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A Study on Mergers and Acquisitions in the Indian Banking Sector

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Abstract: ***The project aims to understand the behavior of various "Mergers and Acquisitions in Indian Banking Sector". Mergers and acquisitions have become increasingly significant in the modern business environment. Organizational a restructuring is a common use of this method. The Indian government became the first to introduce the concept of mergers and acquisitions to the country. There has been a significant transition in the banking industry in India during the past two decades. The financial services industry in India is expanding at a breathtaking rate. Mergers and acquisitions have propelled a new phase in the history of India's banking sector. It will help financial institutions compete on a global scale and provide more value to their constituents. To become an influential player in the global economy and take advantage of economies of scale while simultaneously fighting off unhealthy rivalry inside the industry. As a result, this research focuses on the consolidations that have taken place in the Indian banking industry.***

Keywords: Indian Banking Sector, Economy, Government Bodies, Mergers, Acquisitions,

I. INTRODUCTION

The process of mergers and acquisitions has gained substantial importance in today's corporate world. This process is extensively used for restructuring the business organizations. In India, the concept of mergers and acquisitions was initiated by the government bodies. Some well-known financial organizations also took the necessary initiatives to restructure the corporate sector of India by adopting the mergers and acquisitions policies. The Indian economic reform since 1991 has opened up a whole lot of challenges both in the domestic and international spheres. The increased competition in the global market has prompted the Indian companies to go for mergers and acquisitions as an important strategic choice.

Several both domestic and international banks are involved in merger and acquisition deals. Mergers and acquisitions in the banking industry are often motivated by a desire to increase size and take advantage of economies of scale (Srivastava, 2022) [1]. The Indian banking sector has been the subject of various recent media headlines. There are numerous reports on various issues (Mittal, 2016).

Indian banks' customer service, the industry's readiness for the imminent Basel II deadline, and the growing interest of Indian financial institutions in international markets as a means of inorganic expansion have all been discussed. All sectors of the Indian economy are turning to strategic acquisitions both at home and abroad as the only option to get a competitive edge in the market (Agarwal et al., 2012) [26]. Scaling up is necessary to become a competitive force in the global economy and to counteract unhealthy rivalry inside the industry. Behara (2018) [5] argues that consolidation in the Indian banking system through mergers and acquisitions motivated by commercial concerns and business plans is a necessary condition.

II. OBJECTIVES

The main objective of the study is to search out ;

1) To find out if mergers were also helpful for the Banking Sectors in whole.
2) To understand if Mergers and Acquisitions increase customer base.
3) To know the positive effect of Mergers and Acquisitions in Banking Sector.
4) To study the positive effect of Mergers and Acquisitions in Economic Scale.
5) To find out if people are satisfied about Mergers and Acquisitions in Banking Sector.

III. LITERATURE REVIEW

After going through the available relevant literature on M&A's and it comes to know that most of the work done high lightened the impact of M&A on different aspects of the companies.

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A firm can achieve growth both internally and externally. Internal growth may be achieved by expanding its operation or by establishing new units, and external growth may be in the form of Merger and Acquisitions (M&A's), Takeover, Joint venture, Amalgamation etc.

Many studies have investigated the various reasons for Merger and Acquisitions (M&A's) to take place, just to look the effects of Merger and Acquisitions on Indian financial services sector.

The work of Rao and Rao (1987) is one of the earlier attempts to analyse mergers in India from a sample of 94 mergers orders passed during 1970-86 by the MRTP Act 1969. In the post 1991 period, several researchers have attempted to study M&As in India. Some of these prominent studies are Beena (1998), Roy (1999), Das (2000), Saple (2000), Basant (2000), Kumar (2000), Pawaskar (2001) and Mantravedi and Reddy (2008).

Anand Manoj & Singh Jagandeep (2008) studied the impact of merger announcements of five banks in the Indian Banking Sector on the shareholder bank. These mergers were the Times Bank merged with the HDFC Bank, the Bank of Madurai with the ICICI Bank, the ICICI Ltd with the ICICI Bank, the Global Trust Bank merged with the Oriental Bank of commerce and the Bank of Punjab merged with the centurion Bank. The announcement of merger of Bank had positive and significant impact on shareholder's wealth.

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 favor 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 lead to attain optimum capital Structure for the bidders and asset quality of target firms is very poor.

