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Merger and Acquisition in Indian Banking System

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Abstract

The landscape of the Indian banking sector has undergone significant transformations over the past few decades, with mergers and acquisitions (M&A) playing a pivotal role in its evolution. This trend has been primarily driven by the need for stronger and more resilient banking institutions capable of supporting India's burgeoning economic growth and expanding global footprint. The Indian government, along with the Reserve Bank of India (RBI), has actively encouraged consolidation in the banking sector to enhance operational efficiency, achieve economies of scale, and improve risk management practices.
The rationale behind the push for M&A in the Indian banking system includes addressing the issue of non-performing assets (NPAs), which has plagued many banks; increasing competitive advantage in both domestic and international markets; and fostering the development of banks that can be classified as global or regional champions. Moreover, the digital transformation in the banking industry and the emergence of fintech companies have further necessitated traditional banks to reassess their business models and market positions, often leading to strategic mergers or acquisitions.
This paper examines the impact of M&A on the Indian banking system, highlighting key transactions that have reshaped the industry landscape. It delves into the regulatory framework governing M&A in banking, evaluates the successes and challenges post-merger or acquisition, and discusses the implications for stakeholders, including implications for market competition, customer service, and employee welfare. The analysis also explores how M&A activities align with broader economic reforms and financial inclusion goals in India.

Introduction

A merger can be defined as "the voluntary combination or agreement of two companies to form a new en tity.it is also considered a way of mixing or merging two business organizations into a single organizatio n that is less than a merger (indrapriya, 2018). An acquisition means "one company buys or takes over a nother company." simply put, we can say it is "the acquisition of one company by another company for i s management.

Mergers and acquisitions occur for many reasons; damage to the company or increase in product failure, decreased competition among competitors, etc.

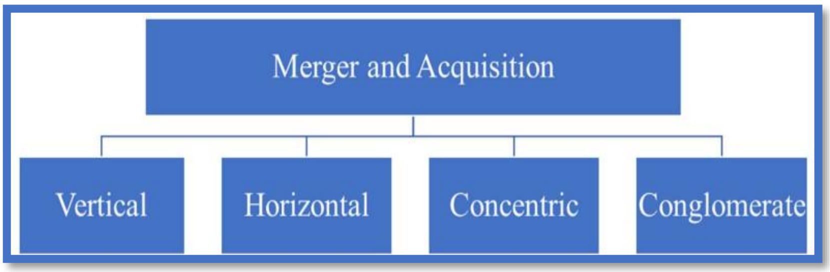
Overview of Indian banking industry

The indian banking system is one of the largest and most complex in the world, with more than 100 sche duled banks and more than 96,000 branches. It has undergone significant changes since india's independ ence in 1947 and today plays an important role in india's economic development. In the early years of in dependence, the indian banking system was dominated by a handful of stateowned banks, with limited b anking and payment services, especially in some regions. However, in the following years, the indian go vernment, in consultation with the reserve bank of india (rbi), introduced various monetary and fiscal ref orms that led to the expansion of the financial institution. One of the most significant changes in the indi an banking system was the nationalization of 14 major banks in 1969 and six more in 1980. This brought almost 80% of the banking sector under government control and expanded banking services to many rur al and unbanked areas. In addition, the government has also issued policies to support the development o f local regional banks and cooperative banks and further expand banking services in rural areas. In the 1 990s, the indian government permitted commercialization, allowing private and foreign companies to op erate in india. This has led to increased competition and the entry of many new players into the market. The introduction of technologies such as online banking and mobile banking has also increased the effici ency and service of the financial institution.

Throughout its history, Indian banking flourished in the late 18th century (bank of Hindustan, 1770). The banking sector has experienced many ups and downs since its early days and continues to do so. In the 18th century, efforts were made to establish the Hindustan bank in 1770 (liquidated between 1829 and 1832) and the universal bank of India in 1786, but failed in 1791 ("banking in India," 2023). The oldest surviving bank is the state bank of India (sbi), which is said to have been formed by the merger of three banks, including bank of Bengal (established in June 1806 as bank of Calcutta), bank of Bombay (established in 1806). 1840) and the madras bank (established 1843). After independence, the banks were merged to form imperial bank of India in 1921 and state bank of India in 1955. During the swadeshi movement between 1906 and 1911, many banks came from bank of India, Canara bank, bank of India, south India bank, central bank of India, corporation bank, bank of Baroda and catholic Syrian bank. Then came the period of nationalization, divided into two rounds. The first round took place in 1969, when the 14 largest companies were counted. In the second round in 1980, six more banks were nationalized, bringing the total number of state-owned banks in India to 20. Reserve bank is the central and governing body of India and is also known as bankers' bank or apex bank. It was founded on April 1, 1935 and is headquartered in Mumbai, Maharashtra, India. It was under the jurisdiction of the ministry of finance, government of India. It has full and sole responsibility for the management, issuance and custody of the Indian rupee in the market. After India's independence on 15 august 1947, the reserve bank of India was appointed on 1 January 1949.

Types of mergers and acquisitions

Based on the relationship and the agreement between two company or firm involved in the deal following are the types of mergers and acquisition:



- **Vertical: -** A vertical merger occurs when two or more companies, each responsible for different parts of the supply chain, combine to provide a common product or service (vertical merger, n.d.). This type of merger aims to decrease competition in the market by creating a single entity with a larger share of the market. For instance, if a tire manufacturing company merges with a car company, it would not only reduce operational costs but also lead to business expansion and higher profits.
- **Horizontal: -** A horizontal merger occurs when two companies operating in the same stage of the supply chain or within the same industry merge together. This type of merger is more common among companies in the same space, as competition tends to be higher in these areas. By merging, companies can potentially gain synergies and a larger market share, as seen in the example of xyz, a pvc pipe manufacturer, and abc, a pvc water tank manufacturer. By merging, these companies can increase synergies and potentially gain a larger market share due to their shared use of pvc.
- **Concentric: -** A concentric merger occurs when two companies in the same industry merge to expand their product or service offerings to customers (guide to concentric mergers, n.d.). This type of merger is common when two companies in the same industry combine to form a more powerful entity, and can also involve companies from different industries that have complementary resources (what is a concentric merger? 2022). For instance, in 2007, coke and vitamin water merged to gain a stronger presence in the beverage industry.
- **Conglomerate: -** A conglomerate merger refers to a consolidation of two companies or unrelated entities coming together. The primary motivations for such a merger are to increase market share, diversify business operations, cross-sell products, and leverage synergies (conglomerate mergers, n.d.). There are two types of conglomerate mergers: pure & mixed. A pure conglomerate merger occurs when two companies with no market overlap or unrelated businesses in distinct markets merge. On the other hand, a mixed conglomerate merger involves two companies joining forces to expand their markets, products, or services (conglomerate merger, n.d.). For instance, in 2017, amazon acquired whole foods market to expand its presence in the grocery industry.

Merits of a bank merger

- A large capital base would help the acquirer banks to offer large loans amount.
- This merger makes rbi to have better control on the system and the implementation of policies will became easy.
- It will be easy of penetration to the market.
- Technological upgradation can be considered.
- Recapitalization need from the government to reduce.
- The cost of operation is been reduce with the help of merger.
- The professional standard is been improve.
- It helps in improve the risk management.
- The geographically concentrated regionally present the banks to expand their coverage with the help Of merger.
- It provides better efficiency ratio for the business of operations as well as the banking operation which is beneficial for the economy.
- Service delivery can be get improved with the help of merger.

- Rbi will be watching banks on its performance, especially in the terms of npa (nonperforming asset) otherwise loans which are not recovered.
- Customers will have a wide range of products like mutual funds and insurance to choose from the additional to the traditional loans and deposits.
- It npa percentage of the bank is above prescribed norms, it will ask to merge with a bigger bank to the case the situation as to combined capital of banks that will be higher and thereby reducing the npa percentage.

Demerits of a bank merger

- All different banks have different cultures, systems, processes, procedures. Merger will lead to culture conflicts.
- Bank employees and police unions oppose unionization due to labour, security, employment and other issues.
- A few large, interconnected banks expose the broader market to greater financial risk.
  Large bank employees the bank does not treat small bank employees equally. And once the bank fixethe problem, customers will start having problems.
- It will take some time for customers to realize that their banks are merging. Although banks must notify all customers about the merger, someCustomers may miss this communication and be surp rised to find that theirboard has been replaced by a new board.
- The bank must bear the burden of the weak bank causing the risk. Managing different financial and human resources is difficult.
  The idea of decentralization, because many banks with regional audiences and customers tend to have a very positive attitude towards purchasing money from the bank.
  Large banks have the potential to cause global economic problems that can cripple the entire country's economy
- With the consolidation of many banks, customers will have fewer options for banks.
  The new bank's board of directors may cause operational problems, and dealing with angry empl oyee may be another challenge.

Reasons for merger and acquisitions

Looking at the history of mergers and acquisitions, there can be many reasons for mergers and acquisitions in the banking sector of the Indian economy. Some of the reasons behind mergers and acquisitions are:

1. Many companies need rapid business growth or product diversification and therefore need to collaborate to achieve their goals or objectives.
2. Many small companies are merging with large companies in order to increase efficiency and reduce competition in the market.
3. To survive in the competitive market, small companies must maintain their presence in the market through mergers and acquisitions.
4. Competition in the market is intensifying as new technologies and services are added and old banks cannot compete, so they decided to merge.
5. Many companies are merging to benefit from tax benefits. For example, when a bankrupt company merges with a profitable company, the other company can absorb the losses, which can help pay taxes.

