
MERGERS AND ACQUISITIONS IN INDIAN BANKING SECTOR AT BANK OF INDIA

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ABSTRACT: Mergers and acquisitions (M&A) in the Indian banking business have been critical to increasing the economy's competitiveness, efficiency, and stability during a time of rapid change. The story of the Bank of India exemplifies the industry's overall consolidation, as it seeks to expand, improve its capital adequacy, and serve a larger audience. Indian banks, particularly the Bank of India, aim to meet international banking standards by strategically combining to reduce non-performing assets, maximize resource usage, and consolidate technology capabilities. These restructuring activities are also aligned with the government's aim of establishing robust banks capable of properly managing large loan volumes, promoting financial inclusion, and sustaining India's economic growth. This investigation of the Bank of India demonstrates the ability of mergers and acquisitions (M&A) to effectively address difficulties and create new opportunities in the banking sector.

Keywords: *Banking Consolidation, Synergy Realization, Strategic Alliances, Financial Integration, Operational Efficiency, Market Expansion*

I. INTRODUCTION

In India, bank mergers and acquisitions (M&A) include the combination of businesses to form larger corporations. The government normally strengthens and competitively enhances the banking business when it so desires. Section 44A of the Banking Regulation Act of 1949 establishes guidelines for the procedure. The merger must be approved by both the Reserve Bank of India (RBI) and the shareholders of the two organizations. Recent instances include government-mandated mergers of public sector banks, such as Oriental Bank of Commerce and United Bank's merger into Punjab National Bank in 2019 and 2020, as well as private sector mergers and acquisitions, such as IDFC Limited and IDFC FIRST Bank.

Businesses collaborate through mergers and acquisitions (M&A) to increase their efficiency and value. The merging of two businesses creates a new entity. A company integrates the acquisition of another into its current organizational system. Companies use both methods to acquire new employees and technology, expand into new industries, enhance market share, and generate synergies.

Mergers and acquisitions (M&A) are financial transactions that entail the combination of companies or their most valuable assets. A business may

- Acquire the entire business to get control.
- To establish a new corporation, it must be combined with another entity.
- Acquire some or all of its most valuable assets.
- Set a realistic price for the stock.

Mergers and acquisitions, or M&A, are transactions that entail the combination of two businesses. Although the phrases "mergers" and "acquisitions" (M&A) are sometimes used

interchangeably, they have different legal ramifications. When two businesses of similar size merge, they form a new business.

In contrast, an acquisition is the process by which a larger company acquires a smaller one and takes over its operations. The target company's board of directors may determine whether an M&A deal is friendly or adversarial.

Company mergers and acquisitions (M&A) combine two organizations into a single company. When two companies join, a third entity is formed. In an acquisition, one organization buys another and incorporates it into its own activities.

II. TYPES OF MERGERS AND ACQUISITIONS



A merger or acquisition is the process by which one corporation buys or merges with another company, business unit, or corporate entity, gaining control and ownership rights.

Horizontal M&A

A horizontal merger occurs when the target firm and the company looking for a target are both in the same industry and provide the same or comparable products or services to the end user. Furthermore, it implies that the businesses operate in the same industry and achieve production levels that are either equal or similar. For example, we may argue that both firms make laptop computers.

Vertical Merger

The only different between a vertical merger and a horizontal merger is the volume of production. This form of merger and acquisition is carried out by firms that are in the same value chain and manufacture equivalent goods and services, but are at different stages of production. For example, a tire manufacturing could be acquired or combined with a car or vehicle manufacturer.

Concentric M&A

Two businesses in the same industry, with similar clients, but offering different products and services, may combine or purchase one another. Even if it works well with one, the product will never be identical. This concept can be illustrated by the merging of a laptop producer and a laptop bag manufacturer.

Conglomerate M&A

This type of merger and acquisition occurs when the target company and the company attempting to purchase it are in different industries, produce different products, and are at different phases of production. For example, we could propose that a laptop manufacturer and another that makes electric vehicles unite.

Market Extension M&A

These agreements involve businesses that offer similar products and services despite operating in different regions. They help firms grow their clientele and market penetration. Both firms must operate in the same geographic area and provide similar products and services. These mergers and acquisitions are mostly focused on the food retail and retail financing industries.

