A SURVEY OF THE MERGERS AND ACQUISITIONS IN INDIA BANKING SECTOR

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Abstract
The purpose of this study is to get an understanding of the following cooperative synergies and the long-term repercussions of the merger by analysing M&A transactions that have taken place in the Indian banking sector. The article investigates the Indian banking sector further and focuses on the major trends that have emerged as a direct result of mergers and acquisitions. The report then makes recommendations to banks and other financial organisations about how they may better prepare for the future. By analysing the trends and cycles in the Indian banking business, the article concludes that mergers and acquisitions have a negative impact. This article makes an attempt to sift through existing literature in an effort to analyse and evaluate the effectiveness of mergers and acquisitions in the Indian banking sector. Mergers and acquisitions in the Indian banking industry have been clearly defined, the data show, but so far the benefits to the Indian economy have been rather modest. To safeguard the interests of small banks and their own, the government and authorities in charge of regulating financial problems should move with considerable care when considering a consolidation of strong banks with weaker banks. Financial institutions that have undergone recent mergers and new businesses are also focal points of the study. Secondary data that is easily accessible is used in the inquiry to inform the conclusions and suggestions.

Keywords: Acquisition, Consolidation, Acquisition, Mergers, Indian Banking System,Financial System

Introduction

Although it's easier than ever to launch a business, keeping it afloat after it's successful may be challenging. Mergers and acquisitions are one apparent way to give an established company a boost and allow it to grow. Mergers and acquisitions, which carry with them numerous advantages, are increasingly being directed in many nations throughout the world and are becoming more feasible sources of organisational strength. India is the largest and most diverse democracy in the world, and its recent financial innovations have helped it achieve a number of remarkable feats in a very short amount of time. By initiating new reforms and combining strong and troubled institutions, the innovation has enabled the Indian financial system gracefully overcome numerous obstacles. According to (Kausingh & Sridharan, 2019). Consolidation seems to relate to agreements when two or more entities are merged into a single entity. Few companies really have good reasons for consolidating. Companies often engage in mergers and acquisitions to broaden their customer base, enter untapped markets, or increase their market share. This view is shared by scholars .In 1968, the government of India passed a bill that nationalised 14 of the country's largest banks; collectively, these 14 institutions held 80 percent of the country's bank deposits at the time. Since then, a new schedule of nationalisation has been implemented, and 6 additional large commercial banks have been brought under government control. In tandem with this monumental change, the number of nationalised banks in India doubled to twenty, giving the Indian government direct control over 91% of the country's financial system. According to (Dr Naveen Prasadula). An acquisition is a business action in which one firm acquires the majority of the ownership shares of another in order to take over management of the target company. When one entity buys more than 50% of the equity shares in another entity, it becomes the sole owner of the target firm. Via stock and other resource purchases, the acquiring company gradually increase its position in the company being acquired, giving it the ability to make strategic choices about the target company's assets without first getting the blessing of the target company's shareholders. In 2019.Financial institutions and the economy as a whole both gain greatly from mergers and acquisitions (M&A) in the banking sector. Banks now have to constantly reevaluate their operations and come up with new ways of doing things to keep up with the shifting tastes and expectations of their corporate clients. The Indian banking business faces the problems of technological innovation, constant progress, and intense rivalry despite the fact that the financial system is heavily regulated by the government. Consolidation via mergers and acquisitions (M&A) is one of the most practical methods to get an edge in such circumstances. The ultimate purpose of discussions on bank mergers is to: (Dr Ravi Kumar, 2019)

1. Growth/ Development
2. Innovation for Upgradation
3. The failing bank will be combined with another, healthier bank.
4. Financially stable institution merged with another stable institution to strengthen itself in the face of intense competition.
5. Improvement in paybacks

Methodology of Research

The present review has gathered data using an illustrative approach. Further data has been collected from a wide variety of periodicals, books, and online sites. The emphasis of research is on qualitative rather than quantitative factors.

Review of Literature

Throughout the last 110 years, there have been distinct phases, or "waves," in the history of mergers and acquisitions. Although most financial analysts focus on five big M&A waves spanning the United States, the United Kingdom, and Western Europe, we and others have hinted at a sixth wave that affected a much wider range of economies throughout the world.