Sinha Pankaj & Gupta Sushant (2011) studied a pre and post analysis of firms and concluded that it had positive effect as their profitability, in most of the cases deteriorated liquidity. After the period of few years of Merger and Acquisitions (M&As) it came to the point that companies may have been able to leverage the synergies arising out of the merger and Acquisition that have not been able to manage their liquidity. Study showed the comparison of pre and post analysis of the firms. It also indicated the positive effects on the basis of some financial parameter like Earnings before Interest and Tax (EBIT), Return on shareholder funds, Profit margin, Interest Coverage, Current Ratio and Cost Efficiency etc.

Sahoo and Rajib (2016): Analyzed the impact of M&As on the financial performance of Indian banks. The study found that M&As have a positive impact on the financial performance of banks.

Kumar and Nayak (2017): Examined the motivations behind M&As in the Indian banking sector. The study found that the primary motivations for M&As in Indian banking are to increase market share, improve efficiency, and enhance competitiveness.

Rao and Kumar (2018): Investigated the impact of M&As on the operational efficiency of Indian banks. The study found that M&As have a positive impact on the operational efficiency of banks.

IV. RESEARCH METHODOLOGY

For the purpose of evaluation, we distributed a Google Form to acquire the views of the people regarding "Mergers and Acquisitions" and for the same we received a total of 50 responses. The respondents shared their views and also filled the form to portray about their thoughts, both good and bad about the "M&As" of Banking Sector.

The data received was put together in excel and we analyzed the data of the respondents to get an overall view of the public opinions about this Mergers of Bank in India.

V. DEMOGRAPHS

DATA ANALYSIS:

Figure : 1

The total 50 respondents were given by twin cities of Hyderabad and secunderabad their views on this Mergers & Acquisition -13 were Female and 37 were Male.

