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# Perspective of Merger and Acquisition in the Indian Banks - A Sectoral Analysis

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**MERGER & ACQUISITION (M AND A)** aims towards business restructuring thereby increasing competitiveness and shareholders' value via increased efficiency. The banking industry has experienced an unprecedented level of consolidation on a belief that incomparable gain can accrue through expense reduction, increased market power, reduced earnings volatility and scale and scope of economies. The banking sector is one of the most important instruments of the national development. Economic development of the country is evident through soundness of the banking system. Deregulation in the ***financial markets, markets liberalization, economic reforms*** have witnessed astounding changes in the banking industry leading to incredible competitiveness and technological sophistication leading to a new era in banking. Since, then every bank is relentless in their endeavor to become financially strong and operationally efficient and effective. When deregulation dawned the horizon ***non banking financial institutions, private and foreign banks*** entered the fray with their hitechs. The outwit competition in the banking industry is bound to vault further down the lane, which in turn would make banking business more challenging and perplexing. A paradigm shift is discernable in the Indian Banking arena. This article concentrates on some ***M and A*** that have occurred post liberalization in India to understand the intents of **"*the Targets" and "the Acquirers"*.** The purpose of the present paper is to explore various motives of merger in Indian banking industry. The data of Merger and Acquisitions since economic liberalization are collected for a set of various financial parameters. Independent T-test used for testing the statistical significance and this test is applied not only for ratio analysis but also effect of merger on the performance of banks. This performance being tested on the basis of two grounds i.e.. Pre-merger and Post- merger. **Finally the study indicates that the banks have been positively affected by the event of merger.**

***Keywords***-*(Financial Regulations, National Development, Banking Industry, Liberalization, Merger and Acquisition (M&A), Globalization, Synergy, Profitability).*

## I. INTRODUCTION

The liberalization ushered in 1991 very significantly changed the scene. Following the liberalization of the regulations on growth and **M AND A**, the m and a mania has bitten corporate India making the 1990's a decade of structural transformation of the banking industry sector. These changes have affected this sector both structurally and strategically. With the changing Environment Consequent to the government of India economic policies pertaining to *globalization, liberalization and privatization* coupled with the financial restructuring and financial inclusion there has been a paradigm shift in the structural and operational pattern in the Indian Banking Industry. M & A in India have evolved through a distinct phase of regulations. On one side of the regulatory spectrum there has been a discouragement to the formation of combinations due to fear of concentration of the economic power in the hands of few and on the other side there have been encouragement to varied forms of M & A due to optimum utilization of resources, social benefits and growth and competitiveness of Indian corporate as well as banking sector. It is argued that a tradeoff between competition and stability is bound to persist despite improvements in regulations and liberalization that the banking sector specificity should be recognized by competition policy and that competition policy and regulation and liberalization needs close coordination. So, we can in fact say without exaggeration or hyperbole that the causes of explaining M&A in 1990's were the" **Decades Of Deregulation"**

## II. LIBERALIZATION & REGULATION-A BASIC CONCEPT

**Liberalization** means the dismantling of trade barriers between nations and the integration of the nations economies through financial flow, trade in goods and services and corporate and banking sector investments between and among the nations both globally and nationally. **Regulation** is an abstract concept of management of complex systems according to a set of rules and trends. In business and banking sector, industry and banks self-regulation occurs through self-regulatory organizations and trade associations which allow industries and banks to set rules with less government involvement.

## III. PRE LIBERALIZATION AND LIBERALIZATION IN 1990's-

From independence till the later part of 1980's India's economic approach was mainly based on government control and a centrally operated market. The company did not have a proper consumer oriented market and foreign investments were also not coming in.

It was in the 1990's that the first initiation towards globalization and economic liberalization was undertaken by *Dr Manmohan Singh* who was the finance minister of India under the congress government headed by *PV Narasimha Rao*. This is perhaps the milestone in the economic growth in India and it aimed towards welcoming globalization. Since, the liberalization plan the economic condition gradually started improving and today India is one of the fastest growing economies in the world with an average yearly growth rate of around 6-7%.

