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NAVIGATING CHANGE: AN ANALYSIS OF RECENT MERGERS & ACQUISITIONS IN THE INDIAN BANKING SECTOR

AUTHORED BY - SIDDHARTH SIVASELVAM

Abstract

A robust economy relies heavily on the presence of a well-functioning and secure banking system. The banking system in India has notable variations in comparison to other Asian countries, mostly attributable to the unique geographic, social, and economic characteristics of the nation. The banking sector plays a substantial role in bolstering the Indian economy through the provision of timely loans to diverse societal segments, alongside the collection of deposits from these segments. Commercial banks play a crucial role in fostering equitable regional development in India through the provision of essential financial infrastructure and funding to undeveloped regions. Additionally, they promote the preservation of individuals' financial resources and their allocation towards investments in lucrative ventures, thereby stimulating economic expansion and subsequently leading to a substantial enhancement of employment opportunities. A multitude of domestic and international banks engage in merger and acquisition endeavours. The article initially provides a concise examination of conducting a comparison study of the rules outlined in the Companies Act, 2013 and subsequently endeavours to extract the distinctions with the requirements under the Banking Regulation Act, 1949. Moreover, the present study endeavours to draw a conclusion by determining the distinct variations and commonalities within the two legislations. This study aims to analyse the operational dynamics of significant mergers and acquisitions within the Indian banking sector in recent years. An essential prerequisite entails the integration of the Indian banking system via mergers and acquisitions, guided by corporate considerations and goals. Bank mergers incentivize financial organisations to engage in global expansion and foster enhanced synergy, hence facilitating the acquisition of distressed assets by larger banks from their smaller counterparts. This article aims to clarify the necessity of bank mergers and acquisitions and examine their effects on the equity shares of shareholders' capital and the financial performance of the relevant banks.

Keywords: Indian Banking Sector, Mergers, Acquisitions, Banking Regulation Act 1949, Companies Act 2013, Shareholders, Equity Shares, Financial Performance.

Research Problem

The present study aims to examine the effects of mergers and acquisitions (M&As) on the financial performance of a specific group of banks operating within the Indian banking sector. The objective of this study is to evaluate the impact of mergers and acquisitions (M&As) on important financial metrics, such as Return on Assets (ROA), Return on Equity (ROE), and Net Profit Ratio. The primary focus of this research pertains to comprehending the efficacy of mergers and acquisitions (M&As) in augmenting the general fiscal well-being of banks, as well as discerning the components that contribute to favourable or unfavourable results following a merger. Furthermore, the study investigates the impact of size, financial stability, and financing approaches on the outcomes of mergers and acquisitions. This study examines significant inquiries on financial patterns, capital effectiveness, and marketing strategies following a merger, offering useful perspectives on the dynamics of mergers and acquisitions within the banking industry in India.

Research Questions

- 1) Evaluate the legal framework governing Mergers and Acquisitions in the financial sector?
- 1) How does the post-merger marketing approach affect banks' total financial performance, taking into account elements like Return on Assets, Return on Equity & Net Profit Ratio?

Research Methodology

The current investigation has utilised secondary data sources. The financial and accounting data utilised in this study were obtained from the publicly available annual reports of the bank, publications of the Reserve Bank of India, and various websites that offer data on the selected banks. These sources were utilised to examine the impact of mergers and acquisitions on the financial performance of the sample banks. This study selects six instances of merger and acquisition in the Indian Banking Sector as a sample. These instances include the merger of Indian Bank with Allahabad Bank, Union Bank of India with Andhra Bank and Corporation Bank, Punjab National Bank with Oriental Bank of Commerce and United Bank of India, Canara Bank with Syndicate Bank, Bank of Baroda with Dena Bank and Vijaya Bank, and State Bank of India with State Bank of Bikaner and Jaipur, State Bank of Mysore, State Bank of Patiala, Bharatiya Mahila Bank, State Bank of Travancore, and State Bank of Hyderabad. This study utilises key financial indicators to assess the pre- and post-merger financial performance of the banks in question. These metrics include Return on Assets, Return on Equity, and Net Profit Ratio. The

financial ratios for the pre-merger and post-merger periods were computed by taking the average values throughout the two years preceding the merger and the year subsequent to the completion of the merger.

