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The Effects of Merger on Financial Growth of Banks : A Case of Merger of HDFC Bank and Centurion Bank of Punjab

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Abstract

The Banking Sector is the life line of any modern economy. It is one of the important financial pillars of the financial system, which plays a vital role in success/failure of an economy. Due to the important role of banks in the economy in capital formation, banks should be more closely watched than any other type of economic unit in the economy. The present paper explores various motives of merger in Indian banking industry. This includes various aspects of bank mergers. The study is based on secondary data so, the data have been collected from various secondary sources .It also compares pre and post-merger financial performance of merged banks with the help of financial ratios. To analyze the effect of merger on financial growth of banks a case study of merger of HDFC bank and Centurion Bank of Punjab has been taken. Through literature review it comes know that most of the work done high lightened the impact of merger and acquisition on different companies. With current study it has been try to explore the various needs of banks for merger and acquisition. Finally the study indicates that the banks have been affected by the event of merger.

Introduction

Business is subject to number of competitions affected by various factors like the bargaining power of suppliers and buyers, the threat of new entrants, the threat of substitute products and services and rivalry among the existing competitors. In all these situations the main objective of any company is maximization of profit and wealth of its shareholders. In the globalized economy, Merger and Acquisitions (M&as) acts as an important tool for the growth and expansion of the economy .Mergers and acquisitions are aimed at improving profits and productivity of a company. Simultaneously, the objective is also to reduce expenses of the firm. The cut-throat competition in international market compelled the Indian firms to opt for mergers and acquisitions strategies. The banking system is the fuel injection system which boosts economic efficiency, the mobilising savings and allocating them to high return investment. Globally, bank mergers have increased for improving the structure and efficiency of the banking industry. In India small and big, strong and weak, rural and urban, public and private, banks co-exist. Some banks earn high returns but are operating inefficiently and some banks are competing fiercely for a small segment of the market. Restructuring and consolidation is one of the major route through which the Indian banking system could bring in competitiveness.

Concept of Merger

Merger is a tool used by companies for the purpose of expanding their operation often aiming at an increase of their long term profitability. Usually mergers occur by mutual consent. A mergers or acquisition is a combination of two companies where one corporation is completely absorbed by another corporation. The less important company loses its identity and becomes part of the more important corporation, which retains its identity.

Types of merger

There are various types of mergers that help in expanding the size organization-

Horizontal mergers

When two or more concerns dealing in same product or services join together, it is known as a horizontal merge. The main purpose of this merger is to obtain economy of scale in product by eliminating duplication of facilities, reducing of competition, reduction of cost and increase in share price and market segments. Example:-Lipton India & Brooke bond, Bank of Mathura with ICICI Bank.

Vertical merger

A Vertical Merger represents a merger of firms engaged at different stages of production or distribution of the same product or service. In this case two or more companies dealing in the same product but at different stages may join to carry out the whole process itself. The Example of merger is ICICI LTD with ICICI Bank.

Conglomerate mergers

Merger between two companies which do not have any common business area and no common relationship of any kind. Example:-L&T and Voltas Ltd.

Reverse merger

Reverse merger is a merger of an ordinary merger achieved the same general industry but in the same line of business. In case of reverse merger a healthy company merges into a financially weak company is dissolved. Example:-Godrej Soaps Ltd. with Gujarat Godrej Innovative Chemicals Ltd.

Probable Reasons for Bank Mergers

In India, the merger and takeover phenomenon in the past was understood largely as one of the sick units being taken over by healthy ones. This is because of the reason that Sec. 72A of the Income Tax Act, 1961, provides for the carry forward of losses. The advantage that the merging corporations get is that the book losses of the sick corporation get written off against the future profits, thus saving the profitable corporations some tax outflow.

As far as the Banking sector is concerned following reasons are more relevant:-

Growth with external efforts

Expansion is a form of restructuring, which results in an increase in the size of the company. In order to increase their market share and the market presence some of the powerful banks have started looking for banks which could be merged into the acquiring bank. They realized that they need to grow fast to capture the opportunities in the market. Since the internal growth is a time taking process, they started looking for target banks.

Deregulation

With the liberalization of entry barriers, many private banks came into existence and growing at faster rate. As a result of this there has been intense competition and banks have started looking for target banks which have market presence and branch network.

