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A STUDY ON OVERVIEW OF MERGER AND ACQUISITIONS OF INDIAN COMMERCIAL BANK

Brijesh Yadav
Research Scholar,Deen Dayal Upadhyaya Gorakhpur University,Gorakhpur,Department of Commerce.

Abstracts
India is adeveloping economy of various scale, whose economy is measured by dividing it into three sectors. Under which the fundamental is agriculture sector and subsequent is industrial sector and tertiary is service sector are included. An analysis of the contribution of financial performance of the appropriate three sectors shows that in comparison to the past several years, the part of the tertiary sector to the Indian economy is extortionate. The contribution of the third sector to the Indian economy has been 53.66% while the last contribution of the banking sector has been 34.04%, suggestingthat the contribution of the banking sector is an important of the growth of Indian economy. The aim of the present study is to the changes in their structure resulting from the merger and acquisition in the banking sector, and to study the financial reforms therein, and to major change in the banking sector and upgrade the services provided by them. Financial performance analysis of commercial bank on pre and post mergers and acquisitions.

Keywords- Mergers & Acquisitions, Financial Reforms, Commercial Bank, Service Sector, Performance.

Introduction

InMergers of banks were first visualised in 1991 when NarasimhaCommittee recommended it along with other liberalisation measures. In 1997–98 it was recommended by him once again for Banking Sector Reforms. However, except merger of New Bank of India with PNB in 1993 and afterwards State Bank of Saurashtra and State Bank of Indore with SBI in 2007 and 2010,In last 25 years, no public sector banks have combined. Of course, only few private banks were combined with public banks. During last twenty - five years, no public sector banks have merged. Of course, just few private sector banks were combined with public sector banks.

However, with effect of 1st April' 2017 five subsidiaries of SBI and Rashtriya Mahila Bank merged with SBI. Thereafter the talk of Bank merger on efficiency ground has gained momentum.However, there are other issues which need be addressed before initiating such mergers on a larger scale.Apart from mobilising funds from depositors to investors in a developing country like India, PSBs are expected to provide cheap credit to small and marginal farmers, small enterprises and transport operators. The bulk of deposits mobilised by banks in India are from middle classes and small depositor. The poor performance of the banking sector in terms of financial inclusion was highlighted by the Barcoding to the report, 41% of the population does not have a bank account, and only 14% of the adult population has a loan account. Credit coverage in the southern region is 25%, whereas credit coverage in the north-eastern, eastern, and central regions is 7%, 8%, and 9%, respectively. There are 89 million farmer families, 73.6 percent having no access to loans and 23.4 percent having formal credit. Mainly merged to improve efficiency and performance.The staff will be relocated according to the needs and there may not be any retrenchment immediately. There may not be further recruitment in the near future. Merging nationalised banks has its own set of benefits and drawbacks. The proposed merger of bank wouldhave resultedthe merger of branches in a certain location; however, bank branches do not have an equal share of business—deposits and advances—hence the amalgamation.

Conceptual back ground of Bank Merger

There may be more business, but there will be fewer employees, and they will be working to provide the same, if not better, service. Another branch may have a moderate amount of business but appropriate employees and no problems. Another branch may be doing very little business, resulting in very little business per employee. The first branch will profit, while the second will likely break even. The third is losing money. There will be a lot of pressure on all three branches because one will be attempting to keep the business while the other two will be trying to steal or snatch it from the first one because new business possibilities will be scarce. Almost there.Almost in most the places the above situation only prevails. For such a situation the branch will be merged and the business will be well managed and the excess staff will be transferred. Competition is very much essential to achieve perfection and efficiency. But just because of competition sharing the available business is not good.Hence effective utilisation of the resources and maximize the business development seems to be the objective of the merger.And the chance of any political interest in merger is not seen.As said earlier, Consolidation of BANKs has its own Pros and cons. It may result in job reductions and the staff may face the difficulty of mobility. The hardships due to transfer may be much, due to different working culture of the bank. It will take some time to taste the success.

