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SBI Merger and Consolidation: An analysis of Impact on Rural India.

Abstract

With the ongoing increase in NPA of banks, the performance of public sector banks are deteriorating so, in order to come out of this menace, the government and RBI decided to firstly undergo merger India's largest public sector bank with the theory of "Make the institution Too big to fail" - The SBI merger happens and has impacted various sections and Institution of rural India in different ways.

- **Key words**

NPA:stands for the Non-Performing Asset which which means bad loans those are not recoverable by the Bank. SBI and group is the one of the largest banking sector entities who have crores and crores of Bad Loans which are not recoverable. Some entities Gross NPA has reached up to 20%. Due to huge bad loans an internal corporate restructuring is required for all the associate group entities, otherwise in upcoming few years, few of them may even not survive in the market.

MERGER: Merger means the Amalgamation of two or more companies into one.

CONSOLIDATION: It means that making the company stronger after the Amalgamation of two or more than two companies.

LAF:liquidity adjustment facility is primary instrument to modulate interest rates and money supply to assure basic stability in the financial markets.

MSF: It is known as Marginal Standing Facility in this RBI has deployed a number of liquidity support measures for banks to ensure that there will be enough liquidity in the banking system.

SME:It means that the funding of small and medium-sized Enterprises. In this type of Enterprises capital for the firm or company are supplied, acquired or priced.

- **Introdution**

The countries largest lends became on hype because of the Merging of associates Bank's. State Bank of India first Merged associate is the State Bank of Saurashtra with it self in doos, after two years State Bank of Indore was also Merged. The latest Merger will create a financial benchmark with assets worth RS 37 lakh crore. If the merger occurs then the SBI will be ranked 7 rank up from its current 52nd position. The union combined in February 2017 had approved merged of five associates bank along with the Bhatatiya Mahila Bank with State bank. The purpose of Merging is the rationalisation of public bank resources, reduction of costs, better profit, lower costs

of funds and leading to the better rate of interest and improve the productivity and customer service of the public service banks.

- **Impact of SBI mereger on different section on Rural India.**

1.ON WOMEN

There is a very huge impact on the rural India due to the merger of SBI with other banks which leads to the development of rural India and its people specially women because as we know that in today's world women's are far behind from the competition because lack of resources, so this merge is giving the chance to woman to fight against the world by providing them the various schemes launched by the government through commercial banks, example loans at low interest rates and Ujjwala Yojana like schemes for Womens are introduced.Now days in Mumbai kharif season,country's largest lender State Bank of India today said it meet nearly 10000 farmers and after understanding their their problem they will provide finance to them according to their needs.

2.ON FARMERS

In sowing season the farmers are provide with loans upto 3 Lakhs,effective interest is only 4 percent rather than 8 percent per annum, due to this as a result agriculture sector witnessed a growth of 4.1 percent.

3.ON YOUTH

As we all know that youth is the emerging power of India and more than 50% of the India's population is youth and due to this factor there is a need to focus on the youth of India , if any youth want to start up their business then SBI is providing them to ignite the enterpreneural spirit, like by providing them loans, various scheme introduced to the market by state bank of India.State Bank of India is providing opportunities not only to youth but as well as to the old age people living the Rural area by giving them the life cover, insurance like policies. Now a days various Banks are providing easy services to the people so they don't face trouble in banking related servicses by making the Banking sector fully digital specially for the old age people. Easy service like as providing internet banking, so that they can operate their Bank account from any where across the world. SBI merger has also play an important role in the education institution by providing loans low interests rates.In India rural development is recognized for faster economic development and welfare of common masses.

Rural development is not merely development of rural areas but also the development of the rural people means that this merge is empowering people without taking any risk and in sympathy with the other component.It has been the constant endeavor of the planners to give adequate thrust to rural development as the sector is directly related to agriculture.Indian government has launched various schemes to fight with poverty and to help in the development of the rural areas with

the help of the commercial banks because banks play an important role in introducing the various schemes to the people, example small scale industry setup scheme which help the people living in rural areas to get employment. Small Farmers Development Agency (SFDA) the SFDA's have been established to help those cultivators who have small, yet potentially economically viable holdings. The small farmers have always been neglected by both the organized and unorganized sectors of banking. Therefore, the establishment SFDA is a significant development in the field of rural finance, for it forms an important link in the chain of organized financial institutions through which money flows into the rural sector of the economy.

Conclusion

Rapid changes in banking sector in India undergone changes that had been seen over the past six decades after the independence in India. Policy makers making drastic steps including social control, nationalisation and implementation of reforms in India. Coming to the impact of SBI merger only those areas where SBI is not having branches but its associate banks are having upon the merger being effected the customer confidence and good report will be created because SBI is having a good report for all its customers. As seen that the bigger the bank, the better is the diversification of its assets portfolio and lesser chances that the bank will fail in the system. Gross NPA and net NPA of the combined entity also come down and it will become the big merged bank it seems that it will only have a management system rather than having different management setup over the associate banks because of single management, efficiency and effectiveness of the business processes will be increased. Merger is helpful for the survival of the weak banks by merging into the larger banks. Better internal control and system processes will be carried on with all the merged banks. Merger of SBI with other banks has to happen because there are too many banks and historically banking system is evolved on regional basis, many of banks operating in the region but the country is getting much more integrated, in terms of its market so bank has to be operated at National level, so these types of merger are inevitable. Merger of banks takes place in those banks who business can complement one another, example Bank of Baroda is not that strong but this bank is capable of lending big amount.

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