

Sri Sai Chilukuri

*KLEF Deemed to be University, Andhrapradesh
srisai103@gmail.com*

V. Venu Madhav

*KLEF Deemed to be University, Andhrapradesh
dr.v.v.mahav@kluniversity.in*

Abstract

The statistics of 2017 on NPAs to Advances reveals that among 5 associate banks of SBI, 3 are in top 5 major banks facing the problem of NPA. The abundant literature on NPAs reveals that increasing of NPAs is worsening the efficiency of the banks by decreasing profitability. Several steps have been taken by RBI and Government of India to curb the menace of increase in NPAs. Among them one of the steps taken was merging of 5 associate banks with SBI. With merger loan defaulters from associate banks aimed to bring under one roof of SBI, which makes recovery easier. At this juncture, the present research is focused on understanding the possibility of SBI in making the situation as good as possible in the days to come. The present research made an attempt to test the impact of NPAs on profitability using ratios. For the purpose of this study secondary data is extracted from annual reports of SBI and from RBI data base for a period of five years from 2013 to 2017. F-test results indicate there is difference between the means and t-test exhibited statistically insignificant relation.

Keywords:

Advances, Non-Performing Assets, Profitability, Profitability Ratios



Introduction

In the year 2015 Government of India lunched Indradhanush plan for revamping of public sector banks. Since the nationalisation of banks this was the most comprehensive reform in banking sector. The Indradhanush plan envisaged, inter-alia restoration of public sector banks conditions by infusion of Rs/ 70,000 cr capital by the Government over a period of four financial years. Empirical observations in the arena of banking industry suggest that there are definite scale economies in banking when recapitalisation is taken.

The stress in asset quality of Indian banks persisted to remain high during the financial year 2016-17. Due to increase in the proportion of non-performing assets, banks were pressurised to maintain higher provisioning on NPAs and thereby banking system in India witnessed decline in their level of net profits.

The slippages in the asset quality brought ripple bringing adverse impact on banks return on assets and return on equity. However, Government of India, Reserve Bank of India and scheduled commercial banks initiated steps to provide all possible solutions for resolution of stressed assets. The Insolvency and Bankruptcy code, 2016 is expected to play a major role in addressing the non-performing assets. On 5th May, 2017, the Central Government empowered RBI to direct banks to initiate insolvency proceedings in respect of a default under the provision of the IBC code, 2016. At the outset the pronouncement of Government and RBI to first tackle the top 50 large stressed accounts, corporate insolvency is expected to emerge as a credible resolution of bad debts. The implementation of bankruptcy code is likely to have a positive impact on the asset quality of banking system. In addition to this, recently Government announced decision to further recapitalise PSBs with Rs. 2,11,000 cr, through recapitalisation bonds of Rs. 1,35,000 cr and budgetary provision of Rs. 18,139 cr and the remaining under Indradhanush plan over two financial years. As on 5th January, 2018 Rs. 59,435 cr were infused into PSBs under Indradhanush plan.

Research Gap

The merger of associate banks, as well as Bharatiya Mahila Bank with State Bank of India is the first ever large scale consolidation within the Indian banking industry. This has catapulted SBI into the league of top 50 global banks with Rs. 25.85 lakh cr deposits and Rs. 18.62 lakh cr of advances. The benefits of merger will have ripple effect on the liability as well as asset portfolio. With merger loan defaulters from associate banks aimed to bring under one roof of SBI, which makes recovery easier. In addition to this SBI is expected to have advantages of economies of cost and improve efficiency. The statistics of 2017 on NPAs to Advances reveals that among 5 associate banks of SBI, 3 are in top 5 major banks facing the problem of NPA. At this juncture, the present research is focused on understanding the possibility of SBI in making the situation as good as possible in the days to come.

Objectives of the Study

- I) To examine the impact of Net NPAs to Advances on profitability of State Bank of India and its associate banks.
- ii) To analyse State Bank of India concern in optimising the problem of non-performing assets.

