which is a matter of concern.

18. All the respondents have made it specific that the public, private and the foreign banks in the wake of globalization have made good progress in terms of deposit mobilization, and diversification of banking services. This situation in turn forces the Regional Rural Banks fall in line. Further they made it clear that mergers and acquisition would help Regional Rural Banks for two reasons - survival and acceleration of market share.

19. The study clearly depicted that the mergers and acquisition in Regional Rural Banks could identify the surplus in human resources. The surplus has been utilized or redeployed on various new products offered by the Regional Rural Banks in marketing their new products /services effectively.

20. On the reaction of customer respondents on “Mergers and acquisition helps in sustenance and growth”, the study reveals that all the respondents both from customer and managerial cadre, express that mergers and acquisition undoubtedly supports sustenance and growth of Regional Rural Banks.

21. A customer of rural banks expects not only quality service but also quick service. Mergers and acquisition was considered to achieve these supra objectives. In the wake of competition, public, foreign and private banks have given greater significance to their “customer care” wing. 92 percent of customer respondents from Regional Rural Banks revealed that Regional Rural Banks take care of customers who fly away. The study reveals that about 10 percent of the customers move away for want of better quality and quick services.

22. The ongoing merger of associate banks with the State Bank of India has been opposed by the trade unions. In order to facilitate mergers the SBI has proposed
three retirement benefits while all along bank managements have complained about lack of adequate funds even to provide two benefits. This unfair approach would have an adverse impact on the ongoing mergers and acquisition process in RRBs too.

23. The study found out that the profit in Regional Rural Banks witnessed a decline due to competition, lack of diversity of banking services, and stringent rules of RBI and sponsored banks before mergers and acquisition. The profit declined in the initial period of mergers and acquisition as the operations were not linked with profit and lack of diversity and the problem NPAs in the banking services.

24. The working condition was very poor due to lack of infrastructure, improper training to employees and job security to the employees in the Regional Rural Banks.

25. However, 36.86 percent respondents from the rural banks opined that outdated technology has been used in operation processes. 26.28 percent of the respondents indicated that banks use new technology by updating the old one. 16.92 percent of the respondents revealed that rural banks use it on par with competitive banks. 17.16 percent of the respondents felt that there is a definite lack of technology use.

26. The study identified that the private and the foreign banks, in the globalized scenario, has made progress in terms of deposit mobilization, and diversifying of banking services. The situation in-turn forced the public sector banks to fall in line. Further they made it clear that mergers and acquisition would help public sector banks for twin reason- namely survival and acceleration of the market share. It also has been helping in case of Regional Rural Banks in Karnataka particularly in Kaveri Grameena Bank.

27. The concept of traditional service in the banking sector has ceased, consequent to mergers and acquisition. In fact the Regional Rural Banks started offering modern services to have an edge over other public, private and foreign banks. Regional Rural Banks have linkage with capital market, insurance, leasing, high purchase, factoring and forfeiting. All the Regional Rural Banks in Karnataka work in co-ordination with sponsored banks in offering non-fund based services.
28. The experience proposed merger of associate banks with the State Bank of India. However there has been opposition from the trade union. In order to merge SBI proposed three retirement benefits while all along bank managements had been complaining about lack of adequate funds even to provide two. This unfair approach would have an adverse impact on the ongoing mergers and acquisition process on Regional Rural Banks too.

29. The study found out that, the profit in Regional Rural Banks was on a declining trend due to competition, lack of diversity of banking services and stringent rules of RBI and their sponsored banks before mergers and acquisition. The profit of Kaveri Grameena bank was declined in the initial period of mergers and acquisition as the operation was not linked with profit added to the lack of diversity in the banking services. But after mergers and acquisition the bank has been increasing its profit.

30. The study finds that Regional Rural Banks rendered only traditional services before mergers and acquisition. Slowly and steadily the Regional Rural Banks are moving away from traditional services to modern services, thanks to the freedom accorded to them. The Regional Rural Banking services may be transformed with help of larger scale mergers and acquisitions strategy.

31. As a consequence of mergers and acquisition in Regional Rural Banks operations have been slowly transforming to non-fund based activities. The Regional Rural Banks in fact were confined to fund based before mergers and acquisitions.

32. The Regional Rural Banks can achieve strong base in capital, human resource, technology, area of operation and qualitative products as they are sources of the important factors which support the banks to rise to the global bench mark. The mergers and acquisition consolidates the above status of resources in both the strong and weak banks, so that it helps them to achieve global standards.

33. Privatization of the public sector banks may have a serious concern on social banking. Public sector including Regional Rural Banks act as agents of the states as they promote their various schemes which in turn promote the welfare of the society. It can further improve through mergers and acquisitions Regional Rural Banks at large scale at the national level.
34. Merged and acquired banks require a nod from the RBI and Finance Ministry. The government has to into the prospects and consequences of the mergers of the proposed banks which involve protection of interest of customers, human resources, consolidation of proposals, and quality of services and area of operation. The government is required to examine legal implications, which obviously consumes more time; as such the process may get delayed.

35. Mergers will be through only when their will one accords the UPA government. The UPA government is a couple of alliance and hence was not a stable one where quick decisions could be taken. Left parties oppose mergers and acquisition as such the process is not as risk as expected. The present ruling BJP government absolute majority makes quick decision easy.

