

Mergers and Acquisitions Complementing Financial Benefits & Economic Viability of Indian Banking System

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ABSTRACT

The banking sector plays a significant part in a nation's economic growth and development. Globalisation, economic globalization combined with technological growth have significantly altered the banking environment. Banking in India is at the crossroads now. They are under intense pressure to accept and evolve with digitization. Their very existence is at stake. The Indian banking sector will continue to grow and digitization will continue. Banking will be an important aspect of economic growth. The future of banking technology is e-banking or digital banking. The future of Indian banking sector is bright because we have seen them take on technology, innovate its use and improve their customer services with digitization Recent developments in the growth of banking sector in India. However, they might not be as dominating in the future as the other financial products & services. In future, we are moving towards a branchless banking system, which would just be another financial service providing institution. With the unexpectedly evolving climate, the banking region resorts to the cycle of acquisition, organizational restructuring and reinforcement to stay competitive and viable not withstanding this, mergers and acquisitions have come to be the desired growth strategy within the size of banks that in flip play a considerable position in becoming a member of the global financial marketplace. Notwithstanding mergers and acquisitions, more prominent piece of the pie, generally speaking intensity and gainfulness, expanding branch systems, improving their capital base, cost legitimization, economies of scale and labour effectiveness are usually utilized.

Key Words: Indian Banks, Merger & Acquisitions, Banking Sector

INTRODUCTION

Indian commercial banks are experiencing dramatic adjustments inside the regulatory weather, big growth in financial contraptions for off-balance sheet hazard management, launch of e-trade and online banking, and speedy consolidation of the financial enterprise. All of those powers have made an extraordinarily competitive Indian banking industry. Mergers and bank acquisitions are very popular all over the globe. Such patterns were noticeable in foreign locations such as U.S.A., UK, Japan and EU nations in the early 1950's. Mergers and acquisitions are the basic system for making major budgetary benefits in the financial business. Key point of banking segment mergers and acquisitions is to support economies of scale. A merger includes blending two firms into one association. One business endures during the merger procedure and the other organization loses its corporate life. Obtaining then again infers derivation. Mergers and acquisitions are developing choices for the endurance and development of organizations nowadays. We propose that the difference among endeavours and new conditions is one in every one of them, the mix of the endeavours required inside the agreement. This combination is achieved by key practices in operational procedures and systems, as well as by handling the abstract conditions that support human execution. The human and community personalities are one in all about the circumstances. The individual assumes an important interceding activity inside the adjustment and blend due to the shared confirmation of oneself and in this manner the one-of-a-kind in any social collaboration has the workplace to impact the social connection. Mergers and securing bank not just procures new brand character, new frameworks, item contributions, yet additionally gives chances to strategically pitch the gained new records. The mergers and acquisitions process aren't new in the financial segment.

PRESENT SCENARIO AND FUTURE PROSPECTIVE OF INDIAN BANKING SYSTEM

Today Indian banks can confidently compete with modern banks of the world. Today's Indian banking system is supposed to be fundamentally very strong. Moreover banks have to provide a world class services to the customer to their door. Due to this type of services and facilities, income is increasing day to day. The major income of the bank is interest income but now a days banks are also offering wide range service like shopping, ticket booking, fund transfer and also entered into mutual fund, Insurance, financing export service. In present ago banking

sector provide a world class non-fund based facilities to the customer like credit cards, telebanking, ATM, quick collection facilities for out station cheques etc.