Methodology of the Study

Sources of Data

The study is based on the secondary source of information for a period of 6 years from 2012 to 2017 taken from Department of Banking Supervision; Reserve Bank of India. Annual reports of State Bank of India, State bank of Hyderabad, State Bank of Bikaner & Jaipur, State Bank of Mysore, State Bank of Patiala, State Bank of Travancore and Bharatiya Mahila Bank Ltd.

Tools Used

The percentages and graphical representation is used. ANOVA and regression analysis is applied to examine the impact of Net NPA to Advances on the profitability of state bank group, using SPSS.

Sample Size

The sample size of the banks is State Bank of India, its associates and Bharatiya Mahila Bank Ltd. which are merged on 1st April, 2017.

Variables Used for Analysis of Study

Impact of Net NPAs to Advances is examined on the following profitability ratios

- a) Ratio of Operating Profits to Total Assets

- b) Return on Assets
- c) Return on Equity
- d) Return on Advances
- e) Return on Investments and
- f) Capital Adequacy Ratio

Hypothesis of the Study

H₀₁ = There is no significant impact of Net NPAs to Advances on profitability of State Bank of India.

H₁₁ = There is significant impact of Net NPAs to Advances on profitability of State Bank of India.

H₀₂ = There is no significant impact of Net NPAs to Advances on profitability of State Bank associates.

H₁₂ = There is significant impact of Net NPAs to Advances on profitability of State Bank associates.

H₀₃ = There is no significant impact of Net NPAs to Advances on profitability of State Bank Group.

H₁₃ = There is significant impact of Net NPAs to Advances on profitability of State Bank of Group.

H₀₄ = There is no significant impact of Net NPAs to Advances on profitability of State Bank Group and Bharatiya Mahila Bank.

H₁₄ = There is significant impact of Net NPAs to Advances on profitability of State Bank of Group and Bharatiya Mahila Bank.

Data Analysis and Findings of the Study - Discussions

Table 1 - Indicators of State Bank Group as at 31st March, 2017 (in %)

State Bank Group	Credit Deposit Ratio	Investment Deposit Ratio	Ratio of Priority Sector Advances to Total Advances	Interest on Deposits	Interest on Borrowings
State Bank of India	76.83	37.46	21.72	5.59	2.51
State Bank of Bikaner & Jaipur	62.33	33.58	44.37	6.16	5.52
State bank of Hyderabad	55.94	30.75	44.67	6.28	8.58
State Bank of Mysore	43.93	30.41	39.38	6.32	7.09
State Bank of Patiala	69.47	32.45	41.74	6.73	8.23
State Bank of Travancore	42.39	35.55	46.89	6.27	11.21
Bharatiya Mahila Bank Ltd.	59.06	72.62	34.78	6.84	—

Source: Department of Banking Supervision, RBI.

The table 1, shows the indicators of State Bank Group as at 31st March, 2017. The Credit deposit ratio of SBI, SB B&J, SBP stood at 76.83, 62.33 and 69.47 percent respectively. It is a good indicator that these banks maintained CD ratio as per RBI norms 60%. Whereas SBH, SBM, SBT and BMB stood at 55.94, 69.47, 42.39 and 59.06 percent is a bad indicator indicating these three banks were highly reliant on public deposits for mobilizing loans. The investment deposit ratio of all the banks stood between 30 to 37 percent, except BMB at 72.62 percent, overall which are fairly higher than the previous periods of the study. It indicates that during this period banks might have increased Statutory Liquidity Ratio holdings. This leads

banks to keep investment to deposit ratio high. The ratio of priority sector advances to total advances of SBI stood at very low level i.e. 21.72 percent and BMB at 34.78 percent which are less than the Adjusted Net Bank Credit norms of 40 percent. Whereas, five associate banks maintained as per the norm. Among all the seven banks SBI interest on deposits is more than interest on borrowings, shows SBI is using public money to meet its costs. By merger of associates with SBI, SBI can have economies of cost.

