PROJECT REPORT
ON

"Analysis of effects of merger and acquisition on profitability of Indian banks with special reference to STATE BANK OF INDIA"

Affiliated to

Rashtrasant Tukadoji Maharaj Nagpur University

In partial fulfillment for the award of the degree of

Master of Business Administration (MBA)"

Submitted by:

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CERTIFICATE

This is to certify that “Durga Waghmare“ has submitted the project report titled *“*Analysis of effects of merger and acquisition on profitability of Indian banks with special reference to STATE BANK OF INDIA*”* towards partial fulfillment of MASTER OF BUSINESS ADMINISTRATION degree examination. This has not been submitted for any other examination and does not form part of any other course undergone by the candidate. It is further certified that he/she has ingeniously completed his/her project as prescribed by G. S. COLLEGE OF COMMERCE & ECONOMICS, NAGPUR (NAAC Reaccredited “A” Grade Autonomous Institution) affiliated to Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

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PLACE NAGPUR

DATE-15-07-2021

DECLARATION

I here-by declare that the project with title *"Analysis of effects of merger and acquisition on profitability of Indian banks with special reference to STATE BANK OF INDIA"* has been completed by me in partial fulfillment of MASTER OF BUSINESS ADMINISTRATION degree examination as prescribed by G. S. COLLEGE OF COMMERCE & ECONOMICS, NAGPUR (NAAC Reaccredited "A" Grade Autonomous Institution) affiliated to Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur and this has not been submitted for any other examination and does not form the part of any other course undertaken by me.

PLACE : NAGPUR

DATE : 16-07-21 **"Durga Waghmare"**

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EXECUTIVE SUMMARY

The big and giant merger in the history of banking industry was took place on 1st April 2017. The State bank of India has been merged with its associated banks.

State Bank of Travancore, State Bank of Hyderabad, State Bank of Mysore, State Bank of Bikaner & Jaipur, State Bank of Patiala, Bhartiya Mahila Bank.

This study analyzes the financial performance of State Bank of India before and after merger and it also examines the reasons and challenges faced by State Bank of India during merger.

To compare the financial performance of State Bank of India the ratio analysis has been used to analyze the financial position.

The main object of this study to analyze the present position of State Bank of India after merger. And tries to analyses the reason for merger and various challenges the bank faced during merger.

And for this purpose we are analyzing the financial performance of the SBI bank through ratio analysis.

And through these we study the present position of SBI and its strength .

A detailed description of this major event constituted the second element as the scope of this field of academic study

The conclusion is that SBI is still fronting the internal processes issues like HR issues, more people are implementing in the organization for them entire organization structure should be explained.

SBI is in very low net profit after the amalgamation and also the steadiness of the bank is problematic even the study of this report reveals the same.

So, SBI should definitely look in to it for been profitable and increase the share value of the bank.

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CHAPTER 1

INTRODUCTION

Mergers and Acquisitions

Mergers

A merger occurs when two firms combine due to mutual agreement.

Mergers are often misunderstood to be acquisitions. Acquisition is when one huge company buys and includes another company, thus making the latter non- existential in terms of title and control.

However, in most mergers, companies amalgamate to form a completely new organization.

Mergers happen for various reasons and in various ways.

The direction of the merger is usually fuelled by the reason behind the merger.

The two major types of Mergers are:

(a) Horizontal Merger - A horizontal merger occurs between two companies at equal degree of competition. This merger usually takes place to minimize the costs and maximize the synergy between the 2 companies.

For example, when 2 companies merge, one of the companies which is operating in an old factory but has valuable land, can sell its land, and produce its products in the factory of the other company. This increases the profits as well as reduces the administrative costs, by using the administrative staff of only one of the companies.

(b) Vertical Merger - In a vertical merger, a company merges with either a supplier or a customer.

For example, under merger with the supplier, a food handling company may merge with an industrial agronomic company, so that it gets a nonstop supply of agronomic products. Under merger with customer, the food processing company may merge with a selling store, in order to market its products to the customers directly.

Acquisitions

acquisition of a company is the procurement of a company or the division of the company. Most acquisitions are either paid in money, or in a blend of both money and the stock of the purchasing company. When some acquisitions are supported with debt, it is called a **leveraged buyout**. Acquisitions are of two types. A company may acquire another company from the same level, to improve its own operation. Sometimes it may acquire its own competitor in order to expand its share and dominance in the marketplace. Another type is when the company acquires another company from an entirely new line of business. This is done by the company in order to diversify its business. Acquisitions can also be undertaken by a financial company or an individual financier, usually to resell the purchased company at a profit. In a corporate company, the buyer purchases a company with a view to improve its operation and business, and increases its share price hence earning more profits when the shares are sold. For example, Whatsapp and Instagram were acquired by Facebook**.**

Mergers and acquisitions (M&A) is a general term that denotes the integration of companies or assets through numerous types of commercial transactions. M&A can contain a number of different trades, such as mergers, acquisitions, alliances, tender offers, purchase of assets and managing acquisitions.

In all cases, two companies are involved.

The term M&A also refers to the branch at financial institutions that contracts with mergers and acquisitions.

While interest in mergers and acquisitions is not new, it has strengthened recently as a result of a excess of mergers and acquisitions in the 1980s.

Bank in general vocabulary is referred to as an financial institute or a corporation which is lawful by the state or central government to deal with money by accepting deposits, giving out loan and investing in securities.

The main roles of Banks are Finances growth, Development of the economy and deliver funds for investment. In the resent times banking sector has been experiencing a lot of changes in terms of guideline and effects of globalization. These changes have exaggerated this sector both structurally and purposefully. With the changing atmosphere many changed strategies have been adopted by this sector to remain wellorganized and to surge ahead in the global arena. One such approach is through the process of alliance of banks emerged as one of the most profitable strategy. There are several ways to consolidate the banking industry; the most commonly adopted by banks is merger.

Merger of two feebler banks or merger of one health Bank with one weak bank can be treated as the faster and less costly way to improve profitability then spurring internal growth (Franz, H. Khan 2007).

The foremost motive behind the merger and acquisition in the banking industry is to reach economies of scale and scope. Mergers also help in the modification of the products, which help to diminish the risk.

The Indian banking segment can be separated into two eras, the liberalization era and the post liberalization era.

In the pre liberalization era government of India nationalized 14 banks as 19July 1965 and advanced on 6 more commercial Banks were nationalized as 15 April 1980. In the year 1993 government combined the new banks of India and Punjab National banks and this was the only merged between nationalized Banks after that the figure of Nationalized Banks reduces from 20 to 19.In the post liberalization rule, government had initiated the strategy of liberalization and authorizations were issued to the private banks which lead to the growth of Indian banking sector.

The Indian banking industry displays a sign of perfection in performance and efficiently after the worldwide crises in 2008-2009. In the Indian banking industry having far healthier position than it was at the time of disasters. Administration has taken various initiatives to support the financial system. The economic recovery gained strength on the bank of a variation of monetary policy initiatives taken by the RBI.

M & A is a development in which two, or even more than two, firms are amalgamated into a single entity in order to improve their market position and market share through swapping out the competitors, and snowballing the efficiency of a firm by merging the resources (Odeck, 2008).

The Oxford dictionary describes merger as "converting two or more business concerns into one".

Thus, merger can be defined as the amalgamation of two or more than two firms by purchase/acquisition or through common interests, but different from the consolidation where the firm continues its operations without creating any new entity (Kemal, 2011).

