

Cover Story of the Month



In This Issue

- P3** Editorial –
Managing Success
with Right Attitude
- P4** Cover Story I:
Bank Mergers
- P7** Cover Story II:
Interview
- P10** Report:
20th Anniversary
of Prime Point
Foundation
- P10** Report (cont.):
Webinar –
Current Trends
in Cyber Crime
- P11** Report (cont.):
Shradhanjali to
Dr Kalam
- P12** Report (cont.):
Webinar –
Grooming Leaders
- P12** Report (cont.):
Saturday Talk
Series – Episode 1
- P13** Princeton

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From the Desk of Editor-in-Chief



Greetings from all of us @ The Editorial Team to all our readers.

26th July is observed as *Kargil Vijay Diwas*. We commemorate that day when our Indian soldiers took command of the high outposts during the 1999 Kargil War. It is the day we salute our fellow citizens of the defence forces who relentlessly work to protect our country and all of us from the dangers of external adversaries and internal disasters.

Our country has many youngsters who work hard and with commitment towards themselves as well as the welfare of the society and the country. They are epitomes of modesty and humility. There are some others, especially in selective domains, who get carried away by their own accomplishments and adopt a haughty and insensitive attitude early in their lives. It is a matter of concern as it reflects the trend and character of the future generation of India. The Editorial this month discusses this issue.

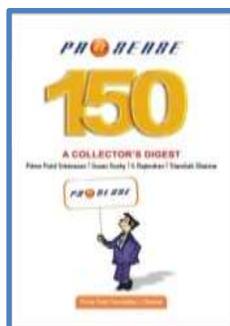
In the beginning of this financial year, ie on 1st April 2020, ten Public Sector Banks (PSBs) were merged to become four major banks. Thus, 27 PSBs as of 2017 have merged into 12 larger banks as of date. Our Cover Story discusses the Merger of Banks and its implications.

We have had a series of webinars and events during the month, thanks to the convenience of the Zoom platform. The first of the series of events was the landmark celebration of 20 years of Prime Point Foundation, the founding entity from which emerged the various initiatives as ELTF, PreSense, Sansad Ratna Awards, DiJAI, DiSAI and NGPL, inspired by the dreams of late Dr APJ Abdul Kalam, former President of India. The month-long series of events aptly concluded with a *Shradhanjali* to Dr Kalam, jointly organised by Prime Point Foundation and the Indian diaspora. We are pleased to announce the introduction of Saturday Talk Series with Experts, organised by PreSense and NGPL. The first episode was held on 25th July 2020. Please watch out for future episodes every Saturday.

I hope you will enjoy reading this edition. Please share your feedback with us at editor@corpezine.com. Your feedback is important to us.

Susan

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Editorial

Managing Success with Right Attitude to Avoid Failure

Over the past ten years, there has been a great change in the attitude of many youngsters who attain small and early success. They behave as if they have achieved a great deal in life. This attitude is reflected in their arrogant and insensitive behaviour. This attitude is especially noticeable in those working in such domains as the Media, Entertainment, IT (Information Technology) and Politics. With the sudden inflow of money, or a spurt of popularity, or proximity to people in power, these youngsters display this unhealthy attitude, failing to realise that this attitude would only distance themselves from their well-wishers, and eventually lead to disaster and failure.

There have been debates about how to counsel these youngsters and mentor them on managing their initial success in a mature manner, for their sustained growth. In July 2020, NGPL (Next Gen Political Leaders), one of the initiatives of PreSense, organised a Webinar on this subject and had invited two young MPs to share their views on the topic.

We also contacted Dr A V Srinivasan, a world-renowned neurologist for his views on why such behaviour happens and how to prevent such unhealthy attitude. He concurred that many youngsters these days are unable to manage their initial success like money, fame, and status in a mature way. They tend to become arrogant and insensitive to others, and then they encounter their own downfall due to their attitude.

