Global Journal of Arts Humanity and Social Sciences
ISSN: 2583-2034

Global Journal of Arts Humanity and Social Sciences
ISSN: 2583-2034
Abbreviated key title: Glob.J.Arts.Humanit.Soc.Sci
Frequency: Monthly
Published By GSAR Publishers
Journal Homepage Link: https://gsarpublishers.com/journal-gjahss-home/

Volume - 4 | Issue - 11 | Nov 2024 | Total pages 922-924 | DOI: 10.5281/zenodo.14094387

Consolidation in Indian Banking Industry with special reference to merger of Syndicate Bank with Canara Bank

BY

Jesvin Jose
Asst.Professor of Commerce, Government College Kottayam Kerala India

Article History
Received: 01- 11- 2024
Accepted: 09- 11- 2024
Published: 12- 11- 2024
Corresponding author
Jesvin Jose

Abstract
This paper explores the reasons for the consolidation in the banking industry, the steps involved, and the effects it will have on the banking industry and the overall economy. The banking industry is now more resilient and competitive as a result of these developments. A wider trend of consolidation in the Indian banking sector is best illustrated by the combination of Canara Bank and Syndicate Bank. Such mergers, which are motivated by the need for competitiveness, efficiency, and financial stability, have typically produced stronger and more robust banking organizations. The long-term advantages in terms of competitiveness, customer experience, and financial performance outweigh the difficulties that come with the integration process. Global banking industry consolidation has been fuelled by the demand for increased competitiveness, efficiency, and financial stability.

Keywords: Banking Industry, Consolidation, Financial Performance, Customer Experience, Employees, Competitive landscape, Financial stability.

Introduction

In recent years, mergers and acquisitions have significantly consolidated the Indian banking industry. Canara Bank and Syndicate Bank is one of the well-known mergers that happened with the intention of building a stronger and more effective organization. This study explores the reasons for the merger, the steps involved, and the effects it will have on the banking industry and the overall economy. Diverse perspectives are incorporated to offer a thorough comprehension of this amalgamation.

From 2017 union budget onwards central government has given emphasis for consolidation in banking sector. The Union budgets 2018, 2019,2020, and 2021 has also give much emphasis for consolidation in public sector banking industry. In a big way consolidation in banking sector started in the year 2017 with the merger of five SBI associates and Bharatiya Mahila bank with SBI. State Bank of India is having more than 23% market share in Indian banking sector after this merger. This consolidation helped SBI to include in the top 50 banks in world,i.e 23rd largest bank in the world(as per forbes list 2024). For Consolidation in banking industry the main argument is to establish big banks from India. In 2019 Vijaya Bank and Dena Bank merged with Bank of Baroda. After this merger Bank of Baroda emerging as the second biggest public sector bank in country after SBI. In 2019 in Private sector also consolidation happened with merger of ING Vysya bank with Kotak Mahindra Bank.

In 2020 four big mergers happened in the baking industry, Syndicate Bank merged with Canara Bank, Oriental bank of commerce and United bank of India merged with Punjab National Bank, Allahabad Bank merged with Indian Bank, Andhra bank and corporation bank merged with Union bank of India. All the four-consolidation happened in 2020 in Public sector banking Industry. After this consolidation Punjab National Bank will become the second biggest public sector bank in the country replacing Bank of Baroda to third position. After the merger Union bank will become the fourth biggest public sector bank in the country and Canara bank will be positioned as fifth biggest public sector bank in the country. on July 1 2023 HDFC merged with HDFC and after merger HDFC becomes the 10th biggest bank as per forbes list 2024

Global banking industry consolidation has been fueled by the demand for increased competitiveness, efficiency, and financial stability. An important step in this approach has been taken in India with the merger of Syndicate Bank and Canara Bank Background.

Since India gained its independence, the financial sector has seen substantial change. The nationalization of banks in 1969 and 1980, the 1990s liberalization, and the ensuing regulatory reforms are important periods. The banking industry is now more resilient and competitive as a result of these developments.

Arguments in favour of consolidation

For consolidation, the following arguments are raised by those favouring consolidation:

1. The central government argued that these consolidations creating stronger establishments
2. Big banks are required to meet bigger financial needs of corporates. The financial needs of Indian companies are much bigger now because of the growth of the country.
3. Cosolidation saves operational cost by way of organizational restructuring and this leads to reduced number of branches and staff. And this will lead to better financial performance of banks.
4. Now a days banks are facing various virus attacks; only big banks can afford latest and innovated technology that can effectively face the virus attacks.
5. Consolidation is a very big step toward cash less economy, because consolidation gives better control for the regulators regarding customer transactions.

