A STUDY ON THE IMPACT OF PRE & POST-MERGER AND ACQUISITION ACTIVITIES ON THE FINANCIAL PERFORMANCE OF BANKS

Project Report

Submitted by

DEVIKA C R (Reg. No. AB20COM037)

DIYA ANN (Reg. No. AB020COM038)

LEANA P J (Reg. No. AB20COM039)

Under the guidance of

Dr. Mary Sruthy Melbin

In partial fulfilment of requirements for award of the degree of

Bachelor of Commerce

ST.TERESA'S COLLEGE (AUTONOMOUS), ERNAKULAM COLLEGE WITH POTENTIAL FOR EXCELLENCE

Nationally Re-Accredited at 'A++' Level (Fourth Cycle)

Affiliated to

MAHATMA GANDHI UNIVERSITY

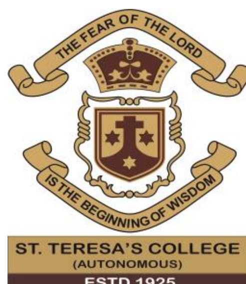
Kottayam-686560

March 2023

ST.TERESA'S COLLEGE (AUTONOMOUS), ERNAKULAM

COLLEGE WITH POTENTIAL FOR EXCELLENCE

Nationally Re-Accredited at 'A++' Level (Fourth Cycle)



CERTIFICATE

This is to certify that the project report titled **'A STUDY ON IMPACT OF PRE & POST-MERGER AND ACQUISITION ACTIVITIES ON THE FINANCIAL PERFORMANCE OF BANKS'** submitted by **DEVIKA C R, DIYA ANN, LEANA P J** towards partial fulfillment of the requirements for the award of the degree of **Bachelor of Commerce** is a record of bonafide work carried out by them during the academic year 2022-23.

Supervising Guide	**Head of the Department**
Dr. Mary Sruthy Melbin	**Ms. Ann Thomas Kiriyanthan**
Assistant Professor	**Assistant professor**
Dept. of Commerce	**Dept. of Commerce**

Place: Ernakulam

Date:

DECLARATION

We, Devika C R, Diya Ann, and Leana P J, do hereby declare that this dissertation entitled**, 'A STUDY ON IMPACT OF PRE & POST-MERGER & ACQUISITION ACTIVITIES ON THE FINANCIAL PERFORMANCE OF BANKS'** has been prepared by us under the guidance of **Dr. Mary Sruthy Melbin**, Assistant Professor, Department of Commerce, St Teresa's College, Ernakulam.

We also declare that this dissertation has not been submitted by us fully or partly for the award of any Degree, Diploma, Title, or Recognition before.

Place: Ernakulam **DEVIKA C R**

Date: **DIYA ANN**

LEANA P J

ACKNOWLEDGEMENT

We wish to acknowledge all those persons who helped us in completing our project on the topic, **'A STUDY ON IMPACT OF PRE & POST-MERGER & ACQUISITION ACTIVITIES ON THE FINANCIAL PERFORMANCE OF BANKS'**.

First of all, we thank God Almighty for his blessings showered upon us in the conduct of the project study. We are also indebted to Dr. Mary Sruthy Melbin, Department of Commerce, St Teresa's College, Ernakulam for her guidance and encouragement for the proper completion of the study.

We express our sincere thanks to the Provincial Superior and Manager, Rev. Sr. Dr. Vinitha, Director Rev. Sr. Emeline CSST, Principal Dr. Alphonsa Vijaya Joseph, Ms. Ann Thomas Kiriyathan, Head of the Department of Commerce and all other faculties of the Department of Commerce, St. Teresa's College, for their support and valuable suggestions.

We would like to express our thanks to all the colleagues who helped us with this study for their sincere contributions toward the successful completion of the project. We also extend heartfelt thanks to our family for their constant encouragement without which this project would not be possible. We also thank the librarian of St. Teresa's College, for their kind cooperation.

We also extend heartfelt thanks to our family for their constant encouragement without which this project would not have been possible.