He explained that when success occurs, people can choose to experience either pleasure or happiness. Pleasure is emotional and short-lived. When the person relates his success to his ego, the experience is 'pleasure'. It is like intoxication. This mode puts pressure on the individual to achieve more, like going back for more doses, as success goes to the head. That is why these people behave in an arrogant manner.

When people connect their success to a feeling of selflessness and relate it to the society's benefit (not personal ego), it becomes happiness. The people in the happiness mode have a good attitude, and mature behaviour and character. That makes them achieve more and more but with a selfless yearning. While pleasure is short-lived, happiness is long lasting.

Dr Abdul Kalam always related his success to the society. He is therefore still revered by the people. On the other hand, although Hitler conquered almost the whole of Europe, he resorted to 'pleasure killing' of the Jewish community. That led to his downfall. Had he not resorted to 'pleasure killing', he would have been remembered as one of the celebrated leaders. Similarly, King Alexander wanted to conquer the world for his individual pleasure. But he died due to mental stress at a young age. On the other hand, King Raja Raja Cholan conquered many countries 1000 years ago. But he dedicated his success to his people and built the great monument of 'Tanjore Temple'. He is still celebrated after 1000 years.

Successful youngsters should relate their achievements to happiness and not pleasure. For this, they should develop the right, healthy attitude. They should seek the guidance of mentors, if necessary, to develop and nurture the right attitude. It would be a great loss to the nation, if these youngsters fail to be groomed in the initial stage of success, and then face failure due to their unbecoming attitude.

by K. Srinivasan, Publisher and Managing Editor



Cover Story – I

Bank Mergers

Introduction

In a path-breaking 1991 report on banking sector reforms, M. Narasimham, a former Reserve Bank of India Governor, had recommended mergers to form a three-tier structure with three large banks with international presence at the top, eight to ten national banks at tier two, and a large number of regional and local banks at the bottom. Then followed the P.J. Nayak Committee with the suggestion that state-run banks should either be merged or privatised.

Over the past couple of years, Public Sector Banks (PSBs) in India have seen mergers and the latest took place in the beginning of this financial year (1st April 2020). The focus of this cover story is the merger of Public Sector Banks in the light of this recent merger.

A bank merger is a situation where more than one bank pool their assets and liabilities to become one bank. In a merger, there is an anchor bank and an amalgamating bank or banks, where the amalgamating bank or banks get merged with the anchor bank. Mergers of Public Sector Banks have generally been done in the past to revive poorly performing banks as the risk from these banks are taken over by the better performing anchor bank. Some of the other advantages of such mergers are growth in terms of customer base, and size of the balance sheet and profits, even if the process poses challenges to a seamless transition. The merger is expected to create fewer and stronger global-sized banks to boost economic growth.

Merger of PSBs in 2020

On 1st April 2020, ten PSBs merged to become four large banks.

- Oriental Bank of Commerce and United Bank of India merged with Punjab National Bank to form the merged and currently second largest PSB, Punjab National Bank.
- Syndicate Bank merged with Canara Bank to become the merged and currently fourth largest PSB, Canara Bank,
- Andhra Bank and Corporation Bank merged with Union Bank of India to become the merged and currently fifth largest PSB, Union Bank of India, and
- Allahabad Bank merged with Indian Bank to become the merged and currently seventh largest PSB, Indian Bank.



The Government of India approved the amalgamation of public sector banks to bring down the number from 27 PSBs in 2017 to the current status of 12 PSBs, post-merger of April 2020. In 2019, Vijaya Bank and Dena Bank had merged with Bank of Baroda. State Bank of India ranks first among the PSBs. Six PSBs continue to remain independent for the time being, viz Indian Overseas Bank, UCO Bank, Bank of Maharashtra, Punjab & Sind Bank,



Bank of India and Central Bank of India. There have been speculations circulating in the markets about the plans in the pipeline for the future course of action for these six banks.