These Three Waves of Mergers and Acquisitions

The main wave of mergers and acquisitions happened somewhere between 1890 and 1905, after a lengthy period of economic stagnation. Most mergers remained relatively unchanged, which has led to remarkable success for the companies involved.focused. Thus, that tide is also regarded as the time of convergence for broadcasting. With the Great Depression and the end of World War I, the second wave emerged in the 1920s. As the main wave's syndications were prohibited, the second wave, dubbed "converging for oligopoly," had a more vertical than flat consolidation. After WWII, the 1960s saw the beginning of the third wave of mergers and acquisitions. Consolidations during the time served primarily developmental purposes, hence the nature of the organisations' ties was of little consequence. Thus, the period of major mergers and acquisitions is also frequently known as converging for growth. When compared, these three waves in this multiplicity reveal striking similarities. These three emerged during a period of prosperous economic activity, and did so largely as a result of major shifts in the underlying financial infrastructure, such as the introduction of a power grid or a railway system.

A Couple More Waves, Numbers 4 and 5

The fourth wave occurred after a severe economic crisis in the 1980s and was somewhat different from the preceding three waves. This tidal wave reached Europe and was maintained by a sequence of spinoffs. As of right now, the term "corporate bandit" exists in the lexicon of the business elite. Companies making hostile takeover approaches are behaving like looters because, after they have acquired a company, they sell off its different parts. Because of the effect buyouts as a financial tool, the typical size and value of the acquired businesses grew significantly. The value of the fifth wave was six times more than the preceding wave, making it the most valuable and numerous wave to date. This trend began in the 1990s and was strongly supported by the introduction of new technologies like digital television, satellite communication, and the World Wide Web. Around that time, firms dependent on new ideas saw significant growth. In addition, this era was shaped by the restructuring of major businesses including the auto and

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food industries as well as the banking and financial sector, which resulted in massive deals for M&A history, such as Mannesmann Vodafone or Daimler-Chrysler. Legislative restrictions on liberations in particular industries also contributed significantly to this tsunami's massive size.

The Sixth Swell: A Worldwide Tidal Event

The sixth wave of mergers and acquisitions occurred between 2002 and the beginning of the global financial crisis in late 2007. During this time period, mergers and acquisitions within developed and emerging economies tended upward. The sixth wave, both in terms of value and quantity, was the most significant in the history of M&A deals. This is because there has been a dramatic shift in the nature of acquisitions over the last decade, and also because of the increasing interdependence of countries as a result of globalisation. While in 1999, in the wake of the Asian financial crises, western companies in stronger financial positions acquired understanding of Asian companies at unloading prices, emerging nations have become a comparable market player and have also begun looking for acquisitions in the developed nations in recent years. From 2002 and 2007, the United States was not only the most active nation in terms of acquiring various projects, but also the most sought-after acquisition target.

Public Sector Banks: Existing and Merged

"2019 Rank	Name	Nationalized	Merged with	Year of merger	1980 Rank
1	State Bank of India	1955			1
2	Bank of Baroda	1969			2
3	Bank of India	1969			3
4	Central Bank of India	1969			4
5	Punjab National Bank	1969			5
6	Canara Bank	1969			6
7	UCO Bank	1969			7
8	Indian Overseas Bank	1969			9
9	Union Bank of India	1969			10
10	Indian Bank	1969			11
11	Bank of Maharashtra	1969			15

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12	Punjab & Sind Bank	1980			17
13	Mahila Bank	(Started as a PSB)	SBI	2017	
14	State Bank of Bikaner and Jaipur		SBI	2017	19
15	State Bank of Patiala		SBI	2017	21
16	State Bank of Hyderabad		SBI	2017	22
17	State Bank of Travancore		SBI	2017	23
18	State Bank of Mysore		SBI	2017	24
19	IDBI Bank	(Started as DFI)	Sold to LIC	2018	-
20	Dena Bank	1969	Bank of Baroda	2019	14
21	Vijaya Bank	1980	Bank of Baroda	2019	20
22	Syndicate Bank	1969	Canara Bank	2019	8
23	Allahabad Bank	1969	Indian Bank	2019	13
24	United Bank of India	1969	PNB	2019	11
25	Oriental Bank of Commerce	1980			26