DEVIKA C R

DIYA ANN

LEANA P J

④ABSTRACT

Merger and Acquisitions (M&As) became the best strategy for growth within the size of banks which successively play a big role in entering the worldwide financial market. The banking industry is an important area in which mergers and acquisitions do make enormous financial gains. The Banking Sector is using Merger and Acquisitions worldwide as a strategy for achieving larger size, increased market share, faster growth, and synergy for becoming more competitive through economies of scale.

This research paper mainly focuses on the mergers of 5 major public sector banks. Andhra Bank and Corporation Bank merged with Union Bank, Oriental Bank of Commerce and United Bank merged with Punjab National Bank, Syndicate Bank merged with Canara Bank, while Allahabad Bank merged with Indian Bank. The mergers took effect from 1.4.2020. Dena bank and Vijaya bank were merged with Bank of Baroda in 2019.

The problem statement of the study is to examine the impact of merger and acquisition activities on the financial performance of banks, whether the merger improved the efficiency of performance or not. Our research project tries to find out the answer to the question 'Whether merger & acquisition activities could still be recommended as a measure to improve the financial performance of the banks?' The study used secondary data to arrive at the conclusion of the research questions under investigation which are taken from the annual reports of selected banks and other websites. The study analyzed the data using both descriptive data and analytical tools, in addition to tables, percentages and graphs, financial ratios were employed as a framework for analyzing the performance of the banks.

Mergers help the banks to strengthen their financial base and access tax benefits and facilitate direct access to cash resources. Merger & Acquisition have improved the competition edge of the industry in order to compete with the competitors in the global market. But also shrinks the industry because of the reducing number of banks. The decision to apply M&A operation often represents one of the most important actions subordinated to the strategy of an enterprise, having immediate financial implications yet, important consequences on long-term development and survival. Consequently, various emerging issues have been identified for further attention of the researchers and the scholars

CONTENT

Sl. No:	Particulars	Page No:
1	List of tables	-
2	List of figures	-
3	**Chapter 1** -Introduction	1-6
4	**Chapter 2** - Review of Literature	7-11
5	**Chapter 3** -Theoretical Framework	12-20
6	**Chapter 4 -**Company profile	21-25
7	**Chapter 5** -Data Analysis and Interpretation	26-35
8	**Chapter 6** -Summary, Findings, Recommendations and Conclusion	36-38
9	**Bibliography**	-

LIST OF TABLES

TABLE NO	PARTICULARS	PAGE NO
1.1	MERGER BANK LIST	4
5.1	OPERATING PROFIT RATIO	26
5.2	NET PROFIT RATIO	27
5.3	RETURN ON ASSET RATIO	28
5.4	RETURN ON EQUITY	29
5.5	COST-TO-INCOME RATIO	30
5.6	EARNINGS PER SHARE	31
5.7	DEBT EQUITY RATIO	32
5.8	RETURN ON CAPITAL EMPLOYED	33
5.9	ASSET TURNOVER RATIO	34
5.10	CURRENT ACCOUNT SAVINGS ACCOUNT RATIO	35

LIST OF FIGURES

TABLE NO	PARTICULARS	PAGE NO
3.1	BANKING IN INDIA	12
5.1	OPERATING PROFIT RATIO	26
5.2	NET PROFIT RATIO	27
5.3	RETURN ON ASSET RATIO	28
5.4	RETURN ON EQUITY	29
5.5	COST-TO-INCOME RATIO	30
5.6	EARNINGS PER SHARE	31
5.7	DEBT EQUITY RATIO	32
5.8	RETURN ON CAPITAL EMPLOYED	33
5.9	ASSET TURNOVER RATIO	34
5.10	CURRENT ACCOUNT SAVINGS ACCOUNT RATIO	35

CHAPTER 1
INTRODUCTION

CHAPTER 2

REVIEW OF LITERATURE

CHAPTER 3

THEORETICAL FRAMEWORK

CHAPTER 4

COMPANY PROFILE

CHAPTER 5

DATA ANALYSIS AND INTERPRETATION

CHAPTER 6

SUMMARY, FINDINGS, RECOMMENDATIONS AND CONCLUSION

BIBLIOGRAPHY

Reference

Agarwal, R., Vichore, S., & Gupta, M. (2019). The Effects of Mergers and Acquisitions on the Performance of Commercial Banks in India. Durgadevi Saraf Institute of Management Studies, 2(2), 16-31.