Literature Review

The article "Recent Mergers and Acquisitions in the Indian Banking Sector- A Study" by Dr Ravi. B, Associate Professor of Commerce, VSK University, discusses the importance of consolidation in the Indian banking sector for economies of scale, regional diversity, lower costs, cross-border expansion, and market share concentration. The study highlights the central government's role in policy formulation and the challenges faced by the sector in the future. The author emphasizes the need for banks to enhance operational effectiveness, risk management, and customer service to remain competitive. The article also discusses the regulatory structure controlling mergers and acquisitions in the Indian banking sector, including the Competition Act, 2002.

The article "Mergers and Acquisitions in Indian Banking Sector" by Prannath Singh Yadaw, Ayushi Agarwal, Vijay Kumar Ojha, and Ajai Kumar Singhal discusses the benefits and challenges of mergers and acquisitions (M&A) in the Indian banking sector. The article highlights the competitive climate, the need for qualified staff, sound governance, and regulation, and the two significant eras in India's financial history: nationalisation of banks in 1969 and the 1990s when private sector banks entered the market. The benefits of M&A include greater market share, scale economies, and enhanced operational efficiency. However, the article also discusses the challenges faced by banks during the M&A process, such as regulatory obstacles and integration problems. The article concludes that M&A is a valuable tool for corporate restructuring and growth in the Indian banking industry, but also emphasizes the importance of meticulous preparation and execution throughout the process.

The paper "The Impact of Mergers and Acquisitions on the Financial Performance of the Indian Banking Sector: An Analytical Study" by Jaspreet Kaur and Dr. Ravinderjit Singh examines the impact of mergers and acquisitions on the Indian banking industry. The authors argue that a robust economy relies on an effective banking system, and India's unique geography and socioeconomic factors make it unique. They suggest that M&As can lead to scale economies, increased effectiveness, and competitiveness, but can also have negative outcomes like rising costs, cultural conflicts, and low staff morale.

Behara Yerram Raju, a Finance and Accounting Professor at Hyderabad's Institute of Public Enterprise, discusses the debate on mergers and acquisitions in the Indian banking industry,

particularly the State Bank of India (SBI) merger in 2017. He argues that while mergers can increase efficiency and competitiveness, they must be properly planned and implemented to avoid negative effects on shareholders, customers, and staff. Raju examines the advantages and hazards of mergers, their effects on profitability, liquidity, and market share, and the difficulties in carrying out these transactions, such as legislative changes, efficient human resource management, and a clear strategy for the sector's future. The SBI merger and the PCA Plan for PSBs also face challenges, such as integration, cultural, and human resource management issues. Raju provides a comprehensive analysis of the challenges and opportunities faced by the Indian banking industry in the context of mergers and acquisitions, offering insights for policymakers, regulators, and industry stakeholders.

Overview of Mergers and Acquisitions (M&As) in the Indian Banking Sector

The Indian banking industry has undergone significant development since the 18th century, marked by the establishment of the General Bank of India in 1786 and the Bank of Hindustan in 1790. These institutions were formed with considerable dedication and effort during their respective years of inception. In the ensuing years, the Bank of India underwent significant changes under the influence of the British East India Company, ultimately resulting in its renaming as the State Bank of India. During the period from 1906 to 1911, numerous further banks were established, namely Bank of Baroda, Corporation Bank, Bank of India, Central Bank of India, Indian Bank, and Canara Bank.