Regression Analysis of State Bank of India

Table 2 - Explained Relationship Between Net NPA to Advances Ratio to Selected Variable Ratios of the Study – State Bank of India

Independent Variable	Dependent Variable	R	R Square	Adjusted R Square	Std. Error of the Estimate
Net NPA to Advances Ratio	Ratio of Operating Profits to Total Assets	.575	.330	.107	.89898
	Return on Assets	.872	.761	.681	.12486
	Return on Equity	.859	.737	.649	2.10992
	Return on Advances	.897	.805	.739	.32016
	Return on Investments	.612	.375	.167	.451007
	Capital Adequacy Ratio	.716	.512	.349	.39285

Source: Researcher computation

Table 2 explains R² values of .330, .761, .737, .805, .375, and .512 and denotes that 33, 76, 73, 80, 37 and 51 percent of the observed variability in operating profit to total assets, return on assets, return on equity, return on advances, return on investments and capital adequacy ratio is explained by variability in the independent variable net NPA to advances ratio.

Table 3 - Significance of Multiple Regression Equation - State Bank of India

Independent Variable	Dependent Variable	Sum of Squares	df	Mean Square	F	Sig.
Net NPA to AdvancesRatio	Ratio of Operating Profits to Total Assets	.012	1	.012	1.481	.311
	Return on Assets	.149	1	.149	9.554	.054
	Return on Equity	37.443	1	37.443	8.411	.062
	Return on Advances	1.266	1	1.266	12.349	.039
	Return on Investments	.366	1	.366	1.800	.272
	Capital Adequacy Ratio	.486	1	.486	3.148	.174

Source: Researcher computation

Table 3 dwells into the explanation F-statistic ANOVA explaining significance of multiple regression analysis of State Bank of India ratios. Here the *p* values .311, .062, .039, .282 and .174 operating profit to total assets, return on equity, return on advances, return on investments and capital adequacy ratio; greater than .05 indicating there is difference between the means and concludes that an insignificant difference does exist. Whereas return on assets with *p* value .054 there is no difference between the means and concludes that a significant difference doesn't exist.

Table 4 - Significance of Impact of Net NPA to Advances Ratio to Selected Variable Ratios of the Study - State Bank of India

Independent Variable	Dependent Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
Net NPA to Advances Ratio	Ratio of Operating Profits to Total Assets	-.065	.053	-.575	-1.217	.311
	Return on Assets	.229	.074	.872	3.091	.054
	Return on Equity	3.635	1.253	.859	2.900	.062
	Return on Advances	-.668	.190	-.897	-3.514	.039
	Return on Investments	.359	.268	.612	1.342	.272
	Capital Adequacy Ratio	.414	.233	.716	1.774	.174

Source: Researcher computation

Table 4 explains the application of student't' test for testing the hypothesis at .05 level of significance. It is the measure of precision with which the regression coefficient is measure. The operating profit to total assets, return on assets, return on equity, return on advances and return on investments means are less than hypothesised means.

Regression Analysis of State Bank Associates

Table 5 - Explained Relationship Between Net NPA to Advances Ratio to Selected Variable Ratios of the Study – State Bank Associates

Independent Variable	Dependent Variable	R	R Square	Adjusted R Square	Std. Error of the Estimate
Net NPA to Advances Ratio	Ratio of Operating Profits to Total Assets	.897	.805	.740	11.99
	Return on Assets	.998	.997	.995	1.588
	Return on Equity	.998	.996	.995	1.7302
	Return on Advances	.654	.427	.237	20.572
	Return on Investments	.722	.521	.361	18.821
	Capital Adequacy Ratio	.367	.134	-.154	25.29

Source: Researcher computation

Table 5 explains R² values of .805, .997, .996, .427, .512, and .134 and denotes that 80, 99, 99, 42, 52 and 13 percent of the observed variability in operating profit to total assets, return on assets, return on equity, return on advances, return on investments and capital adequacy ratio is explained by variability in the independent variable net NPA to advances ratio.

