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Study Of Mergers And Acquisition In Indian Banking Sector "Mumbai, Thane, Pune, Nashik and Kolhapur”

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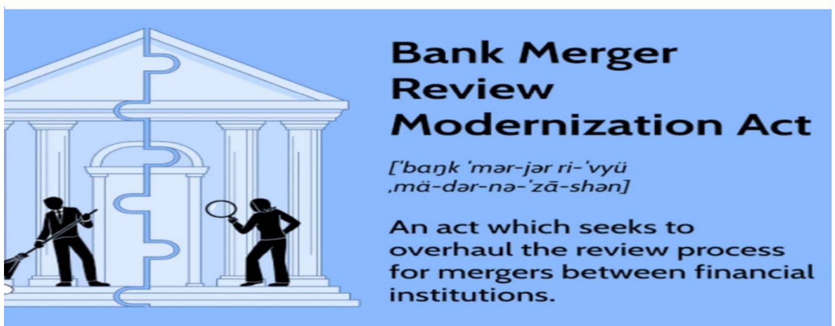

Abstracts:- Mergers and Acquisition have lately increased in the Indian banking sectors. it is the most important to invested banks able to received expected analyzing of event study, X ratio table average are the different parameters available. No need any statical significant improve in market performance probability liquidity and operation efficiency. Finance and banking is the life blood of trade commerce now days banking sector acts as the backbone of modern business. Development of any country and state as well as all depends upon the banking system. A bank is a financial institutions which deal with deposit and advance and other related service. It receives money from those who want to pay in the form of deposit and it lends money to those who need. The bank is a most important part of the human life in current faster lifestyle peoples may not do proper transitions without developing the proper bank network. The banking system is India dominated and nationalise bank to economy then perhaps that of other sector the growth of any other sectors slow down and global developments have affected the banking sectors FY12 resulting in modern business growth in India. it has forced banks to consolidate there operations. Re adjust their focus and strive to strength there balance sheet. My main object to study the Indian banking sector and performance of Indian Banks.

KEYWORDS: Mergers and Acquisitions, Motives, Share value creation, Financial performance
Academic Discipline and Sub-Disciplines, mergers Indian banking sector, Reason legal provisions review.

Introduction:- Bank receive deposits from public and also borrow money from other sources for raising working capital funds. They have to pay cost by way to invest on the fund raised. We have already seen although a banks earning occur only from advances and investments it has to hold "case in hand" or balances with other banks in current accounts and also invest some amounts in premises, furniture, fixtures and other assets which are essential tools fro its trade. There assets do not generate any income for the bank on the other hand depreciate has to be provide taking into account there "ware and tare" banks are oblised by law to repay the deposits and borrowing as and when they fall you for repayment.

An extensive review of literature has been carried out in order to get a good understanding in the topic of Mergers and Acquisitions. Literature review has been done from books, journal, published papers etc.The issues covered include Motives, Share value creation, Financial performance, operating performance. These studies have been reviewed and presented in the following manner. Literature review has been collected from both within India and outside India

SUBJECT CLASSIFICATION
Mergers And Acquisitions
TYPE (METHOD/APPROACH)
Review of Literature which is based on secondary source of data available from Books
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Mergers and Acquisitions (M&A) are being increasingly used the world over, for improving competitiveness of companies through gaining greater market share, broadening the portfolio to reduce business risk, for entering new markets and geographies, and capitalising on economies of scale etc.Merger and acquisition for long have been an important phenomenon in the US and UK economics. In India also, they have now become a matter of everyday occurrence. They are the subject of counting interest to different persons such as the business executives who are looking for potential merger partners, investment bankers who manage the mergers, lawyers who advice the parties, regulatory authorities concern with the operations of stock market and growing corporate sectors in the economy and researchers who want to understand these concepts better.

What is merger ?

- Merger is an agreement that units to exiting companies into one new company.
- Merger are commonly done to expand a company's reach expand into new segment or gain market share.
- All of these are done to please shareholders and create value.
- Merger is covered regulated or covered by the companies act 1856.
- Merger are been refers by finding an acceptable partners determining upon how to pay each other and also ultimately creating a new company which is a combination of both the companies.

Method of acquisition :-

Ab acquisition may be affected by -

- An agreement with the person holding majority interest in the company management like members of the board or major shareholders, commanding majority of voting power.
- purchase of share in open market.
- making takeover after the general body of shareholders.

• purchase of new shares by private treaty.
• Acquisition of share capital through the following forms of consideration viz. means of cash insurance of loan capital or insurance of share capital.

Types of Acquisition :-

• FRIENDLY TAKEOVERS
• HOSTILE TAKEOVER
• REVERSE TAKEOVERS

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Resons for bank merger
1. Bad loan
2. Globally need less over laps
3. Economic scale to be bring down
4. Improving Accounting efficiency governance.
5. Credit capacity increase to various sectors.