36. In the context of mergers and acquisition, one of the major issues, which need to be handled, is in regard to the treatment of the employees of the transferor bank consequent upon the merger or acquisition. Various laws under which the banking institutions are constituted contain provisions about mergers as also continuation of the existing employees of the transferor bank. In the case of New Bank of India Vs. Union of India (1996 (8) SCC 407) the Supreme Court held that the Central Government had the powers to frame such a scheme and the Court would be entitled to interfere with such a scheme only if it comes to the conclusion that either the scheme is arbitrary or irrational or based on extraneous considerations. In all cases of mergers, the Central Government will have to formulate a suitable scheme for continuation and other service conditions, applicable to the employees of the transferor bank consequent upon merger and acquisition process being completed.

37. Transforming and creation of World Class banks through Mergers and acquisition: Global corporations today expect their bankers to have the expertise, products and presence to serve them anywhere. Banks do need greater resource base and presence across a wide range of markets to satisfy their corporate customers and therefore, the necessary environment must be created to enable the development of institutions with the size and resources to complete globally.

38. Threats and effects of mergers and acquisitions: The Indian banking industry expects consolidation to bring in several future benefits. But many fear that the
desire for size is leading to unhealthy creation of super banks. A study by the Bank for International Settlements (BIS) reports the experience of majority of the mergers as "disappointing" with organizational problems almost inevitably underestimated and most acquisitions overpriced, noting the creation of such banks will be a failure by saying "too big to fail."

39. The government, management and board of directors who consider themselves prime stakeholders in banking units indicate decisions on mergers and acquisition unilaterally. There by the mergers and acquisition process is taking long ignoring the interest of the other shareholders, customers, human resources, suppliers, creditors and other financial institutions which is cause for concern.

40. Indian banking has been competing with foreign financial institution since 1st April, 2009 in urban and rural areas. In sequential a savings part of customer’s savings would go to foreign banks, who in turn deploying the same as per their priority. This situation not only causes shortage but also cripples the activities of the banking sector.

41. The major challenge for banks in India in current times is to mobilize enough resources for meeting the demands of the growing economy. The Report on Trend and Progress of Banking in India, 2006-07, the country’s central bank said that most of the business of banks in India is still concentrated in a few urban centers. To mitigate this problem, since 2006, opening of new branches for any bank is approved by the Reserve Bank only on condition that at least half of such new branches are opened in under-banked areas as notified by the Reserve Bank. Larger scale mergers and acquisitions in RRBs can also open new branches in rural area by using its surplus resources.

42. The study focuses on the Real Time Gross Settlement (RTGS) services that can be extended by Regional Rural Banks for both domestic and foreign country transaction in the global village i.e. anywhere, any time and any place banking services from customer to customer, bank to bank, bank to customer.

43. The study finds out that the Regional Rural Banks can also increase the effectiveness of retail banking services (ATMs) along with the network of merged banks and make use of the existing infrastructure and ATM counters to the
optimum extent on par with commercial banks. Today rural banks are providing ATM services through their sponsored bank ATM network only.

44. Considering mergers and acquisition as panacea in respect of weak Regional Rural Banks, Government has accorded the nod for the Regional Rural Banks, so that they can carry out the process. Other Regional Rural Banks are curiously watching and waiting.

45. The mergers and acquisition strategy in Regional Rural Banks increases the size and strengthens the competitive qualities in both banks so as to enable them to face the competition in the reformed banking sector. By that the regional rural banking operation can be transformed positively towards achieving their core objectives including social banking.

46. More than 54.40 percent of the respondents working in Regional Rural Banks are clearly say that large scale mergers and acquisition in RRBs have more scope in future. By this the Regional Rural Banks can operate its business at global competitive level on par with other banks and in the Indian banking system.

47. About 55.20% of the employees respondents agreed that, the large scale mergers and acquisition in RRBs positively influence quality of banking services at affordable cost by diversifying its traditional banking services to modern services same as the private and public sector banks enjoying after mergers and acquisition strategy.

48. In the modern banking system the Regional Rural Banks must working on the competitive scale of economy 51.60% of the employees respondents are strongly agreed that mergers and acquisition is a strategy will transform the enter banking operation and its efficiency in Regional Rural Banks.

49. In the present Indian banking system the Regional Rural Banks focus more on social banking keeping the core objectives in mind. 43.60 percent of managerial employee respondents placed on record that social banking has been one of the primary objectives of all Regional Rural Banks even after the first phase of mergers and acquisition in the present global banking system.

50. In the present global banking conditions, Regional Rural Banks are also work on the sustenance and growth strategy for their survival in the competition. More than
63.40 percent of the employee respondents opined that, mergers and acquisition strategy is viable in Regional Rural Banks also.

51. Various committees appointed by both Central and State governments have highlighted the gap between demand and supply of financial assistance to the agricultural sector. Further it has been widened after economic reforms.

52. The performance of the 196 Regional Rural Banks on the basis of the viability norms evolved by the Reserve Bank of India was not satisfactory brings the fact that only 21 Regional Rural Banks out of 196 are found to be satisfying all the viability norms. Keeping this in mind the UPA government recommended large scale merger and acquisition in Regional Rural Banks which will transform the financial status.

53. Mounting losses due to non-viable level of operations in branches located at resource-poor areas. The banks started competition opening their new branches in areas of 2000 population. It requires proper coordination among the banking sectors as a whole, where RRBs can open new branches.

54. The operations of Regional Rural Banks are very limited in providing banking services to rural people who are deprived of banking facilities even after six decades after independent India. Merger and acquisition will have more scope for extension of its operation to urban area by using the benefit scale of economy and diversifying the surplus infrastructure.

55. The study found out that the profit in Regional Rural Banks was on a declining trend due to competition, lack of diversity of banking services and stringent rules of RBI before mergers and acquisition in name of social banking. The profit declined in the initial period of mergers and acquisition as the operation was not linked with profit and lack of diversity in the banking services.