LITERATURE REVIEW

Deva Rajappa S (2012) in their investigations investigated various reasons of merger inside the Indian financial area. It correspondingly as thought about pre and post-merger monetary execution of combined banks by the use of various money related parameters. Gupta Himani (2013) inspected the impacts of combinations and acquisitions on banks ' monetary execution in India by looking at chose pre-and post-merger records. The recorded banks ' net profit, after expense pay and net resources were taken as files for examination. Singh and Mogla (2010) in their exploration paper inspected the gainfulness of securing firms in the pre - and - post merger periods. The example comprises of 153 recorded combined organizations. Five elective proportions of productivity were utilized to consider the effect of converged on the benefit of getting firms. The outcomes uncover that benefit declined in 55 % of organizations and just 29% of organizations could improve their gainfulness. DuPont Analysis uncovers that productivity declined because of poor resource usage. It recommends that administrators should focus on legitimate usage of recently gained resources. A securing of neither sound nor misfortune bringing about units proceeded to the productivity of obtains. Jyothi H. Lahotia (2016) opined that merger and acquisitions are considerable corporate gadget sports that guide the firm in outside development and provide it top hand. Mergers and acquisitions (M&A) are in effect gradually applied within the present globalized financial system, for improving seriousness of organizations via increasing extra prominent piece of the pie, expanding the portfolio to lessen business chance, coming into new markets and Geographic's and capturing on monetary components of scale. Jayashree R Kotanal (2016) Mergers and Acquisition is a valuable method for growth and expansion in every industry and is no different in the Indian banking sector. The merger into the larger bank is beneficial for the sustainability of small banks. An. N. Tamragundi, Devarajappa. S (2016) analysed the effect of mergers in India on the performance of selected business banks. Nand Lal (2014) an examination researcher on his investigation had presumed that the principle motivation behind mergers and acquisitions is to decrease rivalry and secure existing business sector in the economy. In general mergers and acquisitions have their own upsides and downsides. Yet, mergers are useful for the

development and advancement of nation just when it doesn't offer ascent to rivalry issues. Mergers help banks to fortify their monetary base and access tax cuts and direct access to money assets.

RESEARCH METHODOLOGY

This study of the paper is Secondary Data based. The data were collected from various sources like government site, bank site, banking reports, news, magazines, journals, Research Papers, articles, internet, newspapers, the researcher articles etc.

OBJECTIVES OF THE STUDY

- To understand the purpose of mergers and acquisitions.
- To know about the benefits of mergers and acquisitions.
- To examine the effects of merger.

PURPOSE OF MERGERS AND ACQUISITIONS

The reason for an offer or organization for securing another organization will be reflected in the corporate destinations. It needs to choose the particular targets to be accomplished through procurement. The fundamental reason for merger or business blend is to accomplish quicker development of the corporate business. Quicker development might be had through item improvement and serious position. Other possible purposes for acquisition are short listed below:

- Procurement of supplies
- Revamping manufacturing facilities
- Market growth and strategy
- Financial flexibility
- Economic benefits
- Own development plans
- Corporate friendliness.

BENEFITS OF MERGERS AND ACQUISITIONS

Development or expansion: Companies trying to extend quickly in size or piece of the pie or expand in the choice of their items may locate that a merger can be utilized to accomplish the objective as opposed to experiencing the inside development or broadening process, which expends time. In a short time the company will accomplish the same target by combining with

an established company. Moreover such a strategy is also less costly than the alternative of building the required infrastructure and resources for production.

Increased Managerial Skills or Technology: Once in a while a firm with great potential thinks that it's unfit to grow completely on account of lacks in specific regions of the board or a non-attendance of required item or creation innovation. On the off chance that the firm can't contract the administration or the innovation it needs, it may consolidate with a perfect firm that has required administrative, work force or specialized mastery. Obviously, any merger, paying little heed to explicit thought process in it, ought to add to the amplification of proprietor.

Synergism: the character of synergism is very straightforward. Synergism exists each time the estimation of the blend is extra than the whole of the estimations of its parts. As it were, synergism is " $2+2=5$ ". in any case, making sense of cooperative energy on assessing it tends to be intense; as a general rule from time to time its usage can be inconspicuous. As broadly portrayed to comprise of any gradual cost inferable from big business blend, synergism is the essential money related support of merger. The steady cost can likewise get from blast in both operational or financial proficiency.

Acquiring new technology: To stay aggressive, agencies need to live on pinnacle of technological trends and their business programs. by way of shopping for a smaller enterprise with unique technology, a large organisation can keep or develop an aggressive area.

