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IMPACT OF MEGA MERGER AND ACQUISITION IN INDIAN BANKING SECTOR

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ABSTRACT

This research paper looks at mergers and Acquisition that have happened in Indian Banking sector. the purpose of this study how this merge of banks help in our Indian Economy in terms of expand operational area ,improve financial performance of that bank, to make strong competition level and how this merge of banks boost to high up economic growth in Indian Economy. This paper studies why government take to decide this merged plan in India. This article is divided in three parts. First part includes the introduction of Indian Banking Industry. The second part discusses key decisions point for Government as well as Banking perspective. Third part includes analysis merged of three banks that BoB, Vijaya bank and Dena bank. This is a small seed to existing knowledge in Mega Merged plan in Banking Industry and How this help to economy of India.

KEYWORDS: *Merger and Acquisition, Indian Banking Sector, Indian Economy.*

Introduction

Banks are a very important part of the economy because they provide vital services for both consumers and businesses. As financial services providers, they give you a safe place to store your cash. Modern banking in Asian country originated within the last decade of the eighteenth century. Among the primary banks were the Bank of geographic area, that was established in 1770 and liquidated in 1829–32; and therefore the General Bank of Asian country, established in 1786 however failing in 1791. The largest and therefore the oldest bank that continues to be living is that the banking company of Asian country (SBI). It originated and began operating because the Bank of city in time period 1806. In 1809, it had been renamed because the Bank of geographic region. This was one in all the 3 banks supported by a presidency government, the opposite 2 were the Bank of Mumbai in 1840 and therefore the Bank of Madras in 1843. In 1955 the 3 banks were combined and came to Imperial banking company of Asian Country. For several years, the presidency banks had acted as quasi-central banks, as did their successors, till the banking concern of India was established in 1935, below the banking concern of Asian country Act, 1934.

In 1960, the banking company's of India was given management of eight state-associated banks below the State Bank of India (Subsidiary Banks) Act, 1959. In 1969, the govt. of India had nationalized fourteen major personal banks; one in all the massive banks was Bank of India. In 1980, six additional personal banks were nationalized. These nationalized banks area unit the bulk of lenders within the Indian economy. They dominate the banking sector due to their giant size and widespread networks.

The Indian banking sector is broadly speaking classified into scheduled and non-scheduled banks. The scheduled banks area unit those enclosed below the second Schedule of the banking concern of Asian country Act, 1934. The scheduled banks area unit more classified into: nationalized banks; banking company of Asian country and its associates; Regional Rural Banks (RRBs); foreign

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banks; and alternative Indian personal sector banks. The SBI has unified its Associate banks into itself to form the most important Bank in Asian country on 01 Apr 2017. With this merger SBI incorporates a international ranking of 236 on Fortune five hundred index. The term business banks refers to each scheduled and non-scheduled business banks regulated the Banking Regulation Act, 1949. The rapid transformation in the banking industry over the last decade has made the industry

Merger of Banks in India

Merger and Acquisition in Indian banking sectors have been initiated through the recommendations of Narasimham committee II. The committee recommended that "merger between strong bank / financial institutions would make for greater economic and commercial sense and would be case where the whole is greater than the sum of its parts and have "force multiplier effect"

Merger and Acquisition

Mergers and acquisitions (M&A) is a general term used to describe the consolidation of companies or assets through various types of financial transactions, including mergers, acquisitions, consolidations, tender offers, purchase of assets, and management acquisitions.

The term mergers and acquisitions (M&A) refer broadly to the process of one company combining with one another.

Literature Review

- **Steven j. Piloff and Anthony m. Santomero** The value effects of bank mergers and acquisitions.

The financial business has encountered a remarkable degree of combination on a conviction that gains can build through cost decrease, expanded market power, diminished income unpredictability, and scale and extension economies. An audit of the writing proposes that the worth picks up that are affirmed have not been confirmed. The paper at that point tries to address elective clarifications and accommodate the information with proceeded with consolidation action. All in all, we discover these clarifications are legitimizations for the non presence of positive worth results, not other option, testable hypotheses. As of late, another string of the writing has created which tries to comprehend singular cases, investigating the cycle of progress for a specific consolidation. This methodology appears to be possibly fulfilling and uncovering, yet what we will realize is as yet an open inquiry.