Table 6 - Significance of Multiple Regression Equation - State Bank Associates

Independent Variable	Dependent Variable	Sum of Squares	df	Mean Square	F	Sig.
Net NPA to Advances Ratio	Ratio of Operating Profits to Total Assets	1785.831	1	1785.831	12.404	.039
	Return on Assets	2210.165	1	2210.165	875.484	.000
	Return on Equity	2208.758	1	2208.758	737.809	.000
	Return on Advances	948.082	1	948.082	2.240	.231
	Return on Investments	1155.000	1	1155.000	3.260	.169
	Capital Adequacy Ratio	298.231	1	298.231	.466	.544

Source: Researcher computation

Table 6 dwells into the explanation F-statistic ANOVA explaining significance of multiple regression analysis of State Bank Associates ratios. Here the p values .039, .231, .169 and .544 operating profit to total assets, return on advances, return on investments and capital adequacy ratio; greater than .05 indicating there is difference between the means and concludes that an insignificant difference does exist. Whereas return on assets and return on equity with both p values .000 there is no difference between the means and concludes that a significant difference doesn't exist.

Table 7 - Significance of Impact of Net NPA to Advances Ratio to Selected Variable Ratios of the Study - State Bank Associates

Independent Variable	Dependent Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
Net NPA to Advances Ratio	Ratio of Operating Profits to Total Assets	-.035	.010	.897	-3.522	.039
	Return on Assets	-4.200	.142	.998	-29.589	.000
	Return on Equity	.228	.008	.998	27.163	.000
	Return on Advances	1	948.082	2.240	.231 ^b	.231
	Return on Investments	20.782	11.509	.722	1.806	.169
	Capital Adequacy Ratio	-6.938	10.162	.367	-.683	.544

Source: Researcher computation

Table 7 explains the application of student't' test for testing the hypothesis at .05 level of significance. It is the measure of precision with which the regression coefficient is measure. The operating profit to total assets, return on assets, return on equity, return on investments and capital adequacy ratio means are less than hypothesised means.

Regression Analysis of State Bank Group

Table 8 - Explained Relationship Between Net NPA to Advances Ratio to Selected Variable Ratios of the Study – State Bank Group

Independent Variable	Dependent Variable	R	R Square	Adjusted R Square	Std. Error of the Estimate
Net NPA to Advances Ratio	Ratio of Operating Profits to Total Assets	.874	.764	.685	.5411
	Return on Assets	.998	.996	.995	.3951
	Return on Equity	.998	.996	.994	7.862
	Return on Advances	.720	.518	.358	2.0507
	Return on Investments	.862	.743	.657	.70146
	Capital Adequacy Ratio	.165	.027	.297	1.6074

Source: Researcher computation

Table 8 explains R^2 values of .764, .996, .996, .518, .743, and .027 and denotes that 76, 99, 99, 51, 74 and 2 percent of the observed variability in operating profit to total assets, return on assets, return on equity, return on advances, return on investments and capital adequacy ratio is explained by variability in the independent variable net NPA to advances ratio.

Table 9 - Significance of Multiple Regression Equation – State Bank Group

Independent Variable	Dependent Variable	Sum of Squares	df	Mean Square	F	Sig.
Net NPA to Advances Ratio	Ratio of Operating Profits to Total Assets	2.841	1	2.841	9.702	.053
	Return on Assets	131.838	1	131.838	844.194	.000
	Return on Equity	44380.898	1	44380.898	717.852	.000
	Return on Advances	13.570	1	13.570	3.227	.170
	Return on Investments	4.264	1	4.264	8.665	.060
	Capital Adequacy Ratio	.217	1	.217	.084	.791

Source: Researcher computation

Table 9 dwells into the explanation F-statistic ANOVA explaining significance of multiple regression analysis of State Bank Group. Here the p values .053, .170, .060 and .791 operating profit to total assets, return on advances, return on investments and capital adequacy ratio; greater than .05 indicating there is difference between the means and concludes that an insignificant difference does exist. Whereas return on assets and return on equity with both p values .000 there is no difference between the means and concludes that a significant difference doesn't exist.