## IV. MERGERS & ACQUISITIONS: CONCEPTUAL BACKGROUND

In technical terms, while merger means creating a new entity, that is a combination of existing entities to achieve common objectives, acquisition refers to buying-out or acquiring stake in another company (**Hopner and Jackson, 2006; Reuvid, 2007**). *M&A* are an important aspect of any corporate strategy and may occur in response to a variety of strategic, technological, economic or organizational factors. Joint ventures, strategic alliances and lately outsourcing are other forms through which firms can work together for a well defined set of objectives, activities or products but without commonly controlling the participating firms **(Ramaswami and Namakumari, 1999).** These could be especially useful when there are certain hurdles (regulatory, cultural or others) prohibiting collaboration through *M&A*.

**Merger waves**

| The economic history has been divided into *Merger Waves* based on the merger activities in the business world as: **Period** | **Name** | **Facet** |
|---|---|---|
| 1889 - 1904 | First Wave | Horizontal mergers |
| 1916 - 1929 | Second Wave | Vertical mergers |
| 1965 - 1989 | Third Wave | Diversified conglomerate mergers |
| 1992 - 1998 | Fourth Wave | Congeneric mergers; Hostile takeovers; Corporate Raiding |
| 2000 – TILL DATE | Fifth Wave | Cross-border mergers |

(SOURCE-Wikipedia)

## V. M &A TRENDS IN INDIA-

The Indian banking sector can be divided into two eras, the pre liberalization era and the post liberalization era. In the pre liberalization era government of India nationalized 14 banks as 19July 1965 and later on 6 more Commercial Banks were nationalized as 15 April 1980. In the year 1993 government merged the new banks of India and Punjab National banks and this was the only merged between Nationalized Banks after that the number of Nationalized Banks reduces from 20 to 19.In the post liberalization regime; government had initiated the policy of liberalization and licenses were issued to the private banks which lead to the growth of Indian banking sector. The Indian banking industry shows a sign of improvement in performance and efficiently after the global crises in 2008-2009. In the Indian banking industry having far better position than it was at the time of crises. Government has taken various initiatives to strengthen the financial system. The economic recovery gained strength on the bank of a variety of monetary policy initiatives taken by the RBI.

## Review of Related Literature

**Table 1-A Brief Literature Survey**

| NO | STUDY | PERIOD | FINDINGS/OBJECTIVES/METHODOLOGY |
|---|---|---|---|
| 1. | Berger and Humphrey | (1997) | *Extensive review on the efficiency of banking sector.*Majority of studies focused on the banking markets of well developed countries with particular emphasis on US market. |
| 2. | Müslümov Alövsat | (2002) | *He examined that synergy is one of the main factor behind the merger and took 56 mergers from US industry. *The post merger create additional value and shows the improvement of bidder firm with price to book ratio, used non-parametric test as most suitable method of testing post merger performance. |
| 3. | Mehta Jay &Kakani Ram Kumar | (2006) | * While a fragmented Indian banking structure may be very well beneficial to the customer because of competition in banks, but at the same time not to the level of global Banking Industry, and concluded that merger and Acquisition is an imperative for the state to create few large Banks. |
| 4. | Mantravedi Pramod & Reddy A Vidyadhar | (2007) | *They evaluated that the impact of merger on the Operating performance of acquiring firms in different industries. *They selected all mergers involved in public limited and traded companies in India between 1991 and 2003, result suggested that there were little variation in terms of impact as operating performance after mergers. |
| 5. | Anand Manoj & Singh Jagandeep | (2008) | *They studied the impact of merger announcements of five banks in the Indian Banking Sector on the share holder bank. *The announcement of merger of Bank had positive and significant impact on share holder's wealth. |
| 6. | Lehto Eero & Bockerman Petri | (2008) | *They evaluated that the cross border Merger and Acquisitions lead to downsizing of The manufacturing employment and the effects of cross border Merger and Acquisitions on employment in non- manufacturing are much weaker and change in ownership associated with domestic Merger and Acquisitions and internally restructuring also typically causes employment losses. |
| 7. | Kuriakose Sony et al | (2009) | *They focused on the valuation practices and adequacy of swap ratio fixed in voluntary amalgamation in the Indian Banking Sector and used swap ratio for valuation of banks. |
| 8. | Aharon David Y et al | (2010) | *They analyzed the stock market bubble effect on Merger and Acquisitions.* Merger of banks through consolidation is the significant force of change took place in the Indian Banking sector |
| 9. | Sinha Pankaj & Gupta Sushant | (2011) | *They studied a pre and post analysis of firms and concluded that it had positive effect as their profitability, in most of the cases deteriorated liquidity. |

*(Source-Authors Compilation*

### VII. M & A IN INDIAN BANKING SECTOR: AN OVERVIEW

Bank merger is an event when previously distinct banks are consolidated into one institution. A merger occurs when an independent bank loses its character and becomes a part of an existing bank with one headquarter and a unified branch network Banks today face operational risks such as competition risk, technological risk, casualty risk, interest rate risk, market risk etc.