Mergers and acquisitions (M&A) is the part of business finances, management and strategy dealing with acquiring and/or joining with other companies. In a merger, two administrations join forces to become a new corporate, usually with a new name. Since the companies involved are characteristically of similar size and stature, the term "merger of equals" is sometimes used.

In an acquisition, on the other hand, one commercial buys a second and generally smaller corporation which may be immersed into the parental organization or run as a subsidiary.

A company under deliberation by another organization for a merger or acquisition is sometimes denoted to as the target.

The advantage of consolidation is to improve the performance of weak banks in three ways

1) By improving shareholders value and efficiency

2) By enhancing personal supremacy

3) By improving financial condition of weak banks.
4) Moreover, mergers can reap the profits of economies, increase synergy and lean down costs (Prompitak, 2009; Sinha & Kaushik, 2010)

The Indian Banking System

At the topmost of the Indian banking system is the central bank of India known as Reserve Bank of India. The Reserve bank of India is accountable for the Indian banking system since 1935, the commercial banks in India are separated into Public sector banks, Private sector banks and foreign banks. All these banks comes under Reserve Bank of India classification of scheduled commercial banks (SCBs).Public sector, Private sectors and foreign banks as they are comprise in the second scheduled of the reserve bank of India Act 1934. The Public sector was exclusively owned by the government of India before the reforms. The PSBs are the major player in the Indian banking system and they account for 70% of the assets of scheduled commercial banks in India.

Merger of Banks in India

Merger can be defined as a mean of merger of two players into single entity. Merger is a process of joining two business entities under mutual ownership. According to Oxford Dictionary the expression “merger means combining two commercial companies into one”

Bank merger is an occasion of when previously different banks are combined into one institution (Pilloff and Santomerro, 1999). A merger happens when an self-governing bank loses its approval and converts a part of an existing bank with one headquarter and unified branch network (Dario Farcarelli 2002) .Merger occurs by accumulating the active (bidder) bank assets and Liabilities to the target (Passive) banks balance sheet and obtaining the bidder"s bank name through a series of lawful and Administrative measures. Merger and Acquisition in Indian banking sectors have been introduced through the recommendations of Narasimham committee II.

The committee suggested that "merger between strong bank financial institutions would make for greater economic and commercial sense and would be case where the whole is greater than the sum of its portions and have "force multiplier effect". The Indian banking sector can be separated into two eras, the pre liberalization era and the post liberalization era.
In pre liberalization era administration of India nationalized 14 Banks on 19 July 1969 and future on 6 more commercial Banks remained nationalized on 15 April 1980.

In the year 1993 government merged The New Bank of India and The Punjab National Bank and this was the only fusion between nationalized Banks, afterward that the figures of nationalized Banks reduced from 20 to 19. In post liberalization rule, government had introduced the policy of liberalization and authorizations were issued to the private banks which lead to the development of Indian Banking sector. The Indian Banking Industry displays a sign of upgrading in performance and effectiveness after the global crisis in 2008-09. The Indian Banking Industry is having far better spot than it was at the time of crisis. Government has occupied various initiatives to reinforce the financial system. The economic recovery increased strength on the back of a variety of fiscal policy initiatives taken by the Reserve Bank of India. Recently, on 13th August 2010, the process of M&As in the Indian banking sector passes through the Bank of Rajasthan and the ICICI Bank. Furthermore, the HDFC Bank acquired the Centurion Bank of Punjab on 23 May 2008.

The Reserve Bank of India approvals the scheme of mergers of the ICICI Bank and the Bank of Rajasthan. After the merger the ICICI Bank replaced many banks to inhabit the second position after the State Bank of India (SBI) in terms of assets in the Indian Banking Sector.

In the last ten years, the ICICI Bank, the HDFC bank in the private sector, the Bank of Baroda (BOB) and the Oriental Bank of Commerce (OBC) in the public sector elaborate themselves as a auction-goer Banks in the Merger and Acquisitions (M&As) in the Indian Banking Sector.

Table 1: List of Merger and Acquisitions (M&A) in Indian Banking Industry since

Post Liberalization regime

Sr. No.	Acquired Bank	Acquiring Bank	Year of acquisition
1	Bank of Bihar Ltd.	Indian Bank	November 8, 1969
2	National Bank of Lahore Ltd.	State Bank of India	February 20, 1970
3	Miraj State Bank Ltd.	Union Bank of India	July 29, 1985
4	Lakshmi Commercial Bank Ltd.	Canara Bank	August 24, 1985
5	Bank of Cochin Ltd.	State Bank of India	August 26, 1985
6	Hindustan Commercial Bank Ltd.	Punjab National Bank	December 19, 1986
7	Traders Bank Ltd.	Bank of Baroda	May 13, 1988
8	United Industrial Bank Ltd.	Allahabad Bank	October 31, 1989
9	Bank of Tamilnadu Ltd.	Indian Overseas Bank	February 20, 1990
10	Bank of Thanjavur Ltd.	Indian Bank	February 20, 1990
11	Parur Central Bank Ltd.	Bank of India	February 20, 1990
12	Purbanchal Bank Ltd.	Central Bank of India	August 29, 1990
13	New Bank of India	Punjab National Bank	September 4, 1993
14	Bank of karad Ltd	Bank of India	1993-1994
15	Kashi Nath Seth Bank Ltd.	State Bank of India	January 1, 1996
16	Bari Doab Bank Ltd	Oriental Bank of Commerce	April 8, 1997
17	Punjab Co-operative Bank Ltd.	Oriental Bank of Commerce	April 8, 1997
18	Bareilly Corporation Bank Ltd	Bank of Baroda	June 3, 1999
19	Sikkim Bank Ltd	Union Bank of India	December 22, 1999
20	Times Bank Ltd.	HDFC Bank Ltd	February 26, 2000
21	Bank of Madura Ltd.	ICICI Bank Ltd.	March 10, 2001
22	ICICI Ltd	ICICI Bank Ltd	May 3, 2002
23	Benares State Bank Ltd	Bank of Baroda	June 20, 2002
24	Nedungadi Bank Ltd.	Punjab National Bank	February 1, 2003
25	South Gujarat Local Area Bank Ltd.	Bank of Baroda	June 25, 2004
26	Global Trust Bank Ltd.	Oriental Bank of Commerce	August 14, 2004
27	IDBI Bank Ltd.	IDBI Ltd	April 2, 2005
28	Bank of Punjab Ltd.	Centurion Bank Ltd	October 1, 2005
29	Ganesh Bank of Kurundwad Ltd	Federal Bank Ltd	September 2, 2006

30	United Western Bank Ltd.	IDBI Ltd.	October 3, 2006

31	Bharat Overseas Bank Ltd.	Indian Overseas Bank	March 31, 2007
32	Sangli Bank Ltd.	ICICI Bank Ltd.	April 19, 2007
33	Lord Krishna Bank Ltd.	Centurion Bank of Punjab Ltd.	August 29, 2007
34	Centurion Bank of Punjab Ltd.	HDFC Bank Ltd.	May 23, 2008
35	The Bank of Rajasthan	ICICI Bank Ltd	August 13, 2010

36	Indian Bank	Allahabad Bank	August 2019
37	Union Bank	Andhra Bank and Corporate Bank	August 2019
38	Canara Bank	Syndicate bank	August 2019
39	Punjab National Bank	Oriental bank of commerce and United bank of India	August 2019
40	Bank of Baroda	Vijaya Bank, Dena Bank	April 2019
41	Canara Bank	UCO Bank, Syndicate Bank, Indian Overseas Bank	---
42	Bank of India	Andhra Bank, Bank of Maharashtra	---
43	Punjab National Bank	Oriental Bank of Commerce (OBC), Allahabad Bank, Corporation Bank, Indian Bank	---
44	State bank of India	Bhartiya Mahila bank(BMB) State Bank of Bikaner and Jaipur (SBBJ) State Bank of Hyderabad (SBH) State Bank of Mysore (SBM) State Bank of Patiala (SBP) State Bank of Travancore (SBT)	2017 (Recent and Important)
45	Kotak Mahindra bank	ING Vysya bank	2014
46	ICICI bank	Bank of Rajasthan	2010

Source:https://www.bankexamstoday.com/2017/05/list-of-important-mergers-of-banks-in.html

Report on Trend and Progress, RBI, Various Issues, VIII competition and Consolidation, 04 Sep 2008.