Merger and acquisition in Indian banking industry

When we look upon the records of merger and acquisition in banking enterprise it started with its first merge in 1921 with the merge of bank of Calcutta, bank of Bombay and bank of madras to shape imperial bank of India. The number one goal in the back of every merger and acquisition is the introduction of synergy and to achieve boom at the strategic stage. Banks also opt for mergers and acquisitions to acquire the blessings of economies of scale through reduction of expenses and maximization of both economic and non-economic blessings (Kumari, ...). In current time we are able to see numerous merger and acquisition in banking quarter, some of the currents are Punjab national bank with united bank of India and oriental bank of commerce, Canara bank with syndicate bank Allahabad with Indian bank and currently hdfc bank ltd merged into hdfc ltd (the most important loan lender) on 4th april,2022. This merger and acquisition are a pass to move toward making Indian economic system a $five trillion economic system by means of fy 2028.

list of merger and acquisition in Indian banking sector after nationalisation of banks:

Sr.No.	Transferor Bank	Transferee Bank	Year of M&A
1	Bank of Bihar Ltd.	State bank of India	1969
2	National Bank of Lahore Ltd.	State Bank of India	1970
3	Miraj State Bank Ltd.	Union Bank of India	1985
4	Lakshmi Commercial Bank Ltd.	Canara Bank	1985
5	Bank of Cochin Ltd.	State Bank of India	1985
6	Hindustan Commercial Bank	Punjab National Bank	1986
7	Traders Bank Ltd.	Bank of Baroda	1988
8	United Industrial Bank Ltd.	Allahabad Bank	1989
9	Bank of Tamilnadu Ltd.	Indian Overseas Bank	1990
10	Bank of Thanjavur Ltd.	Indian Bank	1990
11	Parur Central Bank Ltd.	Bank of India	1990
12	Purbanchal Bank Ltd.	Central Bank of India	1990
13	New Bank of India	Punjab National Bank	1993
14	Bank of Karad Ltd.	Bank of India	1993-1994
15	Kashinath Seth Bank Ltd.	State Bank of India	1996
16	Bari Doab Bank Ltd.	Oriental Bank of Commerce	1997
17	Punjab Co-operative Bank Ltd.	Oriental Bank of Commerce	1997
18	Bareilly Corporation Bank Ltd.	Bank of Baroda	1999
19	Sikkim Bank Ltd.	Union Bank of India	1999
20	Times Bank Ltd.	HDFC Bank Ltd.	2000
21	Bank Of Madura Ltd.	ICICI Bank Ltd.	2001
22	ICICI Ltd.	ICICI Bank Ltd.	2002
23	Benares State Bank Ltd.	Bank of Baroda	2002
24	Nedungadi Bank Ltd.	Punjab National Bank	2003
25	South Gujarat Bank Ltd.	Bank of Baroda	2004

26	Global Trust Bank Ltd.	Oriental Bank of Commerce	2004
27	IDBI Bank Ltd.	IDBI Ltd.	2005
28	Bank of Punjab Ltd.	Centurion Bank Ltd.	2005
29	Ganesh Bank of Kurundwad Ltd.	Federal Bank Ltd	2006
30	United Western Bank Ltd.	IDBI Ltd.	2006
31	Bharat Overseas Bank Ltd.	Indian Overseas Bank	2007
32	Sangli Bank Ltd.	ICICI Ltd.	2007
33	Lord Krishna Bank Ltd.	Centurion Bank of Punjab	2007
34	Centurion Bank of Punjab	HDFC Bank Ltd.	2008
35	The Bank of Rajasthan	ICICI Bank Ltd.	2010
36	ING Vysya Bank	Kotak Mahindra Bank	2015
37	State Bank of Bikaner and Jaipur	State Bank of India	2017
38	State Bank of Mysore, Hyderabad, Travancore, Patiala	State Bank of India	2017
39	Bharatiya Mahila Bank	State Bank of India	2017
40	Dena Bank and Vijaya Bank	Bank of Baroda	2019
41	Oriental Bank of Commerce and United Bank of India	Punjab National Bank	2020
42	Syndicate Bank	Canara Bank	2020
43	Corporation Bank and Andhra Bank	Union Bank of India	2020
44	Allahabad Bank	Indian Bank	2020
45	HDFC Ltd.	HDFC Bank Ltd.	2022

Source: (assistant professor nirma institute of management, nirma university, Sarkhej Gandhinagar highway, Ahmedabad, Gujarat, India et al., 2023)

- union finance minister Nirmala Sitharaman on 30th august 2019 she announced the consolidation of the state-owned banks (psbs) in which 10 psbs being the merged to form 4 bigger lenders to the strengthen the banking sector struggling with a bad loan.
- the aimed at clean-up of the bank balance sheets and creating the lenders of global scale that can be support the economy's surge to$5 trillion by 2024.
- done with two rounds of the bank consolidation earlier, this is what we want to do for the robust banking system and a $5 trillion economy.
- FM Sitharaman said that they are trying to build next generation banks, big banks with the capacity to the enhance credit.
- the key factors for the mergers are the technological platform, cultural similarities, customer reach, competitiveness, finance secretary Rajiv Kumar added.

Some Mergers in India

Merger -1

History of Bank Kotak Mahindra Bank, ING Vysya Bank

Kotak Mahindra Finance Limited had a rich history that spanned various sectors within the financial services industry. Here's a brief outline of its journey:

Establishment: Kotak Mahindra Finance Limited (KMFL) was established in 1985 by Uday Kotak, along with partners. It started as a bill discounting company and ventured into various financial services over the years.

Diversification: In the late 1980s and early 1990s, KMFL diversified into various financial sectors, including auto finance, investment banking, and mutual funds. This period marked a significant expansion in its portfolio of services.

First NBFC: Kotak Mahindra was among the first non-banking financial companies (NBFCs) in India to receive a banking license from the Reserve Bank of India (RBI). This pivotal event took place in February 2003, marking a new chapter in its history.

Venture into Banking: On March 22, 2003, it became the first company in India's corporate history to convert into a bank - Kotak Mahindra Bank Limited. The conversion was part of India's broader banking reform efforts aimed at introducing more competition and efficiency in the sector.

Finance and Investment Services: Initially, the company focused on providing financial and investment services, including stockbroking, investment banking, and mutual funds.

Diversification: Over the years, Kotak Mahindra diversified its operations, venturing into various financial services sectors such as insurance, asset management, and banking.

Banking License: In 2003, Kotak Mahindra Finance Ltd. received a banking license from the Reserve Bank of India (RBI), allowing it to offer a wider range of banking services.

Transition to Kotak Mahindra Bank: Following the banking license acquisition, Kotak Mahindra Finance Ltd. transitioned into a full-fledged bank and was renamed Kotak Mahindra Bank.

Expansion and Growth: Kotak Mahindra Bank steadily expanded its presence across India, opening branches and introducing innovative banking products and services.

Technology Integration: The bank emphasized technology integration, offering digital banking solutions and enhancing customer experience through online and mobile banking platforms.

Financial Performance: Kotak Mahindra Bank demonstrated robust financial performance, becoming one of the leading private sector banks in India in terms of profitability and market capitalization.

ING Vysya Bank

Certainly, ING Vysya Bank had a significant history before it merged with Kotak Mahindra Bank. Here's a brief overview in points:

Foundation: ING Vysya Bank was established in 1930 in Bangalore. It was initially known as the Vysya Bank Limited.

Growth and Expansion: Over the decades, Vysya Bank expanded its footprint across India, becoming a well-respected name in the Indian banking sector with a strong focus on retail and SME (Small and Medium Enterprises) sectors.

International Partnership: In 2002, the bank entered into a strategic alliance with the Dutch multinational banking and financial services corporation ING Group. This partnership was aimed at leveraging ING's global banking expertise with Vysya Bank's strong domestic presence.

Rebranding: Following the partnership, Vysya Bank was rebranded as ING Vysya Bank in 2002. This rebranding marked the beginning of a new era, with the bank adopting international banking practices and expanding its product offerings.
Expansion: Over the decades, Vysya Bank expanded its operations across India, particularly in South India, establishing itself as a prominent regional bank.
National Presence: Post-merger, ING Vysya Bank expanded its presence beyond South India, establishing branches and offices in various parts of the country.
Awards and Recognition: The bank received several accolades and awards for its performance, customer service, and innovative products over the years.

Merger with Kotak Mahindra Bank: In 2014, Kotak Mahindra Bank acquired ING Vysya Bank in a deal valued at around $2.4 billion. The merger created one of the largest private sector banks in India.
Integration Process: Following the merger, ING Vysya Bank underwent an integration process with Kotak Mahindra Bank, which involved streamlining operations, combining branches, and harmonizing products and services.
Legacy: Despite the merger, ING Vysya Bank's legacy continued to influence the banking landscape in India, contributing to the growth and evolution of the sector.

After Merger of Bank Kotak Mahindra Bank, ING Vysya Bank
Kotak Mahindra Bank has been one of India's leading banking and financial services organizations, experiencing significant growth and expansion over the years. Here's a brief overview of its history and developments after its significant merger:
2003-2004: Merger with ING Vysya Bank - Kotak Mahindra Finance Ltd. received a banking license from the Reserve Bank of India (RBI) in February 2003, becoming the first non-banking finance company in India to be converted into a bank. In 2014, Kotak Mahindra Bank announced its merger with ING Vysya Bank in a deal valued at about $2.4 billion, one of the biggest in the sector at that time. The merger was completed in 2015, significantly expanding Kotak Mahindra Bank's footprint across India.
Expansion and Growth - Post-merger, Kotak Mahindra Bank significantly expanded its network across India, increasing its branches and ATMs, thereby boosting its presence in both urban and rural markets. This expansion helped in diversifying its portfolio across various banking and financial services.
Digital Innovation - Following the merger, Kotak Mahindra Bank placed a strong emphasis on digital innovation. It launched several digital-first products like the 811 digital banking app, which allowed customers to open a bank account instantly from anywhere, making it a frontrunner in digital banking in India.
Diversification of Services - The bank continued to diversify its services beyond traditional banking, venturing into wealth management, stock broking, mutual funds, life insurance, and investment banking, thereby positioning itself as a comprehensive financial services provider.
ING Vysya Bank, a prominent Indian bank with a rich history, underwent a significant transformation when it merged with Kotak Mahindra Bank. Here's a brief overview of the history of ING Vysya Bank after the merger, laid out in points for clarity:
Merger Announcement: The merger between ING Vysya Bank and Kotak Mahindra Bank was officially announced in November 2014. This was one of the biggest banking mergers in India's history at the time.

