Merging Of State Bank Group- Customer’s Satisfactions

Dr Sabitha Godasu
MBA, Associate Professor & Head of the Department

Abstract:
Banking industry is undergoing unprecedented changes driven by consolidation by means of mergers and acquisitions all over the world. To procure the benefit of economies of scale, merging and acquisition has become one of the principle objectives of many banks. Merger of SBI with its 5 associate banks namely State Bank of Bikaner and Jaipur (SBBJ), State Bank of Mysore(SBM), State Bank of Travancore (SBT), State Bank of Hyderabad (SBH), State Bank of Patiala (SBP) and BharatiyaMahila Bank took place on 1st April, 2017 is the largest merger in history of Indian Banking Industry. The merger had made State Bank of India one of the 50 biggest banks of the world. The study would enumerate the benefits to the customers and its associated banks. The study has put forward the Customers as well as acceptability behavior for the services.

Key Words: Associate banks, Customers, Merging, Services, Share holders.

1. Introduction:
SBI first merged State Bank of Saurashtra with itself in 2008. Two years later, State Bank of Indore was merged with it. The board of SBI earlier approved the merger plan under which SBBJ shareholders will get 28 shares of SBI (Re. 1 each) for every 10 shares (Rs.10 each) held. Similarly, SBM and SBT shareholders will get 22 shares of SBI for every 10 shares. SBI had approved separate schemes of acquisition for State Bank of Patiala and State Bank of Hyderabad. There will not be any share swap or cash outgo as they are wholly-owned by the SBI.

1. Scope of the Study:
The present study has been undertaken to understand the merger of SBI with respect to its associate banks. This study is confined to the Hyderabad region and it covers the services provided and end users of the bank.

2. Limitations of the Study:
The study report consists of few limitations:
- The report has been conducted within a limited time frame.
- The study is self-financed.
- The study is limited to the customer of Hyderabad only.
- The sample size is limited to 100 only.
- The sample size does not represent the total population.

3. Objective of the Study:
- The Effect of SBI Merging on Shareholders Wealth
- To know the benefits to the associate banks of SBI.
- To discuss the customer experience about the bank operations after merging.

4. Research Methodology:
Research methodology is a methodology for collecting all sorts of information & data.

6. Collection of data
The data has been collected from primary and secondary sources. The basic premises of my study is primary data. Convenient sample that was representative of the target market was chosen, the respondents were contacted personally and the instrument used for collecting data is questionnaire.

6.1. Sample Size:
100 account holders were selected for the study and their responses were collected thorough questionnaire.

6.2. Sampling Technique:
Simple Random Sampling technique is used.

6.3. Data Analysis:
After data collection, I’m able to analyze customer’s views, ideas and opinions related to services of the state bank of India and SBI will come to know the customer requirements.

7. Literature Review:

Singh Jagwant (1993) in his book is concerned with trends and changes in productivity with particular emphasis on employee and branch productivity in the Indian banking industry. It determines the level of productivity and its growth during the period 1969-85. The 22 public sector banks i.e. banks of the SBI group and 14 nationalised in 1969 have been taken up for the study. The study attempts to make cross-sectional and intertemporal analysis on the basis of 17 indicators. The indicators have been divided into 3 categories which measure labour productivity, branch productivity and financial productivity. T-scores have been used for giving ranking to the banks. The ranking of the banks reveals that most significant improvement in the ranking was achieved by Indian Bank and Indian Overseas Bank. United Commercial Bank recorded maximum deterioration. From the SBI group the performance of State Bank of India was better.

Agarwal R N (1993) in his paper analyzed the profits of Public Sector Banks since their nationalization and discuss the determinants of profitability. The study covers State Bank Group and Nationalized Bank Group. Time series data for the period 1970-1987 has been used. The profit equation is estimated by ordinary least square method. Empirical results indicate that profitability of public sector banks has been adversely affected by increasing statutory reserve ratios, lending to priority sectors at lower rates of interest, expansion of bank branches in the rural and semi-urban regions and rising wages of employees. Declining labour productivity has also adversely affected profitability. Time deposits are found important to encourage profitability. The two banking groups are found significantly different in their financial performance.

8. Benefits to the Associate Banks

SBI on a standalone basis had capital adequacy ratio (CAR) of 13.1 per cent, with the same for the associate banks being 11.6 per cent. Therefore, the resulting merged entity would have a capital adequacy level of around 12.7 per cent. Not much of a change is expected in terms of SBI's capital adequacy.

Post the merger, SBI would have a nearly 23 per cent market share of total domestic deposits and around 21 per cent market share of total loans.