Table 10 - Significance of Impact of Net NPA to Advances Ratio to Selected Variable Ratios of the Study – State Bank Group

Independent Variable	Dependent Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
Net NPA to Advances Ratio	Ratio of Operating Profits to Total Assets	-.035	.011	.874	-3.115	.053
	Return on Assets	131.838	1	131.838	844.194	.000
	Return on Equity	4.372	.163	.998	26.793	.000
	Return on Advances	-.076	.043	.720	-1.796	.170
	Return on Investments	.043	.015	.862	2.944	.060
	Capital Adequacy Ratio	.010	.033	.165	.290	.791

Source: Researcher computation

Table 10 explains the application of student's 't' test for testing the hypothesis at .05 level of significance. It is the measure of precision with which the regression coefficient is measured. The operating profit to total assets, return on equity, return on advances, return on investments and capital adequacy ratio means are less than hypothesised means.

Regression Analysis of State Bank Group and Bharatiya Mahila Bank

Table 11 - Explained Relationship Between Net NPA to Advances Ratio to Selected Variable Ratios of the Study - BMB

Independent Variable	Dependent Variable	R	R Square	Adjusted R Square	Std. Error of the Estimate
Net NPA to Advances Ratio	Ratio of Operating Profits to Total Assets	.601	.362	.149	25.8395371
	Return on Assets	.993	.985	.981	3.9034148
	Return on Equity	.086	.007	.323	32.2245119
	Return on Advances	.132	.018	.310	32.0598671
	Return on Investments	.691	.478	.304	23.3700669
	Capital Adequacy Ratio	.020	.000	.333	32.3383307

Source: Researcher computation

Table 11 explains R² values of .362, .985, .007, .018, .478, and .000 and denotes that 36, 98, 0, 1, 47 and 0 percent of the observed variability in operating profit to total assets, return on assets, return on equity, return on advances, return on investments and capital adequacy ratio is explained by variability in the independent variable net NPA to advances ratio.

Table 12 - Significance of Multiple Regression Equation - BMB

Independent Variable	Dependent Variable	Sum of Squares	df	Mean Square	F	Sig.
Net NPA to Advances Ratio	Ratio of Operating Profits to Total Assets	1135.468	1	1135.468	1.701	.283
	Return on Assets	3092.803	1	3092.803	202.984	.001
	Return on Equity	23.255	1	23.255	.022	.891
	Return on Advances	55.007	1	55.007	.054	.832
	Return on Investments	500.033	1	500.033	2.747	.196
	Capital Adequacy Ratio	1.210	1	1.210	.001	.975

Source: Researcher computation

Table 12 dwells into the explanation F-statistic ANOVA explaining significance of multiple regression analysis of State Bank Group. Here the *p* values .283, .891, .832, .196 and .975 operating profit to total assets, return on equity, return on advances, return on investments and capital adequacy ratio; greater than .05 indicating there is difference between the means and concludes that an insignificant difference does exist. Whereas return on assets with *p* value .001 there is no difference between the means and concludes that a significant difference doesn't exist.

Table 13 - Significance of Impact of Net NPA to Advances Ratio to Selected Variable Ratios of the Study

Independent Variable	Dependent Variable	Unstandardized Coefficients		Standardized t		Sig.
		B	Std. Error	Beta	t	
Net NPA to Advances Ratio	Ratio of Operating Profits to Total Assets	-14.295	10.961	-.601	-1.304	.283
	Return on Assets	4.654	.327	.993	14.247	.001
	Return on Equity	2.961	19.788	.086	.150	.891
	Return on Advances	.835	3.611	.132	.231	.832
	Return on Investments	3.189	1.924	.691	1.657	.196
	Capital Adequacy Ratio	.006	.165	.020	.034	.975

Source: Researcher computation

Table 13 explains the application of student't' test for testing the hypothesis at .05 level of significance. It is the measure of precision with which the regression coefficient is measure. The operating profit to total assets, return on assets and return on equity means are less than hypothesised means.