Merger Completion: The merger was completed in April 2015, with all the requisite approvals from regulatory bodies, including the Reserve Bank of India (RBI), the Competition Commission of India (CCI), and the respective shareholders of both banks.
Integration: Following the merger, an extensive integration process took place, involving the consolidation of branches, ATMs, employee training, and the unification of banking systems and processes to ensure a seamless transition for customers of both banks.
Expansion of Kotak Mahindra Bank: The merger significantly expanded Kotak Mahindra Bank's footprint across India. The combined entity saw a substantial increase in the number of branches and ATMs, making it one of the largest private sector banks in the country.

Merger-2
History of ICICI BANK LTD, THE BANK OF RAJASTHAN
ICICI Bank Ltd, one of India's premier financial institutions, has a rich history that predates its notable mergers and acquisitions. Here's a brief overview of its journey before it embarked on a path of significant mergers:
Foundation and Early Years:
ICICI was established in 1955 as the Industrial Credit and Investment Corporation of India, with its primary objective being to provide medium-term and long-term project financing to Indian businesses.
It was founded as a joint venture by the World Bank, the Government of India, and representatives of Indian industry, with the aim of creating a development financial institution for providing project financing to Indian industries.
Diversification: Over the years, ICICI expanded its services beyond project finance to a wide array of products and services, including various forms of commercial banking and retail banking.
Banking Entry: ICICI entered the banking sector by establishing ICICI Bank in 1994. This was a strategic move to offer a full range of banking services, leveraging its existing customer base and infrastructure.
ICICI Bank was among the first Indian banks to offer internet banking and mobile banking services, marking its early adoption of technology in banking.
Growth and Expansion: The bank expanded rapidly through the 1990s and early 2000s, both in India and internationally, establishing subsidiaries, branches, and representative offices in various parts of the world.
The Bank of Rajasthan was a prominent banking institution in India before its merger with ICICI Bank in 2010. Here's a concise overview of its history and characteristics in bullet points:
Establishment: The Bank of Rajasthan was established in 1943, marking its origins in the princely state of Udaipur in Rajasthan.
Founder: It was founded by a visionary entrepreneur, Seth Shri Govind Ram Seksaria, with an aim to serve the financial needs of the people in the region.
Growth: Over the years, the bank expanded its operations beyond Rajasthan to serve a larger clientele across India.
Network: Prior to the merger, it boasted a wide network of branches, having more than 460 branches spread across the country, catering to both rural and urban customers.

After ICICI BANK LTD, THE BANK OF RAJASTHAN

After the merger of ICICI Bank Ltd with Bank of Rajasthan, here are some key points:

Expanded Branch Network: The merger would have likely resulted in an expansion of ICICI Bank's branch network, particularly in regions where Bank of Rajasthan had a strong presence.

Increased Customer Base: With the merger, ICICI Bank would have gained a larger customer base from Bank of Rajasthan, potentially increasing its market share in those regions.

Technological Integration: ICICI Bank would have integrated Bank of Rajasthan's systems and processes into its own, aiming for seamless operations across the merged entity.

Product and Service Alignment: There might have been efforts to align the product and service offerings of both banks to ensure consistency and uniformity for customers.

The merger between Bank of Rajasthan and ICICI Bank Ltd. in points:

Merger Date: The merger between Bank of Rajasthan and ICICI Bank Ltd. took place on August 13, 2010.

Acquisition: ICICI Bank Ltd. acquired Bank of Rajasthan in an all-stock deal.

Valuation: The deal was valued at around Rs. 3,000 crores.

Integration: After the merger, Bank of Rajasthan's operations and branches were integrated into ICICI Bank Ltd.'s network.

Branch Expansion: The merger significantly expanded ICICI Bank's branch network, especially in Rajasthan, where Bank of Rajasthan had a strong presence.

Customers Transition: Bank of Rajasthan's customers became customers of ICICI Bank Ltd. and were provided with ICICI's products and services.

Regulatory Approval: The merger received regulatory approval from the Reserve Bank of India (RBI) and other relevant authorities.

Synergy Benefits: The merger aimed to leverage synergies, improve operational efficiency, and enhance customer service through the combined strength of both banks.

Impact on Shareholders: Bank of Rajasthan shareholders received shares of ICICI Bank Ltd. in exchange for their Bank of Rajasthan shares as per the agreed upon swap ratio.

Brand Transition: Over time, Bank of Rajasthan's branding and identity were phased out, and all operations were consolidated under the ICICI Bank brand

Merger 3

History of State Bank of India, State Bank of indore

Here's a brief history of the State Bank of India (SBI) before its merger:

Foundation: The State Bank of India traces its roots back to the early 19th century when the Bank of Calcutta, later renamed the Bank of Bengal, was established in 1806.

Evolution: Over the years, the Bank of Bengal merged with the Bank of Bombay and the Bank of Madras in 1921 to form the Imperial Bank of India, which was then the largest and oldest commercial bank in the Indian subcontinent.

Nationalization: In 1955, the Imperial Bank of India was nationalized by the Indian government, becoming the State Bank of India under the State Bank of India Act. This move was aimed at bringing banking services to rural areas and fostering economic development.

Expansion: SBI underwent significant expansion both domestically and internationally, establishing branches across India and overseas, making it the largest banking and financial services company in India.

The State Bank of Indore, before its merger, had a significant history marked by various milestones:
Establishment: The bank was established in 1920 as the Bank of Indore Ltd. during the British colonial era.
Expansion: Over the years, it expanded its network and services, catering primarily to the needs of the region of Madhya Pradesh, India.
Nationalization: In 1960, the bank was nationalized along with several other banks in India, becoming a part of the public sector banking system.
Growth and Diversification: The State Bank of Indore continued to grow and diversify its services, offering a wide range of banking products and financial services to its customers.
Regional Focus: It maintained a strong focus on serving the needs of the local populace in Madhya Pradesh, with a network of branches and ATMs across the state.

After State Bank of India, State Bank of indore
After the merger of the State Bank of India (SBI) with its associate banks in 2017, here's a brief overview of its history:
Formation: The State Bank of India was formed in 1955 by the nationalization of the Imperial Bank of India. It aimed to centralize banking and provide widespread banking services across the nation.
Merger with Associate Banks: In April 2017, SBI merged with five of its associate banks (State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala, and State Bank of Travancore) along with Bharatiya Mahila Bank. This merger was aimed at streamlining operations, reducing costs, and creating a stronger banking entity.
Expansion and Modernization: Post-merger, SBI embarked on an aggressive expansion strategy, both domestically and internationally, to strengthen its presence in key markets and leverage economies of scale.
Technology Integration: SBI focused on integrating the technological infrastructure of the merged entities to enhance customer experience, streamline operations, and offer innovative banking solutions.
Digital Initiatives: SBI accelerated its digital initiatives to offer innovative and convenient banking services to its customers, including internet banking, mobile banking, and digital wallets.
Global Presence: SBI continued to strengthen its global presence by expanding its overseas branches and operations, catering to the needs of Non-Resident Indians (NRIs) and international businesses.
Financial Performance: SBI maintained its position as one of the leading banks in India in terms of assets, deposits, and profitability, adapting to changing market dynamics and regulatory requirements.
Overall, the merger and subsequent developments have positioned SBI as a robust and dynamic financial institution, playing a crucial role in India's banking sector.

State Bank of Indore
Integration: After the merger, the branches, operations, and services of State Bank of Indore were integrated into the State Bank of India network.
Branch Network: The branch network of State Bank of Indore became a part of the larger State Bank of India network, expanding its reach and services across India.

Brand Transition: The branding of State Bank of Indore was gradually phased out, and its branches started operating under the SBI brand name.
Operational Synergy: The merger aimed at achieving operational synergies, streamlining processes, and improving efficiency within the banking group.
Customer Services: Customers of State Bank of Indore were seamlessly transitioned to SBI, where they could access a wider range of banking products and services offered by the larger institution.
Consolidation of Resources: The merger allowed for the consolidation of resources, including human resources, technology, and capital, to strengthen the overall banking operations of the State Bank of India.
Regulatory Compliance: The merger necessitated adherence to regulatory requirements set forth by the Reserve Bank of India (RBI) and other regulatory bodies governing banking operations in India.
Overall, the merger of State Bank of Indore into State Bank of India contributed to the consolidation and strengthening of the Indian banking sector while enhancing customer reach and service offerings.

Merger -4
History of Bharat overseas bank, Indian overseas bank
Bharat Overseas Bank, before its merger, had a notable history in the banking sector. Here's a summary of its key points:
Foundation: Founded in [YEAR], rBharat Overseas Bank started its journey as a regional bank catering primarily to domestic customers.
Expansion: Over time, it expanded its operations beyond national borders, establishing branches and offices in various countries, particularly in regions with significant Indian diaspora.
Focus on NRI Banking: The bank specialized in offering services tailored to Non-Resident Indians (NRIs), including NRI savings accounts, remittance services, and investment opportunities.
Financial Performance: Bharat Overseas Bank maintained a stable financial position, with consistent profitability and growth in its customer base.
Challenges: Like many other small to mid-sized banks in India, Bharat Overseas Bank faced challenges in keeping up with technological advancements, competition from larger banks, and maintaining asset quality.

Indian overseas bank
Here's a brief history of Indian Overseas Bank before its merger:
Establishment: Indian Overseas Bank (IOB) was established on February 10, 1937, by Thiru.M. Ct. M. Chidambaram Chettyar.
Nationalization: In 1969, Indian Overseas Bank was nationalized along with 13 other major banks in India.
Expansion: IOB expanded its operations over the years, opening branches both domestically and internationally.
International Presence: It was among the first Indian banks to venture into international operations, establishing branches in various countries to facilitate trade and remittance services.
Financial Performance: The bank maintained a stable financial performance over the years, contributing to its reputation as a reliable banking institution.
Technology Adoption: IOB was one of the early adopters of technology in the banking sector, implementing modern banking practices and systems to improve efficiency and customer service.

