INTERNATIONAL JOURNAL OF RESEARCH CULTURE SOCIETY ISSN: 2456-6683 Volume - 4, Issue - 5, May – 2020
Monthly, Peer-Reviewed, Refereed, Indexed Journal Scientific Journal Impact Factor: 5.245
Received on : 02/05/2020 Accepted on : 17/05/2020 Publication Date: 31/05/2020

Restructuring of Indian Public Sector Banks: Genesis and the Challenges

PARMOD K. SHARMA
Ph.D Scholar, Mittal School of Business
Lovely Professional University, Phagwara (Punjab)
Email - parmod80485@gmail.com

Abstract: *Banking industry has been facing difficulties worldwide. The problems have been common though scale might be different at different places. The major issues that have confronted them are providing customer delight by way of 'wow'banking and to keep themselves afloat. There is abundant expectation by the public from the industry to provide state of the art technology at competitive pricing and products which give them their value for money. The regulators want these banks to be adequately capitalised to mitigate the enormous risks they undertake by financing borrowers who are genuine and need bank money for growth of their businesses and the unscrupulous ones who borrow money to divert it to their unfunded projects or in real estate to make a quick buck. The banks also on daily basis face the operational risks(frauds by public and employees, looting of ATMs and robberies etc).There is pressure on them to earn good profits by safe lending and expanding the reach by adding new customers. There is good competition between Public Sector Banks (PS Banks) among themselves and PS Banks and the private sector banks. Many private sector banks in past faced liquidity issues due to management failure and bad lending. A case in point is some banks which were born out of liberalised economic policy of 1991 like Centurion Bank, Bank of Punjab, Times Bank Ltd and Global Trust Bank which faced management inefficiencies and were amalgamated with other banks. Even New Bank of India a public sector bank had to be merged into another nationalised bank Punjab National Bank which had never happened before. It can be stated that to overcome liquidity constraints and bad management issues, bank mergers and restructurings are generally resorted to. In India besides PS Banks we have also recently witnessed restructuring of 'Yes Bank Ltd' a private sector bank at the behest of government to save it from failure resulting from personalized lending by the promoters to friendly corporates which ultimately sunk.*
Andrew Sheng *(1991) [1] observed that most economists deal with financial distress as an economic or financial problem. The causes of financial distress are usually attributed to one or a combination of two factors: microeconomic (bank mismanagement) or macroeconomic changes in relative prices, poor macroeconomic policies or external shocks. Various governments have been resorting to Bank mergers in the Public Sector to have synergies by way of branch rationalization, gaining access to latest technology, capital optimization and above all experienced and professional managements to take control. Government might have taken the credit for successful amalgamation of PS Banks but unless the macroeconomic parameters change, the expected results like, resumption of credit and earning of substantial profits to take care of Capital requirements and adequate provisioning of bad assets, will not be forthcoming. With COVID-19 having deeply infected the society, the resultant lock downs and enormous negative impact on our as well as world economy, it will be interesting to watch whether the declared objectives of government for restructuring of PS banks in India will be fulfilled.*

Key Words: *Restructuring, PS Banks, Mergers, Amalgamation, NPA, NCLT.*

1. INTRODUCTION (Perspective of Indian Banking Industry):

Banks perform the task of intermediation. One set of customers having surplus money deposits it with the banks. Another set which is in need of money for their sundry needs, gets it from the bank. The difference in interest paid on deposits and earned on lending represents major income of the banks besides other incomes earned by way of commissions on drafts, letters of credit and guarantees issued on behalf of customers. It is when the income of banks earned on loans is impacted due to wilful defaults in repayment, genuine business failures or frauds on banks that the bank or a financial institution is stressed. Banking is the backbone of a nation and equally strong is the trust of people in their governments to bail them out in a banking crisis. It is the trust in their governments that most bank failures are averted by Govt. takeovers or merged with other strong banking entities to avoid any spill over to the banking system. No country can achieve the goals of economic development and social upliftment without a strong financial system mainly comprising of banks and non-banking finance companies. Most of the ownership of these banking institutions is in private hands in the developed economies. But the economies in a transient phase of development like ours have a major share in System by the state owned banking institutions. As per **ShaktiKanta Das (2019)** [2] in the post independence days the banking presence was sparse in India and it was in the hands of private players mainly industrial houses. In the year 1967 credit to agriculture constituted only 2.2 percent of the total advances of the scheduled