These banks continue to maintain their position in the Indian banking business to this day. The banking industry in India has been undergoing significant changes in terms of procedures, strategies, and systems. Mergers and acquisitions (M&As) have the potential to facilitate the development of new capacities and competencies, as well as enhance skills and knowledge, hence promoting continuous learning (Kumari, 2014).¹ The Indian economy underwent a substantial transition and experienced structural changes in 1991 due to the implementation of several economic reforms by regulatory authorities. Mergers and acquisitions (M&As) have acquired substantial importance within the Indian sector subsequent to the year 1991. Competence and size are considered to be the primary factors that enable business entities to understand the imperative for Indian enterprises to expand and thrive in the context of global competition.

¹ A Study of Mergers AND Acquisition On The Financial Performance OF Selected Banks in India, Priti Ramaswami Joharapuram <https://www.studocu.com/in/document/university-of-mumbai/mcom-banking-and-insurance/a-study-of-mergers-and-acquisition-on-the-financial-performance-of-selected-banks-in-india/50985230> (Oct. 30, 2023, 6: 42 PM)

The Indian corporate sector has implemented corporate restructuring as a strategic business approach to establish a more formidable position in the global domain (Gupta, 2015). The banking sector has been categorised into two distinct eras, namely the pre-liberalisation era and the post-liberalisation era, since 1991.² In the pre-liberalisation era of 1969, the Indian government undertook the nationalisation of the 14 major banks. Between the years leading up to 1980, an additional six banks underwent the process of nationalisation. This measure was undertaken with the ultimate objective of enabling the government to exercise control over credit distribution. In 1993, the government facilitated a merger between Punjab National Bank and New Bank of India, resulting in a reduction of the number of nationalised banks in India from 20 to 19. During the period of post-liberalisation, a significant transformation occurred within the Indian banking system, characterised by the issuance of licences to multiple private banks. The private banks mentioned in this context encompass Global Trust Bank, which underwent amalgamation with Axis Bank, as well as HDFC Bank, ICICI Bank, and Oriental Bank of Commerce. The amalgamation subsequently contributed to the expansion of the Indian banking industry, in addition to the growth of the Indian economy. The entire growth has been achieved through the contributions of private banks, government banks, and foreign banks, which are the three key segments of the banking industry. Numerous alterations were recognised in relation to the establishment of several additional institutions, namely the Bank of Madras, the Bank of Bengal, and the Bank of Bombay. The consolidation of the respective banks took place in 1921, resulting in the establishment of 'The Imperial Bank of India', subsequently renamed as 'State Bank of India'. During the period from 1906 to 1911, numerous further banks were established, namely Bank of Baroda, Corporation Bank, Bank of India, Central Bank of India, Indian Bank, and Canara Bank. These banks continue to maintain their position in the Indian banking business to this day. The banking industry in India has been undergoing significant changes in its processes, strategies, and systems. Mergers and acquisitions (M&As) have the potential to facilitate the development of new capacities and competences, as well as enhance skills and knowledge, hence promoting continuous learning (Kumari, 2014).³

The Indian economy underwent a substantial shift and experienced structural changes in 1991 due to a series of economic reforms imposed by regulatory authorities. Mergers and acquisitions (M&As) have acquired considerable importance within the Indian sector subsequent to the year

² Mergers And Acquisitions In Indian Banking Sector Mr. Prannath Singh Yadaw, Ms. Ayushi Agarwal, Dr. Vijay Kumar Ojha, Prof. Ajai Kumar Singhal
https://www.researchgate.net/publication/369949577_Mergers_And_Acquisitions_In_Indian_Banking_Sector
(Oct. 29, 2023, 5: 25 PM)

³ Ibid.