56. The study finds that Regional Rural Banks renders a combination of traditional and modern before mergers and acquisition and combination of modern, mix of traditional and modern and global services after mergers and acquisition. Slowly and steadily the Regional Rural Banks are moving from modern services to global banking services, thanks to the freedom accorded to them through bank consolidation.

57. More than 90 percent of the respondents agreed that, in the wake of the globalized scenario, they have made good progress in terms of deposit mobilization, and diversifying of banking services. The situation in-turn has forced the Regional Rural Banks to fall in
line. Further they made it clear that mergers and acquisition would help Regional Rural Banks for twin reasons namely survival and acceleration of the market share.

58. Strong base in capital, human resource, technology, area of operation and qualitative products are sources of the important factors which supports the banks to rise to the global benchmark. The mergers and acquisition consolidates the above status of resources both the strong and weak Regional Rural Banks, so that it helps them to achieve global standards.

59. In consonance with mergers and acquisition, market share of the bank operation gets accelerated. New Kaveri Grameena Bank a prominent service provider in old Mysore region was merged with a well established Rural Bank. This process bulges the market share considerably, as the infrastructure in New Kaveri Grameena Bank and brand equity employed by it was fairly better.

60. The Government of India (Ministry of Finance) issued nine notifications on September 12, 2005 for amalgamation of 28 RRBs into nine new RRBs sponsored by nine banks in six States. These amalgamations have become effective from September 12, 2005.

61. After amalgamation, RRB transformation has resulted in a 200 per cent increase in net profits, a 100 per cent increase in business, a gradual reduction in the number of loss-making banks and addition of 1,000 outlets. All this has been because of consolidation among RRBs. The Central government initiated the process of amalgamating RRBs in September, 2005. Then there were 196 RRBs.

62. The amalgamation of different RRBs of the same sponsor bank in a State helped the combined entity increase business and profits and also RRBs were permitted to open branches at taluk headquarters.

63. RRBs seem to have better Non-Performing Assets (NPA) management with net NPA coming down every year after the amalgamation. In 2005-06, the net NPA stood at 3.96 per cent. It declined to 1.98 percent in 2012-13.

64. Even in the global banking scenario all the banks including Regional Rural Banks in India are not adapting marketing strategy in marketing of agricultural credit. But banks are lending as per the guideline of the government at subsidized rate of interest that will influence the bankers negatively due to problem of recovery and NPAs.
65. All the respondents have strongly agreed that public, private and foreign banks, in the wake of the globalized scenario, have made good progress in terms of deposit mobilization, and diversifying of banking services. The situation in-turn has forced the Regional Rural Banks to fall in line. Further they made it clear that mergers and acquisition would help Regional Rural Banks for twin reason- namely survival and acceleration of the market share.

66. All the respondents of managerial cadre agree that the mergers and acquisition as injected in to the Regional Rural Banks help plummeting incessant loss besides trimming of NPAs which was considered to be bane. The respondents have placed on record that the loss and NPA is reduced by 100percent and 50percent respectively, which fulfills the objectives of the strategy in absorbing banks and the banks which takes over.

67. The study finds out that the Regional Rural Banks have not adopted flat structure, benchmarking strategies, business re-engineering process strategy for diversification of banking non-fund based services and customization strategies for creative marketing in their banking process.

68. The mergers and acquisition strategy in Regional Rural Banks increases the size and strengthens the competitive qualities in both banks so as to enable them to face the competition in the reformed global banking sector.

69. Creation of big size banks through mergers and acquisition: Indian corporations today expect their bankers to have the expertise, products and presence to serve them anywhere. Banks do need greater resource base and presence across a wide range of markets to satisfy their customers and therefore, the necessary environment must be created to enable the development of institutions with the size and resources to complete globally.

70. 61percent employees in the Regional Rural Banks have not been accustomed to core banking operation, which is matter of concern. 36percent of the respondents accepted having understood core banking operation, training and development, from time to time.

71. A customer expects not only the quality of services but also quick services. Mergers and acquisition was considered to achieve the supra objectives. In the wake of competition foreign and private banks have given greater significance to “customer care” wing. The
customer respondents of the Regional Rural Banks unearthed the fact that the Regional Rural Banks takes care of customers who fly away. The study reveals that about 10 percent of the customers are drained out for want of better quality and quick services.

5.2 Some of the Major Suggestions:

In an Endeavour to have more transformations of Regional Rural Banks in Karnataka through mergers and acquisitions more compatible, acceptable, meaningful and methodical, the researcher offers the suggestions inter-alia:

5.2.1. Government, RBI and Regional Rural Banks Management:

1. To this day RRBs are providing loans and advances more on government sponsored schemes at subsided rate of interest that neither gives any profit nor fulfills the demand of marginal big farmers and the financial requirements. RRBs require to adopting marketing strategies in providing loan and advances by which the banks will not only reduce the gap between demand supply of agricultural finance but also make profit by charging attractive rate of interest on agricultural finance to marginal and big farmers.

2. The overall status of all regional rural banks working in Karnataka is not satisfactory when compared to other commercial banks, but the first and the second phase of mergers transformed their banking operations in a big way. The third phase of large scale mergers and acquisition in regional rural banks at the national level will further transforming the rural banking overall status on par with other commercial banks.

3. The Government of India can make use of the regional rural banks to sponsor and launch their welfare schemes like Pradanmanthri Jandan Yojana, Atal Pension, Pradanmanthri Bheem Surksha Yojana, which by RRBs working in rural areas will extend their non fund based banking services, that will transform the banking operations at the national level.