GENDER	FEMALE	MALE
RESPONDENTS	13	37
PERCENTAGE	26%	74%

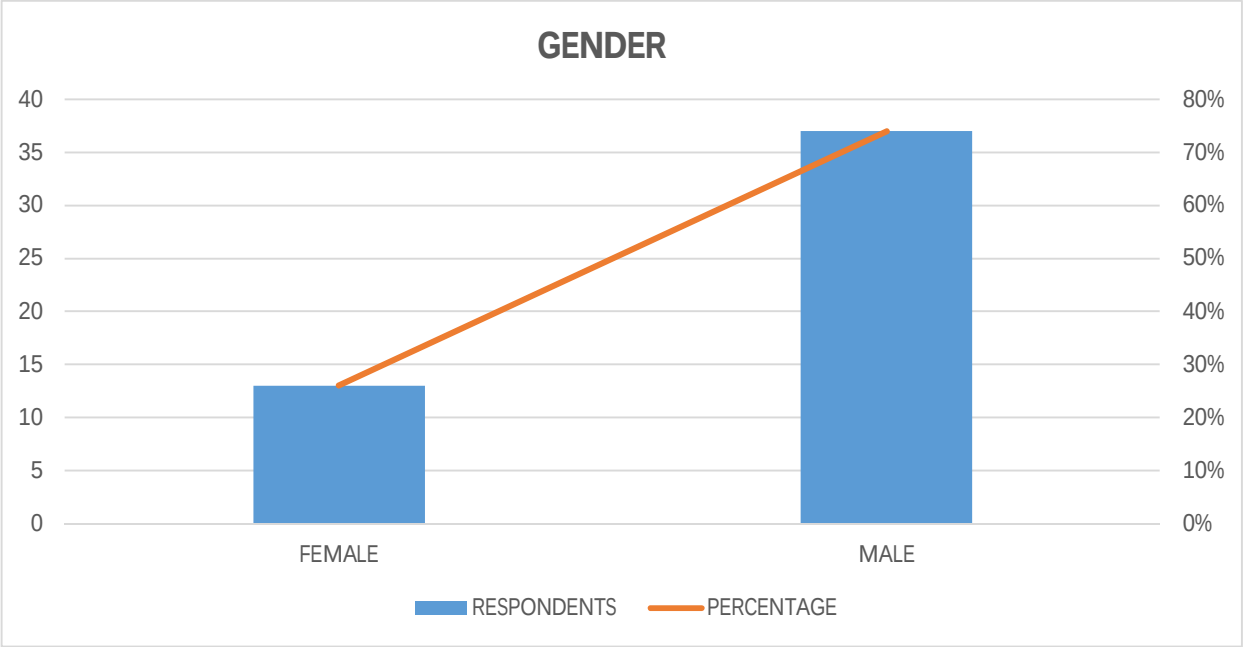
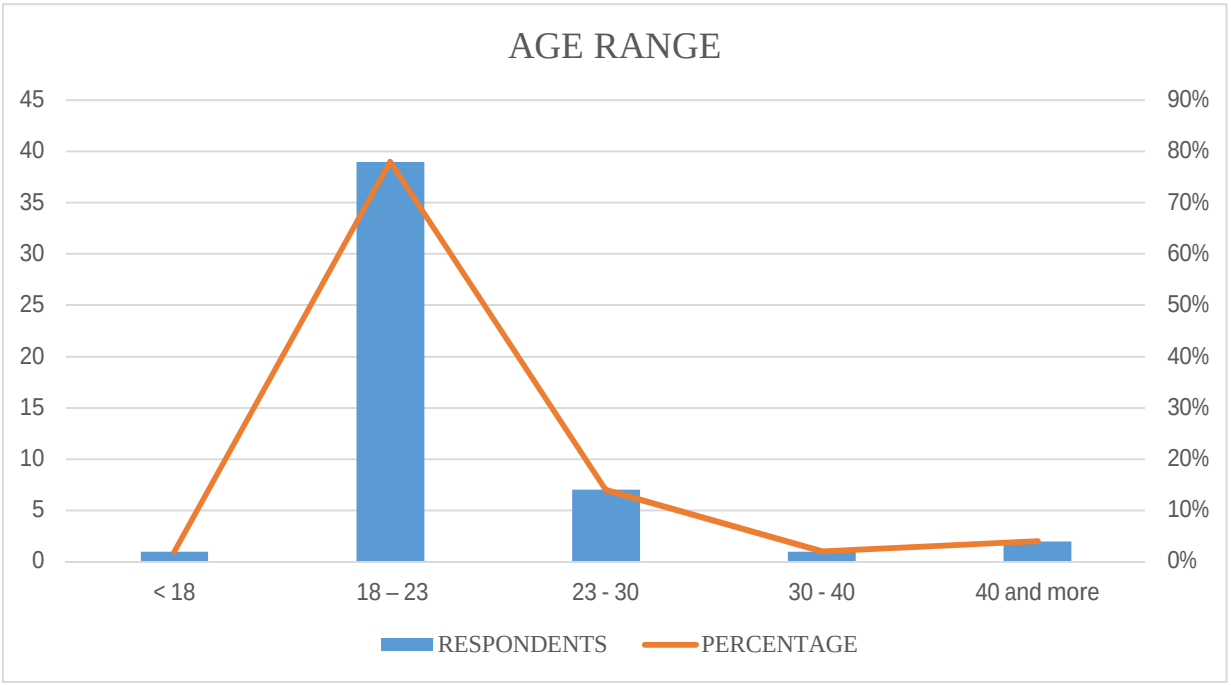


Figure : 2

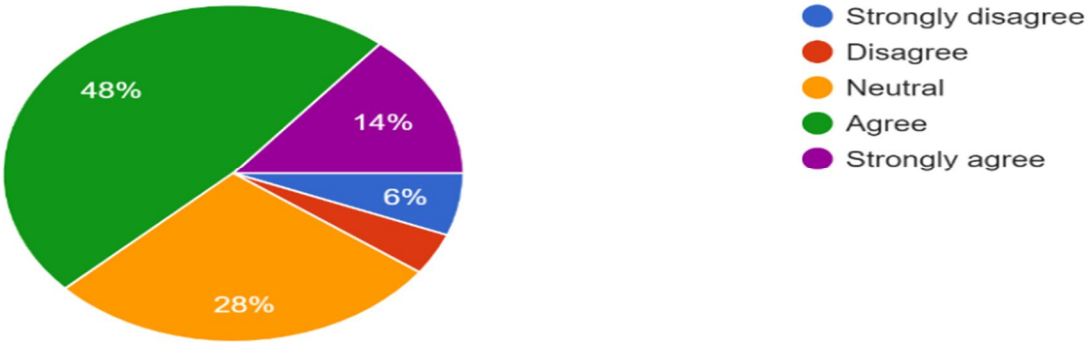
Out of the total 50 respondents their views on Mergers and Acquisitions-the following table shows the Age Range Demographics.