commercial banks as against industry which got a major share of 64.3 percent. Five cities in the country viz. Ahmedabad, Mumbai, Delhi, Kolkata and Chennai accounted for around 44percent of the bank deposits and 60 percent of the outstanding bank credit in 1969. The Govt. of India led by Mrs Indira Gandhi at that time realised that banks only catered to the needs of big industrialists and select business houses in big cities. It was felt that urban poor, middle class, small and marginal farmers did not have access to formal sector of financing. Neither people have the luxury to find a bank branch in rural and semi urban areas for putting their surplus money for safety and a good return nor they had any access to banks for credit in times of need. Farmers depended heavily on the money lender or the Arthiyas (Grain Merchants) for crop cultivations(production credit and investment credit) and for consumption /household needs. Similarly tiny and cottage industry in rural India and small scale industry in urban areas was bereft of institutional credit. To exercise control over the banking system the government decided to nationalise 14 private sector banks in 1969.At the time of nationalisation as many as 617 towns out of 2700 in the country were not covered by commercial banks. Out of about 6,00,000 villages hardly 5000 had banks. The low penetration of banking in India took a quantum jump in growth after bank nationalization through branch expansion, directed lending under Lead Bank Scheme and Service Area approach implemented by RBI in PS banks. Banks having large number of branches in a district were made the Lead Banks. These were assigned the responsibility to make district credit plans for lending to agriculture, small scale industry and employment to rural poor. Lead banks were to monitor the implementation of district credit plans as well, in coordination with district administration. Seeing the progress of banks in fulfilment of targets under directed lending, government again nationalised six more banks in 1980.

Public Sector Banks have been lending to various sectors of economy as per RBI policies to meet the huge needs for the development of the country and employment generation . Earlier it was the role of Development institutions like Industrial Development Bank Of India (IDBI), Industrial Finance Corporation of India (IFCI)and Industrial Credit and Investment Corporation of India Limited (ICICI Ltd)to assess and appraise the big projects in infrastructure and industrial sectors having long gestation periods. All these institutions had technical officers for different industries with good expertise in Project appraisals. State financial corporations also contributed in the upliftment of industrial and service sectors of their respective states .However there was a change of roles effected for these apex Development Finance Institutions(DFIs) in the aftermath of reforms suggested by first Narasimham committee (1991). In 1991 the Indian banking sector was opened up which hitherto did not have any competition with private sector banking. Earlier the Indian Banking was totally different from what we witness today. Banks were not monitored by the regulator for management evaluation and financial parameters like profitability and capital adequacy. People depended totally for their money on Banks as these were government owned and there was no risk of failure. Branch opening permissions were centralised with the central bank of the country which also controlled credit to key sectors and had put ‘Selective Credit Control’ for lending to various sensitive sectors of economy. ICICI which was a DFI hitherto launched general banking operations in 2001 after merger with ICICI bank while IDBI became a scheduled bank in 2004. Its name was changed as IDBI Bank. As the economy was being opened up after financial sector reforms popularly known as LPG meaning ‘Liberalization, Privatization And Globalization’ new private sector banks came into existence. Banks like ICICI Bank and HDFC bank opened fully computerised branches in major cities with good ambience. A healthy competition ensued between Public Sector and Private sector Banks to grab a bigger pie of banking business. The loan book of all PSBs grew to Rs.18lakhcrore by 2008. Then between 2008 and 2014 Big Bang Reforms happened. During this period there was thrust on financing of industry and infrastructure like mining, steel plants, power plants, cement units, telecom, roads and ports. The loan Book of PSBs went up from Rs.18Lakh crore in 2008 to Rs 52 lakh crore in 2014.The loan book grew due to fresh investments being created in various industrial and infrastructure sectors as above. The top management of various PSBs in the race to get a pat from the Govt for better performance and improve their banks’ ranking besides getting financial incentives went overboard to sanction big corporate loans in various sectors of economy. Credit growth targets were set as high as 25-30 percent. Private sector banks because of low risk appetite kept away to a good extent from the infrastructure lending . But some of these private sector banks too financed low rated companies to earn higher interest incomes. There was unwarranted competition at the behest of owners whether Govt Of India or private promoters between banks to remain in limelight for their topline and bottom line growth. The banks were oblivious of the consequences of hasty sanctions without due diligence and still faster disbursements without post disbursement monitoring. This unhealthy competition took a heavy toll on the health of the banks as many unviable projects were financed in the absence of stringent credit appraisals. Banks continued to grant loans to promoters of dubious intent. Even in some of the cases a number of projects of same group of borrowers were financed without seeing the successful implementation of projects financed in the past.