4. Regional Rural Banks have to function in a global environment. The banks have to train up their personnel keeping economic environment, political environment, legal environment, socio cultural environment and technological environment in mind. Further the rural banks should transform themselves from an ethno centric approach to a geo centric approach, through polycentric and re-geocentric approach. This transformation will be needless to say necessary over mergers and acquisition. The government must allow operating through its policies.
5. Cost per employee will decline once Regional Rural Banks go for merger and acquisition process. Comparative cost advantage theory at the industrial level keeps reducing. The cost per employee will decline substantially. In the case of the Kaveri Grameena Banks merger experience cost per employee is reduced from 6.72 percent to 3.6 percent, it can also further be reduced to 2.5 percent benchmark of global banking standard through merger and acquisitions on a large scale in Regional Rural Banks in Karnataka.

6. Mergers and Acquisition promote market share. The Global Trust Bank having over taken Indian Overseas Bank witnessed euphoria in the share in the market. The proposed mergers of State Bank groups with the State Banks of India aimed at pushing the market share by 7 percent. Similarly the proposed Mergers and Acquisition in Kaveri Grameena banks also witnessed 3 percent increase in its market share after its merger with Kaveri Kalpatharu, Chikka Mangalore Kodagu and Visveshvaraya Grameena Banks which also drove market share significantly.

7. India has been an agrarian society since time immemorial. Probably the condition such as standard of living, per capita income, national income and GDP, has been accelerating. Thanks to stupendous growth in the industrial sector. The government continues support to the priority sector such as agriculture, small scale industry, housing and export. The Regional Rural Banks which nourish the priority sector continue to do so, focusing on globalization which is harmful. Make them stronger by consolidating through mergers and acquisitions.

8. The first phase of mergers and acquisitions in Regional Rural Banks in India are evident that the number of loss making RRBs are transforming to profit making banks. It is further noticed that amongst the RRBs the Southern region had a remarkable performance during the study period 2010-2015. The thoughtful observation of the results focused on the results including aspects of financial health is definitely a witness of the performance of RRBs during the study period. Bearing in mind the role played by the RRBs in the Indian banking system, the government and RBI should be allowed to spread its wings and roots further to benefit the rural society.

9. Regional Rural Banks continue to focus on social banking also mainly to benefit the people living under poverty line; this can be continued further, if the rural banks consolidate in a big way.
10. Training and development has become a method of necessity in every organization under diversified business environment. Every institution has to function and realize the significance of survival of the fittest. The employees must acquire skill, knowledge and abilities to meet any challenges in an environment. The rural banks must make an arrangement to conduct suitable methods of training for the benefit of the employees, so that every employee will have to undergo training periodically. Training and development may be considered as a parameter in the performance appraisal or self-appraisal, so that the issue decides the ability of the employees in the process of promotion.

11. Core banking a flexible system in the banking operation clearly focuses upon the settlement of the transactions then and there. The rural banks employees through proper training, that is, on the job training need to equip themselves with the operation and get settled immediately. As is known employees can feel happy by working few minutes more than that of defraying the unsettled transactions. After all it is the obligation of the employees to take the issue to a logical end; hence they should feel pleasure to settle transactions on a daily basis.

The management of Regional Rural Banks may come out with a road map of their quality of services. The market-oriented economy, as has been adopted by the few public, private and foreign banks. The customer looks only for quality of service. This has been embodied in the GATS. In sequence, the rural banks have toned up the services keeping the global benchmark in mind. Rural banks may also retain the significance of quality of service and adopt require steering to consolidate the quality of such services.

12. ATMs and CDMs are value added in the services rendered by the retail banking. This system helps the customers to debit their accounts, hence quick remittance at any moment. The service charges levied on debit transaction are high compared to service charges in private and foreign banks. ATMs and CDMs may be brought under a single roof irrespective of the public sector banks in so a as charges are concerned. The management may step up efforts to all downscale the charges on deposits in ATMs and CDMs.

13. As per the survey 10 percent of the customers drain out every year for the poor quality of services rendered by public sector banks and rural banks. The public
sector banks need to have information in these aspects so that they can evaluate or conduct a survey which helps them to diagnosis the operation deficiency. This in turn supports the need to check customer drain. Public sector banks may prevail upon the government to amend C and R of the employees working banking in the sector. The amendment may lay stress upon the individual performance linked promotion which has been followed in private and foreign banks.

14. The Indian banking services are governed by GATS of the WTO. The employees of the banks instead of being compiled to do what they do, shall request skill, training and acquire knowledge and abilities both on the job and off the job mainly to render effective services accepted world over.

15. The RBI and the Government of India may bring out strategies to strengthen mergers and acquisitions process among regional rural banks instead of advocating privatization of weak public sector banks slowly through disinvestment.

16. Mergers and acquisition under homogeneous (among Regional Rural Banks in Karnataka) groups that is a Public Sector Banks with another Public Sector bank will continue to nourish the priority sector such as agriculture, small scale industry, export and housing. The Government of India may evaluate policies from time to time to ensure growth in economic activities. Public Sector Banks one of the drivers of economic development are under the obligations to implement policies of the government which in-turn enable the agriculture, small scale industry, export and housing to get proper focus for its sustenance and development. Mergers and acquisitions between the heterogeneous units will accord thrust on profitability and productivity hence they ignore the priority sector. At a time when America extends supports to the agriculture sector by ignoring the Doha Declaration, the attitude of the homogeneous banks towards agriculture and other priority sector needs to be changed. Proper and viable lending policy would address this problem.

17. The administrative machinery of the RBI and Central Government should avoid delay in the process of giving effect to the arrangement of mergers and acquisition. Time bound UPA government especially cabinet committee on financial affairs takes two years to accord clearance. This inordinate delay causes
lethargic attitude among the customer and banking. It is suggested to clear such proposals by the present BJP government within maximum period of three months as against 2 years at present, so that the expected results of the mergers and acquisition can be realized by the customers and public.