Theoretical aspect of Merger of Banking Sector

Mergers and Acquisitions (M&As) take place in a number of ways (merger, acquisition,divestiture, spin-off, split-off, or equity carve-out), and there are various types of M&As. Eachtype gives an indication of the parties involved in the process, the motive behind the deal, andthe expected benefits from the transaction. It can be a horizontal integration where two or morecompanies (or competitors) at the same level of production merge in pursuit of market power or economies of scale; or in the form of a vertical integration which involves a move up or downthe supply chain to merge with the company's own suppliers or customers. The merger dealmay also be undertaken with the motives of cost reduction and pooling of complementaryresources of two or more businesses; or a company may use conglomerate takeover to acquireanother company engaged in totally different line of business (Sudarsanam, 2003). Aside from the Journal of Banking, Information Technology, and Management, Volume 15 No. 1 • January-June 2018Despite the obvious advantages of each form of merger, a company's management may be eager to engage a business combination for a secondary reason, such as to speed growth (Baser & Brahmabhatt, 2011), derive taxation benefits (Kuriakose & Raju, 2013), or employ its excessfunds in acquiring an undervalued target unit (Hernando, Nieto, & Wall, 2009). Any company's primary aim is to raise the wealth of its shareholders (Anand & Singh, 2008). All itsoperations must be aimed towards achieving this objective and all the decisions made by itsmanagement The same is applicable for mergers and acquisitions contracts. Must support this ultimate goal. In M&A transactions, achievement of synergy is vital.

In order to create additional shareholder value, the combined expected present values of future cash flows of the two companies involved should be greater than the sum of the expected present values of future cash flows of the two individual companies (DePamphilis, 2009). Whatever maybe the specific motive behind an M&A deal, the deciding factor should always be the expected value creation for shareholders. Bank mergers and acquisitions in nations other than India have received far more scholarly attention, notwithstanding qualitative difficulties such as cultural incompatibility (Ongena & Penas, 2009), downsizingand innovation are as much Indian problems as other nations. That's even more strange considering that most domestic mergers in India have outperformed their counterparts in other nations (Patel & Shah, 2016; Das, 2015; Patel & Patel, 2015).Why the topic isnot getting sufficient attention? The main reason appears to be the inconsistency in results ofpublished studies (Halkos &

Tzeremes, 2013; Chellasamy &Panagariya, 2014; Kalaichelvan,2014; Vallances& Hagendorff, 2011). But the researchers must keep in mind that any discrepancyin their computations is because of a variable they failed to account for. The solution is to lookfor a way to identify these extraneous variables and devise methods to eliminate or controltheir effects. With the intention of assisting future researchers in the accomplishment of thisobjective, the present study has conducted a literature review to identify the gaps in existingknowledge pool of the subject.The present study reviews the published research work collected for the period starting from2001 to 2017. The rest of this paper is structured as follows: section 2 puts forward the objectivesof the study. Section 3 discusses the data and methodology employed for achieving the objectives.

The Advantages are

- Cost of operation is reduced
- Helps in financial inclusion and broadening the geographical reach of the banking operation
- NPA and risk management are benefited
- Merger leads to availability of a bigger scale of expertise and that helps in minimising the scope of inefficiency which is more in small banks
- The disparity in wages for bank staff members will get reduced. Service conditions get uniform
- Merger sees a bigger capital base and higher liquidity and that reduces the government's burden of recapitalising the public sector banks time and again. After these mergers the lending capacity of the Public Sector Banks will increase and their balance sheet would also be strong.
- Redundant posts and designations can be abolished which will lead to financial savings
- These big banks would also be able to compete globally and increase their operational efficiency by reducing their cost of lending.

The Disadvantages of Merger:

- Many banks have a regional audience to cater to and merger destroys the idea of decentralisation.
- Larger banks might be more vulnerable to global economic crises while the smaller ones can survive
- Merger sees the stronger banks coming under pressure because of the weaker banks.
- Merger could only give a temporary relief but not real remedies to problems like bad loans and bad governance in public sector banks
- Coping with staffers' disappointment could be another challenge for the governing board of the new bank. This could lead to employment issues.

Table.1 Review of Literature

Sr. No.	Year	Authors Name	Title Name	Objectives	Findings
01	2019	Pinky & Kapil Gupta	Impact of Merger and acquisition Announcements on Indian Banking Sectors	Stock returns and intraday volatility in bank have been analysed due to the mergers and acquisition. And the modern concept and technique has been used like CRR, CARR etc.	After analysed here, it was found that the stock returns have been better improvement the mergers