- Mergers and Acquisitions in Indian Banking Sector A Strategic Approach Parveen Kumari Global Journal of Finance and Management. ISSN 0975-6477 Volume 6, Number 3 (2014), pp. 217-222 © Research India Publications http://www.ripublication.com

Consolidations and Acquisitions urge banks to pick up worldwide reach and better collaboration and permit banks to gain the focused on resources of more fragile banks. A total blend of two separate enterprises including in a business is alluded as business consolidation. Acquisitions on the other hand are dominate. For this situation one organization really purchases another organization. Through Mergers and Acquisitions banks not just get set up brand names, new geologies, reciprocal item contributions yet in addition occasions to strategically pitch to new records obtained. The cycle of Mergers and Acquisitions is definitely not another to the Indian Banking. The fundamental goal of this paper is to survey the effect of Consolidations and Acquisitions in Indian Banking Industry, their position when Mergers and Acquisitions and discovering the reasons behind these Mergers and Acquisitions. For the examination optional information is utilized which has been taken from articles from magazines, papers, books and Websites.

- Dr. Krishna A. Goyal kagoyala@gmail.com Faculty, Shri Govind Guru, Government College, Mohanlal Sukhadia University, Banswara, 327001, India Vijay Joshi vij.joshi18@rediffmail.com Ph.D. Scholar, Business Administration, UCCMS, Mohanlal Sukhadia University, Udaipur, 313001, India. A Indian Banking Industry: Challenges And Opportunities

The financial business in India has a gigantic canvas of history, which covers the conventional banking rehearses from the hour of Britishers to the changes period, nationalization to privatization of banks what's more, presently expanding quantities of unfamiliar banks in India. Hence, Banking in India has been through a long excursion. Banking industry in India has additionally accomplished another stature with the evolving times. The utilization of innovation has acquired an upheaval the working style of the banks. All things considered, the key parts of banking for example trust and the certainty of the individuals on the organization continue as before. Most of the banks are as yet fruitful with regards to the certainty of the investors just as different partners. Be that as it may, with the evolving elements of banking business brings new sort of danger presentation. In this paper an endeavor has been made to recognize the overall suppositions, challenges and open doors for the Indian Banking Industry. This article is separated in three sections. Initial segment incorporates the presentation and general situation of Indian financial industry. The subsequent part talks about the different difficulties and openings looked by Indian financial industry. Third part reasons that earnest accentuation is needed on the Indian financial item and promoting techniques to get maintainable serious edge over the extreme rivalry from public also, worldwide banks. This article is a little seed to existing part of information in financial industry and is valuable for investors, specialist, strategy producers and analysts.

Objectives of the Study

- To study Merger and Acquisition scenario in Banking Sector.
- To examine need for Merger and Acquisition in banking.
- To analyze the impact of merged of Vijaya Bank and Dena Bank into Bank of Baroda.

Research Methodology

This current study is based on secondary sources such as literature reviews, articles, research studies, periodicals. This study is based on secondary data.

Data Analysis & Interpretation

Key Decisions – Why there is Needed in India?

Here it explained why Government took decision for Merger and Acquisition for India. Here some points discussed.

- **Units of Merger**

Government has main aspects for this merge scenario such as to reduce bad loans or Non Performing Assets, Up gradation of Technology, ensure better economies of scale and to flow smoothly investment and lending purposes.

Anchor Banks	Banks merged with Anchor Banks
Punjab National Bank	Oriental Bank Of commerce and United Bank Of Commerce
Canada Bank	Syndicate Bank
Indian Bank	Allahabad Bank
Bank of Baroda	Dena Bank and Vijaya Bank
Union Bank of India	Andhra Bank and Corporation Bank
State Bank of India	State Bank of Bikaner and Jaipur, State Bank of Mysore, State Bank of Travancore, State Bank of Hyderabad, and State Bank of Patiala — along with Bharatiya Mahila Bank.

- **Number of Owned Banks came Down**

Here the objective is to reduce Public Sector Banks due to many reasons. The move is aimed at creating a robust banking system with global reach. it create like this all banks may be chances to fight in same market or same customer. So if these banks merged in strong bank, it come wider bank can reach better services it can provide. Due to large scale operations, the services have become extremely cheap or sometimes even free.