Bank Profile

State Bank Of India: Origin and Operations

State Bank of India, a public sector undertaking and monetary services company, is a government possessed corporation headquartered in Mumbai, Maharashtra. Back in the 19th century initiated the evolution of the State Bank of India which was created with the setting up of Bank of Calcutta, Calcutta in 1806. It was retitled as Bank of Bengal in 1809 charming the first ever Joint Stock Bank of British India to be sponsored under the Bengal Government. Over time, Bank of Bombay and Bank of Madras came into existence. Together, these three banks established their dominance in the banking industry prevailing in the economy until they were amalgamated and renamed on 27th January, 1921 as Imperial Bank of India. An Act was passed in the Parliament of India in May 1955 after taking heed of the proposal of All India Rural Credit Survey Committee (AIRCSC), suggesting the takeover of the Imperial Bank of India. This led to the inception of the State Bank of India (SBI) on 1 July 1955. This expanded the scope and control of State Bank of India making it increasingly powerful. Subsequently, the State Bank of India (Subsidiary Banks) Act was passed in 1959 and facilitated the bank to make the eight former State-associated banks as its subsidiaries.

These subsidiaries included

1) State Bank of Mysore (1913)
2) State Bank of Patiala (1917)
3) State Bank of Hyderabad (1941)
4) State Bank of Travancore (1945)
5) State Bank of Bikaner & Jaipur (1963)
6) Bharatiya Mahila Bank

Inherited from the Imperial Bank of India, the operations of SBI were carried out by **24000** offices, including branches, sub-offices and Head Offices.

Domestic presence

SBI has over 24000 branches in India. In the financial year 2012–13, its income was ₹2.005 trillion (US$28 billion), out of which domestic operations provided to 95.35% of revenue. Likewise, domestic processes contributed to 88.37% of entire profits for the same financial year.

Under the Pradhan Mantri Jan Dhan Yojana of financial enclosure launched by Government in August 2014, SBI held 11,300 camps and opened over 3 million accounts by September, which included 2.1 million accounts in rural areas and 1.57 million accounts in urban areas.

International presence

As of 2018–19, the bank had 191 overseas offices spread over 36 countries having the largest occurrence in foreign markets among Indian banks.

SBI operates several foreign subsidiaries or affiliates.

In 1989, SBI recognized an offshore bank, State Bank of India International (Mauritius) Ltd. This then incorporated with The Indian Ocean International Bank (which had been doing trade banking in Mauritius since 1979) to form SBI (Mauritius) Ltd. Today, SBI (Mauritius) Ltd has 14 branches – 13 retail branches and 1 global business branch at Ebene in Mauritius. SBI Sri Lanka currently has 3 branches located in Colombo, Kandy and Jaffna. The Jaffna branch was opened on 9 September 2013. SBI Sri Lanka is the oldest bank in Sri Lanka; it was established in 1864.

In 1982, the bank recognized a subsidiary, State Bank of India, which now has ten branches—nine branches in the state of California and one in Washington, D.C. The 10th branch was opened in Fremont, California on 28 March 2011.

The other eight branches in California are located in Los Angeles, Artesia, San Jose, Canoga Park, Fresno, San Diego, Tustin and Bakersfield.

In Nigeria, SBI operates as INMB Bank. This bank initiated in 1981 as the Indo–Nigerian Merchant Bank and received authorization in 2002 to originate retail banking. It now has five branches in Nigeria.

In Nepal, SBI owns 55% of "Nepal SBI Bank Limited".

(The state-owned Employees Provident Fund of Nepal owns 15% and the general public owns the remaining 30%.)

Nepal SBI Bank Limited has branches throughout the country.

In Moscow, SBI owns 60% of Commercial Bank of India with Canara Bank owning the rest.

In Indonesia, it possesses 76% of PT Bank Indo Monex.

The State Bank of India now has a branch in Shanghai and plans to open one in Tianjin

In Kenya, State Bank of India owns 76% of Giro Commercial Bank, which it attained for US$8 million in October 2005.

In January 2016, SBI opened its first branch in Seoul, South Korea.

SBI appeared as a pacesetter, serving the diverse and volatile financial needs of the planned economic development. Presently, SBI has a network of branches, 18,354 in India and 191 overseas offices to be precise, aiming at providing versatile banking products and services to resident and non resident Indians (NRI's). It provides to the customers by providing products such as Khata, Khata plus, Saral, Vyapaar and Vistaar. In addition to that, it also renders various services such as Fund Transfer, Bulk Transactions through File Upload, MIS Reports, and Demand Drafts, Direct and Indirect Tax Payment and several other utilitarian provisions serving as significant solutions.

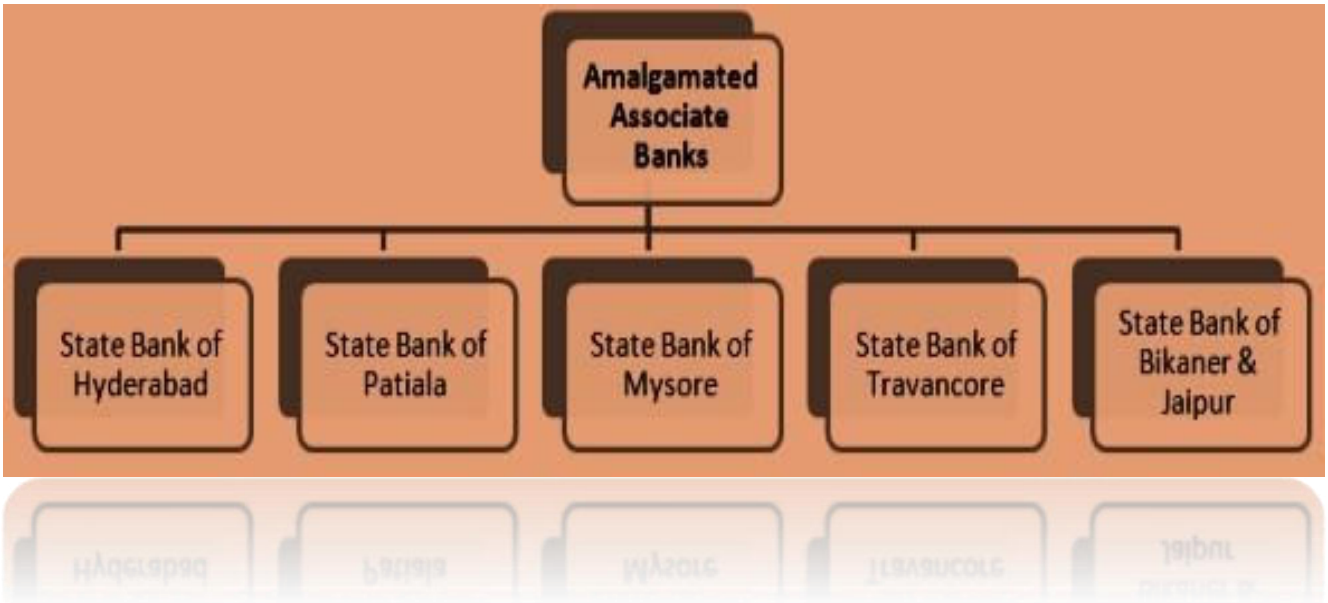
Amalgamation of SBI

The first merger under State Bank of India took place in 2008, when State Bank of Indore and State Bank of Saurashtra amalgamated with SBI.