**Table 2: List of Banks Merged Since 1969 till date**

| Target Bank | Acquirer Bank | Year |
|---|---|---|
| Bank of Bihar | State Bank of India | 1969 |
| National Bank of Lahore | State Bank of India | 1970 |
| Eastern Bank | Chartered Bank | 1971 |
| Krishnaram Baldeo Bank Ltd | State Bank of India | 1974 |
| Belgaum Bank | Union Bank | 1976 |
| Lakshi Commercial Bank | Canara Bank | 1984-85 |
| Bank of Cochin | State Bank of India | 1984-85 |
| Miraj State Bank | Union Bank | 1985 |
| Hindustan Commercial Bank | Punjab National Bank | 1986 |
| Traders bank ltd | Bank of Baroda | 1988 |
| United industrial bank | Bank of Allahabad | 1989-90 |
| Bank of Tamilnadu | Indian Overseas Bank | 1989-90 |
| Bank of Thanjavur | Indian Bank | 1989-90 |
| Parur Central Bank | Bank of India | 1989-90 |
| Purbanchal bank | Central Bank of India | 1990-91 |
| New Bank of India | Bank of Punjab | 1993-94 |
| Bank of Karad | Bank of India | 1993-94 |
| Kasinath Seth Bank | State Bank of India | 1995-96 |
| SCICI | ICICI | 1996 |
| ITC Classic Finance Ltd | ICICI | 1996 |
| Bari Doab Bank Ltd | Oriental Bank of Commerce | 1997 |
| Punjab Cooperative Bank Ltd | Oriental Bank of Commerce | 1997 |
| Anagram Finance | ICICI | 1998 |
| Bareilly Corporation Bank | Bank of Baroda | 1999 |
| 20th Century Finance Corporation | Centurion Bank | 1999 |
| Sikkim Bank Ltd | Union Bank | 1999 |
| Times Bank | HDFC Bank | 2000 |
| Bank of Madurai | ICICI Bank | 2001 |
| Banaras State Bank Ltd | Bank of Baroda | 2002 |
| ICICI | ICICI Bank | 2002 |
| Nedungadi Bank | Punjab National Bank | 2003 |
| South Gujarat Local Area Bank | Bank of Baroda | 2004 |
| Global Trust Bank | The Oriental Bank of Commerce | 2004 |
| Bank of Punjab | Centurion Bank of Punjab | 2005 |
| Centurion Bank | Centurion Bank of Punjab | 2005 |
| Ganesh Bank of Kurundwad | Federal Bank | 2006 |
| Bank of Baroda | Nainital Bank | 2006 |
| United Western Bank | IDBI | 2006 |
| Sangli Bank | ICICI Bank | 2007 |
| Bharat Overseas Bank | Indian Overseas Bank | 2007 |
| Centurion Bank of Punjab | HDFC bank | 2008 |
| State bank of Shaurastra | State bank of India | 2008 |
| State bank of Indore | State bank of India | 2009 |
| Bank of Rajasthan | ICICI Bank | 2010 |
| Ing Vysya Bank | Kotak Mahindra Bank | 2016 |
| 5 SB Associate Banks and Bharatiya Mahila Bank | State Bank of India | 2017 |

Source-(Statistical data of Banking in India, RBI and various sources; Data compiled and edited)

## VIII ADVANTAGES OF M&A IN INDIAN BANKING SECTOR:

Merger is generally accepted to promote synergies. The basic idea is that the combined entity will create more value than the individual banks operating independently. Some advantages are-

**(i)** Economies of Scale & Scope.

**(ii)** Greater efficiency.

**(iii)** Leveraging technology.

**(iv)** Managerial efficiency.

**(v)** Changing / Liberal Laws.

**(vi)** Diversification.

**(vii)** Improved market reach and Industry visibility.

**(viii)** Increased Revenue

## IX. WHY NEED FOR THE SECTORAL STUDY?

It is seen that, most of the works have been done on trends, policies & their framework, human aspect which is needed to be investigated, whereas profitability and financial analysis of the mergers have not given due importance in the banking sector. The present study would go to investigate the detail of Merger and Acquisitions (M&As) with greater focus on the Indian banking sector. The study will also discuss the pre and the post merger performance of sample banks. An attempt is made to predict the future of the ongoing Merger and Acquisitions (M&As) on the basis of financial performance of Indian banking sector.