Reverse Merger (Reverse Takeover)

In this scenario, a private firm with growth potential looking to go public buys a publicly traded corporation with few assets and no activity. The acquisition allows the private company to enter the public market. A public firm may buy a private company, depending on the nature of the transaction.

Acquihire

The word refers to both employing and accumulating at the same time. In this situation, a company's principal goal is to hire individuals from another firm in order to get their expertise and knowledge, rather than its own resources, products, or services. An acquisition is the process by which a larger firm buys a smaller business, such as a startup, to supplement its existing staff.

III. RELATED WORK

Kaur, G., and Sharma, R. K. This paper investigates the major elements influencing the success of mergers and acquisitions (M&A) in the Indian banking sector and provides a comprehensive framework for regulators and practitioners. The research investigates the relationship between pre-merger planning, post-merger integration, M&A objectives, and subsequent organizational performance. A standardized questionnaire was issued to 100 management staff from various banks that had combined within the previous decade. The research evaluated the associations between the constructs using Partial Least Squares-Structural Equation Modeling (PLS-SEM). The findings show that the formation of clear M&A objectives has a considerable impact on the success of the integration process, which then influences pre-merger planning activities. Post-merger synergies, such as increased operational efficiency, risk management, and customer service, were only realized when the integration process was rigorously handled.

Sonwani, M. J. This research investigates the financial, operational, and strategic considerations that underpin mergers and acquisitions in the Indian banking sector. The research looks at a number of M&A scenarios involving public and private sector institutions to discover similar characteristics and consequences. The research provides a complete understanding of how M&A has affected the banking industry by examining issues such as market rivalry, branch development, cost effectiveness, and risk management. Significant data indicate that mergers frequently result in improved operational efficiency and financial stability. Nonetheless, it may be difficult to fully reap the benefits of a merger due to issues with technological alignment, cultural integration, and personnel management. The research emphasizes the importance of rigorous strategic planning and integration following a merger in order to maximize the benefits of consolidation. This research offers information to banking professionals, politicians, and scholars interested in understanding the complexities and benefits of mergers and acquisitions in India.

Shah, J. J. This research (2023) looks into the growing number of mergers and acquisitions in the Indian banking sector. It focuses on the reasons, challenges, and outcomes of these consolidations. The purpose is to demonstrate how banks can improve their financial situation, market share, and competitiveness through mergers and acquisitions (M&A). The research draws on quantitative and qualitative data from regulatory documents, industry studies, and recent M&A deals. According to the survey, some of the top motivations for M&A include the need to maintain adequate capital, stay up with technology changes, match customer expectations, and improve operational efficiency. It also examines the policies and regulations governing bank mergers in India, such as the Reserve Bank of India's (RBI) compliance criteria and recommendations. The findings show that M&A can give several strategic benefits to businesses; yet, it also carries significant risks in terms of cultural integration, human resource management, and post-merger operational alignment. The paper finishes with recommendations for successful mergers and acquisitions, highlighting the importance of strategic planning, stakeholder participation, and post-merger results in ensuring the banking industry's long-term growth potential.

Dahal, M., and Das, J. This research looks at the stock market's reaction to merger and acquisition announcements in the Indian banking sector, with the goal of determining investor expectations about the value of these transactions. The research uses an event research methodology to examine if M&A operations improve or decrease shareholder value by examining abnormal returns near the announcement date. The research uses data from a number of Indian institutions that merged between 2015 and 2021, focusing on both short-term (immediate post-announcement) and medium-term (3-6 months) market responses. The findings show that the market commonly sees M&A announcements as adverse news, resulting in significant negative anomalous returns in some cases, despite the banks' wishes. The data suggest that market participants remain skeptical of mergers' ability to improve financial performance or generate synergies. The research also looks at other factors that influence these impressions, such as expected cultural clashes, prospective unemployment, and integration issues.

The D. C. Kashyap paper provides a full case research analysis, focusing on the operational, financial, and strategic ramifications of the merger of Bank of Baroda, Vijaya Bank, and Dena Bank. This article looks at how consolidation affects the efficiency, profitability, and competitiveness of the Indian banking business after the merger. We used secondary data, such as income statements, balance sheets, and annual reports, to examine the company's financial performance before and after the acquisition. To assess performance, key measures such as asset quality, capital adequacy, return on assets, and cost-to-income ratio were examined. According to the research, the merger improved the company's risk management, ability to recruit new clients, and operational efficiency. Nonetheless, post-merger success was seen to be dependent on elements such as technical compatibility, cultural integration, and HR policy alignment.