Legal provisions :-

• Amalgamation of two banking companies is under the provision of section 44 A of the Banking regulation act 1949.
• section 45 of Banking regulation act 1949. Talks about the compulsory amalgamation of banks.
• section 230 and section 232 of the companies act 2013 related with the merger and Amalgamation.
• Amalgamation of a banking company with non-banking company in governed by section 391 to 394 of the companies act 1956.
• section 35 States acquistions of business of the other banks by State Bank of India under State Bank of India.

Bank merger in india

S. no.	Types	Year	No. Of banks
1	Pre- Nationalization banks	1961 - 1968	46
2	Nationalization period	1969 - 1992	13
3	Post reform period	1993 - 2006	21
4	Convergence of financial institutions into banks		2
5	Forced		
6	Other regulatory compulsions		

Bank merger list in india 2019 to 2020

S. No.	Bank Acquiring	Bank Acquiring	Year of bank merger
1	Bank of Baroda	Vijiya bank, Dena Bank	April 2019
2	Panjab national Bank	Oriental Bank of commerce, United bank of india	1 April 2020
3	Canara Bank	Syndicate bank	1 April 2020
4	Union Bank of India	Andhra Bank of corporation	1 April 2020
5	Indian Bank	Allahabad Bank	1 April 2020

REVIEW OF LITERATURE :-

The following were the major efforts at research in the subject, which have been referred for the research purpose.

Akhil Bhan has made an attempt to study the insight into the motives and benefits of the mergers in Indian banking sector .This is done by examining the eight merger deals of the banks in India during the period of reforms from 1999 to 2006 . Through the empirical methods by applying t-test and EVA value calculations the potential of the mergers has been evaluate to study the efficiencies or benefits achieved due to the merger .Through this paper and the sample taken for analysis it has been concluded that the mergers in the banking sector in the post reform period possessed considerable gains which was justified by the EVA of the banks in the post merger period.

Dr. V. K. Shobhana and Dr. N. Deepa (2011) made a probe into the fulfilment of motives as vowed in the merger deals of the nine select merged banks. The study uses Summary Statistics, Wilcoxon Matched Paired Signed Rank Test and 't' test for analysis and interpretation of data pertaining to the five pre and post merger periods each. The result indicates that there has been only partial fulfilment of the motives as envisaged in the merger deals.

Egl Duksait and Rima Tamosiunien (2009) described the most common motives for companies decision to participate in mergers and acquisitions transactions. The reason is growth, synergy, access to intangible assets, diversification, horizontal and vertical integration and so on arises from the primary company's motive to grow. Most of the motivations for mergers and acquisitions feature serve as means of reshaping competitive advantage within their respective industries. However, it may be that some of the motives identified affect some industries more than others, and in that sense they can be expected to be associated with a greater intensity of mergers and acquisitions in certain sectors rather than others.

Ms. Astha Dewan (2007) focussed on the post merger financial performance of the acquirer companies in India and performance of firms going through mergers in Indian industry. The merger cases for the year 2003 have been taken for the analysis. The financial data has been collected for six years from 2000-06. Pre-merger and post-merger financial ratios have been examined using paired sample t test. The results of the analysis reveal that there is significant difference between the financial performance of the companies before and after the merger. Further, it has been found that the type of industry does seem to make a difference to the post-merger operating performance of acquiring firms Mital Menapara et al 5 evaluated the impact of mergers and acquisitions on financial Performance of Indian Corporate Sectors and examined the impact of merger and acquisitions on Return on Investment, Profitability and Liquidity position of selected companies. The authors concluded that emerging from the point of view financial evaluation is that the merging Companies were taken over by companies with reputed and good management. And therefore, it was possible for the merged firms to turnaround successfully in due course.

Pramod Mantravadi, A.Vidyadhar Reddy (2007) in their research paper focussed on the impact of mergers on the relative size and operating performance of acquiring corporates by examining some pre- and post-merger financial ratios with a sample of firms chosen from all mergers involving public limited and traded companies in India between 1991 and 2003. The study used the following financial ratios: operating profit margin, gross profit margin, net profit margin, return on net worth return on capital employed and debt-equity ratio .The results suggest that there are minor variations in terms of the impact on operating performance following mergers, when the acquiring and acquired firms are of different relative sizes, as measured by market value of equity.

Julie Lei Zhu (2011) developed a new measure for shareholder value creation to assess the efficiency of acquiring firms in utilizing capital before mergers and acquisitions (M&As) and links this measure to acquirers' post-acquisition performance. His measure, constructed before the M&A transaction, (a) predicts both the operating and long-run abnormal stock performance of merged firms after the acquisitions and (b) hedge portfolios based on the measure generate substantial abnormal returns. Overall, the results indicated that investors do not fully recognize how efficient acquirers have been in utilizing capital before M&As and that incorporating the new value creation measure into the decision process of large-scale M&As can help protect shareholder wealth.

Jagdish R. Raiyani (2010) in her study investigated the extent to which mergers lead to efficiency. The financial performance of the bank has been examined by analyzing data relevant to the select indicators for five years before the merger and five years after the merger. It is found that the private sector merged banks are dominating over the public sector merged banks in profitability and liquidity but in case of capital adequacy, the results are contrary. Further, it was observed that the private sector merged banks performed well as compared to the public sector merged banks.