Note:

Bharatiya Mahila Bank being incorporated on 19th November, 2013; the regression analysis of Bharatiya Mahila Bank has been computed on the basis of 4 years data i.e. fro, 2014 to 2017. The below table 14 gives insight on the key results of the study and its hypothesis testing

Table 14 - Key Results - Hypothesis Testing

Bank	Dependent Variable	Correlation		Variation Explained		F-Statistic ANOVA		t - Test		H ₀
		R	Relationship	R ²	%	F	Sig.	Unstandardized t	Coefficients-B	
State Bank of India	Ratio of Operating Profits to Total Assets	0.575	Strong	0.33	33	1.481	0.311	-0.065	-1.217	Accepted
	Return on Assets	0.872	Very Strong	0.761	76	9.554	0.054	-0.229	-3.091	Rejected
	Return on Equity	0.859	Very Strong	0.737	73	8.411	0.062	-3.635	-2.9	Accepted
	Return on Advances	0.897	Very Strong	0.805	80	12.349	0.039	-0.668	-3.514	Rejected
	Return on Investments	0.612	Strong	0.375	37	1.8	0.272	-0.359	-1.342	Accepted
	Capital Adequacy Ratio	0.716	Very Strong	0.512	51	3.148	0.174	0.414	1.774	Accepted
State Bank Associates	Ratio of Operating Profits to Total Assets	0.897	Very Strong	0.805	80	12.404	0.039	-0.035	-3.522	Rejected

	Return on Assets	0.998	Very Strong	0.997	99	875.484	0.000	-4.2	-29.589	Rejected
	Return on Equity	0.998	Very Strong	0.996	99	737.809	0.000	-0.228	-27.163	Rejected
	Return on Advances	0.654	Strong	0.427	42	2.24	0.231	1	.231	Accepted
	Return on Investments	0.722	Very Strong	0.521	52	3.26	0.169	-20.782	-1.806	Accepted
	Capital Adequacy Ratio	0.367	Moderate	0.134	13	0.466	0.544	-6.938	-0.683	Accepted
State Bank Group	Ratio of Operating Profits to Total Assets	0.874	Very Strong	0.764	76	9.702	0.053	-0.035	-3.115	Rejected
	Return on Assets	0.998	Very Strong	0.996	99	844.194	0.00	131.838	844.194	Rejected
	Return on Equity	0.998	Very Strong	0.996	99	717.852	0.00	-4.372	-26.793	Rejected
	Return on Advances	0.72	Very Strong	0.518	51	3.227	0.17	-0.076	-1.796	Accepted
	Return on Investments	0.862	Very Strong	0.743	74	8.665	0.06	-0.043	-2.944	Accepted
	Capital Adequacy Ratio	0.165	Very Weak	0.027	2	0.084	0.791	-0.01	-0.29	Accepted
State Bank Group Plus Bharatiya Mahila Bank	Ratio of Operating Profits to Total Assets	0.601	Strong	0.362	36	1.701	0.283	-.601	-1.304	Accepted
	Return on Assets	0.993	Very Strong	0.985	98	202.984	.001	-.993	-14.247	Rejected
	Return on Equity	0.086	Very Weak	0.007	0	.022	.891	-.086	-.150	Accepted
	Return on Advances	0.132	Very Weak	0.018	1	.054	.832	.132	.231	Accepted
	Return on Investments	0.691	Strong	0.478	47	2.747	.196	.691	1.657	Accepted
	Capital Adequacy Ratio	0.020	Very Weak	0.000	0	.001	.975	.020	.034	Accepted