AGE RANGE	< 18	18 – 23	23 - 30	30 - 40	40 and more
RESPONDENTS	1	39	7	1	2
PERCENTAGE	2%	78%	14%	2%	4%



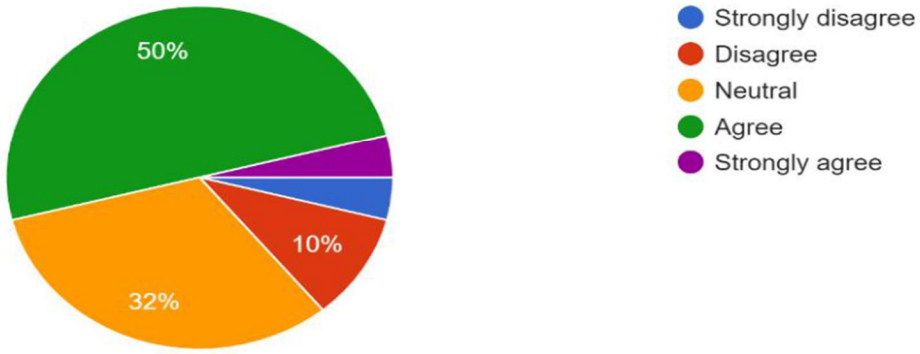
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FIGURE : 3
MERGES AND ACQUISITIONS ARE ESSIENTIALS FOR BETTER EFFICIENCY OF A WORKING STRUCTURE.
50 responses



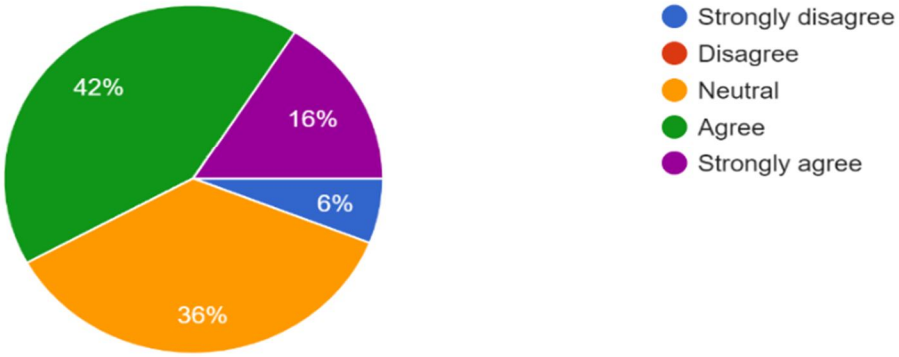
From the above pie chart, 48% agree with the mergers and acquisitions are essiential.

FIGURE : 4
MERGERS ANS ACQUISITIONS ARE ADVANTAGEOUS FOR THE NORMAL PUBLIC.
50 responses



From the above pie chart, 50% were agree.