Alhenawi, Y., Stilwell, M. (2017) - Value creation and the probability of success in merger and acquisition transactions.

Deepak Sahni, Soniya Gambhir (2018) - "Financial performance evaluation of Indian Commercial banks after merger and acquisition (A study with reference to selected Merged Banks in India)" Gurukul Business Review (GBR) Vol.14

Ishwarya, J. (2019). A Study on Mergers and Acquisition of Banks and a Case Study on SBI and its Associates. International Journal of Trend in Research and Development, September, 22, 26.

Kashyap, D. (2021). Merger and Acquisition in Indian Banking Sector: A Case Study of Bank of Baroda. Merger and Acquisition in Indian Banking Sector: A Case Study of Bank of Baroda (December 8, 2021).

Kumar, V., & Sharma, P. (2019). An insight into mergers and acquisitions: A growth perspective. Springer.

Kundra, S., & Singh, D. (2022). Before And After Merger Performance of Selected Commercial Banks in India. Available at SSRN 4295545.

MUKESHKUMAR, P. N. (2021) - A STUDY ON MERGERS AND ACQUISITIONS IN INDIAN BANKING SECTOR (Doctoral dissertation, VEER NARMAD SOUTH GUJARAT UNIVERSITY).

Painoli, G. K.(2022) - IMPACT OF MERGERS ON THE PERFORMANCE OF BANKS IN PUBLIC AND PRIVATE SECTORS–SBI AND HDFC PERSPECTIVE.

Poddar, Natika. "A study on mergers and acquisition in India and its impact on the operating efficiency of an Indian acquiring company." Theoretical Economics Letters 9.04 (2019): 1040.

Pon, S. P. (2019) - AN IMPACT ON BANKING PERFORMANCE IN THE EVENT OF A COVID-19 PANDEMIC: MERGERS AND ACQUISITIONS.

Prabha, W. R. (2021). A Study of the Concept of Bank Mergers in the Indian Banking System. RESEARCH EXPLORER-A Blind Review & Refereed Quarterly International Journal, IX,(31), 1-4.

Prabhakar. K and Vasanth Ebenezer. H. 2020. A Study on the Customer Perception Towards Bank Merger and The Recent Developments with Reference to Public Sector Banks, Mukt Shabd Journal, 9(4), 198-206.

Subhashree, K., and M. Kannappan. (2018) "Merger and Acquisition in Banking Industry." International Journal of Pure and Applied Mathematics 119.17: 1009-1022.

Undi, Ravi Kumar, and C. S. Basavaraj. (2019) - "FINANCIAL PERFORMANCE OF SELECTED PUBLIC SECTOR BANKS IN INDIA."

Websites

- www.moneycontrol.com
- www.bankofbaroda.com
- www.punjabnationalbank.com
- www.canarabank.com
- www.unionbankofindia.com
- www.indianbank.com
- https://www.ndtv.com
- www.topstockresearch.com
- www.trendlyne.com
- www.screener.in
- www.nseindia.com
- www.business-standard.com

1.1 INTRODUCTION

The banking system in India is one among the important indicators of the health of an economy. The ability of the bank and its freedom to borrow from other banks and lend to corporates creates a great impact on the expansion rate of the Indian economy. In the economic process and development of a nation, the banking sector always plays a crucial role. Bank in general terminology is a financial institution or a corporation which is authorized by the state or central government to deal with money by accepting deposits, giving out loans and investing in securities. The main role of banks is the growth of the economy by providing funds for investment. In recent times the banking sector has been undergoing a lot of changes in terms of regulations and effects of globalization. These changes have affected this sector both structurally and strategically. With the changing Environment, many different strategies have been adopted by this sector in order to remain efficient and to surge ahead in the global arena. One such profitable strategy is the process of consolidation of the banks. In this dynamic environment, the banking sector is adopting the methods of corporate restructuring, consolidation, and strengthening to be more efficient and viable. For this, Merger and Acquisitions (M&As) became the best strategy for growth within the size of banks which successively play a big role in entering the worldwide financial market. Consolidation in the form of Merger and Acquisitions (M&As) has been witnessed around the world in almost all the industries ranging from automobile, banking, aviation, oil and gas to telecom.