- **Equity Infusion**

During 2019-20, the government proposed to make Rs 70,000 crore capital infusion into the PSBs to boost credit for a strong impetus to the economy. There is needed to make well structuralized in banks, so that these banks will be able to supply.

Bank of Baroda merger with Vijaya Bank and Dena Bank

Parameters	Bank of Baroda	Vijaya Bank	Dena Bank	Amalgamated Bank
Total Business (in crore Rs.)	10,29,811	2,79,674	1,72,937	14,82,422
Gross Advances (in crore Rs.)	4,48,327	1,22,348	69,917	6,40,592
Deposits (in crore Rs.)	5,81,484	1,57,326	1,03,020	8,41,830
CASA Ratio	35.52%	24.91%	39.80%	34.06%
Branches (Domestic)	5,502	2,129	1,858	9,489
Return on Assets (annualised)	0.29%	0.32%	-2.43%	-0.02%
CET-I capital ratio	9.27%	10.35%	8.15%	9.32%
CRAR capital ratio	12.13%	13.91%	10.60%	12.25%
Net NPA ratio	5.40%	4.10%	11.04%	5.71%
Employees	56,361	15,874	13,440	85,675

Sources: Indian Express 2019

Strong Bank + 1 Weak Bank Created Third Largest Bank In India

- This measure decision was taken by Alternative Mechanism Today for merged Bank of Baroda, Dena Bank and Vijaya Bank.
- Bank of Baroda and Vijaya Bank have relatively better credit matrix than Dena Bank in terms of process quality capitalism and profitability. As per the central's plan ,all the businesses, assets, rights, titles, licenses, approvals, other privileges, all properties, liabilities, and obligations, of Dena Bank and Vijaya Bank is transferred to BoB.
- To make merger a smooth affair, the government decided to infuse Rs.5042 crore in BoB to meet additional expenses.
- The merged entity have NPA ratio would be 5.71 percent, significantly better than PSB's average of 12.03 percent.
- Total value of deposits of all these three banks is more than 8 lakh crore and total employee strength is more than 85000.
- From this NPA, it shows Dena bank has highest NPA as compared to BOB and Vijaya bank. So Dena bank has to keep under Prompt Corrective Plan by the Government.

Some of the pros and cons are as follows:

Pros

- Bigger Bank is fit for confronting worldwide rivalry
- The consolidation will decrease the expense of banking activity
- Consolidation will bring about better NPA and Risk the executives
- Consolidation will help in improving the expert norms
- Choices on High Lending necessities can be taken immediately

- Odds of endurance of failing to meet expectations banks increments subsequently client trust stays unblemished which is indispensable for the Economy. The more fragile bank gets converged into more grounded one and gets the advantage of huge scope activities
- The targets of monetary consideration and expanding the topographical reach of banking can be accomplished better with the consolidation of huge public area banks and utilizing on their skill.
- In the worldwide market, the Indian banks will pick up more noteworthy acknowledgment and higher rating.

Cons:

- Numerous banks center around provincial financial necessities. With the consolidation the very reason for setting up the bank to take into account local requirements is lost.
- Huge bank size may make more issues moreover. Enormous worldwide banks had fallen during the worldwide monetary emergency while more modest ones had endure the emergency because of their qualities and spotlight on miniature perspectives.
- So far limited scope misfortunes and recapitalization could resuscitate the capital base of little banks. Presently if the monster molded bank books immense misfortune or causes high NPAs as it had been bringing about, it will be hard for the whole financial framework to maintain.
- Various internal conflicts and disputes may arise with regard to promotion, pension, and other penalties issues.

Conclusion:

Merger and Acquisition is the useful tool for growth and expansion in Indian Banking Sector. It is helpful for survival of weak banks by merging into larger bank. From this merger and Acquisition Economies of scale can be used. These Vijaya Bank and Dena Bank will be pulled out of problem. The cycle and after effects of Merger and Amalgamation has decreased the weight over the banks and further more brought down the undesirable market rivalry among them..Expanded benefits, better administration, bigger inclusion and more clients is an aftereffect of this. Clients get quicker and improved administrations because of this penetration will increase to all type of customers.

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