The bad financing by banks resulted into bad assets known in economic parlance as Non performing assets (NPAs). These are the assets where the repayment of principal and /or interest payments are defaulted. Thus the principal/interest becomes difficult of recovery overtime and due to income recognition norms of RBI cannot be taken to income. The percentage of NPAs for the banking system reached as high as 11.5 percent in March 2018.**Rajiv Kumar(2020)**[3]observed “The scale of the mess was awe-inspiring. Just 12 accounts had outstanding loans of over 1.72

lakh crore each of them NPA, resulting in bloated balance sheets of banks and corporates without commensurate income. Recklessness in lending and misuse by borrowers was writ large. This was a full blown crisis not understood by the public at large." This resulted in heavy provisioning requirement by respective banks who financed these bad loans. The resultant losses/lower profitability impacted the share prices and the market capitalisation of these banks. The investor community suffered heavy losses due to decline in share prices whereas the banks ended up in erosion of the capital . Some of the banks capital went below the prescribed norms and they were kept under Prompt Corrective Action (PCA) framework of RBI (for not maintaining regulatory capital) to curtail lending and for stringent monitoring by the regulator. As aforesaid due to bad lending practices resulting in default by big borrowers the banks were on the verge of collapse. The government came to their rescue to recapitalise banks to the extent of RS.1.06 lakh crore in 2017. Between FY 09 and FY19 the government has infused capital of Rs.3.15 lakh crore in PS Banks. As per RBI guidelines banks in India are required to maintain a minimum capital to risk-weighted assets ratio of 9 percent. "Public Sector banks have defective lending process, they are not followed by cardinal principles. Thus recapitalization, benefits public sector banks and reduce the stress level of loans. But growing Non-Performing assets will make capital infused less effective and valuable for small period " **Devika (2020)** [4]**.** If any Public Sector Bank failed at that point of time it would have been a systemic failure and the cost to the economy would have been heavy by way of loss of public confidence.

1.1. What is Restructuring:

The word is used to effect a fundamental change in an organisation or system. The restructuring of the banks aims to improve the performance of the amalgamated Bank to restore solvency and financial performance The restructuring is to encourage mergers between banks and especially among small banks in order to create a large bank which can provide a variety of banking services of international standard at a competitive cost. It is resorted to take benefit of synergies of merging banks with regard to credit appraisal expertise, branch network and technological advancement. Capital restructuring means efficiency, cost reduction leading to enhanced profitability, rearranging priorities of business keeping in view the changed geographical coverage and expertise of manpower .**Vanjerkhede (2019)**[5] defines it as "a comprehensive process by which a company can consolidate its business operations and strengthen its position for achieving corporate objectives, synergies and continuing as a competitive and successful entity. Every business concern wants to become world class. Existence of competitive environment and the threats lying therein necessitate multi-dimensional restructuring of the corporate sector to ensure sustainable growth and business success." The word 'merger' is also interchangeably used with restructuring as it is a consolidation of two or more companies and the merging companies transfer their assets and liabilities in the acquiring company/bank. Finding the right merger partner in a similar peer group remains a challenge.

1.2. Why Restructuring:

We have seen the plight of banks in their financial performance due to their bad lending policies. But for the infusion of capital some of these banks with very high NPAs would have gone bust. The second **Narasimham Committee(1998)** had recommended a three tier banking structure in India through establishment of three large banks with international presence, eight to ten national banks and a large number of regional and local banks. With regard to banks it is often stated that India should have large banks in terms of capital, presence and exposure. Such banks are identified with systemically important banks. **Sen and Vardhan (2017)** [6] observed that "the government as a major stakeholder for PSU banks needs to consider whether it is worthwhile maintaining control and ownership of 70 percent of the banking sector and bear the concomitant fiscal costs whenever these banks are in trouble. In an emerging economy like India, perhaps there is a specific need for PSU banks to channelize savings for development programs but maybe the time has now come for the government to consider reducing its shares to a minority. Also consolidation of several PSU banks may facilitate governance reforms and improve oversight". The Finance Minister **Niramala Sitharaman** announced on Aug 30, 2019 amalgamation of 10 PS Banks into four big banks bringing down the number of PS Banks from 21 to 12.The mergers which took place on April 1, 2020 are as under:

Anchor Bank	Amalgamating Banks	Business size	PSB rank
1.Punjab National Bank	Oriental Bank Of Commerce+ United Bank of India	Rs.17.94 lakh crore	2nd largest
2 Canara Bank	Syndicate bank	Rs.15.20 lakh crore	4th largest
3. Union bank of India	Andhra Bank + Corporation bank	Rs.14.59 lakh crore	5th largest
4. Indian Bank	Allahabad Bank	Rs.8.08 lakh crore	7th largest

(The business figures as given above will change upon publication of audited results for financial year March 2020).

It can be seen that after State Bank of India which is the largest bank of the country with a total business above Rs 52 lakh crore, PNB has become the second largest and Bank Of Baroda with a total size of Rs.16.13 crore after its amalgamation earlier with Dena Bank and Vijaya Bank is the third largest bank in the country. Another peer bank Bank

of India with Rs. 9.03 lakh crore business remains 6th largest. The purpose of these mega mergers/ restructuring of banks as announced earlier by the finance minister are as under:

- The Government targets USD 5 trillion economy through these bank reforms and consolidation.
- The Government would infuse Rs 55250 crore of capital upfront in these 10 big banks for their credit growth and regulatory compliance to boost the economy.
- The banks after merger will have enhanced capacity to increase credit.
- Banks will have a strong national presence and international reach.
- Reduction in lending cost.
- Next Generation technology for the banking sector.
- Improved ability to raise market resources (This is very important that instead of so many banks only a few tap the capital market to raise equity to keep up the sentiment of investing community).

Therefore restructuring of banks became a necessity with the Government as it was finding it difficult to maintain control on so many banks, find key officials like Non Executive Chairman, Managing Directors and Executive Directors and provide capital to all banks from time to time due to uncontrolled menace of NPAs. It is worth mentioning that presently there is a vacuum in the banking industry of the managerial expertise and many a retired senior bank officials are working as directors and non executive chairmen of PS banks.

1.3. Is it a right decision to Amalgamate PS Banks:

There are different opinions about Restructuring of Banks. Some studies favour it for its benefits and others dismiss it as an exercise in vain with limited period benefits. The stated objective of government seems to have been fulfilled for the time being which is to give the country some big public sector banks with strong national presence and global reach. SBI, Bank of Baroda and four banks as mentioned above fall in this category. Similarly national presence of PS Banks will be achieved by Bank of India and Central bank of India which have not been amalgamated. Small regional banks like Indian Overseas Bank, UCO Bank, Bank of Maharashtra and Punjab & Sind Bank with small number of branches will continue in their respective regional strongholds. At this juncture when PS banks are saddled with very high NPAs and consequent losses, it is imperative on researchers to study the impact of government decision for restructuring of banks. Being the majority shareholder of Public sector banks government has faced no hurdles in implementation of its decision for their merger. Whereas the **Narasimham committee** had recommended for merger of strong banks with each other and weak with the weaker ones, government has not followed this. The decision has been termed arbitrary by the economic circles. It is a known fact that mergers done in the banking industry earlier like of New Bank of India with Punjab National bank in 1993 had their problems due to HR related issues. Big is synonymous with strong, stable, liquid and resilient to shocks. Generally it has been said that India should have 'Too Big to Fail' banks. These banks are known as Systemically important banks. So whether the amalgamation of banks to have BIG banks in our country came at the right time will be answered only at a future point of time. There have been many studies worldwide to ascertain the impact of restructuring on banks.

2. REVIEW OF LITERATURE:

Deloitte Consulting Group (2020) [7] concluded that internationally one may witness $100 billion sized banks targeting $10 billion to $50 billion sized entities. As per their study, there are six important factors for merger between banks: Digital capabilities, expanded customer base, geographic growth, culture and management, Risk and regulatory compliances and finally integration of people, processes and technology. All these factors require lot of preparedness. Both the parties to the merger need to align on expectations, establish a clear process for integration activities and work through cultural differences well before the deal closes.