Source: Researcher Computation; Note: Independent Variable - Net NPA to Advances

Conclusion – The Way Ahead

In India, concept of consolidation and merger of banks are not a new one. The seeds were sown in early 1990's (viz., Bank of India acquired Bank of Karad 1993-1994, State Bank of India acquired Kashinath Seth Bank Ltd 1995-1996, Oriental Bank of Commerce acquired Bari Doab Bank Ltd 1996-1997) and

during early 2000's it was ripen under the Prime Ministership of Mr. Vajpayee, some banks were merged. (viz., Union Bank of India Acquires Sikkim Bank Ltd, 1999-2000, Bank of Baroda acquired Benaras State Bank Limited 2002-2003, Punjab National Bank acquired Nedungadi Bank Ltd. 2002-2003, Oriental Bank of Commerce acquired Global Trust Bank 2004-2005, HDFC bank Limited acquired Times Bank 1999-2000, ICICI Bank acquired Bank of Madura 2000-2001), The recommendations of the Narasimham committee on banking and financial sector reforms, stressed upon the necessary of strong and autonomy of public sector banks. The Committee recommended the use of mergers to increase the magnitude and size of operations of public sector banks. On the other hand, it cautioned that large banks should merge only with banks of same and comparable size but not with weaker banks, which should be closed down if unable to rejuvenate themselves. The argument favoured the merger of strong banks will bring multiplier effect on industry. At the same time merging of strong banks with weak banks would bring in negative benefits due to the tainted asset quality. The materialisation and implementation of consolidation and merger of public sector banks gained momentum in the year 2013. The Reserve Bank of India initiated measures to introducing 4-tier banking structure in Indian. The 4-tire structure envisages promulgating the tire-1 consisting 3 or 4 large Indian banks with domestic and international presence abroad, tire-2 with mid-sized banks and tire-3 with regional rural banks, urban cooperative banks and old private sector banks and tire-4 with small privately owned local and cooperative banks. On the path towards progress, NDA Government and Reserve Bank of India decided to consolidate public sector banks.

Merger of State Bank of India with its five associate banks and Bharatiya Mahila Bank expected to lubricate SBI in creating strong and aggressive bank in public sector. It is expected to facilitate the growing credit requirements of the economy. The expanse can benefit SBI in raring the benefits of economies of scale, synergising to gain the benefits of optimising costs and maximise revenues and to have significant cost savings and reduction in cost to income ratio. The increase in magnitude can be flexible enough to resist shocks and promote financial stability. With the merger, SBI has entered into the league of top 50 global banks with a balance sheet size of 33 lakh cr, with 24,017 branches and 59,263 ATMs serving over 42 cr customers. The increased balance sheet size will enable SBI to command better terms in both international and domestic markets. Merger has facilitated geographical expansion and penetration has increased branch network, enhanced customer base and staff strength, it enables SBI to rationalise factor resources and redundancies across the branches.

With regard to profitability, the Associate banks such as State Bank of Travancore, State Bank of Patiala and State Bank of Mysore have already reported 10.22, 15.48 and 16.89 percent of net NPAs to advances respectively owing to the asset quality concerns on their books. This has brought significance impact on the profitability of the State Bank of India. Has SBI is at the forefront and proactive in adopting changes in technology, we can expect SBI can make effective measures in confronting the losses brought on to the face of asset quality and can have positive impact on its productivity and managerial efficiency. The efficiency gains will lead to lowering cost of rendering services and higher quality as the range of products and services offered by larger banks is assumed to be wider than what was/is offering by smaller banks. Experience in some countries indicates cost efficiency could improve if more efficient banks acquire less efficient ones.

Scope for Future Research

- 1) In future, Impact of post merger of SBI Associates and Bharatiya Mahila Bank into State Bank of India can be carried.
- 2) Study on the perceptions of the employees and customers on merger can be done
- 3) Macro level study on the Impact of merger on economy can be done.

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