The mega consolidation would help banks with scale comparable to global banks, and be capable of competing efficiently in India and globally. The greater scale and synergy would lead to better cost benefit, and impact the Indian banking system positively. Even though the stock market is initially reacting negatively to the merger, with the shares of the anchor banks falling, in the long run, the position is expected to stabilise once the merger process is completed. It is believed that the adoption of best practices across the amalgamating entities would enable the banks to improve their cost efficiency and risk management, and also boost the goal of financial inclusion through wider reach.

Even then, there is much debate about the merits and demerits of bank mergers, since mergers are never a seamless process. For example, the Officers' Association is of the opinion that mergers is not good news, as 'India needs financial inclusion, and merger would exclude small customers from the banking map.' They argue that 'it is a myth to believe that by merging, the large banks would become globally competitive.' They cite the example of the banking crisis that happened in USA, where the big banks that were 'too big to fail, collapsed like a pack of cards.' Large global banks had collapsed during the global financial crisis while smaller ones had survived the crisis due to their strengths and focus on micro aspects. They feel that India cannot afford to take such risks by mergers into big banks.

Merits of Merger



Primarily, the chances of the survival of the underperforming, amalgamating bank increases as it gains the benefit of merging with the stronger anchor bank. Its customers too, stand to gain from the survival of the weak bank. This status of rescue and survival is vital for the country's economy. The national objective of financial inclusion and widening the geographical reach of banking is better achieved with merger, leveraging on the rural branch network and staff expertise in these

specialised sectors for finance. With a larger capital base and higher liquidity, the burden on the central government to recapitalise the public sector banks over and over again will come down substantially.

Mergers also minimise the scale of inefficiency, which is otherwise pronounced in the case of the weaker bank. The merged bank is also better able to manage the risk, and NPA (Non-Performing Assets) portfolios.

Merger enables better integrated growth in the banking sector, as against a fragmented approach in the presence of multiple small and large banks covering overlapping geographical and sectoral areas for their business. Merger enables the larger bank to cater to large corporates as generally they prefer to deal with large banks, with better capabilities to advance large corporate loans. Thus, a large bank can hold higher group exposure limits in advances to industrial sectors.



A merged anchor bank has an instant access to a large number of new customers from the amalgamating bank. It also gains more capital for lending and investments. This reduces the cost of banking operations. While on the subject of costs, multiple posts of top executive positions are done away with, resulting in further financial savings. There is improved efficiency and reduced cost of operations as employees will be reassigned, providing better efficiency ratio for business operations as well as banking operations which is beneficial for the economy.

A larger bank is capable of facing global competition and financial needs. At present, only SBI is listed among the top 100 banks in the world. It is imperative that the Indian banks gain greater recognition and higher global ratings to become a global player.

Demerits of Merger

Most of the problems arising from mergers are emotional and social in nature than technical or managerial. For example, employees, especially from the amalgamating bank are apprehensive about their future in the bank. This fear is not unfounded as roughly 30% of employees on an average, are deemed redundant, after a merger. Besides, staff who have been used to associating their professional identity with their earlier bank which is the amalgamating bank, have to cope with realigning their identity with the anchor bank. It is critical that the management of the merged bank maintain constant communication with its employees to reassure about their security and welfare so that employees are not distracted, and are able to work towards a smooth merger.

The customers who have been loyal to the amalgamating bank, could feel insecure about their portfolio in the new merged bank. Here again, it is critical that prompt, regular and reassuring communication by the merged bank is dispatched to all the old and new customers. It should spell out the steps taken by the bank for smooth inclusion and service of all the customers. If customer perception is not managed with frequent and careful communication, it could lead to loss of business and this is not good for the bank.

Conclusion

It is imperative in the national economic interest that poorly performing public sector banks be integrated with stronger efficient banks. The overall value of the merged bank generally increases after merger. This proves that the market believes that well-crafted and executed mergers will create value.

