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Merger and Acquisition of Banks in the Second Decade of 21st Century

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Abstract
When we enter the 21st century, we see many changes in the Indian banking sector such as stock market, Mergers and acquisitions, green banking, etc. This paper aims to analysis the data from 2010 to 2021 of Mergers and Acquisitions in the Indian banking sector. Mergers and acquisitions have long been known to guide merging entities towards positive synergies, enhanced resources and, therefore, overall growth in profit statements. Mergers between different banks are classified as horizontal mergers. The deal is always expected to be beneficial for both the merging firms. The mega amalgamation raises hopes of redefining the landscape. This study is examining the impact of mergers and acquisitions of banks and provides insight into their post-merger role on the profitability of banks.

Keywords: Merger, acquisition, second decade, 21st century, Indian banking, etc.

Introduction

In the global market place, banking organization vastly expanded the scope and complexity of their activities, and is facing a constantly changing complex regulatory environment. By the last of 20th century begin to be realized that merger and acquisitions are the only way to acquire competitive advantage domestically and internationally. The process of strategic acquisition constantly increasing in industry sectors of India and abroad. Today, the counting of the banking industry is rapidly growing in India. In the last two decades of the 21st century, the banking sector has changed a lot. The Banking system has received much excellent achievement in a comparatively short period of time for the largest and most diversified democracy in the world. The Indian Banking sector has undergone many successful mergers and acquisitions which have helped and increased manifold. The M&A strategy is widely used by companies to sustain their position in the market. M&A is considered to be a relatively fast and effective way to spread new marketplace and involve new technologies. For example, the Punjab National Bank acquired a New Bank of India in 1993. In 2017, other nationalized Banks except for the State Bank of India were merged with its associate Banks other than. In August 2019, the government of India has merged 27 public sector Banks into 12. The second-largest PNB has merged into Oriental Bank of Commerce, United Bank of India and Bank of India.

A merger is referred to as a combination of two or more companies into a new company, in which the purchasing firm's assets and liabilities are absorbed by the purchasing firm. Although, after the merger, the purchasing firm may differ considerably from another organisation, the company retains its original identity. In the banking sector, a merger has referred to a situation in which two banks combine their assets and liabilities as one bank because it has a significant impact on the financial industry.

On the other hand, an Acquisition is defined as a transaction, in which one firm acquires most or all of another firm's shares to obtain control of that company. When the acquiring firm purchases more than 50% stock or shares of a target company, which gives the power to the acquiring firm to make decisions about the acquired assets without the approval of shareholders from the target company. The consolidation process ensures that the acquired company transfers its shares and assets to the acquiring company through shares or exchange money. As a result, the acquisition assumes that acquiring Banks take over the ownership of other banks and include all their functions within the framework of a new alliance. Through the acquisition, one bank acquires management control over another bank. According to Krishnamurti and Vishwanath;

> "An acquisition is the purchase of by one company (the acquirer) of a substantial part of the assets or the securities of another (target company). The purchase may be a division of the target company or a large part (or all) of the target company's voting shares."

Objectives of the study

- To introduce the concept of Merger and Acquisition
- To see the history of Merger and Acquisition
- To find out Merger and Acquisition in the banking sector
- To highlight the Merger and Acquisition of SBI, PNB, BOB, etc.

The adverse effects of the global financial crisis have necessitated mergers and acquisitions in the banking sector. Many international and national banks worldwide are engaged in mergers and acquisitions. M&A has helped many banks to capitalize on the operating unities of scale economies. Banks take advantage of mergers and acquisitions and reduce their spending to reasonable rates. The formation of a banking alliance reduces the number of companies on financial markets and hence competition in the banking industry.

The M&A of the bank was beginning in India during the 1960s to protect the bailment of weak banks and the interest of cline. After liberalization, excitement to create an Indian Bank has been beginning since 1990 to be consisting among the global giants. The government had approved the merger of five associated banks with SBI in February 2017. on the path to forming one of the largest global banks. The period from 1961 to 1969 is called the pre-nationalization period because in 1969 the government nationalised 14 private banks. There were 46 mergers aimed at reviving the under-performing banks of the private sector banks which proved to be quite successful steps for the poorly performing banks.

The M&A has been used in the Indian banking sector since the 1960s, many banks have merged since the 1960s but in the second decade of the 21st century, M&A is used to be very comprehensive.

In 2008, SBI first merged the State Bank of Saurashtra with itself. Two years later, the State Bank of Indore was merged in 2010. the board of SBI first approved the merger scheme under which the SBI share 28 of the SBI for every 10 shares to the SBBJ shareholders. Similarly, the SBM and SBT shareholders get 22 shares of SBI for every 10 shares. After the merger, State Bank India (SBI) is in the process of rationalizing its branch network. According to SBI, it improved customization and benefits in bank operations. SBI had approved separate schemes for the acquisition of the State Bank of Patiala and State Bank of Hyderabad. There were no any share swap or cash expenses as they were owned by the SBI. At this stage, five associates of SBI and Bhartiya Mahila Bank were merged into SBI with a large number of banks in view of which SBI was one of the world's 50 largest banks.