Johannes Bersch et al (2020)[8] observed in "The real effects of bank distress : Evidence from bank bailouts in Germany" that bank distress is usually identified by typical rescue measures taken by supervisors like capital support i.e capital injections and guarantees as well as distressed mergers which are often the last resort after previous capital support measures have failed.

Hawkins (2000)[9] in "Restructuring Banking Systems" observed that the government must be willing to recognize the scale of the problem and act as soon as possible. The government should also, if necessary, be prepared to commit substantial fiscal resources to fixing the problem in the banking system. Transparent arrangements must be adopted at an early stage to deal with NPLs so that a core of healthy banks can continue to facilitate economic development.

Kazik(2012)[10] in "The Impact of the Corporate culture on the Success or the failure of Mergers and Acquisitions" observed "most companies do not consider integration of human resources as an essential determinant and often do not pay attention to culture integration. The clash of corporate cultures was assessed by the transaction advisors as one of the threats in post-merger integration phase. It should be also mentioned that the unpredicted length of due diligence and the operative management of integration often delay the desired gain of competitive advantages

INTERNATIONAL JOURNAL OF RESEARCH CULTURE SOCIETY ISSN: 2456-6683 Volume - 4, Issue - 5, May – 2020
Monthly, Peer-Reviewed, Refereed, Indexed Journal Scientific Journal Impact Factor: 5.245
Received on : 02/05/2020 Accepted on : 17/05/2020 Publication Date: 31/05/2020

and so they are no longer considered as an advantage. Planned synergies as targets are also problematic because they are very difficult to measure and often represent only wishes of management than quantified targets. In recent times experts tend to believe that M&A transactions can be replaced by internal expansion."

Chang (2006)[11]in "Business groups in East Asia: Post-crisis restructuring and new growth" found that all crisis ridden nations adopted changes to improve loan standard. Korea changed loans past due from 180 days to 90 days for early recognition of defaults. (This is presently the norm in our country as well) "The banks started using the forward looking method to define loan loss provision. These countries also improved their supervision of banks".

Ariff (2009)[12] in a study "IMF Bank-Restructuring Efficiency outcomes: Evidence from East Asia " found for the first time (as claimed by the author) new findings on bank efficiency over the pre and post –IMF- restructuring periods. He advocated restructuring during crisis period but then well designed measures are needed to ensure its success. Bank mergers and acquisitions need to be scrutinized.

Cartwright and Cooper (1992) [13] studied importance of human factor in "Mergers and Acquisitions : The Human Factor " and found out that "most organizations are ill prepared for the scale of problems that they invariably have to face. In the absence of any human merger audit, or carefully formulated human merger integration plan most organizations muddle through the merger process, moving from one organizational crisis to another, rather than proactively managing people and anticipating and confronting problems before they got out of hand. Indeed current merger management is characterised by an ad hoc, reactive fire fighting approach ".

Dziobek and Pazarbasioglu (1997)[14] in "Lessons from Systemic Bank Restructuring: A Survey of 24countries" studied various countries for their varied approaches to systemic bank restructuring . The sample consisted of a representative group of countries reflecting a broad coverage across regions and levels of development . Countries were included only in cases where the problems were judged to be systemic. The systemic is defined as a situation where problems affected banks in aggregate held at least 20 percent of the total deposits of the banking system. The authors concluded that "the fact that the process has been completed does not necessarily imply that the restructuring has been a complete success. In effect some countries have experienced recurrent banking sector problems."

3. Objectives: The objective of our paper is to highlight the challenges that the amalgamated banks will face in future and some recommendations to overcome these.

4. FUTURE CHALLENGES:

The following challenges will haunt the new amalgamated entities for a number of years:

4.1. Credit Dispensation : Banks have major function of intermediation. Accordingly they have to deploy the deposits of customers in safe lending and investments. Banks are the key drivers of growth of any economy. In smaller banks the customers are very comfortable with staff of a branch. In credit decisions for small to medium amount of loans sometimes the trust overweighs the rules. After amalgamation happens and the bank becomes BIG the rules dictate the credit sanctions even for trusted customers with a proven track record with lengthy appraisals and thus alienating small customers. With Covid 19 around and most of the industrial units closed the small businesses will have to be dealt with sensitivity. There will be enormous pressure on PS banks from government also to cut delays and lend aggressively after the lockdown is lifted. The financing of Micro sector like self help groups , agriculture and small industry will have to be prioritised due to political compulsions. A realistic assessment of credit needs of various other sectors where credit offtake is going to be huge will be a daunting task for the banks which are already reeling under the NPA burden. The demands of hotels, hospitals, airlines industry in the services sector and the real estate , iron and steel, cement, auto parts and automobiles etc. will be substantial on opening of the economy . Looking into the past record of banks by their poor appraisal of projects resulting in NPAs, banks will have very challenging times ahead. It has been observed that that despite widespread recognition that banks in most emerging markets were relatively weak did not prevent them from rapidly expanding domestic lending. While credit growth somewhat faster than GDP growth is part of the normal process of financial deepening in many emerging economies the rates of growth of lending to the private sector were unsustainably high (**Hawkins and Turner 1998**) [15]