FIGURE : 5
THE PROCESS OF MERGES ANS ACQUISITIONS ARE WILL IMPACT THE SHARES OF PUBLIC SECTOR BANKS.
50 responses

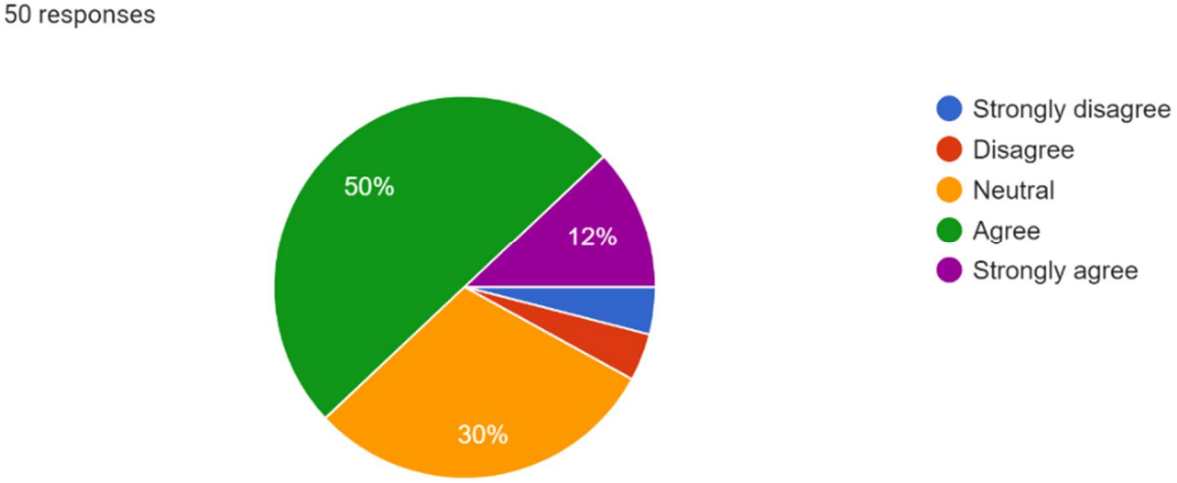


From the above pie chart, 42% were agree.

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FIGURE : 6

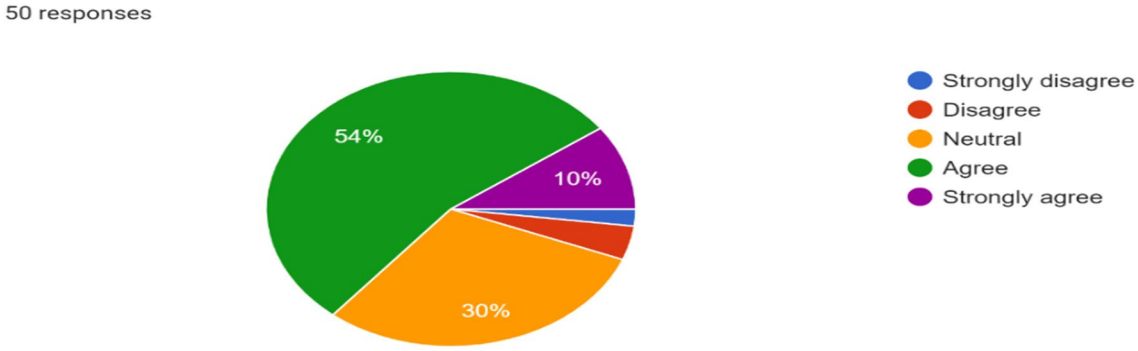
MERGERS AND ACQUISITIONS OF WEAKERS BANKS WITH STRONGER BANKS WILL ENCOURAGE THE STABILITY OF WEAKERS BANK AND CAN DIVERSIFY RISK MANAGEMENT.



From the above pie chart, 50% were agree.

FIGURE :7

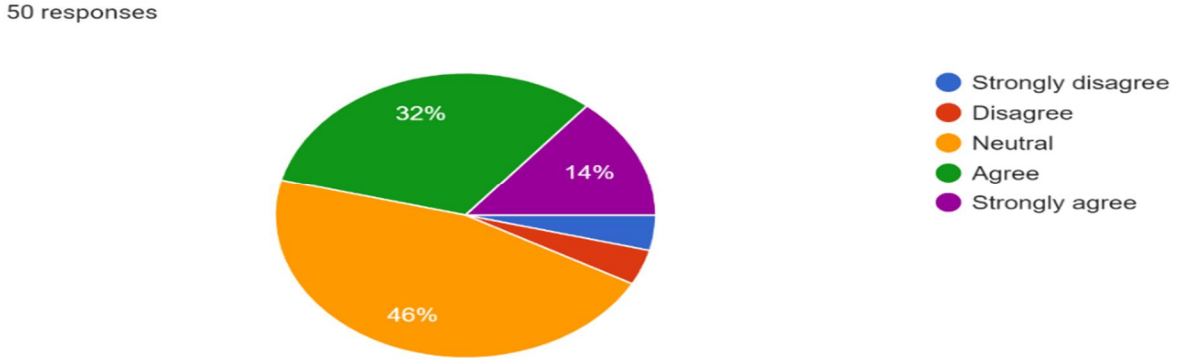
MERGERS AND ACQUISITIONS WILL HAVE THE ABILITY OF PRODUCING BETTER ECONOMIC SCALE.



From the above pie chart, 54% were agree.