Leveraging technology

Banks, their employees and their customers are taking advantages of new and expensive technologies. The new banks which entered as a result of lifting of entry barriers have started many value added services with the help of their technological superiority. The older or weak banks which cannot compete in this area may decide to go for mergers with these high-tech banks.

New products/services

New generation private sector banks which have developed innovative products/services with the help of their technology may attract some old generation banks for merger due to their incapacity to face these challenges.

Merger of weak banks

There has been a practice of merging weak banks with a healthy bank in order to save the interest of customers of the weak Bank. Narasimham Committee–II discouraged this practice.

Khan Group suggested that weak Developmental Financial Institutions (DFIs) may be allowed to merge with the healthy banks.

Risk management

In the Banking Sector of any economy, the most crucial concern is the Risk Management. Banks of every country are supposed to make a proper risk analysis in order to balance the deposit and credit portfolios. Mergers can diversify these risks to a significant extent.

Economy of scale

Merger can be proved really useful in fighting market competition, as merger has the capability to generate economies of scale. The large size is always thought to be better in industrial world. This generally refers to a method in which the average cost per unit is decreased through increased production. This is because, with merger, fixed costs are distributed over a large volume of production causing the unit cost of production to decline. These Economies of scale can help the banks in lowering their servicing cost and in this way can provide a competitive edge to them.

Diversification

Diversification is yet another major advantage especially in conglomerate merger. One effective method of controlling risks inherent in bank lending is to diversify operations across different geographic regions and different types of customers. Mergers can help diversify such risks.

Amalgamation of Centurion Bank of Punjab with HDFC Bank

During the year ended March 31, 2009, the Reserve Bank of India accorded its consent to the Scheme of Amalgamation of Centurion Bank of Punjab Limited with HDFC Bank Limited. Pursuant to the order of amalgamation, the operations of both banks were merged with effect from May 23, 2008. On June 24, 2008 the Share Allotment Committee approved the allocation of 69,883,956 equity shares of Rs. 10/- each to the shareholders of CBoP pursuant to the share swap ratio of one equity share of Rs. 10/- each of HDFC Bank Limited for every twenty nine equity shares of Re. 1/- each held in CBoP by them as on the record date viz.

Literature Review

(abraham, 2011), A Study on the Effects of Merger & Acquisitions in the Indian Banking Industry. This study analyzes the benefits and costs involved with Mergers & Acquisitions in banks and the strategic and financial implications of the Mergers & Acquisitions. The case study between ICICI Bank and Bank of Rajasthan, IDBI Bank and United Western Bank, HDFC Bank and Centurion Bank of Punjab, and Federal Bank and Ganesh Bank of Kurundwad has been taken. To analyse the financial performance of banks researcher use the EVA model. This study found that in the days immediately before and after the merger, have shown no significant impact with relation to change in the stock prices, & researcher found that the long term effect or the synergies brought about by the merger.

(K.Kalaichelvan, 2011) Implications of Merger: A Perception Study. The study analyzed the perceptions of employees of a merger bank and its impact on the performance of banks. The study based on primary data. It is observed from the findings of this study that the job demographic characteristics and the level of attitude of public and private sector banks employees towards “before merging activities” and “after merging activities” are independent.

(Dhiraj jain, 2012)A Comparative Study of Loan Performance, Nandi Net Profit in Selected Indian Private Banks. The paper studies the relationship between the banking industry and selected private banks. The period covered under the present study is 10years, beginning from 2001-07 to 2010-11. The banks taken in the study are Axis Bank, ICICI Bank, IDBI Bank, HDFC Bank, Induslnd Bank, Kotak Mahindra Bank. The researcher suggested that the lending policies of the various Banks were not proper due to having improper financing. Banks should provide detailed information to the customer about their lending policy. Various Private Banks are not granting Loans outside India, so they could do so to expand their business. Instead of focusing on urban areas only, the Banks should set up branches in the rural regions also which could improve their profitability.

(Pavan Sharma, 2012)Banks Perspective in Mergers: A Case Study on Merger of the Bank of Rajasthan Ltd. with ICICI Bank Ltd. The main objective of this paper is to analyze the pre and post merger impact of share price fluctuations on selected sample of study. This study is exploratory and descriptive in nature. Secondary data has been used in the study. This paper investigates the impact of merger on ICICI Bank Ltd. Merged with The Bank of Rajasthan Ltd. The analysis of the collected data is based on appropriate statistical methods/tools. The research study resulted that the acquiring bank (ICICI bank ltd) loses their market prices when the announcement came into the market on the other hand the bank of Rajasthan ltd gain with the announcement.