MERGERS IN INDIA

Mergers in India in popular have experienced an accelerated wide variety in various sectors, specially following the 1991 New monetary coverage which opened the doors to international markets. Many mergers have been experienced with the aid of the banking area in India over the years for numerous reasons such as restructuring weak banks; economies of scale; marketplace expansion; industry consolidation, and so forth. Searching the records of Mergers in the Banking Region in India, to begin with they took up area as a degree to protect the hobbies of susceptible banks ' customers but finally a few Mergers also voluntarily took up region within the reported period of Liberalization between various banks for multiple reasons. Amid the global economic crisis and financial downturn, the Indian economic system, that is one of the fastest developing economies inside the world, is poised to keep its main role. way to sound rules, prudent financial management and positive guidelines, India has

controlled to overcome the global financial turmoil. India's development is pushed dominantly by utilizing home admission and venture and the Indian financial machine had no immediate presentation to the US sub-high home loan effects or to the bombed foundations. All through this time two mergers have taken locale in Indian Banking area one between two benefit making Public-zone Banks inside the strains of union and the other one transformed into among pay making individual zone Banks for the cooperative energies of merger. On this specific circumstance, the analyse of generally execution of the banks which have blended deliberately accept significance.

List of Public Sector Undertaking Banks Merger 2019

Anchor bank	Banks to be Merged with Anchor Bank	Net worth	Bank size after amalgamation
Punjab National Bank	Oriental Bank of Commerce & United Bank of India	Rs 17.94 lakh crore	Second largest bank in India
Canara Bank	Syndicate Bank	Rs 15.20 lakh crore	Fourth largest bank in India
Union Bank of India	Andhra Bank & Corporation Bank	Rs 14.59 lakh crore	Fifth largest bank in India
Indian Bank	Allahabad Bank	Rs 8.08 lakh crore	Seventh largest bank in India
Bank of Baroda	Vijaya Bank & Dena Bank	Rs 16.13 lakh crore	Third largest bank in India

Sources: <https://affairsccloud.com/list-mergers-acquisitions-bank-india>

The government of India has merger of banks in 2019. After the mergers the country will have only 12 public sector banks in India. The anchor banks for this merger are the Punjab National Bank with oriental bank of commerce & United bank of India, Canara Bank with

Saydicare Bank, Union Bank of India with Andhra Bank & Corporation Bank, the Indian Bank with Allahabad Bank and Bank of Baroda with Vijay Bank & Dena Bank. Above table shows govt of India merger public sector bank.

List of Public Sector Undertaking Banks Merger 2020

Anchor Bank	Banks to be Merged with Anchor Bank	Combined Domestic Branches
Punjab National Bank	Oriental Bank of Commerce + United Bank of India	11,437
Canara Bank	Syndicate Bank	10,342
Indian Bank	Allahabad Bank	---
Bank Of Baroda	Dena Bank +Vijaya Bank	9,490
Union Bank of India	Andhra Bank + Corporation Bank	9,609
State Bank of India (SBI)	State Bank of Bikaner and Jaipur (SBBJ) + State Bank of Hyderabad (SBH) + State Bank of Mysore (SBM) + State Bank of Patiala (SBP) + State Bank of Travancore (SBT) + Bharatiya Mahila Bank	24,000 (approx.)

Sources:<https://affairscloud.com/list-mergers-acquisitions-bank-india>

The government of India has merger of banks in 2020. The anchor banks for this merger are the Punjab National Bank, Canara Bank, Union Bank of India, the Indian Bank, the Union bank and State bank of India. After the merger most public sector banks have approx. 10,000

branches but State Bank of India has approx. 24,000 branches. Above table shows govt of India merger public sector bank.

MERGERS AND ACQUISITIONS IN BANKING SECTOR

All enterprise organizations, banks, want to guard in opposition to threats, in addition to leverage the possibilities supplied by present day and expected tendencies. M&As are at the rise within the banking area within the current past, globally every and in India. At some point of this history in banking area rising international and Indian traits. M&A that passed off in publish-2000 India analyses the advantages and charges for rising stakeholder and the results for the included organization.

Consolidation has been considered a serious strategic method and has end up a worldwide trend powered through obvious edges of economies of scale, regional diversification, lower fees by way of explanation of the branch and personnel, cross-border enlargement and consolidation of market percentage. M&As which have come about distribute 2000 in India to comprehend the explanation (of the objectives what's more the acquirers), succeeding cooperative energies (each operational and monetary), modalities distinctive arrangement, congruity of the methodology with the vision and objectives of the concerned banks, and to boot the long stretch ramifications of the merger.