Bank mergers are complex procedures with the possibility of extraordinary payoff or extraordinary peril. It is therefore important to keep these benefits and dangers in mind while merging the processes of the merging banks and the merged entity for successful merger. So far, the report card for the Indian banks that have merged, has been good and successful. Even the merger of the ten banks into four that happened in the peak of the COVID-19 pandemic, has been underway in a best smooth process under the given circumstances, with little inconvenience to customer and staff.

by Susan Koshy, Editor-in-Chief

Resources Input:

Dr K.Prabhakar, Editorial Advisor

C. Badri, Former General Manager, Canara Bank

R Venkatesh, Corporate Trainer & Consultant



Cover Story – II

Interview with Shri T.N.Manoharan, Chairman, Canara Bank – The Impact of Merger of Banks –

In an exclusive interview, Susan Koshy, Editor in Chief, PreSense sought the views of the Chairman of Canara Bank, Shri T.N.Manoharan, since Canara Bank had undergone a recent merger in April 2020. Canara Bank was one of the anchor banks in the recent merger of Indian Public Sector Banks. Syndicate Bank merged with Canara Bank to become the consolidated entity, Canara Bank. We reproduce below excerpts from the interview. For the full text of the interview, please read from the following link: <http://www.prpoint.com/doct/manoharan.pdf>

Shri T.N.Manoharan is Chairman of Canara Bank since August 2015.

Hailing from a freedom fighter's family with agriculture as occupation, Shri T.N.Manoharan is a Chartered Accountant of 37 years' standing. He was the President of the Institute of Chartered Accountants of India (ICAI). He has authored books on Indian tax law for professionals and students. He is an acknowledged teacher having been a visiting faculty of renowned Institutions.



T.N.Manoharan

Shri Manoharan was a Member of the Advisory Board on Banks, Commercial and Financial Frauds (ABBCFF), constituted by the Central Vigilance Commission (CVC). He was also a Member of the Appellate Authority, constituted by the Union Government with reference to the disciplinary mechanism governing the accountancy profession in India.

He was honoured with several awards in recognition of his exemplary professional achievement and leadership, the most prestigious being the civilian honour 'Padma Shri' Award from the President of India, which he received in 2010.

Q1. Will the merger of banks help in better NPA and Risk Management? Would you please explain how it does?

After merger, the merged entity will have better infrastructure, resources and bigger scale of expertise in place for better NPA and Risk Management practices and to face the emerging challenges in a more prudent manner.

Q2. What is your view on the problems arising due to mergers and acquisitions?

It is merger of equals, with the banks in the same environment and having the commonality of services. In the case of merger of Syndicate Bank with Canara Bank, we have done premerger due diligence. Both had culture of conservatism, efficiencies and playing within the defined appetite of risk.



There is a minor challenge in the Technology front. Even if two banks run on the same CBS (Core Banking System) platform, its implementation is different in different banks according to the products offered and processes adopted by each bank. Technology integration may take a little time to fully integrate, and we are doing it in a planned manner. In spite of the complexity and efforts required, IT Integration provides the opportunity to streamline the systems and choose the better products for the amalgamated entity.

Q3. Bank mergers go beyond merger of the books of accounts and technology. It entails merger of different working culture of the staff. How can this be dealt with for the best seamless merger?

We need to acknowledge the merger as an instrument to strengthen the banks against various economic shocks which otherwise will be very difficult to sustain as an individual bank. We also need to thrust cultural realignment without prejudice against/in favour of the workforce, with mixed deployment at all levels with shared responsibility and hand holding. Similarity of culture has ensured uniformity of behaviour and attitude. The expected synergy is almost achieved. We have the mechanism to receive continuous feedback to understand employees' concerns and issues. Before merger, teams from both the banks have collectively unified policies by adopting best practices, policies and procedures.

Q4. Large global banks had collapsed during the global financial crisis while smaller ones had survived the crisis due to their strengths and focus on micro aspects. In this scenario, how would you support mergers?

During the 2008 financial crisis, US banks and other big financial institutions were deemed 'too big to fail' and it was sub-prime lending which caused the crisis. A study released from a Federal Reserve Bank (USA) shows that a surprising number of community banks not only survived the financial crisis — they thrived. A 'thriving' bank is one that earned a continual CAMELS rating of 1. (CAMELS is a bank-rating acronym that stands for six examination factors: Capital Adequacy, Asset Quality, Management Quality, Earnings, Liquidity and Sensitivity to Market Risk). So, the banks which had high governance standards and committed for quality growth thrived.