The purpose of this paper is to explore various motivations of Merger and acquisitions of Public Sector banks in India. This study also examines the changes occurring in the acquiring firms on the basis of financial ground and also the overall impact of Merger and acquisitions on acquiring banks. In the globalized economy, merger acts as an important tool for the growth and expansion of the economy. The main motive behind the merger and acquisitions is to create synergy, that is one plus one is more than two and this rationale beguiles the companies for merger at the tough times. Merger and Acquisitions help the companies in getting the benefits of greater market share and cost efficiency. Companies are confronted with the fact that the only big players can survive as there is a cut throat competition in the market and the success of the merger depends on how well the two companies integrate themselves in carrying out day to day operations. For expanding the operations and cutting costs, business entrepreneurs and the Banking Sector are using Merger and Acquisitions worldwide as a strategy for achieving larger size, increased market share, faster growth, and synergy for becoming more competitive through economies of scale.

A merger is a combination of two or more companies into one company or it may be in the form of one or more companies being merged into existing companies or a new company may be formed to merge two or more existing companies. The abbreviation of merger is as: M=Mixing, E=Entities, R=Resources for, G=Growth, E=Enrichment and R=Renovation. The major difference between Merger & Acquisition is that acquisition means taking control of the majority target bank's ownership.

Most of the time stronger banks take over weaker banks. The banking industry is an important area in which mergers and acquisitions do make enormous financial gains. Mergers in banks are considered for the purpose of: Expansion/diversification, Up gradation of technology, Loss making bank merged with another healthy bank for revival, Healthy bank merged with another healthy bank to become financially stronger, to meet competitive pressures, Growth in profits, Increase market share, etc. One of the biggest reasons behind merger and acquisition of banks is to get into bad loans over the year and increment in NPA.

The companies must follow the legal procedure of Merger and Acquisitions (M&As) which has been given by RBI, SEBI, Companies' Act 1956 and Banking Regulation Act 1949. The role of the Central government is also very important to be analyzed in the entire process as they play a crucial role in the policy formation required for the growth of Indian banks. This paper mainly focuses on the mergers of 5 major public sector banks. Andhra Bank and Corporation Bank merged with Union Bank, Oriental Bank of Commerce and United Bank merged with Punjab National Bank, Syndicate Bank merged with Canara Bank, while Allahabad Bank merged with Indian Bank. The mergers took effect from 1.4.2020. Dena bank and Vijaya bank were merged with Bank of Baroda in 2019. Nowadays competitions have become stronger even in banking industries. So the importance of consolidation of banks also became significant.

1.2 STATEMENT OF PROBLEM

The problem statement of the study was to examine the impact of merger and acquisition activities on the financial performance of banks, whether the merger improved the efficiency of performance or not. Some of the banks in the industry find it difficult to meet the capital requirement before the given deadline. This scenario leads them seeking the opportunity of merger or acquisition to increase their capital to their required level. Each merger is different and depends upon the nature of the merger. Some banks go for mergers in order to increase their revenue, expand their area of operation etc. But some go for merger because the government imposes restrictions to increase their minimum capital and some banks find it difficult to meet the requirements. In the light of these situations, our research project tries to find out the answer to the question 'Whether merger & acquisition activities could still be recommended as a measure to improve the financial performance of the banks?'