1991. Competence and magnitude are considered as the primary focal areas that enable business entities to understand the imperative of Indian enterprises to expand and thrive within the context of a globally competitive environment. The Indian corporate sector has implemented corporate restructuring as a strategic business approach to establish a more formidable presence in the international domain (Gupta, 2015).⁴ Since 1991, the banking sector has been characterised by two distinct eras: the pre-liberalisation era and the post-liberalisation era. In the pre-liberalisation era of 1969, the Indian government nationalised the 14 major banks. From the years following until 1980, an additional six banks underwent nationalisation, a process undertaken with the aim of government control over loan distribution. In 1993, the government facilitated a merger between Punjab National Bank and New Bank of India, resulting in a reduction of the number of nationalised banks in India from 20 to 19. During the period of post liberalisation, a significant transformation occurred in the Indian banking system, characterised by the issuance of licences to numerous private banks. The private banks mentioned in this context encompass Global Trust Bank, which underwent amalgamation with Axis Bank, as well as HDFC Bank, ICICI Bank, and Oriental Bank of Commerce. The merging subsequently contributed to the expansion of the Indian banking industry, as well as the growth of the Indian economy. The entire growth has been achieved through the contributions of private banks, government banks, and foreign banks, which are the three key segments of the banking industry. The Indian banking industry has seen several modifications in terms of structural and regulatory changes due to the influence of globalisation. The Indian banking sector has implemented many tactics to enhance efficiency and maintain a competitive edge in the global arena, in response to the dynamic nature of the environment. Mergers and acquisitions can be regarded as strategic approaches to consolidation aimed at addressing competitiveness in the global arena, as observed in the Indian banking industry⁵. The primary emphasis of the Indian banking sector lies in the implementation of a comprehensive strategy for risk management. Banks are endeavouring to adopt international banking supervision practises by adhering to and implementing the guidelines outlined in the Basel II framework. Furthermore, the majority of banks are successfully fulfilling the capital requirements in accordance with the Basel-III standards. In the present context of the Indian banking sector, it is

⁴ Charan D Wadhwa, India trying to Liberalise Economic Reforms since 1991 <https://dkiapcss.edu/wp-content/uploads/2010/PDFs/Edited%20Volumes/RegionalFinal%20chapters/Chapter16Wadhwa.pdf> (Oct. 29, 2023, 8: 30 PM)

⁵ A Study of Social and Ethical Issues in banking industry, Dr.K.A.Goyal, et.al., Int. J. Eco. Res., 2011 2(5), 49-57
[https://www.ijeronline.com/documents/volumes/Vol%202%20issue%205/ijer20110205SO\(5\).pdf](https://www.ijeronline.com/documents/volumes/Vol%202%20issue%205/ijer20110205SO(5).pdf)

observed that public banks constitute 27% of the total, private banks constitute 21%, and foreign banks constitute 49%. Furthermore, it is worth noting that the current count of regional banks is 56, while the number of rural cooperative banks is 94384, and the number of urban cooperative banks is 1562 (Biradar, 2020). Over the past few years, the Indian banking sector has experienced a series of mergers and acquisitions, resulting in significant transformations in the financial standing of the involved banks. The compilation of mergers and acquisitions that transpired within the Indian Banking sector over the specified timeframe.

Regulatory Framework that governs mergers and acquisitions (M&A) in the banking sector, specifically focusing on the Banking Regulation Act of 1949 and the Companies Act of 2013.

The BR Act and firms Act share certain parallels in their laws pertaining to mergers involving either firms or banking companies. The voluntary consolidation of two banking entities is addressed under Section 44A of the Banking Regulation Act⁶. Similarly, the voluntarily merging of businesses is governed by Section 232⁷ of the Companies Act, 2013. In the event that a scheme is approved under Section 230⁸ of the Companies Act, 2013 in relation to a banking company, it is pertinent to note that the provisions outlined in Section 340⁹ of the Companies Act, 2013 and Section 45H¹⁰ of the Banking Regulation Act (BR Act) will be applicable to the banking company undergoing liquidation, as if the order approving the compromise or arrangement were an order for the winding up of said banking company. Sections 340 and 45H exhibit similarities, as previously elucidated. The authority of the High Court to instruct the Reserve Bank of India (RBI) to conduct an investigation is akin to the court's ability to request reports from the Registrar of Companies. Upon granting approval for the amalgamation, the Reserve Bank of India (RBI) has the authority to issue a further written order, stipulating a certain date on which the combined banking entity will be required to cease its operations and be dissolved. The implementation of any such directive shall be valid and enforceable, regardless of any conflicting provisions in any other legislation. The aforementioned bears resemblance to the powers vested in the Tribunal as stipulated in Section 232(3) (d) of the Companies Act, 2013, enabling the dissolution of the transferor company without undergoing the process of winding up. In order to dissolve the transferor company, it is necessary for them to provide the Registrar of Companies, with whom