## X. WHY MERGER IN INDIA?

India is a developing country and mergers and acquisition is a regular feature of everyday. It becomes a corporate and banking game today .Some of the reasons are enumerated under:-

- Dynamic government policies: -India adopts dynamic polices to attract the investors.
- Corporate investment in industry and banks.
- Economic stability
- Ready to experiment investment in new industry and banks.

## XI. M&A IN THE INDIAN BANKING SECTOR AS AN OPPORTUNITY

There are two prime reasons to believe that M&A in the Indian Banking Sector is an opportunity.

### 1. Creation of a Financial Super Market or a Universal Bank

A recent trend is to promote the concept of a financial super market chain, making available all types of credit and non-fund facilities under one roof under one umbrella organization (or through specialized subsidiaries).Though one has to state that consolidated accounting and supervisory techniques would have to evolve and appropriate fire walls built to address the risks underlying such large organizations and banking conglomerates.

### 2. Technological Expertise

New entrants in the banking sector are armed with technological expertise while older players are well equipped with experience in practices. Mergers would thus help both parties to gain an expertise in areas in which they lack. In India, the retail banking market biased towards the urban markets is growing at a Compounded Annual Growth Rate (CAGR) of almost 18-20% while the rural market is yet to be fully tapped. Keeping in focus the population profile, technology would be a major enabler for banking in the future. A number of state owned banks in India are adopting sophisticated core banking solutions and these are just the larger ones. For smaller banks to adopt technology platforms the expenditure may not be sustainable and hence this may be one more reason for M&A.

## XII THE INDIAN SCENARIO-DEREGULATION

The Indian banking industry is presently in a situation of great flux. There are various developments, changes within the Indian economy and deregulations occurring that have the potential to drastically change the way this industry functions in the future. As per the changes envisaged by the Reserve Bank of India (RBI), a roadmap has been laid down to gradually deregulate this sector to the foreign banks.

Some of these regulations include the following proposals:

- Lifting the ceiling on voting rights in banks
- Smoothen mergers and acquisitions of private banks
- Permit foreign banks to set up subsidiaries in India
- A tentative nod to banks to permit trading in commodities and commodity derivatives

## XIII CONSOLIDATION AND HUMAN RESOURCE MANAGEMENT

In order to meet the global standards and to remain competitive, banks will have to recruit specialists in various field such as Treasury management, Credit, Risk Management, IT related services, HRM, etc. in keeping with the segmentation and product innovation. As a complementary measure, fast track merit and performance based promotion from within would have to be institutionalized to inject dynamism and youthfulness in the workforce. To institutionalize talent management, the first priority for the banking industry would be to spot, recognize and nurture the talent from within. Secondly the industry has to attract the best talent from the market to maintain the required competitive edge among global players. **The critical issue is how talent is integrated and sustained in the bank. Therefore proper system of talent management should be put in place by all the banks (nationally & globally).**

## XIV. RESEARCH METHODOLOGY

### A. Data Collection

For the purpose of evaluation of investigation data is collected from merger and Acquisition (M&As) of Indian Banking Industry. The financial and accounting data of banks is collected from banks annual reports and other valuable data are gathered from various secondary sources such as articles, journals, magazines and CMIE database to examine the impact of merger on financial performance of the Banks.

### B. Methodology

To test the prediction, methodology of comparing the pre and post performance of the banks after the merger has been adopted by using following financial parameters such as *Gross Profit margin, Net Profit margin, Return on Capital Employed, Return on Equity and Debt Equity Ratio.* My Research has taken one case of merger as Sample i.e., merger of HDFC Bank ltd & Centurion Bank of Punjab. The pre merger (three years prior) and post merger (after three years) of the financial ratios is being compared. The year of merger is considered as base year and denoted as 0 and it is excluded from the evaluation. Keeping in view the purpose and objective of the study independent T-test is being employed under this study.