1.3 SIGNIFICANCE OF THE STUDY

The significance of this study on mergers of public sector banks cannot be overemphasized. It could be further used as reference for research into the trend in the banking industry. In the last few years, we can see the entry of new banks and emergence of new types of banks in society. However, the banking system continues to be dominated by Public Sector Banks (PSBs) which still have more than 70 per cent market share of the banking system assets. At present there are 27 PSBs with varying

sizes. State Bank of India, the largest bank, has a balance sheet size which is roughly 17 times the size of the smallest public sector bank. Most PSBs follow roughly similar business models and many of them are also competing with each other in most market segments they are active in. Further, PSBs have broadly similar organizational structure and human resource policies. It has been argued that India has too many PSBs with similar characteristics and a consolidation among PSBs can result in reaping rich benefits of economies of scale and scope. Models could be developed on banks response to changing trends in the banking industry and evaluation of banks. Therefore from the point of view of both managerial and policy interests, it is extremely important to know the impact of these merges on the efficiency levels of banks and their temporal behavior so as to understand how the banking industry has been reacting to these emerging challenges and which banks are performing better than others in this period of transition. The practical challenges of merger activities could also be highlighted. The outcome of this research could facilitate better understanding of non-financial or qualitative management of banks such as asset utilization, market penetrating strategies, deposit mobilization, tasks management and others which could be used to increase competitive advantage in value and performance among others after mergers.

1.4 RESEARCH OBJECTIVES

The present study is proposed to carry out to meet the following objectives:

1. To study the reasons for bank mergers and acquisitions in the Indian banking sector.
2. To determine the effect of mergers and acquisitions of Bank of Baroda, Canara Bank, Punjab National Bank, Union Bank of India, and Indian banks from the year 2019-2022.
3. To evaluate the financial performance of selected commercial banks before and after the merger using ratio analysis.

1.5 SCOPE OF THE STUDY

The study aims to analyze the financial performance of the selected banks with the average of the industry in both pre-and post-merger. It is seen that most of the work has been done on trends, policies & their framework, and the human aspect which is needed to be investigated, whereas profitability and financial analysis of the mergers have been given due importance. The present study would go on to investigate the detail of mergers and Acquisitions (M&As). The study will also discuss the pre and post-merger performance of banks. An attempt is made to predict the future of the ongoing Merger and Acquisitions (M&As) on the basis of financial performance and focusing mainly on the Indian banking sector. The mergers selected for the study were the ones that seemed relatively likely to yield efficiency gains. That is, they involved relatively large banks generally with substantial market overlap.

1.6 RESEARCH METHODOLOGY

This section describes the general approach and specific techniques adopted to address the objectives of the research. Research design, data collection and data analysis techniques that were used to achieve the study objectives are also discussed. The study analyzed the data using both descriptive i.e. the characteristics of the sample under study are described and analytical tools i.e. in addition to tables, percentages and graphs, financial ratios were employed as a framework for analyzing the performance of the banks. The methodology adopted for the project can be divided into:

Qualitative Analysis- studied the profile & performance of banks in the recent years, also their policies and changes before and after merger & acquisition

Quantitative Analysis- analyzes the current assets and liabilities of the banks, the operating cycle and ratios to understand the financial performance of banks before and after merger & acquisition.

1.6.1 SOURCES OF DATA COLLECTION

• The study used secondary data to arrive at the conclusion of the research questions under investigation which are taken from the annual reports of selected banks and other websites.

• All the data related to history, growth and development of selected banking industries, it has been collected mainly from the books and magazines related to the banks and published papers, reports, articles and from the various newspapers, and other journals.

• Since the past and existing facts are analytical in nature, we use facts or information already available to analyze and evaluate the materials.

1.6.2 SELECTION OF SAMPLE

The samples used in the study are based on the 5 mega bank mergers that have taken place in between 2019 and 2020.