IV. DATA ANALYSIS AND RESULTS

MERGERS AND ACQUISITIONS IN BANKING SECTORS:

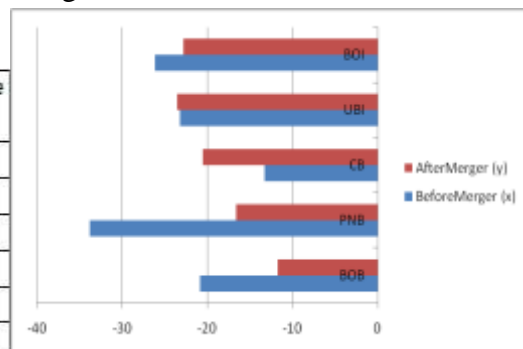
In recent years, the banking industry has seen numerous large mergers. One of the most major mergers occurred between ICICI Ltd. and its banking subsidiary, ICICI Bank Ltd. Another example is the merger of Oriental Bank of Commerce and Global Trust Bank. Finally, IDBI and its banking division, IDBI Bank Ltd., merged.

Year of Merged	Name of the Banks Acquired	Name of the Banks Merged into
2019 August	Indian Bank	Indian Bank and Allahabad Bank
2019 August	Union Bank	Union Bank, Andhra Bank and Corporate Bank
2019 August	Canara Bank	Canara Bank and Syndicate bank
2019 August	Punjab National Bank	Punjab National Bank, Oriental bank of commerce and United bank of India
2019 April	Bank of Baroda	Vijaya bank and Dena Bank
2018 December	IDFC First Bank	IDFC Bank and Capital First ltd.
2017 April	State Bank of India	Bhartiya Mahila Bank (BMB)
2017 April	State Bank of India	All the 5 associates of SBI
2014 Nov	Kotak Mahindra Bank	ING Vyasa Bank
2010 May	ICICI Bank	Bank of Rajasthan
1st April, 2019	Dena Bank	Bank of Baroda
	Vijaya Bank	
1st April, 2020	Syndicate Bank	Canara Bank
1st April, 2020	Allahabad Bank	Indian Bank
1st April, 2020	Oriental Bank of Commerce	Punjab National Bank
	United Bank of India	
1st April, 2017	State Bank of Bikaner And Jaipur	State Bank of India
	State Bank of Hyderabad	
	State Bank of Mysore	
	State Bank of Patiala	
	State Bank of Travancore	
	Bharatiya Mahila Bank	
1st April, 2020	Andhra Bank	Union Bank of India
	Corporation Bank	

Table 1 Operating Profit Ratio in selected Unit

$$\text{Operating Profit Ratio} = \text{Operating Profit} / \text{Net Sales} \times 100$$

BankName	BeforeMerger (x)	AfterMerger (y)	Difference (x-y)	Square Of Difference (x-y) ²
BOB	-20.82	-11.77	-9.05	81.9025
PNB	-33.81	-16.61	-17.2	295.84
CB	-13.3	-20.53	7.23	52.2729
UBI	-23.24	-23.55	0.31	0.0961
BOI	-26.19	-22.83	-3.36	11.2896
		TOTAL	-22.07	441.4011

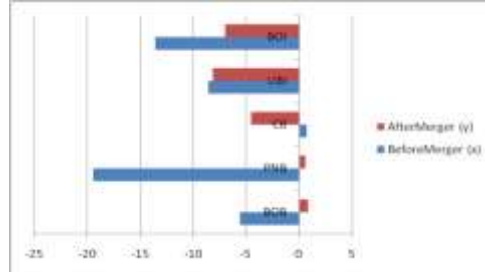


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Table 2 Net Profit Ratio in selected Unit

$$\text{Net Profit Ratio} = \text{Net Profit} / \text{Net Sales} \times 100$$

BankName	BeforeMerger (x)	AfterMerger (y)	Difference (x-y)	Square Of Difference (x-y) ²
BOB	-5.57	0.87	-6.44	41.4736
PNB	-19.44	0.62	-20.06	402.4036
CB	0.74	-4.56	5.3	28.09
UBI	-8.54	-8.11	-0.43	0.1849
BOI	-13.6	-6.98	-6.62	43.8244
		TOTAL	-28.25	515.9765