(Gelda, 2013)A Comparative Study on Performance and Working Capital Management of ICICI and HDFC Banks The study analyzes the various concepts of working capital and find out the feasibility of the concept of working capital in the light of better planning and control of working capital. The sample selected for this study is ICICI Bank and HDFC Bank. It covers five years period from 2007-08 to 2011-12. This study is based on secondary data. The conclusion of this study is that the performance and working capital management of ICICI Bank is better than the HDFC Bank.

(Deepak sahni, 2013) Impact of Mergers and Acquisition in Indian Banking Sector (A Case of ICICI Bank and Bank of Rajasthan) the aim of this paper is to study the impact of merger on operating profit of ICICI bank and Bank of Rajasthan. The study is based on secondary data .Pre and post-merger analysis has been done on the basis of key financial ratios of banks. It concluded that the post merger results are satisfactory. Merger has increased the liquidity and profitability position of ICICI bank. The merger has increased no. of branches and no. of ATM's. Hence, the merger is beneficial for both the banks.

(Monika Agawam) (Motives for Consolidation in Indian Banking Sector, 2012)This paper studies the structure of Indian banking sector and its effect on competition by Concentration ratios of top banks from 1995-96 to 2007-08. As the concentration ratio has declined in all the four variables namely assets, deposits, advances and income, and CR ratio is one among the lowest in cross country analysis. Hence, strategy of consolidation among banks leaving the top five is suggested that if this strategy is adopted by Indian public sector banks and private sector banks, it can give good competition to foreign banks. If this is accepted as the guiding principle, for consolidation than definitely it will lead to synergies like cost reduction, enhanced market base, increased geographical spread, technological automation and would strengthen the system and reduce vulnerability to macroeconomic shocks.

(k.premalatha, 2013) Analysis and Impact of Financial Performance of Commercial Banks after Mergers in India. This paper analyses the banks performance efficiency during the post merger period. Ratio analysis is used and paired sample t-test determines the significance differences in financial performance before and after the merger activity. The banks have been taken for analyses are BOB with IOB, Sangli Bank with ICICI, Centurion Bank of Punjab with HDFC and United Western bank with IDBI. This research is based on secondary data. The research found that the performance of selected Banks after merger shows better improvement in most of the area.

(sultana, 2013) Financial Performance Analysis In Banking Sector – A Pre & Post Merger Perspective.This study analyzes the pre and post merger financial performance of the public sector bank Indian Overseas Bank and Bharat Overseas Bank and the private sector HDFC bank and Centurion Bank of Punjab. Paired t-test was applied to the various financial ratios. On analysing the Indian overseas bank data, it has concluded that Net profit margin, Operating profit margin, Return on capital employed, Return on equity and Debt-Equity ratio there is significant difference but no significant difference with respect to Gross profit margin. On analysing HDFC bank data it can be concluded that Net profit margin, Operating profit margin, Return on capital employed, Return on equity and Debt-Equity ratio there is no significant difference in these ratios before after merger, but significant difference with respect to Gross profit margin.

Research Methodology

The research is exploratory research and for analysis of data the financial ratios has been used. Many researches have been conducted in Indian in this regard. However a comprehensive empirical study is lacking in India. It has been observed from the above review of literature that researches previously conducted with an intention to know the trends, policies & human aspects involved in M&A's but only few studies are conducted in the area of profitability and financial analysis in M&A's particularly in banking industry that too with respect to pre and post mergers and acquisitions. Therefore researcher felt a necessity to conduct further investigation in this area by selecting mergers and acquisitions in banking sector.

Period of Study

The researcher has made an attempt to study The Effects of Merger on Financial Growth of Banks: A Case Study of Merger of HDFC Bank With Centurion Bank of Punjab. The period of study to analyse the financial performance of HDFC Bank is from year 2005-06 to 2011-12. The pre merger and post merger of the financial ratios being compared. The year of merger is considered as base year.

Objectives of the Study

1. To analyse the financial growth of banks through merger.
2. To study the financial performance of HDFC BANK before and after merger.