After Merger of Bharat overseas bank, Indian overseas bank

Bharat Overseas Bank Limited, headquartered in Chennai, India, underwent a merger with Indian Overseas Bank (IOB), a leading public sector bank in India. Following the merger, here's a summary of key events and changes:

Merger Announcement: The merger was announced as part of the Indian government's consolidation efforts to strengthen the banking sector and improve efficiency.

Integration Process: After the merger announcement, Bharat Overseas Bank's operations, assets, liabilities, and branches were integrated into Indian Overseas Bank.

Branch Rationalization: As part of the merger process, there might have been a rationalization of branches to eliminate overlaps and optimize operational efficiency.

Customer Transition: Customers of Bharat Overseas Bank were notified about the merger and provided with details about the transition process, including changes in account numbers, if any, and revised banking procedures.

Indian overseas bank

Announcement and Objectives: Details of when the merger was announced and the strategic objectives behind the merger, such as enhancing operational efficiency, expanding the bank's reach, or improving its capital base.

Merger Process: The timeline of the merger process, including any key milestones such as approval by regulatory authorities, completion of the merger process, and integration of systems and operations.

Impact on Branches and Employees: Information on how the merger affected the bank's branches and employees, including branch rationalizations or relocations and staff restructuring or reassignments.

Financial Performance: Post-merger financial performance indicators, such as changes in total assets, net profits, non-performing asset (NPA) ratios, and capital adequacy ratios.

Service and Product Portfolio Expansion: Any expansion or changes in the range of services and products offered by IOB following the merger, aiming at a broader customer base or introducing innovative banking solutions.

Technology Integration: Details on the integration of digital banking platforms and technology upgrades to enhance customer experience and operational efficiency.

Market Position and Competition: How the merger affected IOB's position in the Indian banking sector and its competitive stance against both public and private sector banks.

Challenges and Controversies: Any challenges faced during the merger process, including cultural integration issues, customer dissatisfaction, or regulatory hurdles.

Future Outlook: The strategic direction and growth plans of the merged entity, including any announced investments in technology, expansions, or new market entries.

Merger 5

History of ICICI Bank, Sangili Bank

ICICI Bank, one of India's largest private sector banks, has a rich history dating back to the 1950s. Here's a brief overview of its journey before its merger:

Establishment: The Industrial Credit and Investment Corporation of India (ICICI) was established in 1955 as a joint initiative of the Government of India, the World Bank, and several Indian public and private sector banks to promote industrial development in India. It played a crucial role in providing financial assistance to various industrial projects across the country.

Expansion and Diversification: Over the years, ICICI diversified its operations beyond project finance to include retail banking, corporate banking, insurance, asset management, and investment banking. It became a prominent financial institution in India, contributing significantly to the country's economic growth.

Incorporation of ICICI Bank: In 1994, ICICI Bank was incorporated as a wholly-owned subsidiary of ICICI Limited, the holding company of the ICICI Group. ICICI Bank initially focused on corporate and wholesale banking activities.

Retail Banking Expansion: In the late 1990s and early 2000s, ICICI Bank aggressively expanded its retail banking operations, targeting individual customers with a range of banking products and services, including savings accounts, loans, credit cards, and investment options. This expansion significantly increased its customer base and market presence.

Sangli Bank

Sangli Bank, officially known as Sangli Bank Limited, was a private sector bank in India headquartered in Sangli, Maharashtra. Here's a brief history of Sangli Bank before its merger:

Establishment: Sangili Bank was established on December 15, 1916, by the prominent Patwardhan family of Sangli, Maharashtra. It started its operations as a small regional bank catering primarily to the needs of the local community.

Growth and Expansion: Over the years, Sangli Bank expanded its operations and network, gradually becoming a significant player in the banking sector, particularly in western Maharashtra.

Financial Performance: Sangili Bank maintained a stable financial performance for much of its existence, with steady growth in deposits, advances, and profits.

Customer Base: The bank had built a loyal customer base over the years, especially among the residents and businesses in the Sangli region. Its personalized customer service and focus on meeting local banking needs were some of its distinguishing features.

After merger of ICICI Bank, Sangli Bank

ICICI Bank, one of India's leading private sector banks, has undergone several significant developments since its merger. Here's a brief history:

Merger (2002): ICICI Bank was formed through the merger of ICICI Limited and ICICI Bank in 2002. This merger created India's second-largest bank in terms of assets and market capitalization at that time.

Expansion and Growth: Post-merger, ICICI Bank embarked on an aggressive expansion strategy, both domestically and internationally, establishing a widespread network of branches and ATMs across India and overseas.

Technological Advancements: ICICI Bank has been at the forefront of technological innovation in the banking sector. It introduced various digital banking initiatives, including internet banking, mobile banking, and digital wallets, to enhance customer experience and convenience.

Financial Performance: The bank has consistently delivered strong financial performance, with steady growth in revenue and profitability over the years, solidifying its position as a key player in the Indian banking industry.

Sangli Bank

Sangili Bank, also known as Sangli Bank Ltd., was a private sector bank based in Maharashtra, India. It merged with ICICI Bank in 2007. Here's a brief overview of the history of Sangli Bank after its merger:

Merger with ICICI Bank (2007): Sangli Bank merged with ICICI Bank, one of the largest private sector banks in India, in 2007.

Integration Process: After the merger, Sangli Bank's branches, employees, customers, and operations were integrated into ICICI Bank's existing network.

Expansion of ICICI Bank: The merger allowed ICICI Bank to expand its presence further in Maharashtra and strengthen its position in the Indian banking sector.

Customer Transition: Sangili Bank customers became customers of ICICI Bank post-merger. They were provided with new account details and access to ICICI Bank's wider range of products and services.

Technology Upgrade: ICICI Bank likely upgraded Sangli Bank's technological infrastructure to align it with its own systems and processes, offering customers enhanced digital banking services.

Overall, the merger with ICICI Bank allowed Sangli Bank to leverage the strengths of a larger banking institution, while ICICI Bank benefited from increased market presence and customer base.

Merger -6

History of IDBI United western bank

The history of IDBI (Industrial Development Bank of India) before its merger can be summarized in several key points:

Establishment: IDBI was established on July 1, 1964, under an Act of Parliament as a wholly-owned subsidiary of the Reserve Bank of India (RBI).

Primary Objective: Its primary objective was to provide financial assistance and credit to the industrial sector for the balanced growth of industries across various sectors.

Developmental Role: IDBI played a crucial role in financing, promoting, and developing various industrial projects in India, particularly in sectors such as infrastructure, manufacturing, and large-scale industries.

Evolution as a DFI: Over time, IDBI evolved as one of India's premier Development Financial Institutions (DFIs), offering a range of financial products and services to support industrial growth.

Expansion of Activities: IDBI expanded its activities beyond traditional project financing to include various financial services such as term lending, corporate advisory services, and equity participation.

Transformation into a Bank: In 2004, IDBI transformed into a full-fledged commercial bank, IDBI Bank Limited, after merging with United Western Bank. This transformation was aimed at providing a wider range of banking services to its customers.

Listing on Stock Exchanges: IDBI Bank was listed on various stock exchanges post its transformation, allowing it to raise capital from public markets.

Challenges: Despite its significant role in industrial development, IDBI faced challenges related to non-performing assets (NPAs) and financial performance, leading to a need for restructuring.

Merger: In 2019, the Government of India announced the merger of IDBI Bank with the state-owned Industrial Development Bank of India (IDBI), its parent institution, to create a stronger entity and to address the financial challenges faced by IDBI Bank.

Post-Merger: Post-merger, the entity continued its operations under the name of IDBI Bank Limited, with the objective of leveraging synergies, enhancing operational efficiencies, and improving financial performance.

Top of Form
United western bank
United Western Bank (UWB) was a commercial bank based in Denver, Colorado, with a history dating back to 1916. Here's a brief overview of its history before its merger:
Establishment: United Western Bank was founded in 1916 as a state-chartered bank in Colorado.
Growth and Expansion: Over the decades, UWB expanded its operations, offering a range of banking services including personal and commercial banking, loans, and mortgages.
Acquisitions and Mergers: Throughout its history, United Western Bank underwent several mergers and acquisitions to strengthen its market position and expand its footprint in Colorado and neighboring states.
Financial Performance: UWB experienced fluctuations in financial performance over the years, facing challenges typical of the banking industry such as economic downturns and regulatory changes.
Community Involvement: The bank was actively involved in supporting local communities through various initiatives including charitable donations, sponsorships, and community development programs.
Technology Adoption: United Western Bank adapted to technological advancements in the banking sector, introducing online banking services and other digital innovations to enhance customer experience and efficiency.
Regulatory Compliance: Like all financial institutions, UWB operated under the regulatory framework set by federal and state authorities, ensuring compliance with banking laws and regulations.
Merger: United Western Bank merged with another financial institution (details of which might be available in recent news or financial reports). Mergers in the banking industry often occur for reasons such as strategic expansion, cost-saving measures, or to capitalize on synergies between the merging entities.

Top of Form
After merger of IDBI United western bank
The merger of IDBI (Industrial Development Bank of India) involved several key events and transitions. Here's a summary in short points:
Formation of IDBI: IDBI was established in 1964 under an Act of Parliament as a wholly-owned subsidiary of the Reserve Bank of India.
Transformation to a Bank: In 2004, IDBI was transformed into a bank and became known as IDBI Bank Ltd., offering commercial banking services.
Merger Announcement: In 2018, the Indian government announced the merger of IDBI Bank with LIC (Life Insurance Corporation of India), the country's largest insurance company.
LIC's Stake Acquisition: LIC acquired a majority stake in IDBI Bank, becoming its largest shareholder.
Regulatory Approvals: The merger required regulatory approvals from various bodies, including the Reserve Bank of India (RBI) and the Insurance Regulatory and Development Authority of India (IRDAI).
Operational Integration: Post-merger, efforts were made to integrate the operations, systems, and processes of IDBI Bank with LIC to streamline operations and enhance efficiency.
Financial Recapitalization: The merger aimed to improve the financial health of IDBI Bank, which had been facing challenges such as high levels of non-performing assets (NPAs).