Legal Provisions as to M&A in Banking Sector

- The amalgamation of two banks is provided for in Section 44A of the Banking Regulation Act, 1949.
- Articles 391 to 394 of the Companies Act, 1956, regulate the amalgamation of a banking firm with a non-bank firm
- Section 45 of the Banking Regulation Act, 1949 talks about banks being compulsorily amalgamated. (The Authority of Reserve Bank of India shall apply to the Central Government for the dissolution / suspension of the banking sector and the preparation of the reconstruction / amalgamation scheme)
- Sections 230 and 232 of the 2013 Companies Act apply to mergers and mergers.
- Section 35 notes that State Bank of India acquire business from other banks under State Bank of India Act 1955.

Merits of Bank Mergers and Acquisitions:

- With the aid of fusions, it'll assist banks grow their business and swiftly collect a large quantity of clients.
- This also facilitates fill the market void, encouraging the business enterprise to fill product or development gaps and being absorbed by the large commercial enterprise, that can help to efficiently update the era platform.
- It'll provide the organization and banking operations a better productivity ratio, and reduce the danger aspect ratio by way of combining into one.
- It's going to additionally help generation replace, boom income and increase dwelling requirements

Demerits of Bank Mergers and Acquisitions:

With distinctive idea backgrounds, distinctive danger culture, threat continuity lays down the poor technique to organizations ' productivityanother disadvantage is the banks ' point of view with reference to mergers and acquisitions due to the fact they discover only within the paper mode and now not always the outcome is failure of merger deals on the idea of account.

Procedure of Banks Merger and Acquisition

- The technique for merger both voluntary or in any other case is printed in the several country statutes/the banking regulations act.
- While picking the merger, the endorsed officials of the endeavor bank and hence the consolidating bank sit on and it talk about concerning the procedural modalities and monetary terms. When the conversation was done, à subject was prepared to incorporate all the important part of each the banks and along these lines the space terms and conditions. When the subject was finished, it's been postponed among the gathering of leading body of heads of banks. The board talks about concerning the subject and accords its affirmation if the proposition was seen as monetarily feasible and helpful in day's end.
- If the merger agreement has been accepted by the board, a registered assessor is named to evaluate each bank. The appraiser values the banks on the basis of their percentage capital, marketplace capital, belongings and liabilities, their achieve and anticipated growth, and seeks approval from them.

- If the valuation has been completed and permitted by using the various banks, they will publish the inspiration with all associated documents consisting of board approval, shareholder approval, valuation file etc. to order bank of India and other regulatory bodies inclusive of India's security and trade board for approval.
- At last while getting approvals from all of the establishments, accepted officers of each the banks then they sit down alongside to debate and settle share allocation share by the make the most bank to the shareholders of the merging bank.
- After finishing higher than processes then it'll signed by the banks.

RECOMMENDATIONS & SUGGESTION

- Focusing on using banks ' merger to improve both size and organizational strength for each bank.
- To accelerate computerization acceleration in the banks of the private and public sectors.
- To describes the need to improve the legal structure to prepare for credit recovery.
- A proposal to combine the major banks in India, in an effort to make them bigger, so they stand a mighty fine in foreign commerce.
- It lay emphasised that bank mergers ought to take area between businesses of comparable scale. which means that weak banks merge with stronger ones while huge banks merge with larger and greater competitive banks.

CONCLUSION

Mergers are a good idea; this approach should be carried out by additional M&As with proper banks for the right reasons in a development race of fate. M&As have been conceptualized as a crucial factor that affects organizational development, as a fully significant strategic decision. Merger is likewise a complicated pastime as banks face significant obstacles, which includes the horrific mortgage catch 22 situation that has thrown many public zone banks into an unprecedented crisis. M&As enhance intra-company differences and regulate the structure of the employer's capital. because mergers are all about people, it will take a massive quantity of practise to make the restructuring process greater smooth. For well-known banking, M&As need an hour. With many policy Measures and constructive market weather, India Banking region underwent a substantial transformation. enhanced infrastructure investment, rapid challenge execution and persisted reforms are expected to provide more impetus for growth

and most of these factors suggest that India's banking quarter is anticipated to extend robustly with the developing possibilities for industry. Technological developments have taken the cell and net banking offerings to the vanguard and also includes a host of more advantageous offerings to offer the clients full pride. The Indian banking system has undeniably won multiple remarkable accomplishments for the arena's largest and most diverse financial system in a relatively brief duration. Inside the Indian banking area, there have been many reforms, in addition to pretty a few active mergers and acquisitions, that have enabled it to upward push in length.

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