However, this merger was integrated only in the year 2010. Since there wasn't as much technical advancement, as are present today, the fusion faced several problems. Contrastingly with the advancements in technology and faster integration systems, the State Bank of India merged with 5 associate banks that included State Bank of Bikaner and Jaipur (SBBJ), State Bank of Mysore (SBM), State Bank of Travancore (SBT), State Bank of Hyderabad (SBH) and State Bank of Patiala (SBP), on April 1 , 2017. The government has claimed that this merger will lead to an increase in the capital base and capital structure and will also higher the availability of loans. All these associate banks now function under the name of the State Bank of India. The merger is bound to bring close a quarter of all the outstanding loans into the books of SBI and to deal with them more efficiently. Our finance minister, Arun Jaitley has claimed that the merger of SBI will result in greater operational efficiency, and recurred savings and these are estimated to account to a whopping Rs.1,000 crores, due to the reduced cost of funds. After the merger, the monitoring of the processes is deemed to be more real and efficient, by overseeing the cash flows which will be done by one sole organization rather than six individual banks.

However this evolution may possibly have its own collapse. There will be certain interruptions and profitability matters in the initial period. The unproductive loans provided will hence result in a obligation of more asset quality reviews. This gives rise to the need for proper diligence in combining the workings and affairs of the associate banks with the State Bank of India.

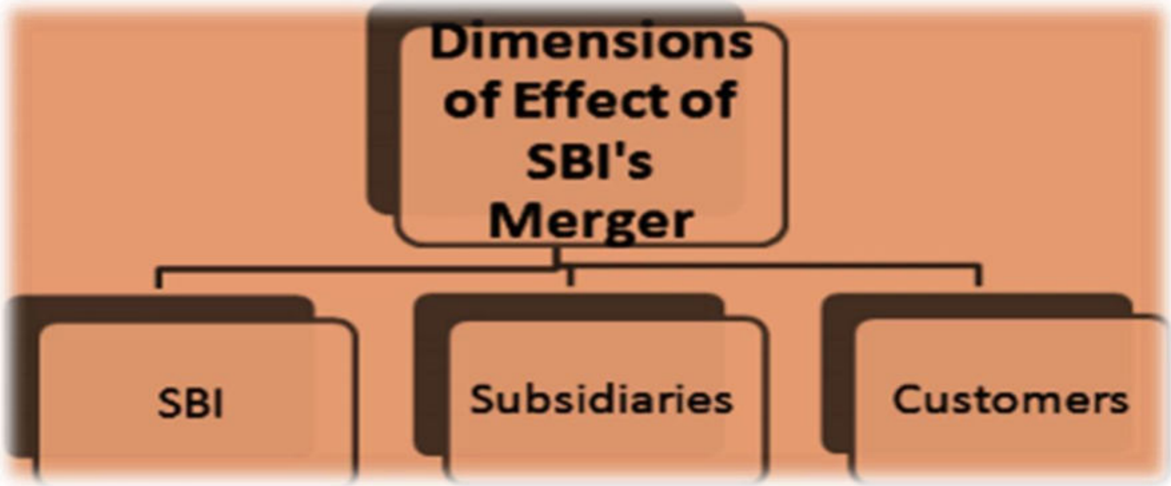
<u>Figure 1- SBI and its Amalgamated Subsidiary Banks</u>



Post-Implementation of SBI Amalgamation

The result of this amalgamation can be observed upon from three different proportions. Firstly, from the point of view of the State Bank of India itself. Secondly, from the associate divisions position and lastly from the consumers view point.

Figure-2 Three Fold Perspective of the Amalgamation



A) Post merger, for SBI implies a large bank becoming larger and more powerful, and entering the top 50 league in terms of assets serving as a huge advantage to its image in the global scenario. The bank has now become the 4 largest in the world also entering the top 100 banks in the world in terms of performance. The process of a merger so huge included the reorganization of all systems and operations which was completed on April 24 , 2017. Furthermore, the entire granular level data merger was undertaken one bank at a time and was finally concluded on May 27 , 2017. It is said that the cost rationalization process will be will be tackled in the second quarter of the second financial year.

Post merger, SBI's business has enlarged from 17% to a promising 23% with total business of over 37 Lakh Crore rupees. The amalgamated unit now has a deposit base of more than 26 lakh crore organizing more than one fourth of the deposit and loan bazaar of the country. In contrast with the approximations, SBI's servant count has rightly escalated to 2.77 lakh employees.

B) For the associate banks, it proved to be a blessing in disguise as well as a curse; a blessing because it led the banks incoming out of their regional environment and centric focus and becoming an all India bank. Earlier, the operations and working structure of these subsidiaries had limited themselves to functioning as mere regional banks, but with the incorporation of this merger, the subsidiaries have finally been provided with a chance to expand their functions and utilities, therefore empowering themselves by way of better social image in terms of customer faith and trust. However the flipside of this transition is that, the resultant merger leads to a drastic change in the cultural ethos of the organizational functions of these subsidiaries. This has led to further resistance among the employees of the associate banks and they feared this amalgamation to pose a threat to their designations and hence their professional career.

C) Throwing light on the effect that this reform will upon customers, it is seen that it definitely is a suited alteration. Before the merger, the banks followed a rigid and cumbersome process of sanctioning loans which caused a lot of vexation to the local customers of these associate banks. After the confederacy, the increased scale of performance of the bank, has led to an rise in its elasticity due to the consequential decentralization of its functions, which facilitates the consumers to get loans simply from the local branches. It also provides the consumers with greater number of ATMs thus enabling an extended access to banking services.

According to Mrs.Arundhati Bhattacharya, the benefits of this merger will not just be reaped by the banks but its borrowers as well. With lower interest rates, the home, car and personal loans become much more accessible and affordable. . SBI's margi nal cost for the first year of lending rate stands unaltered at 8%-the benchmark linked to its home loans. Essentially,SBI's customer base has hiked to 37 crores, all of whom are experiencing the advantages of futuristic digital products and services offered by the bank.

It is directing profitable transactions comfortably through 35000 branches and 58000 ATM's.

From the recruitment angle, the issue of creation of employment opportunities has been debatable. A portion of population argues that, now that the size of the State

Bank has become multifold, it will lead to the creation of new employment opportunities. In contrast to this, additional portion of the populace privileges that the employment will deteriorate due to wearing away and digitalization of efforts, which may lead to withdrawal and voluntary retirement services, due to the personnel being unable to cope with the change in the cultural attitude and work environment.

BASIS OF JUDGEMENT	PRE-AMALGAMATION	POST - AMALGAMATION
TOTAL SHARE CAPITAL	776.28	797.35
REVALUATION RESERVES	1374.03	35593.88
NETWORTH	180592.36	217192.15
ADVANCES	1870260.89	1896886.82
CAPITAL WORK IN PROGRESS	785.70	694.92

Table-2: Comparative quantitative study post amalgamation

Listing and Shareholding

As on 31 March 2017, Government of India held around 61.23% equity shares in SBI. The Life Insurance Corporation of India, itself state-owned, is the largest nonpromoter shareholder in the company with 8.82% shareholding.