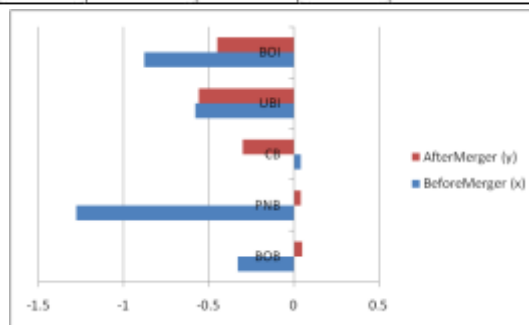


The table depicts the performance of banks prior to and following mergers. Following the merger, both BOB and PNB showed significant improvements (squared differences of 81.90 and 295.84, and disparities of -9.05 and -17.2). CB and BOI exhibit negative differences (7.23 and -3.36), indicating that they are decreasing, although UBI has barely changed (0.31). The total squared difference (441.40) shows that the effects of M&A differed for each bank, reflecting a wide range of performance outcomes.

Table 3 Return On Assets Ratio in selected Unit

$$\text{Return on asset} = \text{Net Income} / \text{Total Assets}$$

BankName	BeforeMerger (x)	AfterMerger (y)	Difference (x-y)	Square Of Difference (x-y) ²
BOB	-0.33	0.05	-0.38	0.1444
PNB	-1.28	0.04	-1.32	1.7424
CB	0.04	-0.3	0.34	0.1156
UBI	-0.58	-0.56	-0.02	0.0004
BOI	-0.88	-0.45	-0.43	0.1849
		TOTAL	-1.81	2.1877

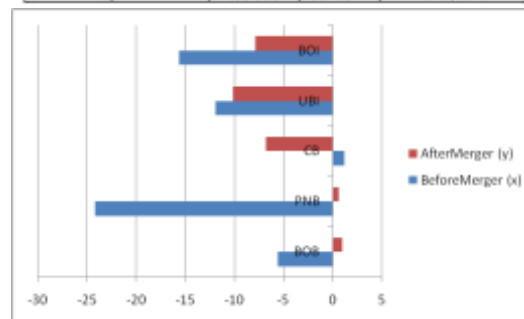


The table depicts the performance of banks prior to and following mergers. BOB, PNB, UBI, and BOI all showed improved performance following the merger, with negative differences ranging from -0.43 to -20.06. The most notable improvement was seen in PNB. In comparison, CB has a positive difference of 5.3, indicating that the situation is deteriorating. The total squared difference (515.98) indicates that mergers benefit some institutions more than others.

Table 4 Return On Equity Ratio in selected Unit

$$\text{Return on equity} = \text{net income} / \text{shareholder's equity}$$

BankName	BeforeMerger (x)	AfterMerger (y)	Difference (x-y)	Square Of Difference (x-y) ²
BOB	-5.6	0.94	-6.54	42.7716
PNB	-24.2	0.58	-24.78	614.0484
CB	1.16	-6.78	7.94	63.0436
UBI	-11.92	-10.16	-1.76	3.0976
BOI	-15.66	-7.88	-7.78	60.5284
		TOTAL	-32.92	783.4896



The table shows how mergers and acquisitions affect bank performance. The negative disparities (ranging from -0.02 to -1.32) for BOB, PNB, UBI, and BOI indicate that the situation has improved slightly as a result of the merger. The positive difference of 0.34 in CB indicates a small decline. The total squared difference is minimal at 2.1877. This shows that mergers and acquisitions had a negligible impact on the majority of institutions.

V. CONCLUSION

As shown in the table, mergers and acquisitions have an impact on bank effectiveness. The negative differences (ranging from -1.76 to -24.78) for BOB, PNB, UBI, and BOI indicate that performance improved as a result of the merger. The greatest notable advances have been made by PNB. The positive difference in CB (7.94) indicates that conditions deteriorated as a result of the merger. The consequences of mergers and acquisitions varied greatly between institutions, as indicated by the total squared difference of 783.49. Although the level of change varies greatly, the vast majority of institutions produce revenue.

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