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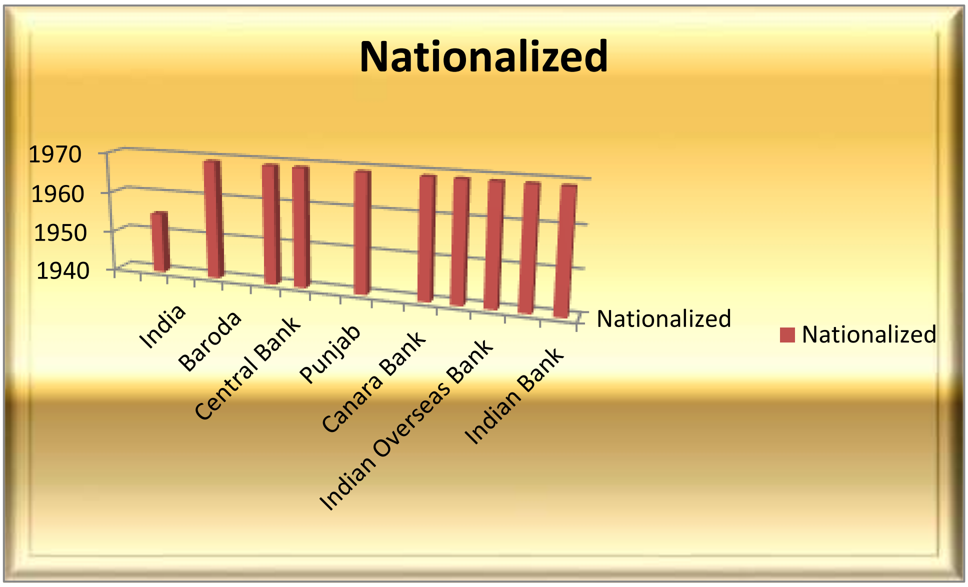
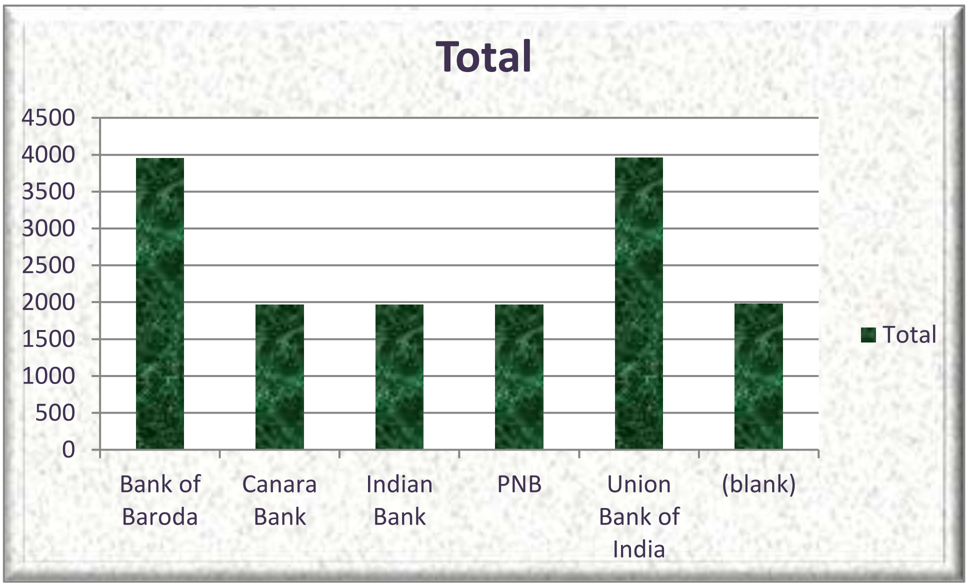
26	Andhra Bank	1980	Union Bank of India	2019	16
27	Corporation Bank	1980	Union Bank of India	2019	25”