The Public Sector Banks' reform agenda and merger of banks remain focused on improving corporate governance, increasing competitiveness, operational efficiencies and improving various financial ratios.

Q5. What are the challenges that you are facing or expect to face in this exercise of synergising the merged entities?

The main challenges for the amalgamated bank are IT Systems Integration, IT Surround Applications Integration, Data enrichment and cleansing, all of which are critical for migration and further, the amalgamation process involves significant execution risks given the complexities around business and people, with potential to distract the top team leading to loss of momentum on current business as well as transformation initiatives.

To overcome these challenges, the Bank has prepared a comprehensive blueprint for version upgradation, integration of applications, networks and infrastructure, and a separate cell 'IT synergy' is established to take care of all the technology related issues, and milestone wise progress is being monitored on a regular basis. To achieve amalgamation timelines, many activities are being done parallels with the support of various stakeholders and we are confident of achieving the intended benefits of amalgamation in the process.



Q6. Generally, how long does a complete synergy of the two entities to form the merged unit take? What does the process involve?

With two successful mergers having taken place in the recent past in India viz. merger of State Bank of India with five of its associate banks and Bhartiya Mahila Bank, and amalgamation of Vijaya Bank and Dena Bank into Bank of Baroda, the way forward was very clear. Best practices adopted in the process of the amalgamation of these banks have been considered and adopted while implementing amalgamation of Syndicate Bank into Canara Bank.

In our Bank, we have planned to complete the amalgamation process including version upgradation latest by 31st March 2021. However, in view of the present COVID situation, there may be some delay in completing the process. We are of the opinion that to realise complete synergy benefits – both Cost Synergies and Income Synergies, it may take 2-3 years.

Q7. Customers, particularly old-timers have some emotional attachment to their respective 'small' banks. How would you deal with this category of customers?

The thrust is on giving best customer service and there is no difference in service, whether a customer belongs to transferor bank or transferee bank. Suitable guidance and instructions have been given to all branches to extend courteous and qualitative service to all the customers.

Q8. How will the agriculture sector, SMEs and poor people get the benefit from the merged big banks?

Merged banks with wider geographical spread and tailor-made schemes can play an important role in credit flow to agriculture and small enterprises. In India, where the reach of banking is an issue from financial inclusion perspective, there is merit in considering access to bank credit and services through expansion of banking network in unbanked and under-banked regions.

The large bank with its enhanced size, network of branches including better regulatory prescriptions and corporate governance will be able to serve the credit needs better through relationship banking in financing agriculture and SMEs (Small and Medium Enterprises).

A bigger bank can invest higher amounts towards conducting outreach programmes to farmers in the form of technology, marketing and service staffs. Big banks with enhanced capacity to increase credit and bigger risk appetite can venture into new and innovative areas of financing. A bigger bank can provide credit at cheaper rate due to economies of scale. The combined portfolio of both the banks has led to a diversified base, thereby making it possible to leverage in a better way in the amalgamated entity.

Dedicated attention is given to all clients through exclusive SME processing hubs, widened network of SME specialised and SME focus branches, thereby ensuring that the existing customers/business is not lost to the peers. Further, merged entities would come out with more customer friendly offerings that would benefit the existing and proposed clients.