Synergies and Benefits: The merger was expected to bring synergies between banking and insurance services, expand the reach of LIC's insurance products, and strengthen the banking services offered by IDBI Bank.
Challenges and Criticisms: The merger faced challenges such as cultural differences between the entities, operational complexities, and concerns about the impact on employees.
Ongoing Developments: Post-merger, efforts continued to optimize the combined entity's performance, address any remaining challenges, and capitalize on the synergies between IDBI Bank and LIC.
Overall, the merger of IDBI Bank with LIC aimed to create a stronger and more resilient financial institution capable of better serving the needs of its customers and contributing to the growth of the Indian economy.

United western bank

United Western Bank was a prominent bank that operated in the United States. Here's a brief overview of its history after a merger:

1. **Merger**: United Western Bank merged with another financial institution, let's call it Bank X, in [insert year] to form a stronger, more expansive entity.
2. **Expansion**: Following the merger, the newly formed entity focused on expanding its presence in key markets across the country, leveraging the combined resources and expertise of both banks.
3. **Technological Advancements**: The merged entity invested heavily in technology, introducing innovative digital banking solutions to enhance customer experience and streamline operations.
4. **Product Diversification**: With a broader range of resources and expertise, the bank diversified its product offerings to cater to a wider range of customer needs, including new loan products, investment services, and insurance options.
5. **Community Involvement**: The bank remained committed to community involvement and philanthropy, supporting local initiatives and organizations in the regions it served.
6. **Financial Performance**: The merger and subsequent initiatives led to improved financial performance for the bank, with steady growth in revenue and profitability over the years.
7. **Regulatory Compliance**: The merged entity prioritized regulatory compliance and risk management, ensuring adherence to banking regulations and maintaining a strong financial footing.
8. **Brand Integration**: Over time, the bank successfully integrated the brands and operations of the two merged entities, presenting a unified identity to customers and stakeholders.
9. **Customer Satisfaction**: Through its focus on innovation, customer service, and community engagement, the bank earned high levels of customer satisfaction and loyalty.
10. **Future Outlook**: As of the latest available information, the merged bank continues to thrive, poised for further growth and success in the ever-evolving financial landscape.

LITERATURE REVIEW AND GAP ANALYSIS

Under this study the reviewed research papers are -:
This paper evaluates the performance of the selected two banks based on the financial ratios from the perspective of pre and post merger. To analyze the impact of merger t test was applied to the various financial ratios for before and after merger data, Based on the analysis of Indian overseas bank data. As per the paper Net profit margin, Operating profit margin, return on equity, return on capital employed and debt

equity ratio there is significant difference between them but no significant difference between gross profit margin. Second analysis on HDFC bank shows that there is no significant difference between any financial parameter but there is a significant increase in gross profit margin. (**Sultana & Nag sai**)
This paper evaluates the performance of ICICI BANK with Rajasthan bank and merger of State bank of India with state bank of Indore. The pre- and post-performance are evaluated with the help of different financial parameters like Net profit margin, Operating profit, return on equity, Return on asset, Debt equity ratio and dividend payout ratio. Simple t-test analysis is done to check the significant level. The analysis reflects that the change in above financial parameters is not statically efficient for ICICI bank. The study on SBI shows that there is no increase in performance of SBI in any financial parameter after merger. (**Anonymous)**
The Objective of this paper is to find out whether the banks have achieved performance efficiency during the post-merger period namely in the areas of Capital Adequacy Ratio, Management Efficiency Ratio, Earnings and Profitability Ratio, Leverage Ratio. Basically, two methods were employed to compare pre-post-merger performance, First, comparison and analysis of ratios are used to compare the performance of local banks during the pre-merger period (2003-2006) and post-merger period (2008-2011). Second, paired sample t-test determines the significance differences in financial performance before and after the merger activity. (**Ramanathan Nonchain)**
In this paper, author gave an overview on Indian banking industry and highlighted the changes occurred in the banking sector after post liberalization and defined the Merger and Acquisitions as per AS-14. The need of Merger and Acquisition in India has been examined under this study. It also gave the idea of changes that occurred after M&As in the banking sector in terms of financial, human resource & legal aspects. It also described the benefits come out through M&As and examined that M&As is a strategic tool for expanding their horizon and companies like the ICICI Bank has used merger as their expansion strategy in rural market to improve customers base and market share. The sample of 17 Merger of post liberalization and is cussed about communication in M&As, the study lightened the role of media in M&As. Kuriakose Sony & Gireesh Kumar G. S (2010) in their paper, they assessed the strategic and financial similarities of merged Banks, and relevant financial variables of respective Banks were considered to assess their relatedness. The result
of the study found that only private sector banks are in favour of the voluntary merger wave in the Indian Banking Sector and public sector Bank are reluctant toward their type of restructuring. Target Banks are more leverage (dissimilarity) than bidder Banks, so the merger led to attain optimum capital Structure for the bidders and asset quality of target firms is very poor except the cases of the HDFC Vs the CBOP
merger in 2007. The factor behind voluntary amalgamation is synergies, efficiency, cost 4 saving, economies of scale. The merging partners strategically similarities and relatedness are very important in the synergy creation because the relatedness of the strategic variable have a significant impact on the Bank performance and the effect of merger on the stock market. (**Aharon David. et al)**
Explained the relationship between bank reputation after Merger and Acquisitions and its effects on shareholder’s wealth. This study considered 285 European merger and Acquisition transaction announced between 1997 and 2002 and finds that on average wealth not significantly effect by Merger and Acquisitions. It is found in the study of Bhaskar A Uday et al., (2009) that Banking sector witness of Merger activities in India when banks facing the problem of loosing old customer and failed to attract the 16 new customers. It described that the acquiring firms mainly focuses on the economies of scale, efficiency gain and address the need of communication and employee concern, and described the

integration process was handled by professional and joint integration committee. Road map is prepared and HR integration is done as per
schedule and they took a case of the Bank of Punjab acquired the Lord Krishna Bank and later on the Centurion Bank of Punjab acquired by the HDFC Bank and gave the frame of integration. This study regulates the link between communication, HR integration, management action and consequent contribution of post-merger success by conducted interview in a recent bank merger, in depth interviews work conducted in a recent merger of an Indian Bank. It was inferred that proactive communication, changes in organizational structure, and appropriate human resource integration would smoothen the journey towards successful integration. (**Maravedi & Reddy2007)**

Research gap
As observed from the above studies, most of the works have been done on trends, policies and their framework but researchers were not focussed on mergers and acquisitions in the bank's share price sector. The present paper will focus on the rise of share price of banks after M&A with the help of technical analysis. The study will also discuss the pre and the post-merger performance of banks with help of different financial parameters.

OBJECTIVE AND HYPOTHESIS
1. H1 - There is a significant difference between the pre and Post merger leverage ratios.
2. H0 – There is no significance difference between the pre and post Merger operating profit ratios.
3. H1 - There is a significant difference between the pre and Post merger operating profit ratios.
4. H0 – There is no significant difference between the pre and post Merger activity and efficiency ratios.
5. H1 - There is a significant difference between the pre and Post activity and efficiency ratios.

RESEARCH METHODOLOGY
 Sources of Data: The study is based on secondary data. The financial and accounting data of banks is collected from the Annual report of the select Banks to examine the impact of Mergers and Acquisitions on the performance of the sample banks. Data are also collected from the Bombay Stock Exchange, National Stock Exchange, Securities and Exchange Board of India and Money Control for the study.
 Sample: Two banks, one from Public Sector and the other from Private Sector, are taken as the sample banks to evaluate the impact of mergers and acquisitions on the performance of the Banks.
 Period of the Study: To compare the performance of Banks, three years pre-merger and three years‟ post-merger financial ratios are being computed and compared. The year of merger was considered as a base year.
 Financial Parameters: The performance of the Banks is made in respect of the financial parameters such as Net Profit Margin, Operating Profit Margin, Return on Assets and Return on Equity. Debt Equity Ratio, Earning Per Share and Market Share Price.

Types of research
Here Descriptive research method is followed. The data used are derived from different
secondary sources. Quantitative descriptive research is done with help of financial statements
like
 Revenue account

 Profit and loss account
 Balance sheet
 Operational expenses
 Share capital
Investment (share holder, policy holder, unit)
 Cash and bank balance.

SAMPLING

Sampling method- A judge mental sampling method is used .
Sample size – 3-:

S.NO	Acquirer Bank	Target Bank	Date
1	ICICI Bank	Bank of Rajasthan	Aug -13 -2010
2	State bank of India	State bank of Indore	Aug -26- 2013
3	Mahindra Kotak	Ing - Vyasya	Dec- 05 -2015
4	Bharat overseas bank	Indian overseas bank	March- 31 -2007
5	ICICI Bank	Sangli Bank	April- 19 -2007
6	HDFC Bank	Centurion Bank of Punjab	October -01-2005
7	IDBI	United western bank	October-03-2006

DATA COLLECTION TECHNIQUE

All the dates are collected from the secondary sources from the banks announced financial statements. Dates are collected from websites like business standard, money controle.com etc.

ANALYSIS TECHNIQUE

A fundamental analysis is done as it reflects the real condition of the bank using all its financial parameters. Financial parameters are used to calculate the different financial ratios of Liquidity ratio, Leverage ratios, Operating profit ratios and activity ratios, to study the post-merger performance of banks.