Source: AGARWAL, AMOL BLOOMBERG

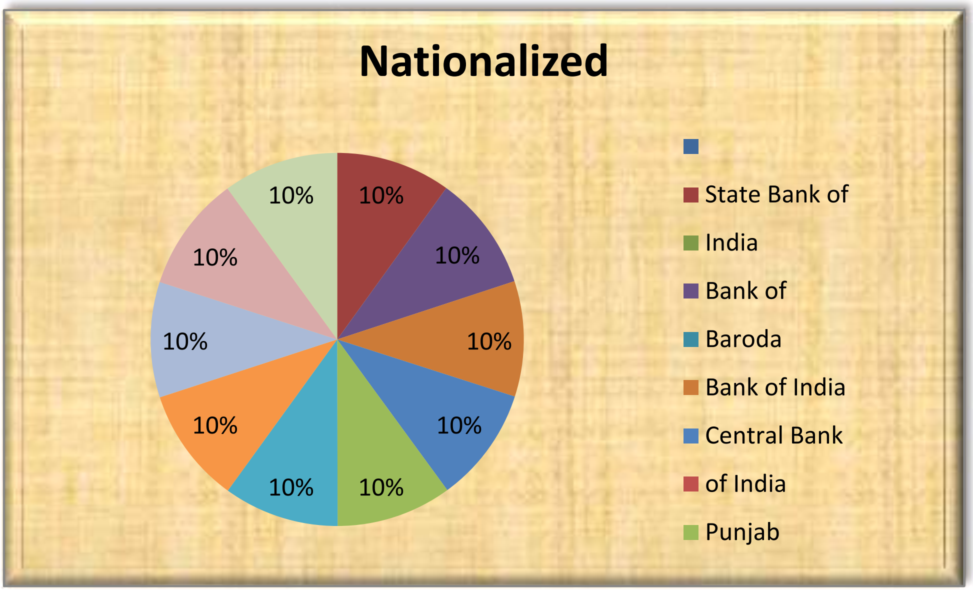




Latest Trends in India's Banking Industry Consolidation

The Honorable Finance Minister of India, Shrimati Nirmala Sitharaman, recently consolidated 10 public sector banks into 4 new institutions. FM Nirmala Sitharaman's vision for the merged institutions is to make the Indian financialsystem more globally competitive.There have been four significant mergers in recent years. We'll cover the merger of Punjab National Bank, Oriental Bank of Commerce, and Union Bank of California first.That of India. Because to this merger, PNB is now, in terms of branch locations, the biggest public sector bank in India after State Bank of India. After the merger, PNB had 11,437 locations throughout the country, and its annual revenue was Rs. 17.95 lac crore—a substantial rise.The second large-scale merger occurred between Canara Bank and Syndicate Bank, becoming the fourth-largest public sector bank in India. The newly created Canara Bank saw a growth in both its branch count to 10342 and its turnover to Rs 15.20 Lakh Crore.FM also orchestrated the merger of Corporation Bank and Union Bank of India to become Consolidated

Andhra Bank. By these amalgamations, United Bank of India rose to the status of India's fifth-most-powerful Public Sector Bank.



The UBI's capacity has grown as a result of this consolidation by a factor of 2.5–4.5. As a consequence of this consolidation, the number of locations expanded to 9609, and revenue rose to Rs 14.59 Lac Crore. Nirmala Sitharaman has completed her fourth merger, the combination of Allahabad Bank and Indian Bank. As a consequence of these mergers, Allahabad Bank is now the seventh-largest public sector bank in India. As a byproduct of this merger, the total number of branches in the country rose to 6104, with a total revenue of Rs 8.08 lac crore.The banks merged in order to boost their efficiency and prepare for worldwide competitiveness. In addition to streamlining operations and increasing efficiency, these mergers will allow them to save money.