18. With a view to encouraging and facilitating consolidation and emergence of strong entities and providing an avenue for non-disruptive exit of weak/unviable entities in the banking sector, the Reserve Bank and Government has issued suitable guidelines to facilitate merger and acquisition at the global level.

19. Mergers and acquisition is undoubtedly a viable strategy to save weak banks from liquidation. The proposal involves the interest of all the shareholders, customers, human resources, suppliers, creditors and other financial institutions. Mergers and acquisition can be carried out by creating a platform in which all the stakeholders can discuss the prospects and consequence. Board of management and management are not the prime stakeholders, hence they may hesitate from taking unilateral decision.

20. Mergers of the regional rural banks with other such banks will expand market share. The network branches of merged banks it can takeover by a leverage to further expand their business in the uncovered rural areas, besides tapping the opportunity in the country where they want to operate.

21. The existing section 391(2) of the Companies Act stipulates two conditions for a scheme of mergers or acquisitions to be approved. The requirement of the majority in number does not serve any useful purpose considering that value is simultaneously being considered as a criterion. Further, the international practice also recognizes only value as the determining factor. Therefore, this requirement should be modified to provide only for the approval by three-fourth in value of shareholders and creditors, present and voting in the meeting.

22. According to the existing section 391 of the Companies Act, the procedure of holding of the meetings of the creditor and shareholders and also dispensing with the same is left to the discretion of the courts of the jurisdiction of the merging banks. However, different courts follow different procedures. In this connection,
it is suggested to formulate the rules under both banking and Companies Acts, so as to maintain the uniformity in procedure of holding the meeting.

The Irani Committee, which was constituted in 2004, has also suggested giving statutory recognition to mergers and acquisition without court interventions. The committee suggested the use of single-window concept to approve mergers and acquisition in an effective time-bound manner. The researcher feels that if it is implemented, the ongoing process of SBI and associate banks and RRBs proposals will be approved without delay.

23. The Companies Act should provide some relaxation in the regulation in the regulations concerning mergers and acquisition among public sector banks and associate banks. The concept of contractual mergers and acquisition should also be thought of as an alternative to the form of mergers and acquisition available under the Act.

24. The benefit of set-off of business losses, unobserved depreciation etc. available under section 72A of the Income Tax Act should be made available to transferor banks on par with the companies. The researcher feels that weak public sector banks can motivate to go in for mega mergers and acquisition in future as called by the ex-finance minister Dr P.Chidambharam.

25. In respect of the section 35DD of the Income Tax Act, the CBDT is suggested to allow either 100 percent deduction for mergers and acquisition expenditure to absorbing banks in the year of the process or to carry forward the same for subsequent years even in the care of RRBs.

26. The Government of India may create a conducive atmosphere for the public sector banks going in for large scale mergers. The government can bring out crystal clear policy on the human resources which includes, the security, promotion opportunity, horizontal mobility, career planning and development and hot stove approach. Besides the appraisal system by the different stakeholders may also make clear. Further the rural banks may ask to adopt polycentric, geocentric approach to tackle the problems of human resources.

27. In India, the research on mergers and acquisition is inadequate. This is due to non availability of statistical data on mergers and acquisition in both banking and
manufacturing sector. Hence, it is suggested that the Government, RBI and concerned Registrar of the company should install an information system on corporate mergers and acquisition. The researcher may have easy to access such data on time.

28. The Government and RBI should encourage and support regional rural banks to take appropriate steps in rural development by providing financial assistance and financial autonomy in loans and advances to rural people’s requirements for productive purpose.

29. Policies should be made by the government for opening more branches in weaker and remote areas of a state by amending the existing conditions to new branches of more the 2000 population. That will not only increase banking network but also have positive influence on the turnover and profit margin in the long run.

30. Regional Rural Banks have remained the main drivers of Indian economy to keep pace with socio economic development. In fact the Banks act as social banks, by lending under various programmes a lunched by the government, to lift the people from below poverty line (BPL). The bank’s profitability and productivity should not ruin the social banking system in the country. At a time when the country is spearheading towards achieving super power status, the percent of the people living under BPL needs to be reduced from 17.5 percent in 2006-07 to 0 percent.

5.2.2. Employees:

1. The trade union of regional rural bank needs to understand the importance of mergers and acquisition in transforming the banking sector in case of foreign and private banks. They may note that mergers and acquisition in rural banks is for the benefit of society at large which obviously includes the employees. Mergers and acquisition is a buzz word in all spheres of activities at the global level. Hence the union may drop resistance to the process. Further the tripartite agreements consist of employees, employer and government will help reduce the ambiguity of the employee’s works, strengthening the hands to go ahead with the process further.

2. The Regional Rural Banks have remained the main drivers of Indian rural economy to keep pace with socio economic development. In fact the Regional Rural Banks act as social banking, by lending under various programmes lunches
by the government, to lift the people from below poverty line (BPL). The merger and acquisition which could focus on profitability and productivity and not ruin the social banking system in the country. At a time when the country is spearheading towards achieving super power status, the percent of the people living under BPL needs to be reduced from 29.5 percent in 2010-11 to 0 percent in the years to come; hence mergers and acquisition should continue with social banking.

3. The idea of low cost of Regional Rural Banking in terms of low salaries, low profile, staffing pattern and office has almost lost its relevance due to substantial increases in the salaries and other expenditure of Regional Rural Banks after the implementation of the Supreme Court judgment equal pay for equal work. The average annual expenditure on salary is paid on par with commercial banks employees. Now the employees working in regional rural banks have to transform themselves to marketing the banking services on par with other public sector commercial banks in the competitive market; otherwise survival will be difficult in future.