⁶ Section 44A of the Banking Regulation Act.

⁷ Section 232 of the Companies Act, 2013.

⁸ Section 230 of the Companies Act, 2013.

⁹ Section 340 of the Companies Act, 2013.

¹⁰ Section 45H of the Banking Regulation Act.

the banking company is registered, a copy of the order issued by the Reserve Bank of India (RBI) directing the dissolution. Upon receiving this order, the Registrar is then responsible for removing the name of the company from the records. The aforementioned paragraph has resemblance to the provision found in Section 232¹¹. Upon approval of the merger scheme by the Reserve Bank of India (RBI), the assets and liabilities of the bank are transferred to the acquiring bank. The aforementioned provisions bear resemblance to those outlined in Section 232(4) of the Companies Act, 2013. The process of merger as governed by the businesses Act and the amalgamation of banking businesses as regulated by the Banking Regulation Act exhibit distinct variations across multiple dimensions. In the context of corporate mergers, it is imperative to safeguard the interests of investors, as well as to ensure the protection of depositors' interests in the event of bank mergers. The High Court lacks the authority to issue clearance for the merging of banking companies, but the Reserve Bank of India (RBI) possesses the power to do so. In alternative terms, it might be posited that the High Court grants approval to the scheme in accordance with the provisions of the Companies Act, but the Reserve Bank of India (RBI) possesses ultimate jurisdiction under the Banking Regulation Act with regards to bank mergers. The Reserve Bank of India (RBI) has the authority to ascertain the market value of shares held by dissenting shareholders who have either opposed the scheme or have submitted written objections prior to the banking company's meeting to the relevant Presiding Officer. The shareholders who have been negatively affected by the merger of the banking businesses have the right to receive a compensation equal to the assessed worth of their shares, as determined by the Reserve Bank of India (RBI). In accordance with Section 230 of the Companies Act, 2013, when a banking company submits an application, the High Court possesses the authority to instruct the Reserve Bank of India (RBI) to conduct an investigation into the banking business's operations and the behaviour of its directors. The numerical value provided by the user is 67. Nevertheless, in accordance with the Companies Act, the Court possesses the authority to request a report from the Registrar of Companies prior to issuing an order of merger. This report is intended to ascertain if the company's operations have been handled in a manner that is detrimental to the public's interests. The Companies Act, as per its provisions, specifically refers to the "High Court" rather than the "National Company Law Tribunal." It is important to acknowledge that according to Section 408 of the Companies Act, 2013, the Tribunal is granted powers and functions that are given upon it by the Act or any other current legislation. Hence, it is plausible that the Tribunal may likewise be endowed with the powers outlined in the BR Act.

¹¹ Section 232 of the Companies Act, 2013.

The laws pertaining to the consolidation of private banks are addressed in Section 45 of the Banking Regulation Act (BR Act). This bears resemblance to the obligatory mergers of businesses as outlined in Section 237 of the businesses Act, 2013¹².