4.2. Cultural Integration: Merging two large banks requires deep assessment of prevailing corporate cultures and measures to integrate them. This is critical for maintaining healthy staff relations leading to development of business. This is one of the main challenges as banks operating in different cultural arenas have been merged. One of the unique case is of Kolkata based Allahabad Bank into Chennai based Indian bank, an east based bank with a south based bank with totally different languages and cultures. Though the top management of Indian Bank has publicly held that with proper staff communications they will take along the staff of Allahabad bank but it is felt that the problems of smooth integration will consume lot of time and effort of both banks. Even though employees of both banks will now be the staff of the amalgamated bank it can be assumed that separate informal groups / unions will spring up in due course of time to take up the cause of their members. This scenario will also be witnessed in other amalgamated entities also with

their staff coming from different social and work cultures. The biggest challenge is to measure whether employees of merging banks coming from different cultural values and work cultures have merged mentally with the amalgamated bank or they just bowing to the diktats of their management. Their management even though unwilling for merger process have to succumb to the government decision being its employees. One sentimental reason for employees' alienation could be losing their identity by respective banks which existed for more than 75-100 years or more and were performing.

4.3. Amalgamation of technologies and acquiring new technologies:

Government has ensured that all the amalgamating banks have the same Core Banking solutions. In the case of PNB ,OBC and UBI merger, Finacle provided by Infosys Ltd. is the CBS platform. But for similar CBS platforms, the transition would have been painful by way of huge disruption in customer services. However the levels of customization of Finacle or other software in different amalgamated banks will have to be brought to same version . This involves lot of training and compatibility of staff members who operate it. This may take 6-12 months depending upon the staff attitudes. Since the database of merged entity has grown manifold after the merger it will have to be ensured that the installed servers are able to cope with the increased load of customer transactions and downtime is minimal. Restructuring is expected to bring the benefits of cost reduction and advancement. Proper integration of technology of the merged entities will pave the way for huge advancement to fulfil the growing demand of government and the customers for digitalising the banking products at reasonable pricing. It requires highly efficient and competitive technology teams. If the newly formed mega banks can find such resources within the organization they can be thoroughly trained to meet the new challenges. In the alternative fresh recruitment at senior positions with market denominated compensation may have to be considered (This may need government approvals being the majority shareholder and owner of PS banks, with proper justification).

4.4.Branch Consolidation: An immediate task on hand of the amalgamated banks is to quickly review the branch network and close branches in the same premises or in the near vicinity. One of the major benefit of Merger of banks is to save the operating costs. Unless the unwanted premises are vacated or disposed of where owned earlier by respective banks, the gains by way of reduction in rents , repairs and maintenance will not accrue. However this is a sensitive issue. Most of the workmen (clerical cadre) are able to get postings near their place of residence through union pressures . If branches are rationalized the aspect of deployment of excess staff will be critical. For closure of branches in rural or semi –urban areas where staff has to move to distant locations the aspect of industrial relations will have to be kept in view.

4. 5. Customer Retention : It is again important to retain existing customers besides new acquisitions . In Indian context customers are habitual of getting a passbook from the bank where they maintain account. Since the banks which have merged into bigger banks have lost their identity the depositors and borrowers alike will have to get new account numbers and passbooks/statement of their deposit/ borrowal account very fast. This will be necessitated for making RTGS and NEFT transactions (money transfers) and to give the IFSC code to their constituents to make remittances. The customers will insist on issuance of new cheque books from the new banks. Similarly in case of closure/ merger of branches new demand for safe deposit vaults/lockers will originate which will have to be met by the amalgamating banks. It is only when existing customers of the merged entities are served well without hiccups that the marketing **t**eams can go out to canvass new relationships.