4. Mergers and acquisition carves out the surplus of infrastructures in terms of materials, men and physical property. Effective policy is made by the concerned to have optimum utilization of such infrastructure. The banks in-addition to focusing upon traditional and non-traditional services may focus upon Customer Relation Management (CRM) which will strengthen the process of creating new customers and retaining of old customers in both semi-urban and rural area.

5. The employees need not resist mergers and acquisition of banks by resorting strike. The strike will affect the growth and development of the country, as operations get paralyzed. They must know that mergers and acquisition in both the regional rural banks are not only to facilitate up-gradation and but also enhance the market share. Stupendous growth of market share brings more profitability which is one of the parameters to decide about the efficiency, economy, flexibility and effectiveness. The proposed mergers and acquisition of State Bank Groups with State bank of India have been resisted by the employees of the former banks by way of strikes, pen down, demonstrations and such other protest impedes the growth.
6. To reduce the gap between demand supply of agricultural credit, the top level employees working in Regional Rural Bank at head office level need to make a detailed and realistic estimate of the credit requirements for their operational area by taking into account of the actual felt needs of its borrower groups in different agricultural sectors of the rural economy, so that the banks will prepare more number of feasible credit projects that could generated huge loans and advances to the agricultural sector.

7. Management and employees of the Regional Rural Banks have to diversify its banking operation and marketing efforts to mobilize rural deposits both from rural individuals and rural self help groups by formulating marketing strategies and implementing innovative methods to deposit mobilization, through organizing Deposit camps with wide publicity at the time of harvesting and marketing of crops.

8. The absorbing bank under mergers and acquisitions needs considerably higher funds by way of debt capital. This is required owing to the debts and obligations of the absorbed bank. The absorbing bank upon the formation of a new entity realizes the profit following optimum utilization of resources of both the banks. This will further result in more profitability which would help in discharging the debts of the absorbed banks.

9. To reduce the increasing NPAs in public sector banks after considering the both NPAs management and all the remedial measures it is very much important establish a link between lending to productive investment and recovery of credit to product sale particularly in priority lending.

10. In the wake of globalization, the customers have assessed the indigenous part of the business. The rural banks shall offer the product to ensure customer satisfaction. Further they need moot effort to render constant services to make them happy customers. Customers no matter in the banks or otherwise expect services indicates, the services which may be termed as above expectation. Mergers and acquisition of the regional rural banks and in this case Kaveri Grameena Banks has witnessed.

11. Public sector banks can strengthen retail banking services keeping in view the holidays and the volume of transaction. Further rural banks may reduce service chargers on debit transactions after the process of mergers and acquisition.
12. Rural Bank Employees Association and unions shall work together and arrive at a consensus adiderm. Therefore institutions shall understand the prospects and consequence of general agreements on trade and services which easily govern the banking sector also. Further harmonious relationship between them will help erecting the constructive guidelines and policy which in turn safeguards the interest of all those concerned including India.

13. Regional rural banks may gear up to orient the employees on the role of banks in the competitive arena. Obviously the banks have to impart knowledge at the broader prospective which operationally includes the impact of GATS on banking industry.

14. Mergers and acquisition under homogeneous groups that is RRBs with other RRBs will continue to nourish priority sectors such as agriculture, small scale industry, export and housing. The Government of India may evaluate policies from time to time to ensure growth in economic activities. RRB is one of the drivers of economic development which are under obligation to implement policies of the government which in-turn enable the agriculture. Mergers and acquisitions between the heterogeneous units will accord thrust on profitability and productivity hence they ignore priority sectors.

15. The consolidation of RRBs has resulted in the formation of new RRBs branches in semi and urban areas which are financially stronger and bigger in size in terms of business volume and outreach which is already proved in the first phase of mergers and acquisition in regional rural banks that too in case of Kaveri Grameena Bank. This will enable further advantages of the scale of economy and reduce their operational costs on par with leading private and foreign banks, by that RRBs will transform its financial position in a big way in the global banking system.

16. The regional bank managements must make use of the opportunity of the central government banking schemes by opening new branches in the areas of 2000 population and transform their banking network by bringing all the 70 cores of rural population under banking net work, by that the RRBs can increase the banking transaction and also achieve the dream of the union government to bring all the county’s people under banking network.
5.2.3 General:

1. Mergers and acquisition usually involve huge cost and high risk. At present, the insurance cover available for the risk of failure of such mergers and acquisition. The researcher suggests that the availability of such insurance cover for failed mergers and acquisition is to be encouraged on large scale. This insurance of cover is expected to increase the comfort level of mergers and acquisition in the Indian banking sector.

2. Mergers and acquisition is undoubtedly a viable strategy to save weak regional rural banks from liquidation. The proposal involves the interest of all the shareholders, customers, human resources, suppliers, creditors and other financial institutions. Mergers and acquisition can be carried out by creating a platform in which all the stakeholders can discuss about the prospects and consequences. The board of management and management are not the prime stakeholders; hence they may hesitate from taking unilateral decision.

3. Mergers and acquisition usually involve huge cost and high risk. At present, the insurance covers available for the risk of failure of such mergers and acquisition is not adequate. The researcher suggests that the availability of such insurance cover for failed mergers and acquisition is to be encouraged on a large scale. This insurance cover is expected to increase the comfort level of mergers and acquisition in the Indian banking sector including RRBs.

4. Effort may be beefed up to educate the customers of the strong and weak banks mainly to instill confidence about the repercussions of the mergers and acquisitions. The repercussion includes providing absolute safety and security to the depositors and customers besides discharging the responsibility towards the customers and society in rural economy.

