

An Analysis of Pre Merging Evaluation of Ten Indian Public Sector Banks

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Abstract

Merging is pooling their assets and liabilities to become one. Because of this one can have a significant impact. Merging of banks is done because of bad loans, weak operations and for integrated stronger impact. Pre – Merging impact of 10 public sector banks using Altman (Z'')Z Double Prime Score are done in this paper and financial year taken are from 2014-15 to financial year 2018-19. Merging will take place on 1st April, 2020. 10 public sector banks taken for study are Punjab National Bank, Oriental Bank of Commerce, United Bank of India, Canara Bank, Syndicate Bank, Indian Bank, Allahabad Bank, Union Bank of India, Andhra Bank and Corporation Bank. It is found in this paper that this score is a reliable predictor for future outcomes.

Keywords: Altman (Z'')Z Double Prime Score, Public Sector Banks, Merging, Ratios, Banking, Efficiency, Bankruptcy.

Introduction

Financial statement analysis of banking account is a form of periodic statement outlining. Mergers improve income from services but it is offset by higher staff costs. The biggest ever merging exercise in India in the public sector banking space had taken shape w.e.f. 1st April, 2020 as approved by Cabinet and announced by Finance Minister of India, Nirmala Sitharaman. This paper is helpful to understand the purpose behind the merging of ten public sector Indian banks. Earlier there were 27 public sector banks in India. All these banks are owned by Government of India with some public participation. In this competitive market only strong institution can survive. Government is trying to consolidate banking industry. By merging banks can focus more on up gradation of services and optimization of staff properly.

Extra space will be de-hired and extra branches will be closed.

The Indian banking industry has its foundations in the 18th century, and has had a varied evolutionary experience since then. The initial days of the industry saw a majority private ownership and a highly volatile work environment. In the evolution of this strategic industry spanning over two centuries, immense developments have been made in terms of the regulations governing it, the ownership structure, products and services offered and the technology deployed. The entire evolution can be classified into four distinct phases. The phase 1 is pre-nationalisation phase (prior to 1955), phase 2 is era of nationalization and consolidation (1955-1990), phase 3 is introduction of Indian financial and banking sector reforms and partial liberalization (1990-

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