Shareholders	Shareholding
Promoters: Government of India	**54.23%**
FIIs/GDRs/OCBs/NRIs	**18.17%**

Banks & Insurance Companies	**10.00%**
Mutual Funds & UTI	**8.29%**
Others	**9.31%**
Total	**100.0%**

The equity shares of SBI are listed on the Bombay Stock Exchange, where it is a constituent of the BSE SENSEX index, and the National Stock Exchange of India, where it is a constituent of the CNX Nifty. Its Global Depository Receipts (GDRs) are listed on the London Stock Exchange

CHAPTER 2

Literature Survey

Arundhati Bhattacharya (2017) stated that not only the bank, but the borrowers too will be able to reap the benefits of the merger of State Bank of India with its 5 associates. As per Investopedia (Anonymous), a merger is a deal to unite two existing companies into one new company. Most mergers unite two surviving companies into one newly named company.

An acquisition is a commercial action in which a company buys most, if not all, of another firm's possession stakes to assume control of it. An acquisition occurs when a procurement company obtains more than 50% ownership in a target company.

Under this study the we reviewed numerous research papers for the purpose of providing an insight into the work related to Merger and Acquisitions (M&As). After going through the available related literature on M&As and it derives to know that most of the work done high lightened the impact of M&As on different aspects of the companies. A firm can achieve progress both internally and externally. Internal growth may be achieved by expanding its operation or by forming new units, and external growth may be in the form of Merger and Acquisitions (M&As), Takeover, Joint venture, Amalgamation etc. Many studies have considered the various explanations for Merger and Acquisitions (M&As) to take place, Just to look the effects of Merger and Acquisitions on Indian financial services sector.

Sinha Pankaj & Gupta Sushant (2011) studied a pre and post investigation of firms and established that it had positive effect as their profitability, in most of the cases worsened liquidity. After the period of few years of Merger and Acquisitions(M&As) it came to the fact that companies may have been able to influence the synergies arising out of the merger and Acquisition that have not been able to accomplish their liquidity. Study exhibited the comparison of pre and post analysis of the firms.

It also specified the positive effects on the origin of some financial parameter like Earnings before Interest and Tax (EBIT), Return on share holder funds, Profit margin, Interest Coverage, Current Ratio and Cost Efficiency etc.

Goyal K.A. & Joshi Vijay (2011) in their paper, gave an overview on Indian banking industry and emphasized the changes happened in the banking sector after post liberalization and defined the Merger and Acquisitions as per AS-14. The need of Merger and Acquisition in India has been scrutinized under this study. It also gave the impression of fluctuations that occurred after M&As in the banking sector in terms of financial, human resource & legal aspects. It also described the benefits come out through M&As and examined that M&As is a strategic tools for expanding their horizon and companies like the ICICI Bank has used merger as their development strategy in rural market to improve consumers base and market share. The example of 17 Merger of post liberalization and deliberated about communication in M&As, the study lightened the role of media in M&As. Kuriakose Sony & Gireesh Kumar G. S (2010) in their paper, they evaluated the strategic and financial similarities of merged Banks, and relevant financial variables of particular Banks were considered to assess their relatedness. The result of the study establish that only private sector banks are in indulgence of the voluntary merger wave in the Indian Banking Sector and public sector Bank are unwilling toward their type of restructuring.

Target Banks are more influencencive than bidder Banks, so the merger lead to attain optimum capital Structure for the bidders and asset quality of target firms is very unsuccessful except the cases of the HDFC Vs the CBOP merger in 2007. The factor behind charitable amalgamation are collaborations, efficiency, cost saving, economies of scale.

The merging companions tactically similarities and relatedness are very important in the alliance creation because the relationship of the strategic variable have a significant impact on the Bank performance and the effect of merger on the stock market. Aharon David Y et al., (2010), examined the stock market bubble effect on Merger and Acquisitions and followed by the decrease of pre bubble and succeeding, the bursting of bubble seems to have led to further realization by the investors and provide evidence which recommends that during the euphoric bubble period investor take additional risk. Merger of banks through alliance is the significant force of change took place in the Indian Banking sector.

Kuriakose Sony et al., (2009), focused on the valuation practices and adequacy of swap ratio fixed in voluntary amalgamation in the Indian Banking Sector and used swap ratio for evaluation of banks, but in most of the cases the final swap ratio is not acceptable to their financials.

Dirk et al., (2009), enlightened the association between bank reputation after Merger and Acquisitions and its possessions on shareholder's wealth. This study measured 285 European merger and Acquisition business declared between 1997 and 2002 and finds that on usual wealth not significantly effect by Merger and Acquisitions.
It is initiate in the study of Bhaskar A Uday et al., (2009) that Banking sector observer of Merger activities in India when banks facing the problematic of loosing old consumer

and unsuccessful to attract the new consumers. It defined that the acquiring firms mostly focuses on the economies of scale, efficiency gain and address the need of communication and employee concern, and described the integration process was handled by professional and joint integration committee.

Road map is organized and HR integration is done as per agenda and they took a case of the Bank of Punjab acquired the Lord Krishna Bank and later on the Centurion Bank of Punjab acquired by the HDFC Bank and gave the frame of integration.

This study adjust the link between communication, HR integration, management action and resulting influence of post merger achievement by showed interview in a recent bank merger, in depth interviews work showed in a recent mergers of a Indian Bank. It was conditional that proactive communication, changes in organizational structure, and proper human resource integration would smoothen the journey towards successful integration.

Anand Manoj & Singh Jagandeep (2008) studied the impact of merger statements of five banks in the Indian Banking Sector on the share holder bank. These mergers were the Times Bank merged with the HDFC Bank, the Bank of Madurai with the ICICI Bank, the ICICI Ltd with the ICICI Bank, the Global Trust Bank merged with the Oriental Bank of commerce and the Bank of Punjab merged with the centurion Bank. The statement of merger of Bank had optimistic and significant influence on share holder's wealth.
The effect on both the obtaining and the target banks, the result presented that the agreement with the European and the US Banks Merger and Acquisitions except for the facts the value of share holder of bidder Banks have been demolished in the US context, the market value of weighted Capital Adequacy Ratio of the combined Bank portfolio as

a result of merger announcement is 4.29% in a three day period (-1, 1) window and 9.71 % in a Eleven days period (-5, 5) event window. The event study used for showing the positive impact of merger on the bidder Banks.

Lehto Eero & Bockerman Petri (2008) assessed the employ effects of Merger and Acquisitions on target by using match establishment level data from Finland over the dated of 1989-2003.

They focused cross border Merger and Acquisitions as well as domestic Merger and Acquisitions and examined the result of employment of several dissimilar types of Merger and Acquisitions.

They assessed that the cross border Merger and Acquisitions lead to economizing the manufacturing employment and the effects of cross border Merger and Acquisitions on employment in non- manufacturing are much weaker and change in possession associated with domestic Merger and Acquisitions and internally reform also typically reasons employment losses.

To aspect the effects of cross border Merger and Acquisitions (M&As) Hijzen Alexander et al., (2008) calculated the impact of cross border Merger and Acquisitions (M&As) and examined the role of trade cost, and enlightened the increased in the number of cross border Merger and Acquisitions (M&As) and used industry data of 23 countries over a period of 1990 -2001.

The result recommended that collective trade cost affects cross border merger action negatively, its impact differ prominently across horizontal and non-horizontal mergers. They also presented that the less negative effects on horizontal merger, which is dependable with the tariff jumping arrangement, put forward in literature on the influence of horizontal FDI.