5. In India, research on mergers and acquisition is inadequate. This is due to non-availability of statistical data on mergers and acquisition in both banking and the manufacturing sector. Hence, it is suggested that the Government, RBI and the concerned Registrar of the company should install an information system on corporate mergers and acquisition. The researcher may find it easy to access such data on time.

6. The existing rate of stamp duty varies around 10 percent to 15 percent of the current market value of the fixed assets. Such a high rate of stamp duty provides distinct to disincentive for mergers and acquisitions. The Governments are here to suggest reducing the stamp duty to encourage mergers and acquisition; the duty should be wiped off and keep public interest in mind.
7. Section 79 of the Income Tax Act should be redrafted in such a way that exemption allowed at present to foreign banks will also be to extended Indian Banks so that the business of banking restructuring are encouraged.

8. Learned citizens of the biggest democracy of the world needs to performance strictly which offers stable government. India has witnessed political instability from since 1991, which could not provide effective government owning to inter and intra considerations. But later, the citizens supported one political party which helpful will provide better government keep the country of the interest in mind, good future will come in the name of “Achhe-din”.

9. Regional rural banks act as agents of the states as such their various schemes which they promote the welfare of the society on social banking idea. Strengthening the RRBs with ongoing consolidation will further increase the loan and advances to rural economy and the core objectives of banks will be achieved in the long run.

10. Mergers and acquisition under homogeneous groups that is a Regional Rural Banks with another Regional Rural Banks will continue to nourish priority sector such as agriculture, small scale industry, export and housing. The Government of India may evaluate policies from time to time to ensure growth in economic activities.

11. The regional rural banks must follow the marketing strategy in agricultural lending to reduce the gap between demand and supply of agricultural finance by that both banks and needy middle class farmers will be benefited in the global banking scenario.

12. Cost per employee will decline, once regional rural banks go in for mergers and acquisition. Comparative cost advantage theory at the industrial level will keep reducing. The cost per employee will decline substantially as reduction of cost per employees.

13. Regional Rural Banks remain the main drivers of the Indian rural economy to keep pace with socio-economic development. In fact the regional rural banks act as social banking, by lending under various programmes launched by the government for agricultural farmers. The merger and acquisition which could focus on profitability and productivity should not ruin the social banking system in the
country. The demand for banking needs to be reduced in the years to come; hence mergers and acquisition should continue with social banking.

14. Mergers and acquisition elucidate unhealthy competition in the regional rural banks. This undoubtedly motivates the banks concerns to come out with strategies which may eliminate the operation of the weak banks. Elimination of the competition will not bring back the problem of monopoly. Expenditures of mergers and acquisition of unhealthy competition will undoubtedly sow the seeds of confidence among the weak rural banks.

15. Core banking as a flexible system in the banking operation clearly focuses upon the settlement of the transactions then and there. The employees who go through on the job training need to acquire themselves with the operation and get settled immediately. As is known, employees can feel happy by working few minutes more than that of defraying the unsettled transactions. After all it is the obligation of the employees to take the transaction to its logical end on a daily basis. Regional rural banks will get this advantage by large scale mergers and acquisition.

16. The Regional Rural Banks may come out with a road map of having the quality of services. They must accord kingly status to the customers. As has been an adopted by the public, private and foreign banks. The customer looks for only quality of services. which has been shell embodied in the GATS. In sequence, the regional rural banks have toned up the services keeping the global bench mark in mind. Regional Rural Banks may also retain the significance of quality of service and adopt require steering to consolidate the quality of such services.

17. The global banking services are governed by GATS of the WTO. The employees of the banks instated being complied with what they are, shall request skill, knowledge and abilities both on the job and off the job mainly to render effective services accepted world over, RRBs are also part of Indian global banking system.

18. As has been observed in regional rural banking operation, the employees working in the banks are not fully aware of various services extended by the banks. Regional rural banks may create such awareness in the minds of all employees for which training and development programme be organized periodically. This will make employees more competent to serve the global customers.
19. Mergers and acquisition is undoubtedly a viable strategy to save weak banks from liquidation. The proposal involves the interest of all the shareholders, customers, human resources, suppliers, creditors and other financial institutions. Mergers and acquisition can be carried out by creating a platform in which all the stakeholders can discuss about the prospects and consequences. Board of management and management RRBs are not the prime stakeholders, hence they may hesitate from taking unilateral decision.

20. Mergers and acquisition carves out the surplus of infrastructures in terms of materials, men and physical property. Effective policy is made by the concerned to have optimum utilization of such infrastructures. The banks in addition to focusing upon traditional and non-traditional services may focus upon Customer Relation Management (CRM) which will keep the process of creating new customers and retaining of old customers.

21. Mergers and acquisition of the regional rural banks clearly consolidates capital, technical know-how, the products, human resources and the process of operation. The proposed merger of few public sector banks, Centurion banks and HSBC bank consolidates these factors. The above resources will enable banks to achieve banking standards.

5.3 Area for further Research

The researcher hints at the following as areas of further research

1. Consolidation of the Indian banking sector through mergers of public sector banks with foreign banks.

2. Merger and Acquisition of more public sector banks, which is called mega mergers to reap the economies of large scale operations.

3. Consolidation of Indian Post Offices into a viable banking system to focus rural banking in India.

4. Mergers and Acquisitions of small and weak banks in both private and public sector with leading non banking financial companies in India.
5.4. Conclusion:

The service sector assumes a pivotal role in the economic development, thanks to General Agreements on Trade and Services (GATS). The service sector mainly covers insurance, hotel, motel transportation, communication, banking, tourism, information technology and bio-technology. The advanced countries have accorded a greater significance to the service sector, as they realize not only the spurt in the activities of services but also their robust contribution to the GDP. In India, the service sector has contributed 57 percent in 2003-04, 62 percent in 2005-06 and over 65 percent in 2007-08 to the GDP of the country. The service sector would occupy a prominent position in India by 2015, as has been pointed out according the corporate value.

