ABSTRACT

The crucial role of the financial system is to allocate capital investment towards the most productive applications. In a developing economy like India Banking system is an important financial intermediary. In India Commercial banks and co-operative banks put together hold more than 70% of the assets held by the financial institutions.

Even in the midst of global financial crisis, the Indian Banks have emerged as prudent and strong. This was due to proper regulatory environment and structure driven banking.

Over last few decades post reform, the trend in the banking system is shifting towards efficient operations and enhancing profitability due to the competition posed by the foreign and private banks. In the light of these structural changes in the Indian banking the regulators and policy makers started emphasizing on few changes focusing on operational autonomy of Public Sector Banks, regulatory changes and also the size of the banks. In addition there was also concern over setting up of ‘one stop financial service provider’. As reforms opened up many sectors, the banks too ventured into related products, to imbibe universal banking concept. Post 2000 many Joint ventures were announced by the Indian Banks. It was observed that the size of the Indian banks was too small compared to the global players. It was due to the recommendations of the Narasimham Committee – II, the emphasis on business driven consolidation started obtaining much attention of the practitioners, policy makers and researchers. Till then the mergers were mainly initiated by Reserve Bank of India to protect a weak bank. Active participation of private sector bank gave emergence to business driven strategic mergers.

In the light of the above points discussed it was observed that Indian Banks got involved in expansion oriented restructuring post reforms, hence the present study on corporate restructuring in Indian banking is undertaken. The present study is descriptive and exploratory in nature. The main objective of the study is to understand the difference between fiat driven mergers and business driven mergers. The researcher used mailed questionnaires to conduct the survey of principal office bearers of
employee association and union and also from the top management. The data is analyzed using 't' test and the differences in the opinions were presented.

The study also focuses on the post merger financial performance of the acquiring banks in both fiat driven and voluntary mergers. The analysis is carried out keeping in view the strategic objectives of the bank mergers. The selected financials and ratios are categorized into 5 major groups to match with the merger drivers. They are, regulatory compliance, size efficiency, managerial efficiency, productivity and shareholders’ return/profitability.

The target features analysis, at the time of merger is also carried out by comparing the targets and acquirers in fiat driven mergers and voluntary mergers.

The study finally focuses on the Joint Venture (JV) strategy adopted by the commercial banks to foray into mainly insurance and mutual funds. The study proposes to understand the difference in the status enjoyed by bank promoted joint ventures compared to others. To make a comparison between the two the relevant financials were considered, such as business volume generated through banks channels, compounded annual growth rate in assets under management. Study proposes to find whether being a bank promoter in JV provides edge over other promoters in joint venture.

The statistical significance is tested using ‘t’ test. The study focuses on the time period between April 1997 to May 2008.

The emergence of competition and the structural changes in the Indian banking motivates the present study. The corporate restructuring exercises carried out by the banks are expected to impact the performance. The study proposes to enquire the same and support the same in case found appropriate.

The corporate restructuring exercises carried out need to create strong and profitable banks in the Indian banking system.