Tools and Techniques

The Following financial Ratios and their means are calculated for the analyzing the financial performance of the sample cases-

$$\text{Credit Deposit Ratio (C/D Ratio)} = \frac{\text{Total Advances}}{\text{Total Deposits}} \times 100$$

$$\text{Government Securities to Total Asset} = \frac{\text{Government Securities}}{\text{Total Assets}} \times 100$$

$$\text{Net profit margin} = \frac{\text{Net profit}}{\text{Total income}} \times 100$$

$$\text{Interest Income Ratio} = \frac{\text{Interest Income}}{\text{Total Income}} \times 100$$

$$\text{Other Income to Total Income} = \frac{\text{Other Income}}{\text{Total Income}} \times 100$$

$$\text{Debt Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Equity}} \times 100$$

$$\text{Profit Per Branch} = \frac{\text{Net Profit}}{\text{No. of Branches}} \times 100$$

$$\text{Advance To Assets Ratio} = \frac{\text{Total Advances}}{\text{Total Assets}} \times 100$$

$$\text{Liquid Assets To Total Assets} = \frac{\text{Liquid Assets}}{\text{Total Assets}} \times 100$$

$$\text{Government Securities To Total Investment Ratio} = \frac{\text{Government Securities}}{\text{Total nvestment}} \times 100$$

$$\text{Profit per Employee} = \frac{\text{Net Profit(PAT)}}{\text{No. of employees}}$$

$$\text{Business per employee} = \frac{\text{Total Business}}{\text{No. of employees}}$$

Analysis and Interpretation

Credit Deposit Ratio

Year	Demand Deposit (Rs. in lacs)	Saving deposit (Rs. in lacs)	Term deposit (Rs. in lacs)	Total deposit (Rs. in lacs)	Total advances (credit) (Rs. in lacs)	Credit Deposit Ratio (%)
2005-06	1475246	1618579	2485857	5579682	3506126	62.83
2006-07	1981181	1958482	2,890,128	6829791	4694478	68.73
2007-08	2875970	2615394	4,585,496	10076860	6342690	62.94
2008-09	2844492	3491473	7,945,192	14281157	9888305	69.24
2009-10	3722709	4897678	8,030,055	16650442	12583059	75.57
2010-11	4646048	4544201	9867812	19058061	15998267	83.94
2011-12	4540784	7399803	12730056	24670643	19542003	79.21

The above table shows the ratio of HDFC bank in pre merger and post merger period .It indicates that before merger the ratio was decreasing due to economic depression that changed consumer's mind to take less credit, but in merger period ratio increased. After merger the bank was able to improve its CD ratio that helped bank to increase its interest income the above table shows bank's efficiency in increasing flow of cash in market by providing more credit to consumer the bank was effective enough to increase its creditability.

Government Securities to Total Asset

Year	Total Amt. Invested in Govt. Security (Rs. in lacs)	Total Assets (Rs. in lacs)	Govt. Securities to Total Assets (%)
2005-06	1963284	7350639	26.71
2006-07	2254422	9123561	24.71

2007-08	3166558	13317660	23.78
2008-09	5215658	18327078	28.46
2009-10	5104993	22245856	22.95
2010-11	5365127	27735261	19.34
2011-12	7621784	33790949	22.56

In the above table we can see that in every year investment in Govt. securities is increasing. Investment was high in Govt. securities. There is increase in Govt. securities but there is decline in the ratio this is because investment was in Govt. securities did not impact so much on total assets. After merger ratio is declining this is not good situation for the bank. Since, the CBOP & HDFC Bank merged; there was increase in total assets as well as share capital but investment in Govt. securities as not higher as its total assets. Bank needs to maintain its assets to make sure that investment done by bank are safe.

Net Profit Margin

Year	Net Profit (Rs. in lacs)	Interest Income (Rs. in lacs)	Other Income (Rs. in lacs)	Total Income (Rs. in lacs)	Net Profit Margin (%)
2005-06	87078	447534	112398	559932	15.55
2006-07	114145	688902	151623	840525	13.58
2007-08	159018	1011500	228315	1239815	12.82
2008-09	224494	1633226	329060	1962286	11.44
2009-10	294870	1617290	380761	1998051	14.75
2010-11	392640	1992821	433521	2426342	16.18
2011-12	516709	2787419	578362	3365781	15.35

The increase net profit margin shows the better position of the bank after mergers as compare to before merger. The net profit margin increase after merger which shows that bank was more efficient to handle the challenges of increasing profit. The bank management was able to increase its income, total profit and customers which increased its net profit margin. It shows that merger was efficient for the bank. This proved to be an ideal way for HDFC bank to increase its profitability.