The banking industry, which is a part of the service sector, has undergone tremendous changes mainly to keep pace with the fast changing global business. The Indian banking is fully controlled by the Government of India under its code. The system comprises of public sector banks, private banks and multinational banks. The economic reform adopted in the financial services stimulates private and foreign banks to operate in India. Indian banking was monopolized by the public sector banks which are now fully controlled by the Government of India. The nationalization of banks in 1969 and in 1980 could support the Government in controlling, the monetary and credit policies. These banks act as government agents and serve hard in rendering popular schemes of the Government. The irrational and illegal political policy of the Government have pushed their NPA’s alarmingly higher, resulting in a dent on the efficiency and profitability of the public sector banks. Besides the trade union of public sector banks could not change their operation as they have developed resistance to change in the banking operation.

SBI, barring rest of the 26 public sector banks have potential in respect of deposits, advances, technology, re-geocentric, human resource, capital adequacy, profitability, market share and diversified product and services. The rest of the public sector banks are not as competent as some of them are inherited with own weakness, rest are interrupted by the un-declaring interferences and as such they cannot operate at a global benchmark. Privatization, disinvestment and diversification do not cure the inherited problems of public sector banks. The viable solution to the problem of weak banks is Mergers and Acquisition.
A lot of mergers and acquisition process have taken place in the corporate world since a long time. As far as the banking sector is concerned, such process has been viable at the global level. Mergers and acquisition is a matter of necessity to enhance capital adequacy, short run and long run solvency, trimming of the debt equity, expanding the area of operation and thereby becoming market leaders even at a global level. General Agreement on Trade and Services and Basal II expected banking in India to equip them properly to meet the challenges of foreign banks which have entered into India in 1991 but drastically changed after 1st April 2009. The Government of India has prepared a roadmap and planned a dictum to all the public sector banks to acquire requires capabilities to meet the challenges. Further, the Government has been trying to clear legal hurdles, technical hurdles and HR hurdles either by repeating the existing provisions of the concerned banks legislation before mergers or by amendment with suitable provisions in the existing Act.

Several private banks as stated in the study have merged with or have been acquired by strong banks. These banks could acquire required capability to expand their area of operation. And yet, they do not find a place in the top 100 despite a whopping support extended to public sector banks. Interestingly, ICICI bank a leading private and indigenous bank could find a place in the first 50. The Government of India which is committed to ensure equal opportunity to all under socialism advocates mergers and acquisition for the public sector banks. The commitment of the Government is justified as the Government is compelled to nourish priority sector, besides taking care of commercial value.

Public sector banks could not tune themselves to the globalised standards; hence they have problems such as impact of social banking on the economy, poor customer service, obsolete to technology, alarming NPA, prudential regulation, in effective human resources resulting in under utilization of human resources. And they are incapable to compete with leading private banks such as ICICI bank, HSBC bank, Axis banks and Centurion bank of Punjab. The problems of public sector banks caused a dent on the solvency and liquidity position of the banks. The economic reforms guided the public sector to equip to meet all the challenges of the globalised scenario, failing which, privatization is unavoidable Economic liberalization could provide disinvestment and divestment also.
The government having realized the situation gave a nod for the mergers of weak public sector banks with strong public sector banks. This process is undoubtedly a holistic approach mainly to save such banks from closure. Mergers and acquisition yielded proper dividend at the international level especially in USA, UK and China. The process is also seen among the banks in Asian countries like Japan, South Korea, Thailand, China and Malaysia.

Mergers and Acquisition is plausible in all the economic activities no matter what the manufacturing or services. The process acts as a viable strategy to promote deposit, advances, liquidity, human resources, and technology and market share. The mergers of Global Trust Bank with Indian Overseas Bank could revive the glory of the former and thereby instill the confidence in the minds of customer as well as the general public. Similarly mergers of the first phase of regional Rural banks Bank helped to expand the domain of the latter banks as they enhance the base of human resources, technology, capital adequacy, liquidity, solvency and the area of operation.

Former Finance Minister Mr. P Chidambaram advocated succinctly that Indian banks can rise to global levels provided the public sectors banks including Regional Rural Banks step in to mergers and acquisition thereby reduce themselves to five in case of commercial banks in and one in case of RRBs in the each state. The small number of public sector banks having a greater of strength in respect of advances, deposits, technology, liquidity, solvency, product and services and market share can acquire required strength through merger, so that they can meet all global challenges.

Mergers and acquisition has become inevitable in Indian banking industry as well. State Bank of India which is considered to be number two in Indian banking can be empowered on all fronts provided the mergers of associate banks with State Bank of India takes off. The Union Government has already given its assent in the first phase of merger of regional rural banks and they have started yielding. The rural banks, which could nourish the priority sector such as agriculture, SSI, housing, export, education, health care and drinking water, may turn their face towards commercial value by considering the growth of priority sector.

The regional rural banks that were born in Karnataka may also come out with their own formula to go for mergers and acquisition. This is very essential not only for their
survival but also for their robust growth at a global level. Mergers and Acquisition is the need of the hour, as such every bank may ponder whether it will opt for the mega event by that the rural banks can achieve transforming its operations and marketing of its services in the competitive market.

“Large Scale Mergers and Acquisitions in the banking sector will transform Indian banking to become the Global Banking Leader”