Arguments against consolidation

The below are the strong arguments against consolidation:

1. As a result of these mergers number of Public sector banks will get consolidated from 27 banks in 2017 to 12 Banks in 2020. This situation is not good for customers because number of alternatives for selection reduced. So, customers will be compelled to stay with a bank even if their service is not satisfactory.
2. Consolidation will lead to privatisation. The union budget 2021 clearly stated that many number of Public sector banks will be privatised Including IDBI. Actually, this is against the spirit of Nationalisation that happened in our country. Global economic recession that happened in 2008 does not affect Indian banking sector only because of strong presence of public sector banks in Indian banking sector. Many banks all over the world collapsed including giants like Lehman Brothers. For resisting this shock to Indian banking sector, public sector banks helped the RBI.
3. The consolidation in banking industry may not be a great experience for customers in merged banks. They are facing different problems like they have to change cheque book, ATM card, Pass Book, Internet banking platform, Mobile banking platform etc, Due to consolidation IFSC of merged bank will change, so customers have to update their IFSC wherever they given for future transactions.
4. Due to consolidation different branches may closed down, when this situation comes it is a bitter experience for customers. For example, after merger of Syndicate bank with Canara bank in several places merged entity is having two branches. Management taken a decision to close down one branch, this may be syndicate bank branch or Canara bank branch. So, consolidation will affect the customers of all banks that are participating in consolidation. If one branch closed means those who are having lockers, they have to shift locker to another branch. This a very big practical difficulty for those customers they are residing outside country or residing outside the local area in this corona time, because for shifting locker facility customers physical presence is required. This is not the sole problem facing by customers of merged banks they are facing difficulties such as rush in branches due to reduced number of branches and also facing lot of technical glitches especially at the time of migration from one bank to another.
5. Due to consolidation cultural changes will happen in banks. Earlier different banks are from different area and these banks possess the culture of that place. For example, State Bank of Travancore possess the culture of Kerala, due to consolidation SBT customers feels that there is a change in culture happened in merged entity.

Lot of customers complaining about above difficulties and even lot of customers closing their accounts. But bank authorities are saying after the merger the customers can enjoy the benefits of big establishment. They may get good technological products because good technology can be affordable only by big banks. Anyhow lot of studies is required to find out the pros and cons of consolidation in banking industry because many mergers can happen in coming years.

Financial performance of merged entity needs a detailed study because one of the arguments for merger is to improve the financial performance.

Objectives of study

1. To study about recent consolidation in banking industry
2. To study about customer perception towards consolidation with special reference to merger of Syndicate bank with Canara Bank
3. To study about the pros and cons of consolidation with special reference to merger of Syndicate bank with Canara Bank.
4. To study financial performance of Canara bank before merger and after merger.

Impact of Merger

Financial Performance

The merged company's financial performance measures, such as its capital adequacy ratios and balance sheet strength, improved as a result of the merger. The merger produced improved operating efficiency and greater profitability, citing Canara Bank's annual report for 2020–21 (Canara Bank, 2021).

Customer Experience

The goal of the merger was to provide clients better access to technology-driven financial solutions along with a greater selection of goods and services. Although there were difficulties during the first shift, the use of digital platforms improved customer service over time (Roy & Das, 2020).

Employees

Due to overlapping jobs, the merger had an effect on employment, short-term leading to some layoffs. But inside the broader organizational structure, the combined entity provided improved prospects for professional progression and roles (Mishra & Roy, 2021).

CompetitiveLandscape

The merger created one of the largest public sector banks in India, enhancing its ability to compete with private and foreign banks. The increased scale and operational efficiency positioned the combined entity better in the competitive banking landscape (Kumar, 2018).

The merger created one of the largest public sector banks in India, enhancing its ability to compete with private and foreign banks. The increased scale and operational efficiency positioned the combined entity better in the competitive banking landscape (Kumar, 2018).

Summary

A wider trend of consolidation in the Indian banking sector is best illustrated by the combination of Canara Bank and Syndicate Bank. Such mergers, which are motivated by the need for competitiveness, efficiency, and financial stability, have typically produced stronger and more robust banking organizations. The long-term advantages in terms of competitiveness, customer experience, and financial performance outweigh the difficulties that come with the integration process.

References

1. Reserve Bank of India (RBI). (2020). Annual Report 2019-20. RBI Publications.
2. Government of India. (2019). Finance Ministry Press Releases.
3. Canara Bank. (2021). Annual Report 2020-21.
4. Kumar, A. (2018). "Consolidation in the Indian Banking Sector: An Analysis". Journal of Banking & Finance.
5. Sharma, R. (2020). "Mergers and Acquisitions in Indian Banking: A Critical Review". International Journal of Financial Studies.
6. Roy, A., & Das, S. (2020). "Impacts of Bank Mergers on Financial Performance: A Study of Selected Indian Banks". Journal of Financial Services Research.
7. Mishra, A., & Roy, T. (2021). "Banking Consolidation in India: Post-Merger Analysis of Canara and Syndicate Banks". Indian Journal of Economics and Development.