In 2017, Union Cabinet has decided to merge all the rest five associate banks of the State Bank of Group with the State Bank of India. After the parliament passed the merger Bill, the subsidiary banks ceased to exist and the State Bank of India act, 1959 and the State Bank of Hyderabad Act, 1956 were repealed. As many as five subsidiary banks and Bhartiya Mahila Bank become part of SBI in 2017.

It has made the State Bank of India one of the top 50 Banks in the world. There were five subsidiary associate banks merged in the State Bank of India including, the State Bank of Bikaner, and Jaipur (SBBJ) the State Bank of Hyderabad (SBH), State Bank of Mysore (SBM), and the State Bank of Patiala (SBP). The other two subsidiary banks as State Bank of Saurashtra and the State Bank of Indore were already merged into the State Bank of India. After this merger, the customers of State Bank India to 37 caror with branches around 24,000 and 60,000 ATMs across the country.

Table 1: Details of Merger of Bank with SBI

Name of the Banks Acquired	Merger of the Banks got merged	Year of Merging happened
State Bank of India	Bhartia Mahila Bank	2017
State Bank of India	State Bank of Travancore	2017
State Bank of India	State Bank of Bikaner, and Jaipur (SBJ)	2017
State Bank of India	State Bank of Hyderabad	2017
State Bank of India	State Bank of Mysore (SBM)	2017
State Bank of India	State Bank of Patiala	2017

The government has merged Vijaya Bank and Dena Bank into Bank of Baroda making it the third-largest bank in the country in 2018.

On 30 August 2019, with mega-merger announce, ten public sector banks were reduced to four large banks. The objective of the move was to clear the bank balance sheet and create global-level lenders that could help bring the economic growth to $5 trillion by 2024. FM Sitharaman said:

> "Having done two rounds of bank consolidation earlier, this is what we want to do for a robust banking system and a $5-trillion economy. We are trying to build next-generation banks, big banks with the capacity to enhance credit."

The four sets of banks are created out of Canara Bank and syndicate Bank merger; Allahabad Bank merger; Union Bank of India; Corporation Bank and Andhra Bank merger; and followed Punjab National Bank, Oriental Bank of Commerce and United Bank of India merger.

Table 2: Details of Merged of Banks and Acquirer Banks

S. No	Acquirer	Banks to be Merged
1	Punjab National Bank	Oriental Bank of Commerce and United Bank
2	Union Bank of India	Allahabad Bank
3	Canara Bank	Syndicate Bank
4	Union Bank of India	Corporation Bank and Andhra Bank

Mega-merger has left six other Public Sector Unit (PSU) banks untouched in which two national banks and four has regional centres. The untouched banks of India, are:

Table 3: Banks Excluded from Merger

S. No	Bank
1	Indian Overseas Bank,
2	UCO Bank
3	Bank of India
4	Bank of Maharashtra
5	Punjab &Sind Bank
6	Central Bank of India

According to Krishnan Sita Raman, senior director at Crisil Rating, problems can range from problems related to human resources to technical hiccups such as managing some large-scale integration practice with some short time challenges such as cultural variations manpower and branch rationalization and technical integration. Sitaraman said;

> "If implemented well, it can bring in structural benefits over the medium term, enabling PSBs to compete more effectively with other constituents in the financial sector landscape,"

Table 4: Weak Banks Merger in Different Strong Banks

Name of the Banks Acquired	Merger of the Banks got merged	Year of Merging happened
State Bank of India	Bhartia Mahila Bank	2017
State Bank of India	State Bank of Travancore	2017
State Bank of India	State Bank of Bikaner, and Jaipur (SBJ)	2017
State Bank of India	State Bank of Hyderabad	2017
State Bank of India	State Bank of Mysore (SBM)	2017
State Bank of India	State Bank of Patiala	2017
Kotak Mahindra Bank	ING Vyasa Bank	2014
ICICI Bank	Bank of Rajasthan Ltd.	2010

The banking industry is one of the most important indicators in the field of an economy. The ability of one bank and the freedom two borrow from other banks and lend to corporate has a great impact on the growth rate of the economy.

Conclusion

To sum up the above points, it cannot be wrong to say that the Indian Banking sector has undergone many successful mergers and acquisitions which have helped and increased manifold in the second decade of the 21st century in India. Many banks such as the government have merged Vijaya Bank and Dena Bank into Bank of Baroda making it the third-largest bank in the country in 2018. There were five associate banks merged in the State Bank of India including, the State Bank of Bikaner, and Jaipur (SBBJ) the State Bank of Hyderabad (SBH), State Bank of Mysore (SBM), and the State Bank of Patiala (SBP). The other two subsidiary banks as State Bank of Saurashtra and the State Bank of Indore were already merged into the State Bank of India.

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