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					and acquisitions of the bank.
02	2017	Bijoy Gupta& Dr. P banerji	Impact of mergers and acquisitions on financialperformance: Evidance from Selected companies	They have analysed the pre-post mergers and acquisitions and explained the effects on the financial performance for which the financial accounting ratio has been used.	The change in financial performance resulting from mergers and acquisitions has been studied, which has not found any significant changes.
03	2013	V Radha Naga & Dr. Syed Sultna	Financial performance Analysis in Banking Sector- Pre and Post Merger Perspective	He has analysed pre and post mergers and acquisitions and has studied the improvement in financial performance. All financial technique has been used for this**.**	They have reported significant changes in the gross profit margin.
04	2011	Krishn Goyal & Vijay Joshi	Mergers in Banking Industry of India: Some Emerging Issues	He has analysed only the ICICI bank for mergers and acquisitions. And there is more emphasis on legal framework. He has described the procedure of mergers and acquisitions.	By 2011, all the merger and acquisitions process in ICICI bank had to be analysed.
05	2014	Shail Shakya	Mergers and Acquisitions in Indian Banking Sector: Regulation Issues and Challenges	He has studied the framework and regulation of mergers and acquisitions related to banking sectors. And has also suggested some improvements in it.	Related framework and regulations need to improvement.

(Author compilation based on various literary sources)

Research gap in the Literature

From my analysis of various literatures and theories on merger and acquisition, have observed that most mergersand acquisition in the bank sector result can into three different result that is merger can generate either Positiveresult, Neutral result or Negative result. The literatures and their various result can be classified as follows;

a. Studies on the impact of mergers and acquisition on banks post-merger performance shows a negative returnin the long run. This could be because most bidders usually outperform the markets before the event, implyingthat their position becomes worse after the merger. In contrast it does result into wealth creation for the targetbanks shareholders.
b. Another classification of the literatures are the studies that were conducted on the effect of mergers onprofitability and efficiency. These studies revealed that mergers improve profitability and efficiency of banks.
c. However, accounting analysis show a majority significant negative impact.

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d. The final classification of the literature is studies on the impact of mergers on the stock market performanceshows a rather more neutral result, this could be attribute to external factors.Finally, the analysis revealed the followings gaps in the literature; Most of the papers did not give much importanceto Banking Industry specific factors and the unique nature of the banks financial statements was not also given due consideration. I suggest future research should concentrate on the effect of Merger and Acquisition onBankSpecific Indicators.

Objectives of Study

1. To establish the effect of mergers and acquisition on the performance of banks in India.
2. To study and analysis the concept, trends and legal framework of M&As of the selected
3. Commercial Banks in India.
4. To find out and analysis the Performance of the selected Commercial Banks in India before
5. (pre-merger) and after (post-merger) merger.
6. To make a comparative study of the Financial Performance of the selected Commercial Banks
7. in India before (pre-merger) and after (post-merger) Merger.

Research Design

For this study secondary data collection tools are used.In the secondary data collection various study materialand research works which have been done on mergers andacquisitions have been studied. Key and associated datahas been collected and used for this research work.For the purpose of assessment, examination data is collected from Merger and Acquisitions of the Indian bankingindustry.

Table.2 Review of Literature

S.N.	TARGET BANK	ACQUIRERBANK	YEAR
1`	BANK OF PUNJAB LIMITED	CENTURION BANK OF PUNJAB LTD	2007
2	LORD KRISHNA BANK LTD	LTD CENTURION BANK OF PUNJAB	2007
3	SANGLI BANK LTD	ICICI BANK LTD	2007
4	CENTURIAN BANK OF PUNJAB	HDFC BANK	2008
5	THE BANK OF RAJASTHAN LTD.	ICICI BANK LTD	2010
6	ING VYASA	KOTAK MAHINDRA BANK	2014
7	STATE BANK OF PATIALA	STATE BANK OF INDIA	2017
8	BHARATIYA MAHILA BANK	STATE BANK OF INDIA	2017
9	STATE BANK OF BIKANER AND JAIPUR	STATE BANK OF INDIA	2017
10	STATE BANK OF HYDERABAD	STATE BANK OF INDIA	2017

(Author compilation based on various literary sources)

Conclusion

In conclusion, we can say that there has been profit from the acquisition and merger of banks in India, but the profit has not happened as much as we were expecting. So, to earn extra profit, we have to consider where the problems remain. What are the reasons for these problems and it has to be found out and resolved so that their benefits can be increased?The Banking Industry (PSB) has been undergoing major mergers and acquisitions in the recent years. This will help the organization to expand and grow rapidly and acquire a large number of new clients immediately.

Suggestions

For future study, we suggest that the gaps we found in the study of literature should be filled and efforts should be made to achieve the objectives which have been set.We have seen that after mergers and acquisitions, there is a negative return in the performance of the banks in the longterm. Therefore, we should find a way to overcome this, and tell the ways to strengthen the bank.

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