Present Situation and Future Obstacles

There were no significant efficiencies gained through the merger of troubled and healthy financial institutions. It is also said that this review's observational disclosures suggest that the trend of consolidation in the Indian financial sector has so far been limited to the reconstruction of weak and financially challenged institutions. In 2014, Meena and Kumar found. After examining the post-merger and acquisition performance of the combined substance using the monetary value-added concept, the evaluation concluded that the merger and acquisition did indeed affect the performance of the combined components. The development of the Indian economy is a driving force behind the flood in the consolidation and acquisition exercise. As stated by (Sharma & Shukla, 2019). Kausingh and Sridhadharan, authors of another research, found that mergers and acquisitions led to greater cost efficiency for the combined institutions. There are no longer any significant productivity gains for acquired banks from mergers between problematic and strict institutions. According to (Kausingh & Sridharan, 2019). Experts agree that India's monetary environment necessitates megabanks in order to hedge against the many risks associated with operating in both domestic and international markets. and Sensarma Jayadev). According to the findings of another research, stop prices reveal the market's assumption for future revenue; nevertheless, actual performance may vary from market expectations. When considering bank mergers, this viewpoint is especially accurate. The long-term employees of the amalgamated institutions are also likely to see consolidation action taken by their management, according to the results. Despite initial concerns about consolidation data, employees eventually adjusted thanks to administration communication. To wit: (Singh and Das, 2018). Professor Ritesh Patel's analysis proposed the impact of mergers and acquisitions on the Indian economy, and the review's investigator picked two examples to determine whether or not their consolidation led to a positive situation. This requires a connection between the performance of operations before and after consolidation in terms of net overall revenue, return on total assets, return on long term fund, and return on resources. (Patel, 2014)

When a business achieves consolidation and acquisition, it capitalises on years of planning and hard work.
method if they will be fruitful or unfortunate. Several international case laws show that it does not lag behind in these areas of consolidation and procurement..Beginning in around 2020, the covid will be a major event in the global economy. As the pandemic continues to sweep throughout the globe at an alarming rate, the economic recovery is struggling to keep up. When the pandemic broke out, the larger banks were more prepared than the smaller ones because they had been pooling their resources for some time. So far, financial institutions have been resilient in the face of the pandemic's monetary shock, thanks in part to the assistance of national banks and their quick responses to crises. Financial institutions were put under extreme stress to maintain business as usual throughout the lockdown and health emergency. Inadequacy and general lack of deftness in our prohibit frameworks when faced with a crisis condition were highlighted by the functional and specialised problems for both customers and representatives. The results clearly show monopolistic competition behaviour in Malaysia's banking sector. The research finds that during the time period under consideration, there was greater competition in the general market segment, which is comprised of working compensation from expenditure and commission-based goods than in the conventional interest-based market.

Findings and Suggestion

• The elements that effect the M&A performances may not be the same for all banks;

• The merger of two strong banks may develop that degree of synergy that can assist them join and battle the global competition.

In order to create a more robust financial institution, underperforming banks should be amalgamated. Nevertheless, high-performing institutions shouldn't be synergized with underperforming ones.
Mergers, in our opinion, help reduce operational costs and raise the bar for professionalism.

• A botched merger may disrupt workflow, lower consumer trust, damage the company's credit, drive away salespeople, and leave employees feeling demoralised and powerless.

Conclusion

When making a decision about whether or not to host an event of any type, one of the most significant considerations to give attention to is the current state of the economy in the area in which the economy is situated. While devising a strategy and carrying out an investigation into the most significant aspects of a situation to take into account, this aspect need to be taken into consideration. When discussing topics that are related to money, the term "monetary security" refers to a period of time or a set of circumstances in which the monetary system has reached its full potential and is promoting the ability to hold any financial shocks that may occur. This can be a single event or a series of events over the course of time. This might be a single occurrence or a string of occurrences over time. The current formative processes in banking are paving the way for a simpler structure by outlining the ways in which they are strengthening and broadening the path. This paves the way for a future structure that will be more straightforward. This will pave the way for a structure that is easier to understand in the future.In the course of the course of the course of the course of the course of the course of the course of the course of the previous many years, the Indian Financial System has been exposed to a number of changes and standard adjustments that had not been in existence prior to this period. One of these transitions was the amalgamation of a number of banks into existing financial organisations through mergers and acquisitions. These organisations already existed. The findings of this research illustrated how Indian Finance Minister Nirmala Sitharaman recently merged some of the most significant banks in the nation, as well as how such moves affected the overall performance of the organisations that were participated in the process. It also came to the conclusion that the merger of two weak banks would have a negative impact not only on those institutions but also on the economy as a whole, whereas the merger of two strong banks could provide the Indian financial system with the opportunity to successfully compete on a global scale. This was one of the key findings of the report.

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