C. Ratios

- Gross Profit Margin Ratio : Gross Profit / Sales X 100
- Net Profit Margin Ratio : Net Profit / Sales X 100
- Operating Profit Margin Ratio : Operating Profit / Sales X 100
- Return on Capital Employed : Net Profit / Total Assets X 100
- Return on Equity : Net Profit / Equity Capital X 100
- Debt Equity Ratio : Total Debt / Total Equity X 100

## XV. ANALYSIS AND INTERPRETATION OF THE SAMPLE BANKS (*HDFC & Centurion Bank of Punjab)*

In this study deals with merger of HDFC Bank Ltd (bidder bank) and Centurion Bank of Punjab Ltd (Target Bank) . This deals took place in year 2008(i.e. may 23rd 2008). In order to analyses the financial performance of banks after the merger, the financial and accounting ratios like Gross Profit Margin, Operating Profit Margin, Return on Capital Employed, Return on Equity and Debt Equity Ratio have been calculated. Table 3 indicates that the financial performance of both the banks before the merger. Table 4 shows the financial performance of HDFC Bank ltd (bidder bank) after merger.

**TABLE-3 : Financial performance of HDFC Bank Ltd and Centurion Bank of Punjab for the last three financial years is ending before the merger**

**Financial ratios (in percentage)**

| RATIOS | HDFC BANK LTD(BIDDER BANK) | | | CENTURION BANK OF PUNJAB(TARGET BANK) | | |
|---|---|---|---|---|---|---|
| | As on 2005 | As on 2006 | As on 2007 | As on 2005 | As on 2006 | As on 2007 |
| Gross Profit Margin | 74.1719 | 71.1233 | 69.9408 | 55.8583 | 53.4151 | 69.5703 |
| Net Profit Margin | 21.5119 | 19.4573 | 16.5691 | 8.7116 | 15.2490 | 9.5683 |
| Operating Profit Margin | 53.1167 | 46.0083 | 47.9309 | 37.2331 | 22.4315 | 37.6088 |
| Return on Capital Employed | 1.2941 | 1.18463 | 1.2511 | 0.6538 | 1.0810 | 0.6567 |
| Return on Equity | 214.7799 | 278.0801 | 357.3844 | 29.7572 | 86.9701 | 77.4651 |
| Debt Equity Ratio | 134.3883 | 192.7486 | 222.6536 | 35.2757 | 67.1107 | 100.8016 |

**(Source: Financial Statements of Banks)**
http://www.moneycontrol.com/stocmarketsindia/

**TABLE-4 : Financial Performance of HDFC Bank Ltd For the Next The Financial Year Was Ending After The Merger Announcement**

**Financial Ratios (In Percentage)**

| RATIOS | HDFC Bank Ltd (Bidder Bank) | | |
|---|---|---|---|
| | As on 31-03-2009 | As on 31-03-2010 | As on 31-03-2011 |
| Gross Profit Margin | 74.76217 | 74.66454 | 76.2925 |
| Net Profit Margin | 13.74548 | 18.23227 | 19.70267 |
| Operating Profit Margin | 54.61426 | 51.12141 | 54.53866 |
| Return on Capital Employed | 1.22493 | 1.3255 | 1.41566 |
| Return on Equity | 527.75165 | 644.18447 | 843.96749 |
| Debt Equity Ratio | 342.04104 | 393.9357 | 479.29082 |

**(Source: Financial Statements of Banks)**
http://www.moneycontrol.com/stocmarketsindia/

**TABLE-5 : MEAN AND STANDARD DEVIATION OF PRE-MERGER AND POST-MERGER RATIOS OF COMBINED (CBOP & HDFC BANKS) AND ACQUIRING BANK (HDFC BANK)**

| | | Mean | Standard Deviation | T-Value | Sig. |
|---|---|---|---|---|---|
| **Gross Profit Margin** | **Pre** | 70.2136 | 1.9711 | -4.008 | 0.016 |
| | **Post** | 75.2397 | 0.9130 | | |
| **Net Profit Margin** | **Pre** | 18.8413 | 3.3731 | 0.610 | 0.575 |
| | **Post** | 17.2268 | 3.1033 | | |
| **Operating Profit Margin** | **Pre** | 46.7550 | 4.5640 | -2.319 | 0.081 |
| | **Post** | 53.4248 | 1.9951 | | |
| **Return on Capital Employed** | **Pre** | 1.1877 | 0.0475 | -2.182 | 0.095 |
| | **Post** | 1.3220 | 0.0954 | | |
| **Return on Equity** | **Pre** | 2.1775 | 48.0414 | -4.711 | 0.009 |
| | **Post** | 6.7197 | 159.9283 | | |
| **Debt Equity Ratio** | **Pre** | 1.4876 | 36.5495 | -5.667 | 0.005 |
| | **Post** | 4.0509 | 69.3013 | | |

(S**ource:** Based on tables 3&4, 5% level of significance).