Interest Income to Total Income

Year	Interest Income (Rs. in lacs)	Other Income (Non Interest) (Rs. in lacs)	Total Income (Rs. in lacs)	Interest Income to Total Income (%)
2005-06	447534	112398	559932	79.9265
2006-07	688902	151623	840525	81.9609
2007-08	1011500	228315	1239815	81.5848
2008-09	1633226	329060	1962286	83.2308
2009-10	1617290	380761	1998051	80.9434
2010-11	1992821	433521	2426342	82.1327
2011-12	2787419	578362	3365781	82.8164

In the above table we can see that the ratio is not stable in case of HDFC Bank. In year 2005-06 & 2006-07it is same. It increased in merger year i.e. 2008-09 but again decreased in year 2010-11. This shows that in merger year bank was sufficient enough to get better income because the merger between CBPO and HDFC bank resulted in increased customers which directly affected in increase in income from interest. The interest income grew due to acceleration in loan growth. The increased ratio shows the efficiency of bank to get better income and maintain its customers.

Non Interest Income to Total Income

Year	Non Interest Income (Other Income) (Rs. in lacs)	Total Income (Rs. in lacs)	Ratio (%)
2005-06	112398	559932	20.07
2006-07	151623	840525	18.03
2007-08	228315	1239815	18.41
2008-09	329060	1962286	16.76
2009-10	380761	1998051	19.05
2010-11	433521	2426342	17.86
2011-12	578362	3365781	17.18

The ratio between interest income & total income is increasing but the ratio between non interest & total income is decreasing this shows that the bank earned more interest income as compared to non interest income. Though bank did not earn more noninterest income its performance was effective in maintaining it customer's behaviour towards the bank.

Debt to Equity Ratio

Year	Borrowing (Rs. in lacs)	Deposit (Rs. in lacs)	Other Liabilities (Rs. in lacs)	Capital (Rs. in lacs)	Reserve (Rs. in lacs)	Debt (Rs. in lacs)	Equity (Rs. in lacs)	D/E Ratio (times)
2005-06	285848	5579682	784949	31314	498639	6650479	529953	12.55
2006-07	281539	6829794	1368913	31939	611376	8480246	643315	13.18
2007-08	447886	10078660	1643191	35443	1114280	12169737	1149723	10.58
2008-09	268584	14281158	2272062	42538	1422643	16821804	1465181	11.48
2009-10	1291569	16740444	2061594	45774	2106475	20093607	2152249	9.34
2010-11	1439406	20858641	2899286	46523	2491404	25197333	2537927	9.93
2011-12	2384651	24670645	374387	46934	2945504	27429683	2992438	9.17

It is clear the above that there is growth of the bank. HDFC bank is able to manage it fund from the internal sources. The equity capital has increased after merger with CBOP and because of this increment in the ownership capital debt fund has decreased. So, after merger the debt equity ratio shows favourable effect. There is substantial reduction in the debt as the no. of time of the equity if we compare from the year 2006 (three years prior to the merger) & to 2012 (three years post merger). Further a consistent decline can be noticed which indicates a favourable scenario for the long term creditors as it will enhance the margin of safety for them.

Profit per Branch

Year	Number of Branches	Net Profit	Profit Per Branch
2005-06	535	87078	162.7626
2006-07	684	114145	166.8787

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2007-08	761	159018	208.9593
2008-09	1412	224494	158.9901
2009-10	1725	294870	170.9391
2010-11	1986	392640	197.7039
2011-12	2544	516709	203.1089

The ratio shows the relation between the no. of branches and net profit of the bank. This is an indication of bank's efficiency. Before merger ratio was increasing but at lower rate the merger resulted in increased number of customers, resources, which resulted in expansion of number of branches at higher rate the bank was able to maintain balance between its expenses and income very efficiently which helped bank to increase its profit. The bank was at better position after merger.