Table 1.1 Merger bank list

Acquiring Bank	Acquired Bank	Year of merger
Bank Of Baroda	Vijaya Bank, Dena Bank	April 1, 2019
Punjab National Bank	Oriental Bank Of commerce, United Bank Of India	April 1, 2020
Canara Bank	Syndicate Bank	April 1, 2020
Union Bank Of India	Andhra Bank, Corporation Bank	April 1, 2020
Indian Bank	Allahabad Bank	April 1, 2020

1.7 LIMITATIONS OF STUDY

The study suffers from certain limitations and some of these are mentioned below so that the finding of the study can be understood from a proper perspective. The limitations of the study are as follows:

1. The present study is limited to only 5 commercial banks in India. Hence, the results are not applied to the entire banking sector.
2. This study is limited to only a period of 4 years(2 years before the merger and 2 years after the merger)
3. The study is based only on secondary data which has been collected from published annual reports of banks and various relevant internet sources.
4. This study does not include qualitative parameters such as quality of Human resources, perception of the bank, accessibility of the banks, etc.
5. The banks were only analyzed based on certain ratios such as Return on asset ratio, Operating profit ratio, CASA ratio, Net profit ratio, etc.

1.8 KEYWORDS

- **Merger**: A merger is an agreement between entities where they pool in their assets and liabilities and become one entity. A bank merger occurs when at least two financial institutions join together under a single charter.
- **Acquisition**: Acquiring the possession within the property. It is a process of one company buying stakes in another company that leads to them getting controlling rights of the target company.
- **Consolidation**: It creates a new company by combining core businesses and abandoning the old corporate structures. Stockholders of both companies must approve the consolidation, and subsequent to the approval, receive common equity shares in the new firm.
- **Banks**: A bank is a financial institution that is licensed to accept checking and savings deposits and make loans. In this context, banks mean both acquiring bank (acquirer) and target bank. An acquiring bank is a bank that obtains the rights to another bank. A target bank refers to a bank chosen as an attractive merger or acquisition option by a potential acquirer.

1.9 CHAPTERISATION

Chapter 1-Introduction: This chapter gives a brief introduction about the topic, its significance in the research area, problem statement, methodology adopted, objectives to be achieved and limitations of the study

Chapter 2- Literature review: This chapter deals with the literature relating to the topic under study. It also includes analysis of secondary data relating to topic under study.

Chapter 3 –Theoretical framework: This chapter deals with the structure that can hold or support the theory of our research study. The theoretical framework introduces and describes the theory that explains why the research problem under study exists.

Chapter-4 Company Profile: This chapter includes the details of the banks, their history and the period of their merger. It looks into detail which all banks are merged with each other.

Chapter 5- Data analysis and interpretation: It includes analysis and interpretation of secondary data collected based on variables related to the study.

Chapter 6- Summary, findings and conclusions: It deals with a brief summary of what the researcher has found out from the study and the final conclusion and recommendations.

2.1 INTRODUCTION

Past academic studies examined the impact of merger in the banking sector by adopting one of the two following competing approaches. The first approach relates to long-term evaluation i.e. performance resulting from mergers by analyzing the accounting information such as return on capital, profitability ratios and efficiency ratios. An alternative approach is to analyze the merger gains in stock price performance of the bidder and the target firms around the announcement event. In such a case a merger is assumed to create value if the combined value of the bidder and target banks increases on the announcement of the merger and the consequent stock prices reflect potential net present value of acquiring banks. The current paper follows the former method and tries to find some empirical evidence for the same.

2.2 REVIEW OF LITERATURE

1. **Yasser Alhenawi & Martha Stilwell (2017)** In their research 'Value creation and the probability of success in merger and acquisition transactions' develops and examines a hypothesis that broadens the range of existing theories on how value is created in merger and acquisition (M&A) deals. The key premise is that, in addition to the target's pre-acquisition worth, which is determined by multiple studies in the body of literature, value creation is also influenced by the competency of the acquirer, which is shown, among other things, by their pre-merger financial ratios. The study demonstrates that M&A deals produce gains over the long term that are proportional to both the target's pre-acquisition worth and the acquirer's past performance.
2. **Deepak Sahni & Soniya Gambhir (2018)** evaluates the impact of Merger and Acquisition on the financial performance of selected commercial banks in India for this purpose a case of Centurion Bank of Punjab Ltd and HDFC Bank Ltd is selected through judgment as a sample case. The study uses Camel approach and T-Test for evaluating the financial performance before and after Merger and Acquisition. From the study it was found that most of the ratios related to Capital adequacy, Earning quality and Asset quality have performed well but most of the ratios related to Management quality (i.e. Business per employee and profit per employee) and liquidity ratios have not performed well.
3. **K. Subhasree and M. Kannappan(2018),** conducted a study on Merger and Acquisition in Banking Industry. The study aimed to better understand the concept and process of mergers and acquisitions. This study added that Mergers and acquisition banks not only get new brand names, new structures, product offerings but additionally give opportunities to cross sell the new accounts acquired. The study concluded that merger and acquisition is not new to the Indian banking industry.