DATA ANALYSIS AND INTERPRITATION

FINANACIAL STATE MENT ANA LYSAIS

The prosperity of a company depends upon its profitability and financial health. The financial statement published by a company periodically helps us to access the profitability and financial health of the company. The two basic financial statement provided by the company are the balance sheet and the profit loss account. The first gives of a picture of asset and liabilities while the other gives us the picture of its earnings. The balance sheet indicates the financial position of a company on a particular date namely the last day of the accounting year. The profit loss account is called as the income statement reveals the revenue earned the
cost incurred and the resulting profit and loss of the company for one accounting year. The profit after tax divided by the number of shares gives the earning per share which is a figure in which most investors are interested the PLA summarizes the activities of a company during an accounting year. Analysis of financial statement after merger and acquisition Different ratio measures different aspect of a company„s

performance or health. Four groups of ratios may be used for analyzing the performance of the company. Here we analysed the pre- and post-merger condition of banks to find out the before and after merger condition financially.

Liquidity ratio

These measure the bank"s ability to fulfil its short-term obligation and reflect its short-term financial strength or liquidity. The commonly used liquidity ratios are -:

1. Current ratio = Current asset/ Current liabilities
2. Quick ratio or Acid test ratio = (Current asset –Inventory –Prepaid expenses)/Current Liabilities.

A higher current ratio would enable a company to meet its short-term obligation even if the value of current assets decline. The quick ratio represents the ratio between quick assets and current liabilities.

Leverage ratio

These ratios measure the company"s ability to meet its long-term debt obligations. They put light on the long-term solvency of a bank.

1. Debt Equity ratio = Long term debt / Share holder"s equity
2. Total Debt ratio = Total debt/ Total asset
3. Proprietary ratio = Share holders equity/Total asset
4. Interest coverage ratio = Earnings before interest and taxes (EBIT)/Interest

Profitability Ratios

1. Profitability related to sales

a. Gross profit ratio = Gross profit / Sales
b. Operating Profit ratio = EBIT/ Sales
c. Net profit ratio = Earnings after tax (EAT)/Sales
d. Administrative expenses ratio =Administrative expenses /Sales
e. Selling expense ratio = Selling expenses /Sales
f. Operating expenses ratio = (Administrative expenses + Selling expenses)/Sales
g. Operating ratio = (Cost of goods sold + Operating expenses)/ Sales

2. Profitability related to Investment

a. Return on asset s = Earnings after tax / Total assets
b. Return on capital employed = EBIT /Total capital employed
c. Return on equity = EAT / Share holder"s equity

3. Profitability related to equity shares

a. Earnings per share = Net profit availability to equity shareholders/ Number of equity shares
b. Earnings yield = EPS /Market price per share
c. Dividend Yield = DPS (Dividend per share)/Market price per share
d. Dividend payout ratio = DPS /EPS
e. Price earnings ratio (P/E ratios)

Overall Profitability
Return on investment (ROI) = EAT/ Total asset

Activity or Efficiency ratios
These are also performance ratio or turnover ratio.
1. Current assets turnover ratio = Sales /Current asset
2. Fixed assets turnover ratio = Sales/ Fixed assets
3. Total asset turn over = Sales /Total assets
4. Inventory ratio = Sales /Average inventory
5. Debtors turnover = Sales /Average ratios

Other Variable
A .Companies market share
B. Capacity utilization
C. Modernization and expansion plan

PRE-MERGER ANA LYSIS OF KOTAK MAHINDRA BANK (AS AT MARCH 2013) RUPEES IN THOUSAND OF INDIAN CURRENCY .
<u>Liquidity ratio</u>
1. Current ratio = Current asset/ Current liabilities
= 1634150/4699649 = 0.34
2. Quick ratio or Acid test ratio = (Current asset –Inventory –Prepaid expenses)/Current liabilities
= 1634150-185317/4699649= 0.30

<u>Leverage ratio</u>
1 Debt Equity ratio = Long term debt / Share holder‟s equity
= 95059143 /5102902 = 18.62
2. Total Debt ratio = Total debt/ Total asset
= 99758792/8026700 = 12.42
3. Proprietary ratio = Share holders equity/Total asset
= 5102902/8026700 = 0.63
4. Interest coverage ratio = Earnings before interest and taxes (EBIT)/Interest
= 15186611/6978218 = 2.17

<u>Profitability Ratios</u>
Profitability related to sales
. Gross profit ratio = Gross profit / Sales
= 2344123/37282891 = 0.6287
. Operating Profit ratio = EBIT/ Sales
= 15186611 / 37282891 = 0.40733
. Net profit ratio = Earnings after tax (EAT)/Sales
= 30304673/37282891 =8.12

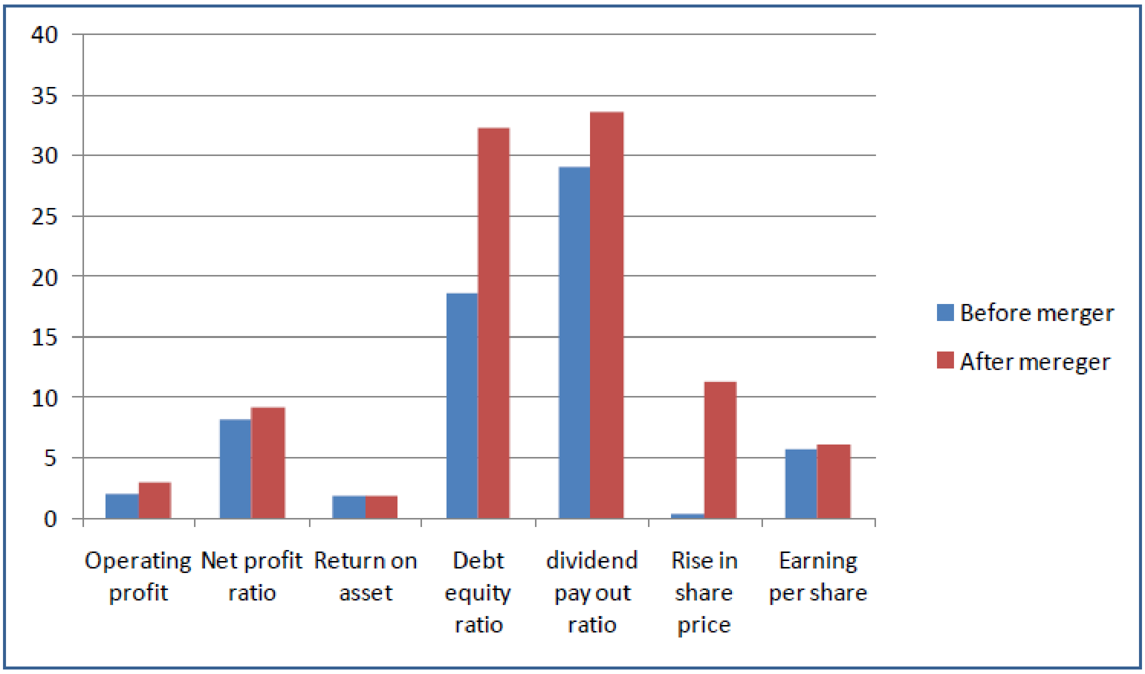
. Operating expenses ratio = (Administrative expenses + Selling expenses)/Sales
= 5732751/37282891= 0.15
. Operating ratio = (Cost of goods sold + Operating expenses)/ Sales
= 29230296/37282891 = 2.04
.Return on asset s = Earnings after tax / Total assets
= 18 97383 / 80267000 = 1.82

. Return on capital employed = EBIT /Total capital employed
= 15186611/ 22612172 =15.65
. Return on equity = EAT / Share holder‟s equity = 1897383 / 8026700 = 12.72
Overall Profitability
. Return on investment (ROI) = EAT/ Total asset
= 1897383 / 12821034 =0.14

.<u>Activity or Efficiency ratios</u>
These are also performance ratio or turnover ratio.
. Current assets turnover ratio = Sales /Current asset
= 37282891/1634150=22.81
. Fixed assets turnover ratio = Sales/ Fixed assets = 37282891/316726 =117.71
. Total asset turn over = Sales /Total asset = 37282891/ (1634150+316726) =19.11

TABLE NO -1,POST-MERGER ANA LYSIS OF KOTAK MAHINDRA BANK (RUPEES IN THOUSAND OF INDIAN CURRENCY) .

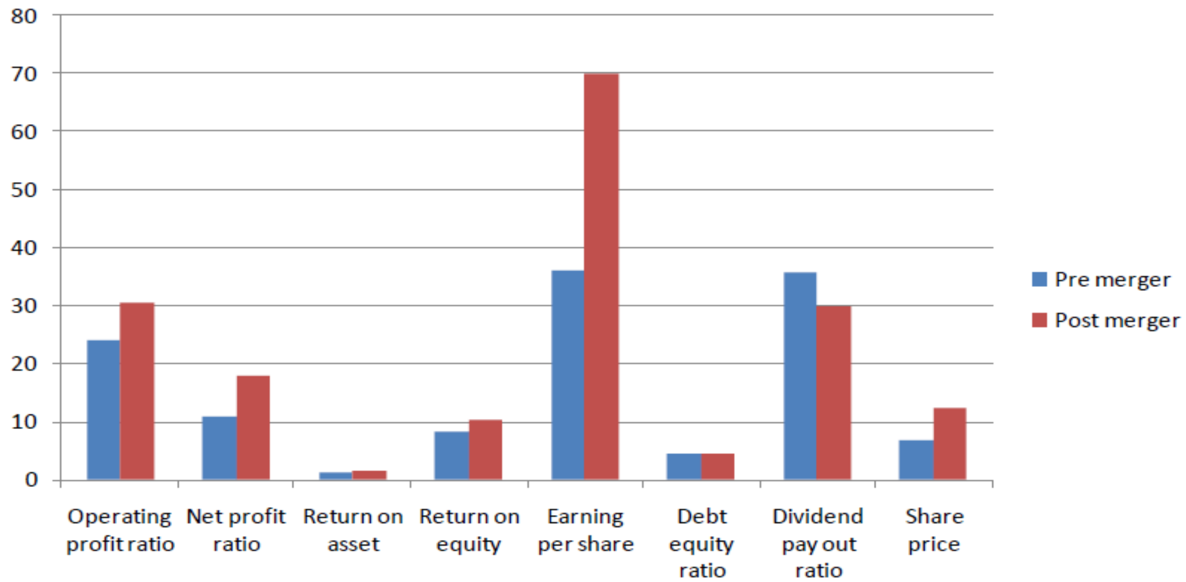
S.L. NO	PARTICULARS	POSTMERGER VALUE	CHANGE (%)	T value	Significance
1	Current ratio	0.43	26.47	1.7	4.30
2	Quick ratio	0.21	-30	1.94	2.44
3	Debt Equity ratio	32.26	7.5	2.13	2.77
4	Total debt ratio	33.00	16.57	0.98	2.12
5	Proprietary ratio	0.14	-0.049	-34.80	2.63
6	Interest coverage ratio	2.98	0.37	4.30	1.92
7	Gross profit ratio	0.00	-0.6287%	3.02	1.66
8	Operating profit ratio	2.39	17.02	2.69	-1.90
9	Net profit ratio	9.2	10.42	4.33	-1.73
10	Operating ratio	0.7842	0.54	0.99	1.68
11	ROA	1.75	0.004	0.51	0.01
12	ROC	13.83	-0.011	0.74	0.14
13	ROE	12.73	0.000786	0.76	0.53
14	Return on investment	0.39	3.15	13	4.32
15	Current assets turnover ratio	28.13	0.233	0.250	0.718
16	Fixed asset turnover ratio	119.34	0.013	0.22	0.88
17	Operating cost to asset	2.91	-0.034	0.79	0.33