Data Analysis and Interpretation of Recent M&As in the Banking Sector

1) Return on Assets (ROA)

The Return on Assets ratio is derived by dividing a company's net income, adjusted for taxes, by the total value of its assets. It is imperative to bear in mind that due to the significant leverage employed by banks, a return on assets (ROA) ranging from 1 to 2% might nevertheless indicate substantial revenues and profits for a bank. The table below displays the return on assets of the banks under investigation as per this report¹³.

Name of the Bank	Year of Merger	Return on Equity (ROA) in %			
		Pre-merger		Post-merger	
		31/03/2019	31/03/2020	31/03/2021	31/03/2022
1) Indian Bank	1 st April 2020	0.11	0.24	0.47	0.58
2) Union Bank of India	1 st April 2020	-0.59	-0.52	0.27	0.44
3) Punjab National Bank	1 st April 2020	-1.28	0.04	0.16	0.26
4) Canara Bank	1 st April 2020	0.04	-0.30	0.22	0.46
		31/03/2018	31/03/2019	31/03/2020	31/03/2021

¹² Section 396 of the Companies Act, 1956

¹³ The Impact of Mergers and Acquisitions on the Financial Performance of Indian Banking Sector: An Analytical Study, Jaspreet Kaur & Dr. Ravinderjit Singh, AMRW Vol II Issue 4, n(43) (2023)

5) Bank of Baroda	1 st April 2019	-0.33	0.05	0.04	0.07
31/03/2016 31/03/2017 31/03/2018 31/03/2019					
6) State Bank of India	1 st April 2018	0.42	0.38	-0.18	0.02

The aforementioned table illustrates that the merger and acquisition of Indian Bank, Union Bank of India, PNB, and Canara Bank resulted in a substantial boost in their return on assets. Conversely, the Bank of Baroda experienced minimal changes in their ROA. The table provides clear evidence indicating that the return on assets (ROA) of SBI was higher in the period preceding the merger compared to the period following the merger.

2) Return on Equity (ROE)

It is a comprehensive financial performance metric that integrates information from both the balance sheet and income statement. The metric is considered a gauge of an organization's profitability and efficacy in generating financial gains. Profitability can be determined by dividing a bank's net income by its shareholders' equity, with a higher quotient indicating a more favourable return. The table below displays the return on equity of the banks under investigation as indicated by this study.¹⁴

Name of the Bank	Year of Merger	Return on Equity (ROE) in %			
		Pre-merger		Post-merger	
		31/03/2019	31/03/2020	31/03/2021	31/03/2022
1) Indian Bank	1 st April 2020	1.97	3.94	11.88	10.52
2) Union Bank of India	1 st April 2020	-12.15	-9.46	4.87	7.94

¹⁴ The Impact of Mergers and Acquisitions on the Financial Performance of Indian Banking Sector: An Analytical Study, Jaspreet Kaur & Dr. Ravinderjit Singh, AMRW Vol II Issue 4, n(44) (2023).

3) Punjab National Bank	1 st April 2020	-24.20	0.58	2.41	3.90
4) Canara Bank	1 st April 2020	1.16	-6.78	5.05	9.85
31/03/2018 31/03/2019 31/03/2020 31/03/2021					
5) Bank of Baroda	1 st April 2019	-5.60	0.94	0.76	1.07
31/03/2016 31/03/2017 31/03/2018 31/03/2019					
6) State Bank of India	1 st April 2017	6.89	6.69	-3.37	0.39

Based on the provided table, it can be observed that the mergers and acquisitions involving Indian Bank, Union Bank of India, PNB, Canara Bank, and Bank of Baroda resulted in a notable increase in their respective return on equity. However, the State Bank of India experienced a different trend. Prior to the merger, the bank's return on equity stood at a higher value of 6.89. Subsequently, following the merger, this metric transitioned from positive to negative, only to revert back to a positive value in the subsequent fiscal year.