4. **Ravikumarundi and Basavaraj C.S(2019),** conducted a study on Merger of banking institutions in general and of PSBs in particular which has been discussed by academicians, bankers and practitioners. When the banking sector is at crossroads due to bulging NPAs, increased frauds and failing banks, at the time when the country's GDP is at lower levels, the government took the decision of mega-merger of nationalized banks. The paper provides a chronological account of mergers in nationalized banks and presents post-merger quantitative data at each phase of merger. Even though M&A may create issues like the difference in employees' and customers' perception, the study found that change in the management strategies and problems in human resource management, will benefit the organization as well as the economy at large. The study compares the post and pre mergers of banks on the basis of total advances, loans, deposits, employees, CASA, non-performing assets, capital adequacy etc. Merger of PSBs and the consolidation of banking institutions may result in efficient functioning of the banking industry both qualitatively and quantitatively. The study concluded that merger is not a guarantee for overcoming all the problems faced by banking institutions.
5. **Natika Poddar(2019),** in their study "A Study on Mergers and Acquisition in India and Its Impact on Operating Efficiency of Indian Acquiring Company" analyzes various Mergers and Acquisitions that happened in the period 2007-2008 and 2012-13. The acquiring companies selected for study are Indian companies. To compare performance of the acquirer company pre and post-merger, an average of three years selected efficiency ratios is calculated for each acquirer company. Total Asset Turnover, Fixed Asset Turnover, Inventory Turnover ratio, Debtors Turnover ratio, Creditors Turnover ratio, Working capital turnover ratio are some of the tools used for data analysis. The period under study reveals that the whole M & A deal appears to have added less than expected value to the acquirer company. This could be on account of many factors including macroeconomics environment (timing of the deal) and the drivers for merger from the perspective of the acquirer company. Despite the variation in drivers for M & A in the two periods under study, the performance of the acquirer companies improved marginally or actually deteriorated.
6. **Vinod Kumar & Priti Sharma (2019),** in their book ' An insight into Mergers & Acquisitions' signifies the phenomenon of mergers and acquisitions (M&A), as well as the several types of corporate restructuring. It emphasizes the significance of M&A as a tactic for accelerating company growth. It provides a thorough explanation of the M&A process, transaction structuring, and finance. Additionally, it offers a more comprehensive viewpoint on the accounting and regulatory elements of M&A. The basic concepts of M&A are covered and then adds real-world examples on each sub-topic with varied numerical examples.