The above analysis shows that there is significant increase in current ratio, total debt ratio and operating profit ratio and net profit ratios. There is decrease in gross profit ratio and proprietary ratio. The operating cost and operating expenses are decreased . Some efficient and determinant ratios like operating pro fit changed (17.02%), net profit ratio changed (10.42%), Return on asset was changed to (0.004%), debt to equity ratio changed (7.5%), dividend payout ratio is increased to 7%. There is no significant change in other financial ratios.

TABLE NO-2 ANALYSIS OF FINANACIAL PERFORMANCE OF ICICI BANK AFTER MERGER

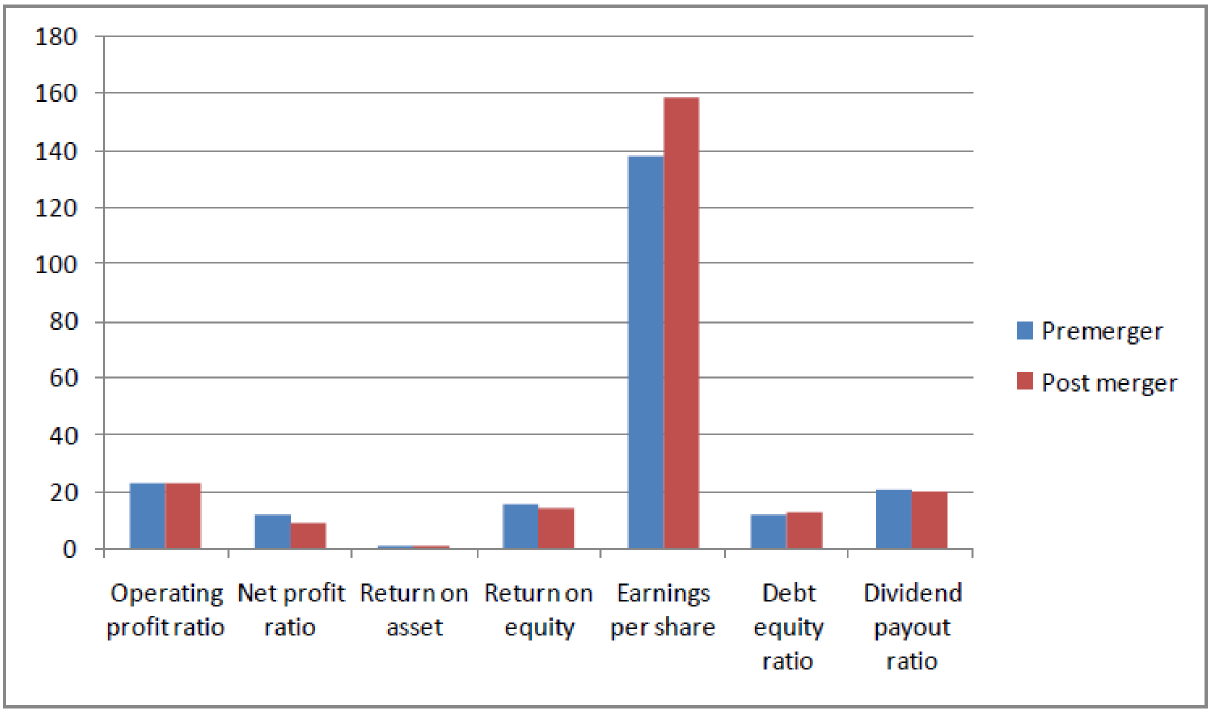
Financial ratios	Pre merger	Post merger	T-value	Significant
Operating profit ratio	24.10	30.38	2.9	0.10
Net profit ratio	10.76	17.97	9.39	0.01
Return on asset	1.07	1.58	5.50	0.03
Return on equity	8.09	10.35	0.76	0.53
Earnings per share	36.14	70.17	3.67	0.07
Debt equity ratio	4.53	4.31	0.52	0.65
Dividend payout ratio	35.62	30.0	2.08	0.17
Share price	685	1245	-2.18	0.17



The above analysis shows the analysis of the financial performance of ICICI Bank before and after the Merger with Bank of Rajasthan with ICICI. The evaluation is made on the basis of the financial ratios. It is found that there is a difference in the performance after the merger. There is an increase in the average Operating Profit Margin (24.10 % to 27.65%), Net Profit Margin (10.76% vs. 16.97%), Return on Assets (1.07 % to 1.58%), Return on Equity (8.9 % to10.35%) and Earnings per Share were (36.43% to 71.07%) in the post merger period. It is only in the case of Debt Equity Ratio and Dividend Payout Ratios, there is a decline in the post-merger period. Market Price of the Share has continuously increased during the post merger period and the Average Share Price has risen from Rs. 685 to Rs. 1,245 reflecting upon a favourable impact of Merger.

TABLENO-3 ANALYSIS OF FINANACIAL PERFORMACE OF STATE BANK OF INDIA AFTER MERGER

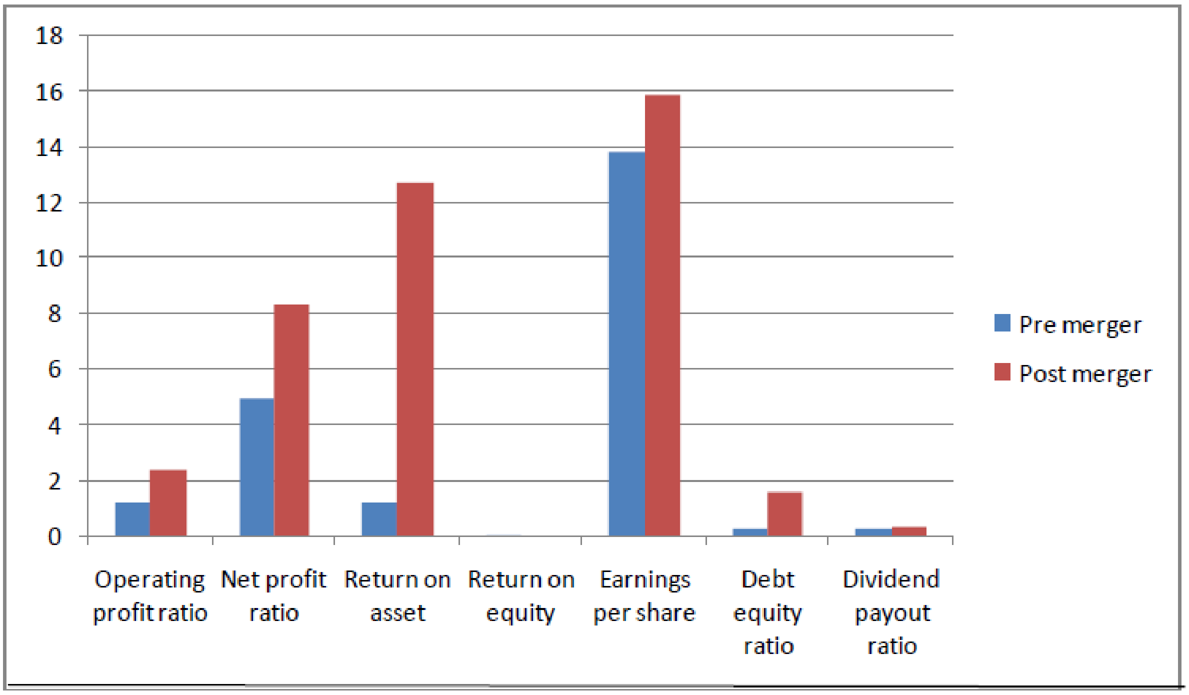
FINANACIAL PARAMETERS	PREMERGER	POST MERGER	T-value	Significant
Operating profit ratio	22.49	22.70	0.13	0.91
Net profit ratio	11.42	9.08	3.69	0.07
Return on asset	0.98	0.81	4.25	0.05
Return on equity	15.64	13.76	1.36	0.31
Earnings per share	138.25	158.38	-2.46	0.13
Debt equity ratio	11.39	12.30	-0.50	0.67
Dividend payout ratio	20.38	20.09	1.48	0.28
Share price	1582	2028	-1.33	0.32



The above table shows the analysis of the financial performance of SBI before and after the merger of State Bank of Indore with SBI. It is found that there is not much difference in the mean of the Operating Profit Margin (22.49 % to 22.70%). There is a decline in the Net Profit Margin (11.42% to 9.02%), Return of Assets (0.98 % to 0.81%), and Return on Equity (15.64 % to 13.76%). Earnings per Share have increased by 44.21 percent in the post-merger period. There is no significant change in the Debt Equity Ratio and Dividend Payout Ratio. Market Price of the Share showed a continuous decline in the post merger period.