Mantravadi Pramod & Reddy A Vidyadhar (2007) assessed that the impact of merger on the operating performance of acquiring firms in diverse industries by using pre and post financial ratio to scrutinize the effect of merger on firms. They nominated all mergers elaborate in public limited and traded companies in India between 1991 and 2003, result recommended that there were little dissimilarity in terms of impact as operating demonstration after mergers in different industries.

CHAPTER 3

Research Methodology

Statement of the problem

The statement of the study is to analyze the financial performance of the State Bank of India through the ratio analysis. This study is an attempt to analyze the present position and as well as strength of the bank. A detailed explanation of this foremost event constituted the second component as the scope of this field of academic study.

Type of research

- Comparative research

Objective

- To know the impact of SBI merger and its effects.
- To analyze the reasons of SBI for merging.
- To know the various challenges of SBI during implementation of merger. • To analyze the financial position of SBI before and after merger

Hypothesis

Hypotheses used in the study:

- H1: There is no significant difference in liquidity position of the merged banks before and after merger (with respect to Current Ratio, Quick Ratio and Cash Asset Ratio)
- H2: There is no significant difference operational performance of the merged banks before and after merger (with respect to WCT Ratio, AT Ratio and FA Ratio)
- H3: There is no significant difference in profitability position of the merged banks before and after merger (with respect to GPM, OP ratio, RON, NP ratio and ROCE)
- H4: There is no significant difference in abnormal returns of the merged banks before and after announcement period under both MM (Market Model) & MAM (Market Adjusted Model)
- H5: There is no significant difference in cumulative abnormal returns of the merged banks before and after declaration period under both MM & MAM.

Research Design including Sample design

The present study adopts an descriptive research and analytical and design. This study is undertaken with secondary data. Since the past and existing facts are used to analytical in nature, the researcher uses facts or information already available to analyses and evaluates the materials.

Data Collection

State Bank of India was merged with its associate banks in the year of 2017 and 5 years (2014-2019) of data has been taken in this study to analyze the financial condition of before and after merging the bank. The data collection used for the study is secondary data.

The secondary data is collected from various books, journals, web sites etc. The data relating to the bank is collected from the records and the websites of the bank.

Methodology

Type of Study

The research conducted is an analytical study; in this project report a study is conducted to determine the mergers and acquisitions of SBI.

Type of Data

Data required for this study is secondary data which is gathered from various secondary sources like NSE India, Moneycontrol.com, Books and Wikipedia etc.

Statistical Tools Used for Analysis

Ratio Analysis

Method of Sampling

The sampling technique will be following for the study is probabilistic judgmental sampling. The sample units have taken of SBI.

The observed analysis considers Pre-merger study period as April 2015 to March 2017 and Post-merger study period from April 2017 to March 2019. The big and huge merger in the history of banking industry was took place on 1st April 2017

To compare the financial performance of State Bank of India the ratio analysis has been used to analyze the financial position.

Limitations of the study

1) The study is restricted to a period of five years of SBI banks 2)

The analysis is based only upon the annual report of SBI banks.

3) The analysis is based only on the secondary data.

CHAPTER 4

Data Analysis and Interpretation

Table 1: Operating Profit Ratio of State Bank of India before Merger from 2015-2017

No. of years	Operating Profit Ratio
2018-2019	24.21
2019-2020	22.04
2020-2021	22.17

Interpretation

1) Given above the financial structure of the SBI operating ratio value from different years has been implemented
2) In the initial year 2018-2019 the operating profit was 24.21 value which is highest value comparing to the rest of the two years
3) When coming to 2021-2022year the operating profit was came little down when compared to the 2019-2020 year

Table 2: Operating Profit Ratio of State Bank of India after Merger from 2018-2020

No. of years	Operating Profit Ratio

2018-2019	19.98
2019-2020	24.51

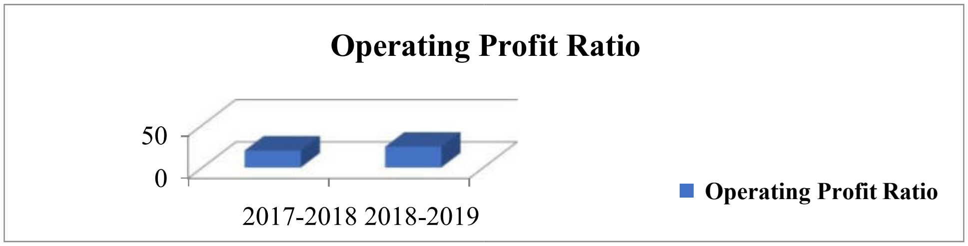


Figure 2: Graphical illustration of operating profit ratio of SBI from 2018-2019

Interpretation

1) By observing the above chart it clearly indicates that there is a fluctuation
2) In the year 2017-2018 the operating profit is 19.98 3) In the year 2018-2019 the operating profit is 24.51
4) Operating profit is increased in the year 2018-2019
5) These financial fluctuations are taken after merging two years data

Table 3: Net Profit Ratio of State Bank of India before Merger from 2015-2017

No. of Years	Net Profit Ratio
2014-2015	0.68
2015-2016	0.45
2016-2017	0.42

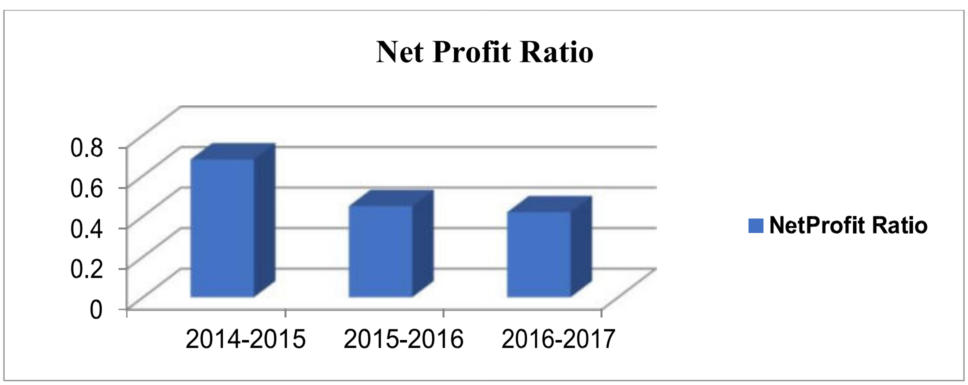


Figure 3: Graphical illustration of Net profit ratio of SBI from 2015-2017

Interpretation

1) The above financial structure the SBI Net Profit Ratio value from different years has been implemented
2) In the structure there was implemented three years of data
3) In the initial year 2014-2015 the operating profit was 0.68 value which is highest value comparing to the rest of the two years
4) When coming to 2016-2017 year the net profit year was came little down when compared to the 2014-2015 year