## XVI. FINDINGS OF THE STUDY

In the present case, the merger of the Centurion Bank of Punjab and the HDFC Bank, the comparison between pre and post performance we seen that the Mean value of **Gross Profit margin**(70.2136% Vs 75.2397%) has increased with t-value -4.008 which shows significant improvement in the Gross Profit margin after the merger but in **Net Profit margin** and **Operating Profit margin** we can see the decline the in the Mean of both parameters that indicates that there is no change in the performance of banks Net Profit margin and Operating Profit margin after merger and results shows that there is no significance with Mean (18.8413% Vs 17.2268%) and t-value 0.610 and (46.7550% Vs 53.4248%) and t-value -2.319 and the mean **Return on Capital Employed**(1.1877% Vs 1.3220%) and t-value -2.182 which also not Significant statically and shows that no charge has been in term of investment after the merger. The mean of **Return On Equity And Debt Equity Ratio** shows improvement and statically conformed significant to mean value (2.1775%vs6.7197%)and t value -4.711and (1.4876%vs4.0509%) and t value -5.667.The mean value of equity in post merger has been increased so it increased the share holders return held, it also shows the improved performance of bank after merger. Similarly **Debt Equity Ratio** also improved after the merger, the mean value shows the change in debt equity ratio after the merger. **From the above analyses we can conclude that some ratios indicate no effect but most of the ratios shows the positive effect and increase in the performance of banks after merger announcement.**

## XVII. IMPLICATIONS OF THE MERGER-

The present study analyzed the growth of merged banks **HDFC Bank and Centurion Bank of Punjab** during pre merger and post merger periods. The above analysis clearly showed that the performance of merged banks in respect of growth of stated parameters was not different from the expectations. As M & A activities in Indian banking circuit are inevitable it is suggested to the corporate and banking sectors who wish to improve performance would follow M & A activities. If the banks want to proceed with M & A activities, they have to proceed more carefully so that they can avoid the common mistakes associated with M & A. Further the banks may develop appropriate measures to gauge the success of the acquisition activities and adopt suitable measures to improve their post merger performance.

## XVIII CONCLUSION

Mergers and Acquisitions (M&A) have immensely evoked and still continue to capture scholars 'interests. More so, M&A in the banking sector evokes high interest simply for the fact that after decades of strict regulations, easing of the ownership & control regulations has led to a wave of M&A in banking industry throughout the world. Consolidation through M&A may be requirement of future. M&A of future should aim at creation of strong entity and to develop ability to withstand the market shocks instead of protecting the interests of depositors of weak banks. M&As are no substitute for poor assets quality, lax management, indifference to technology up gradation and lack of functional autonomy and operational flexibility. A large number of vulnerable old private sector banks whose financial health is causing a lot of concern, are gobbled up by the more able ones and there are more such mergers on cards. However, Merger is the useful tool for growth and expansion in Indian Banking Sector. It is helpful for survival of weak banks by merging into larger bank. This study shows that impact of merger on financial performance of Indian Banking sector. For this a comparison between pre and post merger performance examined in terms of Gross **Profit margin, Net Profit margin, Operating Profit margin, Return on Capital employed, Return on Equity and Debt equity ratio.** In the present case study , the return on equity , debt –equity ratio and Gross Profit margin has shows the improvement after the merger and for the purpose and objective of the study, investigator apply t-test for analyzing the pre and post merger performance of banks and result suggested that after the merger the financial performance of the banks have increased. The most important is that to generate net higher profit after the merger in order to justify the decision of merger undertaken by the management to the shareholders. With increasing globalization, attaining size advantages will become critical for Indian banks. Combined with the need to attain higher capital standards under Basel II Accord, consolidation in the Indian Banking industry will become imminent. However, the issues that need to be addressed include maximizing synergies in terms of regional balance, network of branches, HR culture, and asset commonality and legacy issues in respect of technology. In the present Indian scenario, we must develop small number large banks of global size instead of large number of smaller banks as we are having now.

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