FIGURE: 8

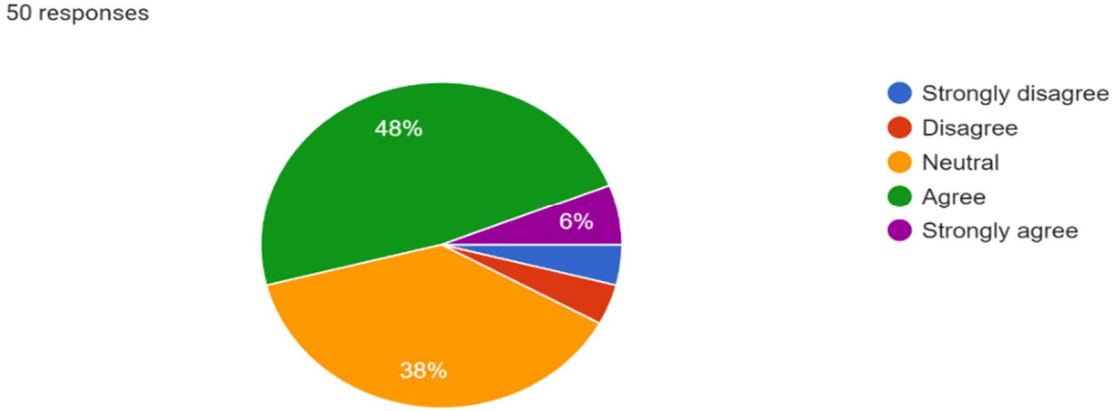
A BANK MERGER HELPS YOUR INSTITUTION SCALE UP QUICKLY AND GAIN A LARGE NUMBER OF NEW CUSTOMERS INSTANTLY.



From the above pie chart, 46% are neutral.

FIGURE : 9

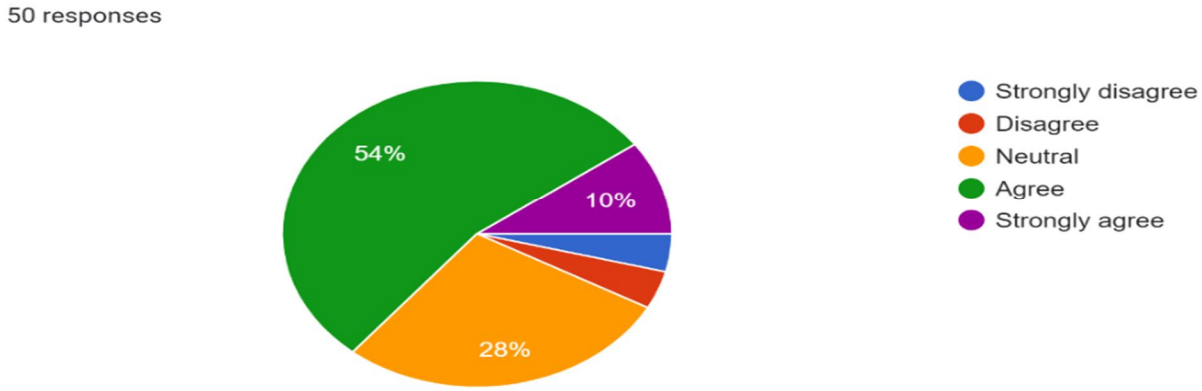
MERGERS AND ACQUISITIIONS ASSIST THE INSTITUTIONS IN SCALING UP FAST AND GAINING BIGGER NUMBER OF NEW CONSUMERS TO IMPRO BALANCE SHEET AND CASH FLOW STATEMENTS.



From the above pie chart, 48% were agree

CHART : 10

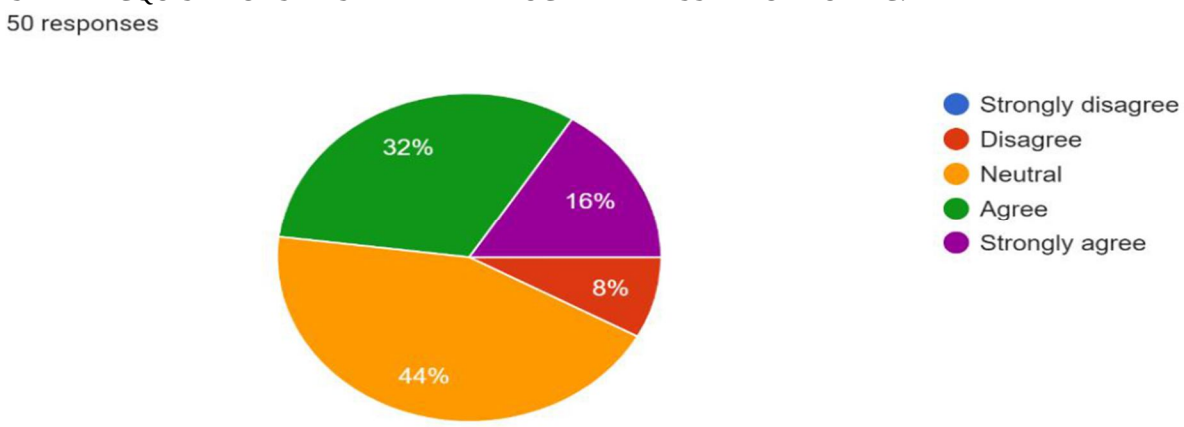
MERGERS AND ACQUISITIIONS ARE HELPING TO GAIN COMPETITIVE ADVANTAGE DOMESTICALLY AND INTERNATIONALLY.