1. There are three broader benefits from this merger;

   a. The cost-to-income ratio reducing by 1 per cent, or 100 basis points (bps).

   b. They are expecting treasury operations can perform better because there is a large size it reaches in terms of the returns that the treasury can generate.

   c. There is a boost in the profit margins because of the low cost of deposits.
2. Information technology (IT) operations is another benefit the associate banks. SBI, as the parent body is better placed using IT service providers.

3. The associate banks need not to have separate board meetings, annual general meetings and other functions that regulations demand. Probably one official may track the entity. The additional workforce can be utilized for the other operations or more workforce can be allocated for weak sections of the bank in order to improve the efficiency.

4. The associate banks' employees have only provident fund; they did not have pension. SBI extends pension benefit to associate bank employees also.

9. The Effect of SBI Merging on Shareholders Wealth

For the year FY2017, the Board of Directors of State Bank India has declared a dividend of Rs.2.60 per share of face value of Re.1 each.

- From the above table, we can observe that the volume of the traded shares i.e. the number of shares have increased from 1, 21, 33,951 share to 1, 56, 97,555 share when compared from pre merger to post merger.
- The traded value of SBI shares has also increased from 3,05,74,52,429.85 in per merger to 3,97,54,05,262.35 in post merger.
- SBI share price per share has also increased from Rs194.25 to Rs293.40
- Net profits have also increased from 9,951 to 10,484
- We can also observe the variation in dividend payout ratio from 20.28% to 20.11%.

10. SBI account holders responses:

- According to the survey conducted, 21% of the customers are engaged in business, 44% of the customers are employees, 16% of the customers are housewives, and 19% of the customers are students.
- From the sample, 13% of the customers are using SBI services since 1 year or less than 1 year, 46% of the customers are using for 5 years, and 41% of the customers are using for more than 5 years.
- 43% of the customers believe that, there is no improvement in ATM services and 15% of the customers believe that the services have been declined.
- 38% of the customers believe that, the charges on with draws from other banks have been improved and 6% of the customers believe that the Charges on with draws from other banks have been declined.
- 49% of the customers believe that the speed of transactions within the bank has been improved and 7% of the customers say that there is no improvement in the speed of transactions within the bank.
- 41% of the customers believe that the speed of transactions with other banks has been improved and 6% of the customers believe that the speed of transactions with other banks has been declined.
- 40% of the customers believe that the charges on online transactions have been improved and 4% of the customers believe that charges have been declined.
- 67% of the customers believe that there is no improvement in the interest paid to customers on saving A/C, 9% of the customers believe that those have been declined and 1% of the customers did not respond.
- 46% of the customers believe that there is no improvement in the interest paid to customers on Current A/C, 7% of the customers believe that the Interest paid to customers on current A/C has been improved and Current A/C is not applicable to 26% of the customers.
- 47% of the customers believe that, there is no improvement in Interest paid to customers on fixed deposits, 4% of the customers believe that, the Interest paid to customers on fixed deposits has been improved and fixed deposits are not applicable to 11% of the customers.
33% of the customers believe that, there is no improvement in Interest paid to customers on Recurring deposits, 9% of the customers believe that, the Interest paid to customers on Recurring deposits has been improved and Recurring deposits are not applicable to 27% of the customers.

61% of the customers believe that, there is no improvement in the charges applicable on Demand Draft, 4% of the customers believe that, there is improvement in the Charges applicable on Demand Draft and charge applicable on Demand Draft is not applicable to 11% of the customers.

45% of the customers believe that, there is no improvement in the Additional charges applicable on deposits and 12% of the customers believe that, the Additional charges applicable on deposits have declined.

44% of the customers believe that, there is no improvement in Limit on credit. 9% of the customers believe that, the Limit on credit has been declined and Limit on credit is not applicable to 2% of the customers.

39% of the customers believe that, there is improvement and little improvement in the customer schemes and 5% of the customers believe that, the customer schemes have been declined.

55% of the customers believe that, the brand image of SBI has been improved and 5% of the customers believe that, the brand image of SBI has been declined.

11. Discussions:

The satisfied customers with the services of bank after merging are less than 50% in all kinds of operations. The reason probably may be because of unawareness of the services to the customers or may be not regular user of the services of the bank. It was observed that the majority of the customers are holding the account for the sake of holding an account for their salary or income deposits in to the account. Also I assume that the customers of the respective bank are from an organization or an institution.

References:

Annual Reports of State Bank Group

National daily newspapers

drgsabitha@cvsr.ac.in--godasu