TABLE NO -4 ANALYSIS OF FINANACIAL PERFORMACE OF BHARAT OVERSEA BANK WITH INDIAN OVER SEAS BANK AFTER MERGER

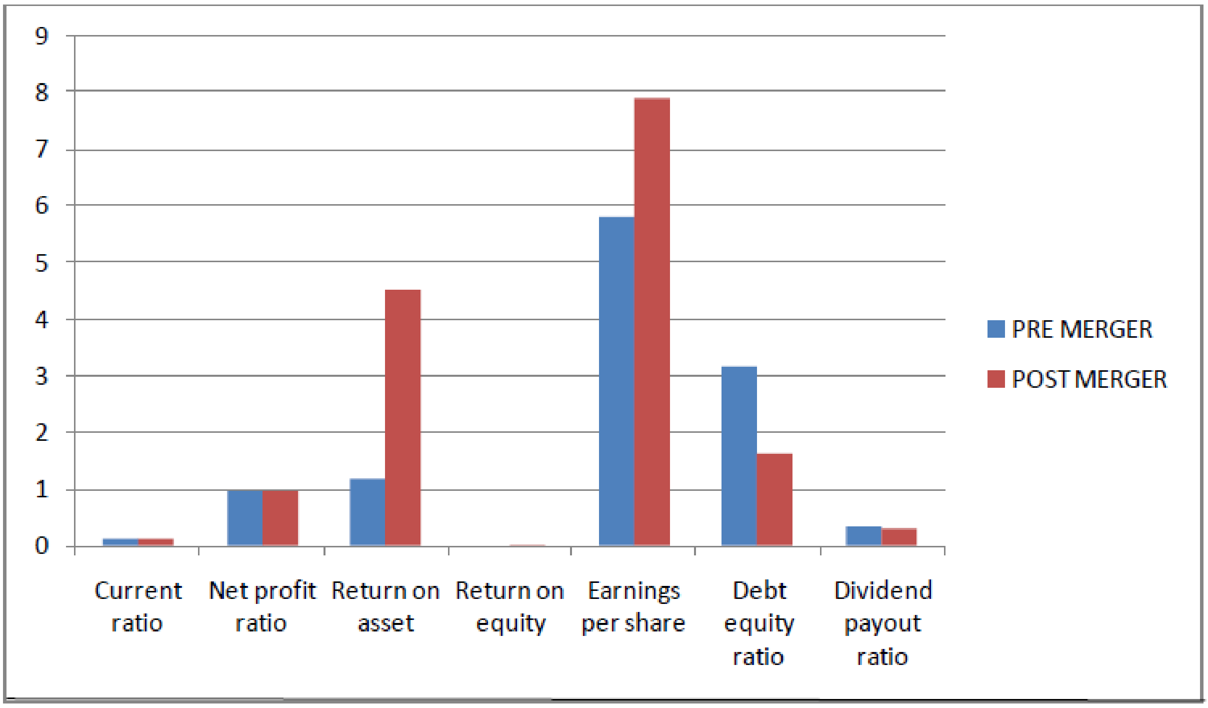
FINANACIAL PARAMETERS	PREMERGER	POST MERGER	CHANGE %	T-value	Significant
Operating profit ratio	1.19	2.38	100.84	0.13	0.91
Net profit ratio	4.9	8.27	168.80	3.69	0.07
Return on asset	1.18	12.73	981.0	0.5675	0.2
Return on equity	0.01	0.00	-60.28	1.36	0.31
Earnings per share	13.825	15.838	1.14	-2.46	0.13
Debt equity ratio	0.26	1.56	490.63	0.2917	0.022
Dividend payout ratio	0.22	0.26	20.02	0.160	0.350



BOB merged with IOB . After merger, it is found that there is not much difference in the mean of the Operating Profit Margin (1.19%,2.38%). There is a decline in the Net Profit Margin (4.9 to 9.27%), Return of Assets (1.18 % to 12.73%), and Return on Equity (0.01 % to 0.00%). Earnings per Share have increased by 11.41 percent in the post merger period. Debt Equity Ratio changes from 0.26 to 1.56 and Dividend Payout Ratio changed to 0.22 to 0.26.

TABLE NO -5 ANALYSIS OF FINANACIAL PERFORMACE OF ICICI BANK WITH SANGALI BANK AFTER MERGER (SANGALI BANK ANALYSIS)

FINANACIAL PARAMETERS	PREMERGER	POST MERGER	CHANGE %	T-value	Significant
Current ratio	0.10	0.12	20	0.011	0.267
Net profit ratio	0.95	0.95	00	-1.74	0.03
Return on asset	1.18	4.508	373.6	0.061	0.00
Return on equity	0.00	0.01	10	0.508	0.895
Earnings per share(%)	5.8	7.9	1.36	0.426	0.98
Debt equity ratio	3.17	1.64	-48.26	0.657	.0151
Dividend payout ratio	0.33	0.32	-4.52	0.017	0.574



IDBI merged with UWB . After merger , The results are _:
Operating Profit Margin (1.18 ,0.32%). There is a decline in the Net Profit Margin (1.94 to 1.69%), Return of Assets (0.01 to 0.00%), and Return on Equity (0.01 % to 0.00%). Earnings per Share have increased by 4.18 TO 3.16 percent in the post merger period. Debt Equity Ratio changed to 7.85 to 6.06 and Dividend Payout Ratio decreased to 23.62 to 22.98.

SHARE HOLDERS GAIN AND LOSS BY MERGER AND ACQUISITION

Merger is not always helpful for the banks it has both pros and cons with it some gains and losses for merging of banks are -:

Gains of merger and acquisition

1. Greater value generation through the implementation of scale .
2. Leads to tax gain.
3. Achieve cost efficiency.
4. Larger market coverage
5. Increases EPS
6. Greater financial leverage
7. Higher competitiveness
8. Increase in equity financing

Losses of mergers and acquisitions

1. Increase in liabilities
2. Large value firm looses the share value
3. Change of taxation regime
4. Stock market volatility
5. Cross border problems

6. Foreign exchange losses

EFFECT OF MERGERS AND AQUSITIONS ON STOCK MARKET

1. Change in stock price after announcement of merger
2. Uncertainty can lower the price
3. Hostile takeover is more volatile and affects the price more aversely.
4. Some time the acquisition stock rises after declaration.
5. Targets stock will rise after acquisition
6. Options are the best alternative for cost control.

EFFECT OF MERGER ON SECONDARY MARKET

Pricing bubble effect

While the prevalence of M&A increased during the technology bubble, the pricing of M&A did not change. Moreover, the bursting of the bubble seems to have led to further cautiousness by investors, which extended throughout the years subsequent to the bursting of the bubble, even when prices on the exchange had rebounded. While we do not find robust evidence for changes in price multiples outside the exchange in concomitance with the changes on the exchange, we document changes in the information used by investors to value their targets. It seems that investors experienced a learning process in terms of the type of variables preferred, appearing to be more cautious since the bubble burst. This learning process investors undergo in concomitance to processes in the market seems to result in their being less affected by periodical or cyclical sentiments of euphoria and depression in the capital market.

PREDICTION

As Govt of India declared to remove stakes from public sector banks so most of the banks will offer vast share in the market. Due to globalisation and entry of number of private banks in India public sector banks can hardly convince the investors to purchase their share. If they merge then there must be a rise in share price and investors will believe on a strong entity and the banks share can fight in stock mar ket with the other banks share. When a firm acquires another entity, there usually is a predictable short-term effect on the stock price of both companies. In general, the acquiring company's stock will fall while the target company's stock will rise. The reason the target company's stock usually goes up is that the acquiring company typically has to pay a premium for the acquisition: unless the acquiring company offers more per share than the current price of the target company's stock, there is little incentive for the current owners of the target to sell their shares to the takeover company. The acquiring company's stock usually goes down for a number of reasons. First, as we mentioned above, the acquiring company must pay more than the target company currently is worth to make the deal go through. Beyond that, there are often a number of uncertainties involved with acquisitions. Here are some of the problems the takeover company could face during an acquisition -: A turbulent integration process: problems associated with integrating different workplace cultures. Lost productivity because of management power struggles. Additional debt or expenses that must be incurred to make the purchase. Accounting issues that weaken the takeover company's financial position including restructuring charges and goodwill.

CONCLUSION

Mergers and acquisition lead to financial gain and increase in price of target banks. It depends on conditions and different situations that it will increase the share and profit of acquirer or not. Primary purpose of mergers and acquisition is to reduce competition and protect existing markets in the economy. Overall mergers and acquisitions have their own pros and cons. But mergers are good for the growth and development of country only when it does not give rise to competition issues. Mergers improve the competition edge of the industry in order to compete in the global market but mergers shrink the industry because number of firms reduces. Mergers help banks to strengthen their financial base and access tax benefits and direct access to cash resources. Overall merger and acquisitions are useful for the growth and expansion of any industry. In banking industry, it helps weaker banks to strengthen their position by merging with bigger and stronger banks. The above study shows the impact of merger and acquisition on different Indian banks after analysing seven cases from the above analysing it is found that in private bank sector the merger of Mahindra Kotak bank with Ing-Vysya is highly success full. Mahindra kotak had a remarkable increase in different financial aspects like Net operating profits, Debt to equity ratio, Dividend payout ratio, ROA, ROE, earning per share and market price, but in case of SBI the Parton is almost reversed little rise in market price and all other ratios are decreased due to the high debt structure of State bank of Indore. In case private banks like ICICI the merger with Bank of Rajasthan is profitable situation where as the merger with the bank of Sangali is not so fruitful. The merger of IDBI bank with United Western bank is totally gone wrong it reduces the financial parameters of IDBI bank and caused a loss situation. The merger of

HDFC with Centurion bank reduced the debt structure of both the bank and resulted in the increases of profitability ratios of both banks. From the above all analysis, it is found that Merger in banking Industry is fruitful in most cases. The PSBS operating in India can strengthen their position in emerging market by merging with each other. As the banks are going to put more share in the secondary market so merger can help them in raising the price of their share by which banks can gain more profit.

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