Table 4: Net Profit Ratio of State Bank of India after Merger from 2018-2019

No. of years	Net Profit Ratio
2017-2018	-0.21
2018-2019	0.02

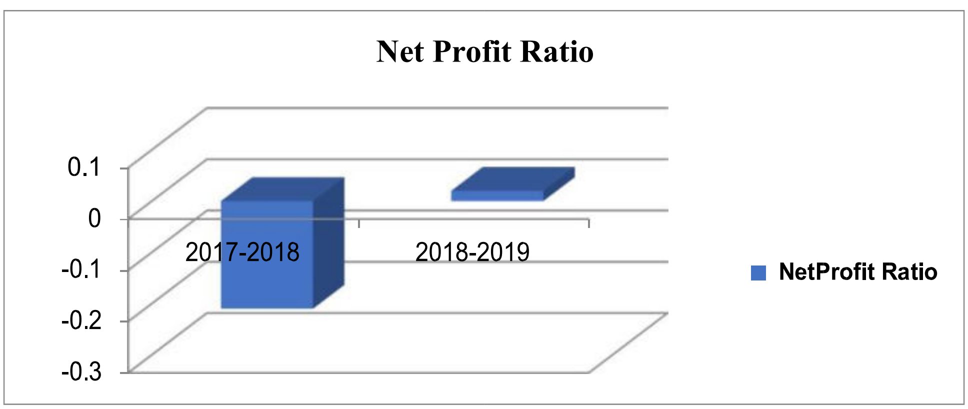


Figure 4: Graphical illustration of Net profit ratio of SBI from 2018-2019

Interpretation

1) By observing the above chart it is clear that there is a fluctuation
2) In the year 2017-2018 the operating profit is -0.21
3) In the year 2018-2019 the operating profit is 0.02
4) Net profit is increased in the year 2018-2019
5) These financial fluctuations are taken after merging two years data

Table 5: Quick Ratio of State Bank of India before Merger from 2015-2017

No. of years	Quick Ratio
2014-2015	18.06
2015-2016	13.83
2016-2017	11.94

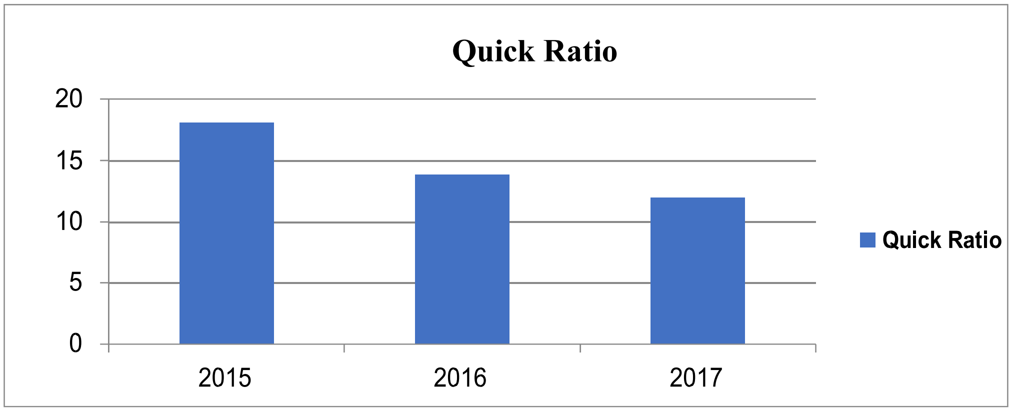


Figure 5: Graphical illustration of Quick ratio of SBI from 2015-2017

Interpretation

1) The above financial structure the SBI quick Ratio value from different years has been realized
2) In the structure there was implemented three years of data
3) In the initial year 2014-2015 the quick Ratio was 11.02 value which is highest value comparing to the rest of the two years
4) When coming to 2016-2017 year the quick ratio value was increased when compared to the 2014-2015 year

Table 6: Quick Ratio of State Bank of India after Merger from 2018-2019

No of years	Quick Ratio
2017-2018	10.89

2018-2019	11.02

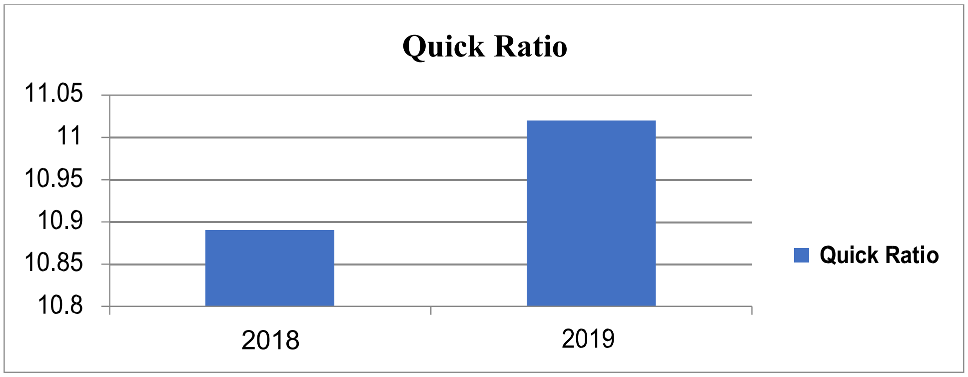


Figure 6: Graphical illustration of Quick ratio of SBI from 2018-2019

Interpretation

1) By observing the above chart it is clearly shows that there is a fluctuation
2) In the year 2017-2018 the Quick Ratio is 13.83
3) In the year 2018-2019 the Quick ratio is 18.06
4) Quick is increased in the year 2018-2019
5) In 2018-2019 the quick ratio was higher than compared to all previous four years after merging takes place.

Table 7: Capital Adequacy Ratio of State Bank of India before Merger from 2018-2021

No. of years	Capital Adequacy Ratio
2018-2019	12.00
2019-2020	13.12
2020-2021	13.11

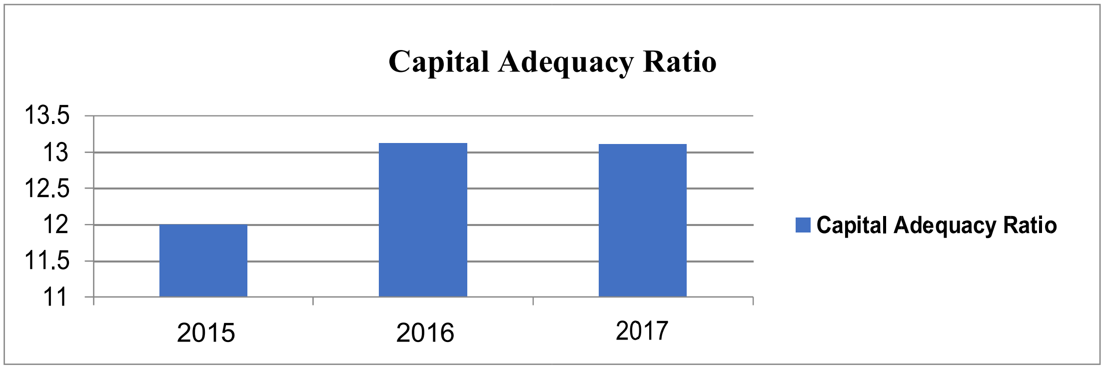


Figure 7: Graphical illustration of Capital Adequacy ratio of SBI from 20152017

Interpretation

1) In the above financial structure the SBI capital adequacy Ratio value from different years has been implemented
2) In the structure there was implemented three years of data
3) In the initial year 2014-2015 the capital adequacy Ratio was 12.00 value which is highest value comparing to the rest of the two years
4) When coming to 2016-2017 year the capital adequacy value has similar when compared to the 2014-2015 year

Table8: Capital Adequacy Ratio of State Bank of India after Merger from 2018-2019

