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IMPACT OF MERGERS AND ACQUISITIONS ON IMPORTANT STAKEHOLDERS OF BANK

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ABSTRACT:
Banking Sector plays an important role in the financial system of the country. Banks are facing many problems like increasing NPA, competition, various innovative products and services, etc. weaker Banks facing the challenges of survival in the market. To overcome all those challenges, management and government have taken the decision of mergers and Acquisitions. M&A plays as a strategical tool for the betterment in the Banking Sector. Weaker banks using M&A as a strategical for their survival. Earlier many articles have analyzed that pre and post-merger performance of Banks. This article analyzed that the advantages and disadvantages of mergers to stake holders of Banks like Bank, Customers, Employees, Shareholders and the Government. It examines whether the mergers are really benefitable or no. Finally, it concludes that merger creates more benefits to its stakeholders than disadvantages.
Keywords: Merger, Advantages, disadvantages, Customers, Employees, Shareholders.

INTRODUCTION:
Banks are acts as a intermediatory of finance between Investors and Loan seekers. Banks are accepting various Deposits; through that they lend money. So, anything happened to Banks financial position will leads to their Bankruptcy. It will affect whole financial system of the country. Mergers and Acquisitions are the important phenomenon in the banking sector to avoid many challenges. In India as well as outside, M&A is happening from longtime. It gives the benefit of value creation, synergy, Growth, International Participation, cultural integration, customer satisfaction etc., It has high impact on customers, Employees, Shareholders, Management and government.

REVIEW OF LITERATURE:
Mrs. Poojari Jayashree Muddu, Dr. C. K. Hebbar (2023) analyzed that the efficiency effects literature reviews related to the Bank mergers. Merger affects the Bank's efficiency. Customers, Employees, Shareholders, financial system etc., It says organizations internal resources like innovative technologies, etc., should be utilized properly to improve the operational efficiency of the organization. Efficiency of Banks in the post-merger and coat reduction is possible. Proper planning and implementation with the long-term goals and necessary legal compliances will make the merger more fruitful.
Phuong Anh Nguyen and Thi Thanh Thuy Nguyen (2022) analyzed that the efficiency level of 30 Banks in Vietnam in the period of 2011-2019. DEA and regression were used for analysis. Government's main aim is to rescue the Strong Banking system by way of Mergers and Acquisitions. Proper implementation of M&A by Banks will lead them for their sustainable development, improved efficiency and highly competitive capacity. It suggests that the Government should give proper guidelines and legal documents involving in the M&A

RESEARCH METHODOLOGY :
Statement of the Problem:
Mergers and Acquisitions are the important event in the Corporates and Banking Sectors. Most of the articles concentrated on performance analysis of M&A on Banks. Articles related to the Pros and Cons M&A to each stake holders are very few. M&A giving many benefits to the society and some drawbacks also. So there is a necessity to know the pros and cons of M&A.
Objective of the Study:

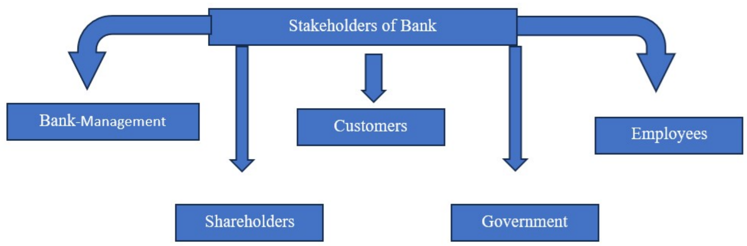
1. To know about the impact of Mergers and Acquisition on Government. Shareholders and Banks itself
2. To get the knowledge about pros and cons of M&A to the customers and Employees of Banks

Data Collection

Secondary Data:

Secondary data has been collected from google, various websites, articles, Bank websites, scholarly article,etc.

Important shareholders of the Bank:



IMPACT OF BANK MERGERS ON CUSTOMERS:

Pros and Cons to Customers:

Pros:

- Modern services of the customers will be increased due to the merger
- Customers of rural places can also get all the increased and modernized services with sufficient no of employees
- Use of innovative Technology in all the Banks will be more helpful to the customers.
- Use of modern services of merged entity will save the Customers time
- Wide range of increased no of financial products and services will be available to all the customers.
- No of Branches and ATMs will be increased for increased no of customers
- Improvised management capacity of merged entity may lead to lowering the customers fees.
- Employees of the new entity will be highly trained, updated and sufficient in numbers to manage the increased no of customers.
- Customers problems in the new entity will be solved quickly with the technological improvement and talented employees
- Well-defined customer relationship management is possible in the merged entity.