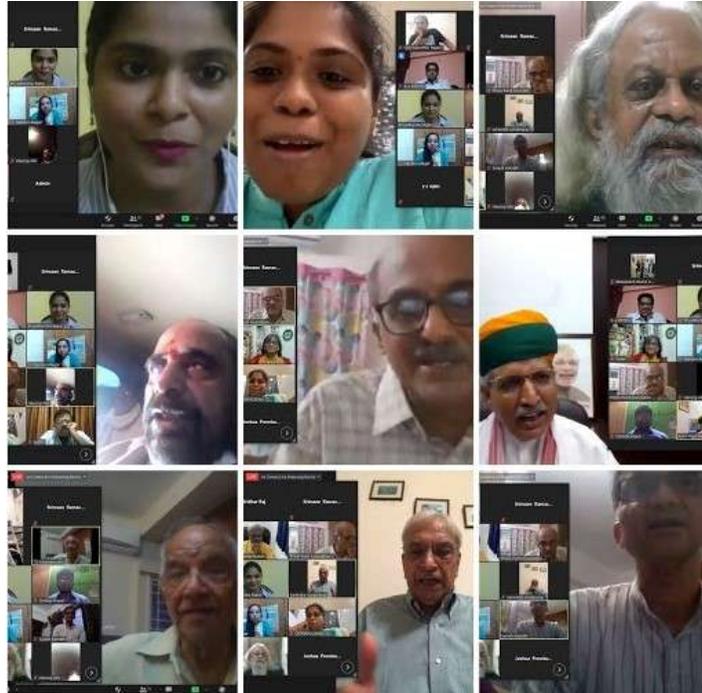


Reports

Prime Point Foundation Completes 20 Years

The 20th anniversary of Prime Point Foundation was celebrated on 5th July 2020 through a Zoom meeting.

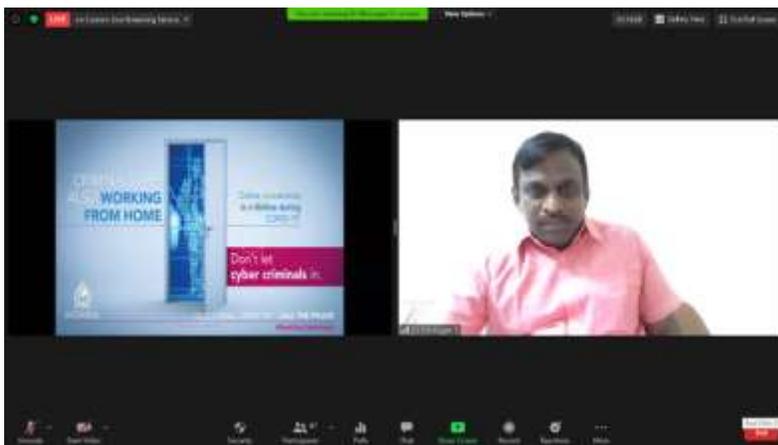
Shri Arjun Ram Meghwal (Hon'ble Minister of State for Parliamentary Affairs), Shri Hansraj Ahir (Former Hon'ble Minister of State for Home Affairs), Shri T S Krishnamurthy (Former Chief Election Commissioner of India), Dr Y S Rajan (co-author of the book, 'India 2020' with late Dr Abdul Kalam), Shri S Narendra (Former Media Advisor to Prime Minister), Dr Maria Zeena Johnson (Chancellor, Sathyabama University), Shri B Suresh Kamath (Managing Director, Patterns) and Shri Nurulla (senior Tamil journalist) participated in the event and shared their views. They had all supported the Foundation during its incubation and take-off period,



The proceedings can be watched from this link:

https://www.youtube.com/watch?v=Wn2zWiv_0fY&feature=youtu.be

Current Trends in Cyber Crime



Digital Security Association of India (DiSAI) and eMagazine PreSense organised a Webinar through Zoom on 28th July 2020 on the topic, 'Current Trends in Cyber Crime'.

Dr S Murugan, IPS, Inspector General of Police, South, Madurai, Tamil Nadu shared his views.