No. of years	Capital Adequacy Ratio
2017-2018	12.60
2018-2019	12.72

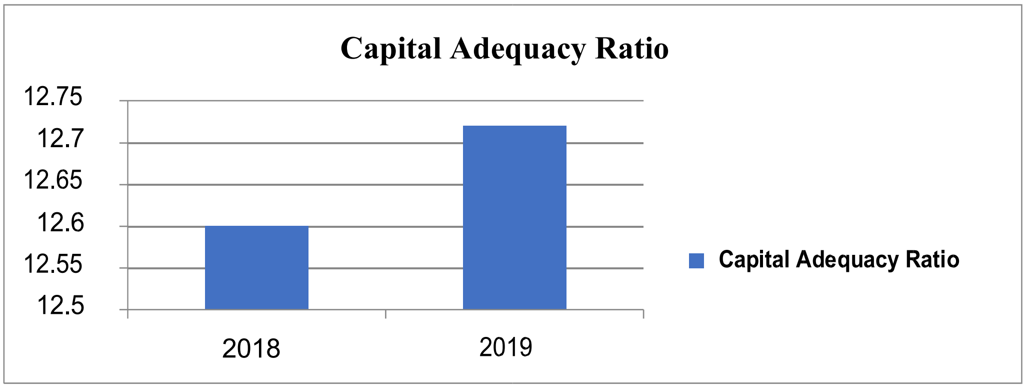


Figure 8: Graphical illustration of Capital Adequacy ratio of SBI from 20182019

Interpretation

1) By observing the above chart it clearly displays that there is a fluctuation
2) In the year 2017-2018 the Capital Adequacy Ratio is 12.60
3) In the year 2018-2019 the Capital Adequacy is 12.72 4) Capital Adequacy is increased in the year 2018-2019
5) In 2018-2019 the Capital Adequacy was similar compared to all previous two years after merging takes plac

Table 9: Current Ratio of State Bank of India before Merger from 2015-2017

No. of years	Current Ratio
2014-2015	0.06
2015-2016	0.07
2016-2017	0.07

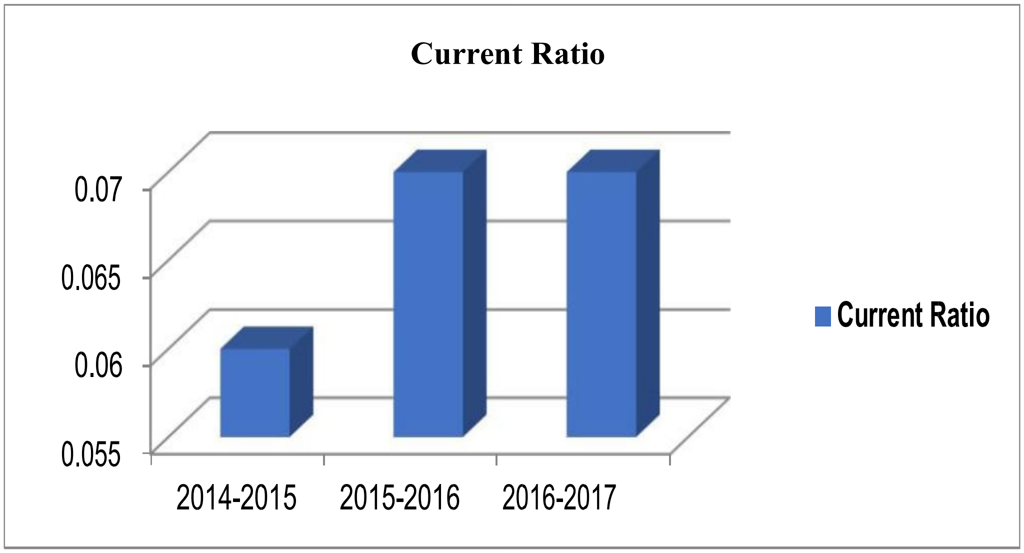


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Figure 9: Graphical illustration of Current ratio of SBI from 2018-2020

Interpretation

1) The above financial structure the SBI Current Ratio value from different years has been implemented
2) In the above structure there was implemented three years of data
3) In the initial year 2018-2019 the Current Ratio was 0.06 value which is highest value equating to the rest of the two years
4) When coming to 2019-2020year the Current Ratio value has similar when equated to the 2018-2019 year

Table 10: Current Ratio of State Bank of after Merger from 2018-2019

No. of years	Current Ratio
2017-2018	0.08
2018-2019	0.09

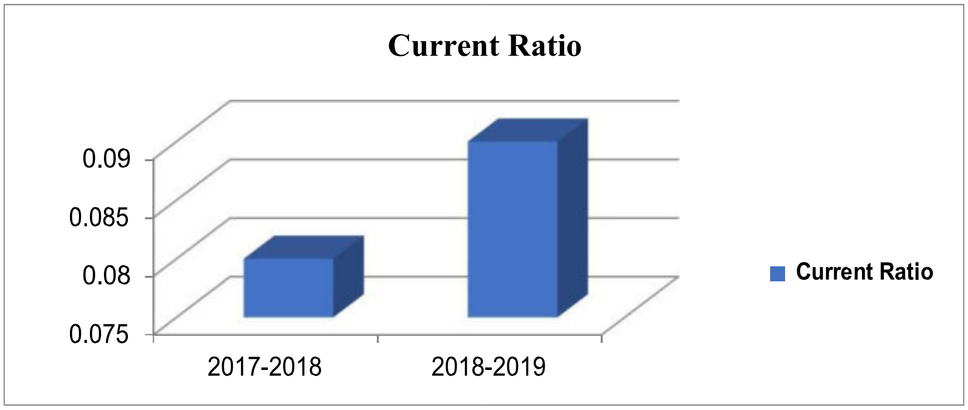

Figure 10: Graphical illustration of Current ratio of SBI from 2018-2019

Interpretation

1) By observing the above chart it is clearly shows that there is a fluctuation
2) In the year 2018 the current ratio is 0.08
3) In the year 2019 the current ratio is 0.08
4) Current ratio is increased in the year 2019

Findings

1) When coming to the financial analysis SBI is maintaining the good stability in the operating ratio before merging 2018-2019 and right now in 2019-2020 it was in good standard
2) During the merger year it has been come down from 24.21 to 22.17 in the year of 2018-2020
3) SBI is facing the instability value in the net profit when compared to the before and after merging. Right now it is very low in
4) the year of 2018-20120
5) In the current ratio SBI is maintaining a proper stability value when compared to the before and after merging years.
6) While coming to the reasons of SBI apart from the parent bank the rest of associate bank are having very less share value. So, if associate and parent banks merged together there will be better profitability.
7) Before the merging the associate banks are having very less gross NPA near to 20%
8) Coming to the challenges it was to big to handle when the parent and associate banks merged together and it was the first and very rare moment in the Indian bank system.

CHAPTER 5

Conclusion

The conclusion is SBI is still facing the internals operations issues like HR issues more people are implementing in the organization for them entire organization structure should be explained.

SBI is in very low net profit after the merging and also the stability of the bank is questionable even the study of this report reveals the same. So, SBI should definitely look in to it for been profitable and increase the share value of the bank.

To avoid that instability SBI should take the remedy measures for the next financial years.

Although this net profit of the bank is very low before merging with banks the net profit is in a good extent value and its been effective but right now it was very low. If it is continues the bank cannot be sustained in the market in the upcoming years. To manage net profit bank definitely look into NPA(net Performing assets) activities if they are managed the net profit may not increase very high within a short time but it might be balanced.

CHAPTER 6

Suggestion

- Currently SBI were having very low net profit value so to resolve it they should be taken the proper remedy measures to be better in the next financial year.
- The bank stability also questionable even this study also reveals that to maintain the stability of SBI for the next financial years.
- Even to overcome with instability the SBI can look in the Non-performing asset to reduce in the future financial years.
- By reducing the Non-performing asset activities may not increase the net profit value of SBI within one day but the instability of bank can be controlled.

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