3) Net-profit Ratio

The net profit ratio, alternatively referred to as the net profit margin ratio, is a financial metric used to evaluate the profitability of a firm by measuring the proportion of revenue generated in relation to its earnings. In alternative terms, the net profit margin ratio elucidates the correlation between a business's net profit after taxes and its net sales. The net profit ratios of the banks under consideration are presented in the subsequent table as per the findings of this study.¹⁵

Name of the Bank	Year of Merger	Net Profit Ratio in %	
		Pre-merger	Post-merger

¹⁵ The Impact of Mergers and Acquisitions on the Financial Performance of Indian Banking Sector: An Analytical Study, Jaspreet Kaur & Dr. Ravinderjit Singh, AMRW Vol II Issue 4, n(45) (2023).

		31/03/2019	31/03/2020	31/03/2021	31/03/2022
1) Indian Bank	1 st April 2020	1.67	3.51	7.68	10.15
2) Union Bank of India	1 st April 2020	-8.65	-7.78	4.22	7.70
3) Punjab National Bank	1 st April 2020	-19.44	0.62	2.50	4.61
4) Canara Bank	1 st April 2020	0.74	-4.56	3.69	8.18
		31/03/2018	31/03/2019	31/03/2020	31/03/2021
5) Bank of Baroda	1 st April 2019	-5.57	0.87	0.71	1.17
		31/03/2016	31/03/2017	31/03/2018	31/03/2019
6) State Bank of India	1 st April 2017	6.06	5.97	-2.96	0.35

According to Table No. 3, it is evident that the net profit ratios of Indian Bank, Union Bank of India, PNB, Canara Bank, and Bank of Baroda exhibit a positive trend subsequent to the merger and acquisition. However, it is noteworthy that the net profit ratio of SBI was initially higher (6.06) prior to the merger but experienced a negative shift post-merger and acquisition. Subsequently, in the subsequent financial year, the net profit ratio of SBI returned to a positive value.

Suggestions & Conclusion

The aforementioned findings have led to the formulation of the following suggestions for banks:

- It is advisable to enhance the likelihood of a successful merger by concurrently conducting strategic and financial analyses and planning. This planning should encompass the implementation strategy of the merger, aligning it with the distinct preferences of the two corporate entities involved.

- It is recommended that banks prioritise equity financing over debt creation in order to enhance the capital efficiency of the institution. Furthermore, the use of equity financing is expected to enhance the bank's trustworthiness and foster trust among stakeholders, hence stimulating additional investments for the institution.
- It is also advisable to suggest that financially weaker banks experiencing a decline in the market consider pursuing a merger and acquisition (M&A) strategy. This approach would potentially yield synergistic benefits for the bank, such as enhancing its profitability and augmenting shareholders' wealth in the near term through stock growth and fostering trust with the bank.
- It is advisable for banks to adopt a proactive marketing approach during the post-merger phase to promote their financial products. This strategy can contribute to enhancing their financial performance in terms of gross earnings, net assets, and post-tax profit. Consequently, banks can effectively leverage the synergistic benefits arising from mergers and acquisitions.

Mergers and acquisitions (M&A) are a prevalent business strategy employed by organisations seeking to enhance value creation. Mergers facilitate the enhancement of banks' financial underpinnings, acquisition of tax benefits, and establishment of direct access to liquid assets. The determinants that can impact the viability of a merger and acquisition's outcome encompass the comparative magnitudes of the merging entities, the approach employed for financing such transactions, and the quantity of offers made. The shareholder value can be modified by autonomous structural forces. Based on the findings of the present study, an analysis of financial indicators was conducted, encompassing the pre- and post-merger and acquisition periods of selected Indian banks. The results reveal a discernible positive transformation in the financial performance of the banks under consideration, with the exception of the State Bank of India (SBI) subsequent to the merger. The merger of the State Bank of India (SBI) and its member banks necessitates the need to address the issue of underperformance. However, the statement, which suggests that the consolidation and merger of banks may result in temporary difficulties but will provide long-term benefits in a relatively short period of time, acts as a motivating factor for such actions.

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