4.6.New products : The financial market is very dynamic and revolves around innovation. The ATMs and Cash deposit machines (CDMs) have given way to digital transactions. Government is also increasingly using the accounts opened under PM Jan Dhan Yojana scheme to digitally transfer Crores of rupees to give Mnrega payments, subsidies on gas and payments under COVID-19 to serve the beneficiaries by direct benefit transfer to help the poor in the crisis period of COVID-19. Public at large is using UPI and PAYTM APP as they use other for food and travel. In the very near future banks may have to deliver all banking services through doorstep banking which is presently used only by a few banks for important customers with good deposits for only picking up or delivery of cash. Banks will have to use Financial technology (FINTECH) to provide fingertip banking to more and more customers in future and those banks which will not be compatible with the latest trends in technology will lose customers.

4.7.Priority handling of Non Performing Assets (NPAs): Besides Organizational Restructuring like reorganization of Head Office departments, field level controlling offices and manpower deployment, one of the thrust area with top management is going to be how to bring about speedy reduction in NPA levels. Sitting on a huge portfolio of bad loans amounting to 12-15 percent of the gross advances a robust and regulatory capital adequacy is of paramount importance for new banks. Before merger government has made serious efforts to tackle the NPA problem of banks by bringing the

Insolvency and Bakruptcy Code (IBC). The code established a new framework for collective action by the banks (creditors) to resolve the financial stress of the borrower through National Company Law Tribunal (NCLT). It enabled banks to put their recovery on a accelerated mode as NCLT has a time bound action to recover the dues from defaulter borrowers. The time period for resolution is now within a revised maximum period of 330 days as against long delays witnessed at Debt Recovery Tribunals formed earlier to recover bank dues of NPA borrowers. There has been substantial recovery of banks in various large value NPAs. Recovery in NPAs is necessary for banks to be able to raise international funding by way of capital bonds for recapitalization and lines of credit for export financing. International investors will not like to lend to banks who have poor financial ratios. It is worth mentioning that this problem of NPA is going to aggravate to a very high level in the near future in view of sharp reduction of country's GDP forecasts (sharp reduction in production of manufactured and agricultural goods, services and employment). The wilful defaulters are going to increase to take benefit of rehabilitation packages and other relief and subsidies etc. due to govt. sponsored lock downs. The performance of banks in this critical area will have to be closely monitored by the Reserve Bank of India through onsite (for large value accounts) and offsite surveillance.

4.8. Improvement in Financial Performance : The rating agency Crisil Report published in 2019 on "Rating criteria for banks and financial institutions" elaborates the CRAMEL framework by improvising the widely used CAMEL's model for financial evaluation of banks. In addition to the five ingredients of CAMEL i.e Capital adequacy, Asset quality, Management and systems evaluation, Earnings potential and Liquidity/asset liability management, one additional factor of 'Resource-raising ability' has been added for study of the banks' performance. It is expected that amalgamated banks besides focusing on operational matters to bring about better efficiency like cutting costs, increasing number of internet users and ATM hits will devote their optimal time on bringing about financial restructuring within the RBI regulatory forbearance. Maximum energy will have to be devoted to avoiding slippage of accounts to Sub standard category by massive restructuring and timely additional financial support. This has to be enjoined by upgradation of existing sub-standard and doubtful category accounts to standard category by proactive measures with restructuring of bad assets with some additional funding after proper technical viability studies so that these borrowers get good time to repay their dues by gainful utilization of their production units and consequent generation of revenues. This will impact the bank profitability in the short run. Banks will have to take the NCLT route aggressively if borrowers do not come fast for resolution of their accounts. To make NCLT more effective more offices (benches) to deliver speedy judgements will have to be formed at the state level as number of cases will rise manifold as awareness about this new law for recovery by the creditors of their dues increases in society. Keeping this in view the threshold limit of filing bankruptcy proceedings under this law has recently been enhanced from Rs.1 lakh to Rs.1 crore for MSME.