The proceedings can be watched from the link:

<https://youtu.be/WfgimKF7WQQ>



Shradhanjali to Dr Abdul Kalam Jointly with Indian Diaspora

DR. ABDUL KALAM
Anniversary Event Action 2020
On Sunday, July 26 @ 6 PM PDT
(Monday, July 27 @ 6.30 AM IST)

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www.saiglobalmission.org/events.php



Chief Guest
Shri Arjun Ram Meghwal Ji
Minister of State for
Parliamentary Affairs, Govt. of India



Special Guest of Honor
Dr. A Sivathanu Pillai
40 years in DRDO & ISRO and
Father of Brahmos Missile Project.
Padma Sri & Padma Bhushan



Special Guest of Honor
Arjun Malhotra
Entrepreneur, Industrialist,
Philanthropist &
Co-founded HCL

Sai Global Mission (Silicon Valley, USA) and Prime Point Foundation (India) jointly hosted a *Shradhanjali* (tribute) through Zoom on 27th July 2020 to pay homage to Dr Abdul Kalam on his 5th anniversary.

Mr Arjun Ram Meghwal, Hon'ble MOS (Minister of State) for Parliamentary Affairs, Government of India was the Chief Guest. Dr A Sivathanu Pillai, an eminent scientist and Father of Brahmos Missile Project, and Dr Arjun Malhotra, Co-Founder of HCL were the Special Guests of Honour.

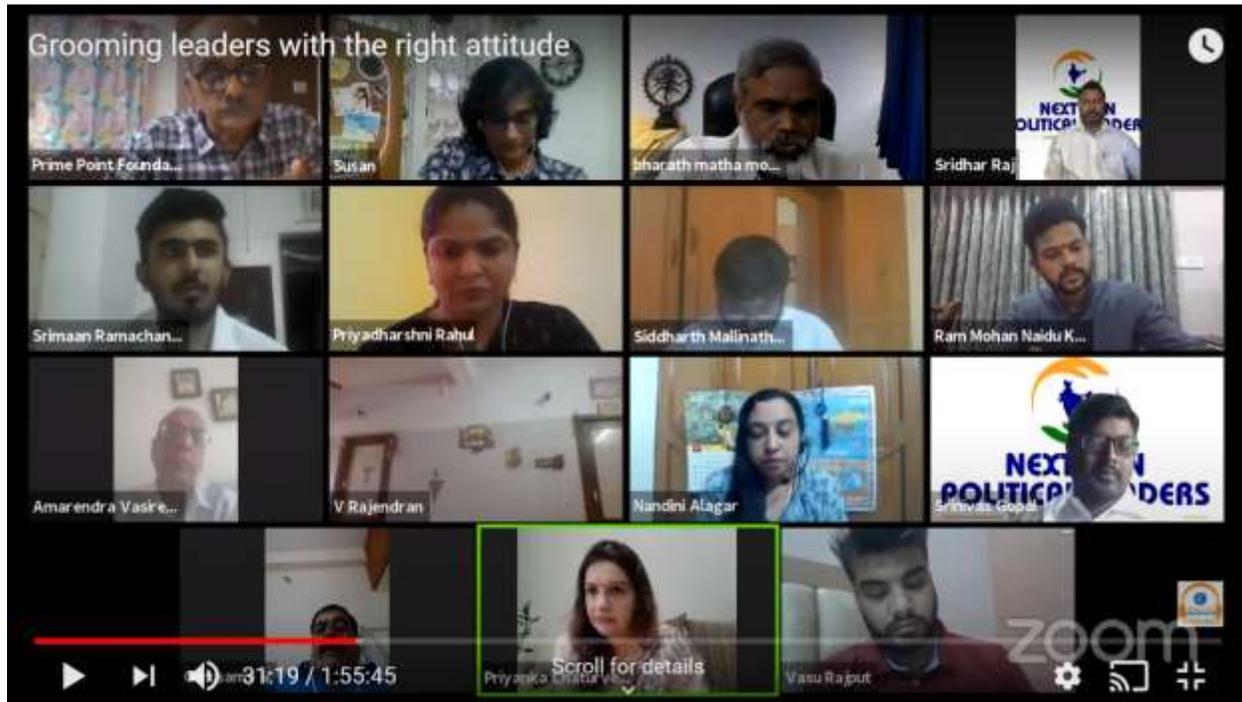


Eight organisations/individuals who are carrying on the vision of Dr Kalam, were honoured with Awards – “Dr Abdul Kalam Award for Excellence”. Mr Arvind Thyagarajan, a serial inventor from Silicon Valley organised this grand event. More than 10000 people watched through Facebook live.