Advance to Asset Ratio

Year	Total Advance (Rs. in lacs)	Total Assets (Rs. in lacs)	Ratio
2005-06	3506126	7350639	0.48
2006-07	4694478	9123561	0.51
2007-08	6342690	13317660	0.48
2008-09	9888305	18327078	0.54
2009-10	12583059	22245856	0.57
2010-11	15998267	27735261	0.58
2011-12	19542003	33790949	0.58

In the above table there is a difference that can be seen every year before merger the ratio was low as compared to after merger period the bank is not able to maintain it's after merger. This shows unfavourable situation for bank. There is an unexpected result between assets and advances that shows less efficiency of HDFC bank.

Liquid Assets to Total Assets

(Rs. In lacs)

Year	2006	2007	2008	2009	2010	2011	2012
Cash in Hand (a)	50771	74651	94008	158618	243525	299795	430696
Balance with RBI (b)	279890	443597	1161308	1194102	1304802	2210286	1068413
Balance with other banks, Money at Call and short notice (c)	361239	397140	222516	397940	1445911	456801	594663
Liquid Assets (a+b+c)	691900	915388	1477832	1750660	2994238	2966882	2093772
Total Assets	7350639	9123561	13317660	18327078	22245856	27735261	33790949
Ratio (%)	9.41	10.03	11.09	9.55	13.45	10.69	6.19

According to this ratio before merger bank was in good position because the ratio was increasing but from year 2009-10 it continuously decreased which has to be taken care and to be improved. This decreased ratio shows bad signal for bank as it does not have sufficient amount of liquid assets for channelizing the fund.

Government Securities to Total Investment

Year	Amt – Investing Govt. Securities (Rs. in lacs)	Total investment (Rs. in lacs)	Ratios (%)
2005-06	1963284	2839996	69.13
2006-07	2254422	3056480	73.76
2007-08	3166558	4939354	64.11
2008-09	5215658	5881755	88.68
2009-10	5104993	5860762	87.10
2010-11	5365127	7092937	75.64
2011-12	7621784	9748290	78.19

Before merger period ratio was low which means bank invested in other investments. In merger period the ratio suddenly increased which means investment in government securities was high. Bank maintained its ratio after merger period also i.e. 2009-10. In merger period the ratio suddenly increased due to decrease in CRR and SLR that resulted in higher investment and higher. In above table there is a significance difference in ratio before merger and after merger. That indicates bank's investment were more safe after merger.

Profit per Employee and Business per Employee:

Year	Profit per Employee (Rs. In lacs)	Business per employee (Rs. In lacs)
2005-06	7.39	758
2006-07	6.13	607
2007-08	4.97	506
2008-09	4.18	446
2009-10	5.98	590
2010-11	7.37	653
2011-12	8.00	654

Before merger the Profit per Employees was quite good. The productivity of employees was also good but in merger period there was decreased in ratio as well as productivity of employees. One year after merger (2009-10) the bank was able to increase its ratio. In year2011-2012 the ratio increased at higher rate which shows bank efficiency in generating more profit.

Business per Employee ratio after merger was increasing continuously which shows that bank was able to increase its productivity and its employee's productivity. Higher the ratio same result better the productivity of the bank thus after merger bank was in better condition. The bank was efficient to increase its business after merger.

Conclusion

The subject of Mergers and Acquisitions will now and continue to be a keen area of interest for a number of researchers. The banking sector in particular is one of the few industries that evoke a high interest as a result of the deregulation and liberalisation in the industry which lead to a wave of merger and acquisitions throughout the industry locally and globally. This study shows the effect of merger on financial growth of banks through a case study of merger of HDFC Bank and Centurion Bank of Punjab. For this a comparison between pre and post merger performance examined in terms of financial ratios. The result shows that both the banks have achieved their objectives and after merger both the banks are in comfortable zone. Financial performance of HDFC Bank has become better as before merger. Given facts also show that the performance of bank in terms of service quality has been improved after merger and it has also become cost efficient for bank itself. The bank has got improved net work area for operations, more convenient for customers of both the banks. This shows that the bank is efficient after merger. The major ratios which are showing efficiency of bank have been improved after merger and bank has good efficiency after merger as compare to before merger but some ratios like Government Securities to Total Assets and Advance to Asset ratio after merger decreasing which shows less efficiency of bank in managing its assets the bank should increase its investment in government securities to insure its investments are safe.

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