From the above pie chart, 54% were agree.

CHART :11

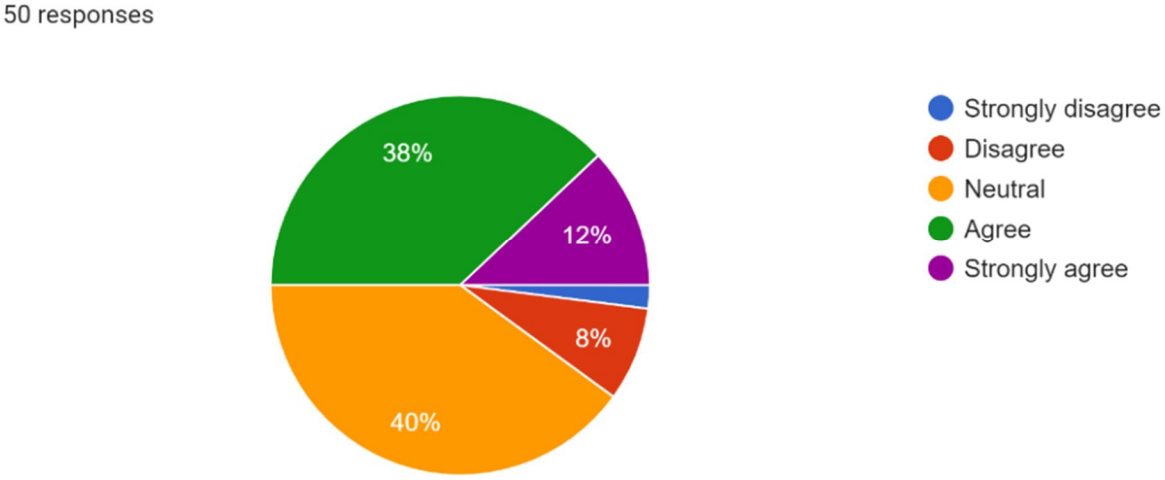
MERGERS AND ACQUISITIIONS HAS HELPED REDUCE THE HASSLE FOR PUBLIC.



From the above pie chart, 44% were neutral.

CHART :12

MERGERS AND ACQUISITIION IS A GREAT WAY TO BRING MOST OF THE WORK UNDER ONE ROOF.



From the above pie chart, 40% are neutral.

VI. FINDINGS

1) Merger & Acquisitions have greatly benefited the common public.
2) It has been seen that; mergers are also helpful for employees to work faster.
3) It effects banking shares in a positive way.
4) The weaker banks can get help from the greater ones to keep functioning properly.
5) Affects the economic scale in a positive way.
6) Improve balance sheet and cash flow statements.
7) Gain competitive advantage internationally.
8) One bank does the work of many banks under one roof.

VII. CONCLUSIONS

The above data concludes that today, the banking industry is counted among the rapidly growing industries in India.

Since the banking sector is very competitive, with almost all banks offering similar deposit and lending services, the key distinguishing element is often the add-on services such as priority lending, access to facilities at home, high rates of interest and flexibility on fixed deposits etc. A merger of two banks helps the customers of both banks access more services and benefit from a larger bouquet of offerings

The trends of mergers and acquisitions in India have changed over the years.

Studies indicate also the positive effects on the basis of some financial parameter like Earnings before Interest and Tax (EBIT), Return on shareholder funds, Profit margin, Interest Coverage, Current Ratio and Cost Efficiency etc.