Rehana Kouser and Irum Saba (2011) explored the effects of merger on profitability of the bank by using six different financial ratios. They have selected 10 commercial banks that faced M&A during the period from 1999 to 2010. The lists of banks were selected from the Karachi Stock Exchange (KSE). Quantitative data analysis techniques are used for inference. Analysis was done by using paired t-test. The results recommend that operating financial performance of all commercial bank's M&A included in the sample from banking industry had declined later. The results shows that there is a decline in all 6 ratios: profitability ratios, return on net worth ratios, invested capital, and debt to equity ratios.

Dr. Neena Sinha et al (2010) in their study described the impact of mergers and acquisitions on the financial efficiency of the selected financial institutions in India. The analysis consists of two stages. Firstly, by using the ratio analysis approach, they calculated the change in the position of the companies during the period 2000-2008. Secondly.

examine changes in the efficiency of the companies during the pre and post merger periods by using nonparametric Wilcoxon signed rank test. The result revealed a significant change in the earnings of the shareholders, there is no significant change in liquidity position of the firms. The result of the study indicate that M&A cases in India show a significant correlation between financial performance and the M&A deal, in the long run, and the acquiring firms were able to generate value.

Nisarg A Joshi and Jay M Desai in their study measured the operating performance and shareholder value of acquiring companies and comparing their performance before and after the merger. They used Operating Profit Margin, Gross Operating Margin, Net Profit Margin, Return on Capital Employed, Return on Net Worth, Debt-Equity Ratio, and EPS P/E for studying the impact. They concluded that as in previous studies, mergers do not improve performance at least in the immediate short term.

Mehroz Nida Dilshad (2012) measured the efficiency of market with respect to announcements of mergers and acquisitions using an event study methodology. The study analyzed the effects of banks mergers and their announcements on the prices of stocks, in Europe. Evidence here supports that significant cumulative abnormal returns were short lived for the acquirers. At the end of the event window, the cumulative abnormal returns were 0. Evidence of excess returns after the merger announcement was also observed along with the leakage of information that resulted in the rise of stock prices few days before the announcement of merger or acquisition. At the same time, the results of cumulative abnormal returns showed that target banks earned abnormal returns on the merger announcement day.

A. Bashir et al (2011) investigated the performance record of forty five mergers and acquisitions (M&A) that took place during 2004 to 2010 in various sectors of Pakistan using event study methodology. They indicated that overall during eleven day window period neither target nor acquirer firms created or destroyed value for shareholders. The wealth for the shareholders of target and bidder firms is examined by estimating the cumulative abnormal returns for an 11-day period surrounding the merger announcement. Their findings indicate that overall during eleven day that of acquirer's enjoy statistically insignificant increase in value. Their findings are in disagreement to majority of studies in this area, which indicate the gain to target shareholders while loss to acquired companies.

Annalisa Caruso and Fabrizio Palmucci analysed the market reaction to M&A in the banking sector, particularly interesting because of the higher complexity of corporate governance and the importance that the M&A activity has had in recent years in Europe, especially in Italy. In this research they performed an event study on the Italian market (in the period 1994-2003) with two main goals: first they observe if and when there is a positive value creation, and when private benefits of control represent one of the drivers of the operations; secondly investigated the determinants of their results, looking at the characteristics of the banks, regulation, the role of minority shareholders and that of the Bank of It.
Citations (3)

RESEARCH METHODOLOGY:-

For the purpose of evaluation, we distributed a Google Form to acquire the views of the people reganding ***"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, hoch good and bad about the "M&As of Banking sectors.
The stata received was put together in excel and we analyzed the data of the respondents to get overall view of the public opinions about this Mergers of Bank in India.

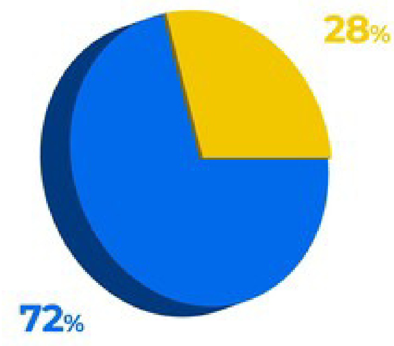
DEMOGRAPHICS:

Chart :-

Out of the total 50 respondents that chose to ventilate their views on this Mergers- 14 were Female and 36 were Male

Gender	Female	Male
RESPONDENTS	14	36
PERCENTAGE	28%	72%

Male : 72%
Female : 28%



Conclusion :-

The indian Banking has been significant Influenced by Mergers and acquistions, Although there appear to be divergent view on this topic, there is always room at for enthusiasm following Bank mergers. Recent year have seen extensive Mand A activity in the banking business with emergence a number of global companies as a result of successive. This analysis shows that the probability ratio of a subset of Indian Bank did not significantly after between before and after the era of merger and acquisition. firms are perfect Match seen the same performance decrease. A result the proper performance of merged enterprise can't be blamed on the merger itself however the data suggest that the merged Bank were more efficient after the merger. There were no advance introductivity for the combined institutions after a merger between week and healthy financial institutions.

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