Please watch the proceeding from the link: <https://youtu.be/ivbvNIr3w4>



Webinar on Grooming Leaders with Right Attitude



PreSense and Next Gen Political Leaders (NGPL) organised a panel discussion on the topic, 'Grooming Leaders with Right Attitude' on Sunday, 19th July 2020 through Zoom. Ms. Priyanka Chaturvedi, MP (Shiv Sena - Rajya Sabha from Maharashtra) and Shri Ram Mohan Naidu, MP (TDP - Lok Sabha from Andhra Pradesh) shared their views. The panel discussion can be watched from this link: https://youtu.be/n2_8bQYrqeM

Saturday Talk Series with Experts Episode #1 – How to Face Job Interviews

PROSENSE Saturday Talk Series with Experts **NEXT GEN POLITICAL LEADERS**

Episode 1: How to face job interviews

What to Expect in this Talk?

- Boosting Interview Skills
- Role of Communication
- What next after getting into first job?

Time is 4:15 min & A session with audience

When : 25th July 2020 5 to 5:45 pm IST

Where : Watch it LIVE on

Expert: Ms Susan Koshy

Host: Ms Sukruti

Zoom link: <https://www.facebook.com/prensense>

zoom

Your eMagazine PreSense and NGPL (Next Gen Political Leaders) initiated a talk series by experts under the theme, 'Saturday Talk Series with Experts'.

The first episode was held on Saturday, 25th July 2020. Susan Koshy, former General Manager of IDBI Bank, spoke about 'How to Face Job Interviews'. The session covered some practical tips on how to prepare oneself for a job interview, the key points to keep in mind while facing the interview and the way forward after getting into a job. Ms Susan emphasised the importance of self-belief and confidence in oneself. The programme was anchored by Sukruti Narayanan, Actor.

The recording of the event can be watched on: <https://youtu.be/Yfth04eM2r4?list>





PRince

By Triambak Sharma

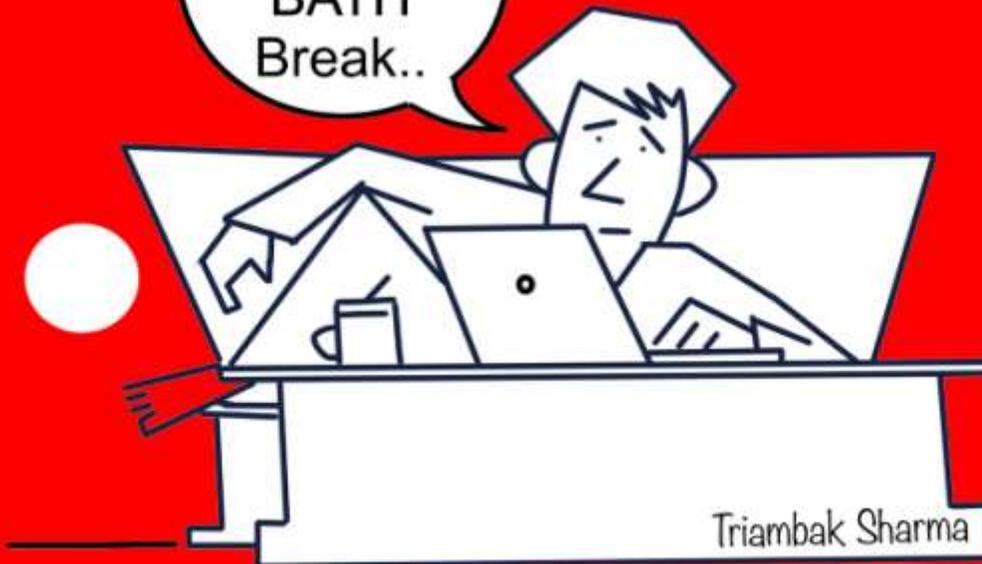
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NEWS

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