5. CONCLUSION:

It is known that all countries have resorted to Bank Restructuring at some point of time to avoid systemic risks in the sector. Only a sound banking system can bring economic upliftment of a nation. The studies by researchers in this area have struggled to bring to the fore many deficiencies prevailing at relevant times relating to capital adequacies, asset management, managerial competence, financial leverage , liquidity , legal reforms, banking frauds , human (psychological) and technology issues emerging out of willing or forced wedlocks of banks. Many scholars have tried to see the impact of mergers on prosperity of shareholders by real time stock valuations. It can not be construed that with mergers of two or three PS Banks with one another will resolve all their woes. It has been witnessed that problems of risk management, credit appraisals, dependence on government to bail them out in difficulties , improper board questioning over key decisions and apathy towards staff of other banks by the anchor bank prevail for long periods after the merger. Therefore we can hope that time has come for the government and the regulator to be proactive and improve the surveillance and compliance roles by their respective departments. The legal framework of IBC Code implemented through NCLT and NCLAT will have to be improved further for cutting the delays. This will oviate the need for frequent budgetary support to government banks for recapitalization and thus minimizing the tax payer's burden. There is a talk of a Bad Bank formation by Indian Banks' Association where all the NPAs of banks will be parked and the underlying assets sold overtime. This has been successfully done in many countries like US, Japan, Malaysia and Sweden to help banks not to sell assets in distress. However it may take lot of time for it to take concrete shape. The researchers will do well meanwhile to highlight the achievements of four Mega Mergers and whether government objectives as stated by the Finance Minister are fulfilled. All said and done the problems relating to reaching the rural poor through bank correspondents (BC Agents), opening bank branches for serving the customers, effecting due recoveries of loans and supporting the entire nation by way of deferment of interest and EMIs on the borrowings and cost reduction of service charges etc., in the time of economic distress will be challenging for the banks. Also the handling of digital transactions by way of government support to masses by way of Direct Benefit Transfers will be critical. Till the time of writing this paper the focus of banks is only to confront the unexpected threat and serve the needy.

REFERENCES:

1. Sheng Andrew (1991) The Art of Bank Restructuring- Issues and Techniques, Economic Development Institute of the World Bank , EDI catalog No:340/054.
2. Das Shakti Kanta (2019), Governor, Reserve bank of India , address at the first Annual Economics Conference, Amrut Mody school of management, Ahmedabad University I*ndian* Banking at Crossroads: Some Reflections, Dec 11.
3. Kumar Rajiv (2020) Ex-Secretary Ministry of Finance Govt Of India, The Storm Before the Lull The Economic Times 27th Feb.
4. Devika P (2020) AStudy on Recapitalisation with reference to Selected Public Sector Banks, International Journal of Advanced Science and Technology, Vol 29 ,No.4, pp 07-16.
5. Vanjerkhede Sunanda (2019) Corporate Restructuring In India: A Study with special reference to select Corporate Restructuring Initiatives in banking sector, Ph.D thesis submitted to Gulbarga University Kalburagi India.
6. Sengupta Rajeswari and Vardhan Harsh (2017) Non Performing assets in Indian banks : This time it is different, Economic and Political Weekly, March .
7. Deloitte Consulting Group paper ,2020 banking and capital markets M&A outlook- Partnering to navigate the future.
8. Bersch Johannes etal, (2020) The real effects of bank distress : Evidence from bank bailouts in Germany, Journal of Corporate Finance Vol 60, February.
9. Hawkins John (2000) Restructuring banking Systems , Global Financial Crisis- Lessons from Recent Events Chapter 11 ,edited by Bisignano R., Joseph et. al, Kluwer Academic Publishers , Boston, June pp 122-140.
10. Kazik Robin (2013), The impact of the Culture on the Success or the failure of Mergers and Acquisitions“ Kazik@probull. Cz.
11. Chang Sea- Jin(2006) Business Groups in East Asia :Post-crisisres tructuring and new growth Asia Pacific J Manag.
12. Ariff Mohamed& Can Luc ,(2009) IMF Bank- Restructuring Efficiency Outcomes : Evidence from East Asia , Journal Of Financial Research Vol 35, pp167-187.
13. Cartwright Sue and Cooper L.Cary (1992) Mergers and Acquisitions :The Human Factor, Butterworth – Heinemann Ltd Oxford.
14. Dziobek Claudia, Pazarbasioglu Ceyla,(1997) Lessons from Systemic Bank Restructuring : A Survey of 24 Countries.IMF Working Paper No.97/161.
15. Hawkins, John & Turner, Philip (1998) ,Bank Restructuring in Practice : An Overview , Paper presented at meeting of Senior Bankers at BIS (Bank for International Settlements) Dec.