Cons:

- All the fees, charges may increase according to the new Bank rules and regulations.
- Sometimes customer account may change from one branch to another due to closing of some of the Branch in that area.
- Change of Customers locker from one Branch to other Bank will create stress of travelling and fear of safety.
- Adaptation of new Technology, new Bank environment and contacting of new employees will be the big problems to the Customers.
- Closure of ATMS may cause difficulties to the customer to got to different ATM for every time taking money.
- Adaptation of new policies and procedures will be difficult for the customers.
- Customers of target Banks may not be treated properly by the employees of New Bank. That discrimination may cause the loss of Customers.
- Changes in Acc, No. IFSC code, Pass book, cheque book, Card created a massive problem to the Customers for using their Account and Taking their own Cash.

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IMPACT OF BANK MERGER ON EMPLOYEES:

Pros:

Bank merger will give many advantages to the Employees. The following are some of benefits:

- Employees of merged entity will get more career development opportunities.
- Merger gives more feeling of job security to the employees in the new environment.
- Employees will get the knowledge about various products and services
- Employees will get the knowledge of advanced technology through merger
- Solving of customer problem will become easy for the employees in the new well-defined customer relationship management.
- Qualified and experienced employees of target Banks may get highest compensation by the new entity with the intention of retaining them.
- Improved Training and Development will help the Employees to make them compatible with the new enhanced environment.
- Caring better brand image will give additional value to the employees in the future.

Cons:

There are some difficulties also for the Employees in the Bank mergers:

- Employees compatibility in the new environment will take time to adjust and understand.
- Employees in the merged entity may get a feeling of insecurity in their job because of transfer, change of place, adaptability, etc.,
- Phycological issues of Employees will affect their health and performance issues
- Performance of Employees will be reduced in post-merger because of adaptability of new work place.
- Employee compensation in the merged entity may be less than their expectation
- Proper communication will help the management and Employees to come to the amicable work place.

IMPACT OF BANK MERGER ON BANKS(MANAGEMENT) :

Pros and Cons on Banks:

Pros:

- Financial stability and improved profitability are the main objectivity of Bank merger.
- Mergers helps the Banks to be more Globally competitive
- Merger increases in branch network in a wider manner
- Increased Capital will help the Banks to reduce cost of funds and improve profitability
- Increment in Total Assets will improve the Banks position.
- Increment in NPA makes the Banks become insolvent.
- Deposits of the Banks will increase through the merger by the combined assets and customers
- Increment in Banks most beneficial deposit i.e CASA deposit will increase the NIM of the Banks
- Reduction in cost will increase the profit in a way. Merger does this to increase the profitability of Banks.
- Technological Advancement will help the Banks to get Customers and Employees satisfaction and helps them to retain.
- Credit giving capacity of the banks will increase by increasing the size of the new entity
- Competition capacity of the Banks will increase in the post-merger.

CONS OR DISADVANTAGES OF MERGER TO BANKS:

- Banks have to face some HR issues related to promotion, transfer, positional dissatisfactions, ego clauses etc

- Customer may not have satisfaction with the services, fees rules and regulations of new entity. There may be a chance of customers shifting from Bank
- Management issues in Bank merger should be handle carefully and efficiently to avoid failures
- Adaptation of new technology by the personnels will be difficult and time consuming.
- Cultural integration plays a vital role in the Bank mergers among the people.
- Weakness of Target Banks may affect the positivity of mother Banks.

PROS AND CONS TO SHAREHOLDERS:

Pros:

The following are the advantages of merger to the Banks shareholders:

- Merger will have the main objective of increasing the shareholders value.
- Increase in the share price at the time of announcement and after the merger.
- Shareholders of weaker Banks will get share in the mother Banks,
- There may be a chance getting good return on their shares in the future.

Cons:

Merger gives some of the disadvantages also which are as follows:

- There is a chance of detrition in the share value.
- Share price may be because of inefficient mergers
- Ther may not be a good return for shares because of reduction in profitability.

PROS AND CONS TO GOVERNMENT:

Pros:

- Government taken the decision of merger because safeguarding the weaker Banks from the closure.
- Recapitalisation of Banks will be reduced
- National Income will be increased
- Banks will get a capacity to participate in the Global Market.
- Merger considers important in the Economic development of the country.

Cons:

- There may be chance of failures in the merger if the management is not efficient.
- Stronger Banks Manager’s capacity may be reduced because of burden of managing the combined entity
- Strong Banks performance may be decreased.

CONCLUSIONS:

Bank merger is the strategic tool for theof the Banks, government to safeguard the weaker Banks and bringing drastic changes in the Banking sector. Impact of Bank merger to different stakeholders have been analyzed in this article. All stakeholders are getting many benefits through Bank mergers. Some drawbacks are also there if merger is not efficiently handled.

For attaining the objectives of merger as a whole and getting fruitful benefits of the merger the following strategies should be used:

- Management authorities of Banks should make a clear plan before starting of the merger process.
- It has to analyze the pros and cons of the mergers before the event.
- Government should give proper time to analyze and make decision of the merger.
- Proper committee should be formed to work in the merger process.
- HR professionals should be consulted for the discussions of merger.

- Proper communication of Employees, customers and the management should be built.

If the above strategies are followed and proper implementation of merger process is there, then all the merger will be successful in the long run. there would not be failures in themergers.

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