A Merger of two banks makes it possible to reap the advantages of economies of scale. Since the resource and asset base is combined, the merged entity finds it easier to target new customers and offer better and customized services, owing to its large base of finances. The administrative and operating expenses also reduce since the same costs are now spread over many customers.

So, from our survey we can conclude that:

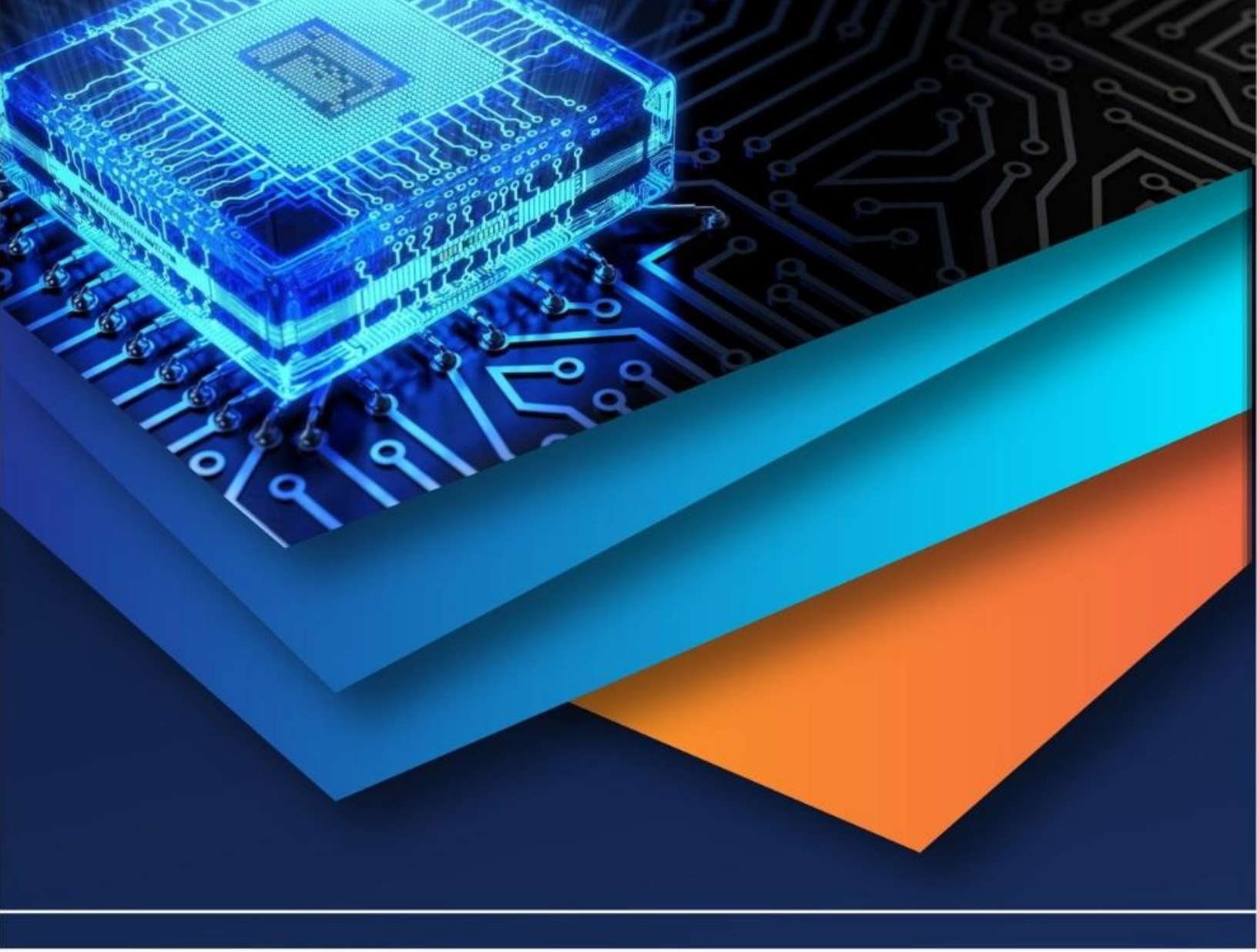
Bank mergers will result in improved scale efficiency due to increased customer base and market reach. A broader range of products and services for customers would result in lower lending capital risk.

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