7. **Dr. Anitha D and Dr. Shanmugha Priya.Pon (2019),** in their study titled 'An impact on banking performance in the event of a Covid-19 pandemic: mergers and acquisitions' gives a bird's eye view of the perception of customers and employees towards merging. The study analyzes the impact and evaluates the opinions regarding merging. This is undertaken to study the impact of merging on customers, employees and the performance of Punjab National Bank. Pointed out the financial position of bank's before and after amalgamation with Oriental Bank of Commerce and United Bank of India. The comparative income statement of the bank reveals that the Net Income of the bank and operating income has been increased after merger. The study used many ratios which includes liquidity, solvency, profitability and turnover ratios. Comparative Balance sheet and Income Statements were used for analysis. Throughout the analysis we found that the Punjab National bank has attained the profitability after merger, which is the main objective of the Government's plan for the Merger and Acquisitions.
8. **Ruby Agarwal, Saritha Vichore & Maneesh Gupta (2019)** 'The Effects of Mergers and Acquisitions on the Performance of Commercial Banks in India' the performance of commercial banks in India was assessed in relation to the effects of mergers and acquisitions, with a focus on State Bank for India (SBI), ICICI Bank, HDFC Bank, and Kotak Mahindra Bank. Secondary data was used in the research, which was based on the Capital, Asset, Management, Earnings, and Liquidity (CAMEL) criterion and was gathered from the annual reports and statements of accounts of the bank. The work used a pair sample t-test to compare the performance of the bank before and after mergers and acquisitions during a 10-year period from 2008–2018. The findings demonstrated that private commercial banks performed better as a result of mergers and acquisitions than did state banks.
9. **Ishwarya J(2019),** examined in their study titled, "A Study on Mergers and Acquisition of Banks and a Case Study on SBI and its Associates" looks at Mergers and Acquisitions (M&A's) that have happened in Indian banking sector to understand the resulting synergies and the long term implications of the merger. The paper evaluates the reasons and impacts of the merger of SBI and its associates. It also analyzes various banking sector reforms in India and points out Narasimhan Committee and Raghuram Rajan Committee. The study findings indicate that prime factors for future mergers in the Indian banking industry included the challenges of free convertibility and requirement of large investment banks.
10. **Prabhakar K and Vasanth Ebenezer H (2020),** made a brief study on the awareness and the conception of the customers on the recent bank mergers and acquisitions. To make a clear understanding of the post effect of the merger and technological advancements undertaken by the banks, certain demographic variables, merger related components and e-banking services provided, were studied and presented in the research paper diagrammatically. The study concluded that the observations made after analyzing the data shows that the maximum amount

of the selected population does feel that there has been a positive change towards the mergers of the bank and are willing to accept technological improvements.

11. **Patel Netra Mukeshkumar (2021),** conducted a study on 'Mergers and Acquisitions in Indian Banking Sector'. In this research paper, it compared the financial performance of before and after merger of banks with the help of financial performance ratios like operating profit ratio, net profit ratio, return on assets ratio, and return on equity ratio, and cost to income ratio, debt equity ratio, current and savings account ratio. The study indicates that the pre and post-merger and acquisition of the selected banks in India have no greater changes in profitability ratio. But in future there are robust projections of improvement in profitability. So the result is to specify that the mergers led to higher level of cost efficiencies for the merging banks. It also states that mergers have improved the competition edge of the industry in order to compete with the competitors in the global market but the merger shrinks the industry because the number of firms reduces. The study concluded that mergers help the banks to strengthen their financial base and access tax benefits and direct access to cash resources. In the banking industry, it helps the weaker banks to strengthen their position by merging with the bigger and stronger banks.
12. **W.Roselin Prabha(2021),** in the research paper 'A Study on the concept of bank mergers in Indian banking system' insights into the ideas behind the mergers of banks in India. The study analyzes the pre and post net worth of 6 major public sector banks in India. Merging of public sector banks provides an opportunity to increase the operational performance and be able to meet international competition. The study concluded that the merger has no effects on the total assets or return on capital employed but they do result in improved return on investments. There is a significant and noticeable impact on the net profits and also on shareholder's capital.
13. **Dr. Chetan Kashyap (2021),** conducted a study on 'Merger and Acquisition in Indian Banking Sector: A Case Study of Bank of Baroda'. The study covers the reasons for bank Mergers and Acquisitions in the Indian banking sector. It also studies Bank of Baroda and its Associates merger with Vijaya Bank and Dena bank, the timeline of merger and acquisition of BOB, effects of Mega merger on BOB and analyzing the Operational and financial performance of Bank of Baroda through Pre and Post-Merger period with the help of various parameters like net NPA, net profit, net operating income etc. It also analyzes the assets, capital and liabilities of the bank. The signs of Merger are expressed through Financial Analysis. Bank of Baroda has experienced a positive impact due to the merger.
14. **Dr. Girish Kumar Painoli (2022),** in an analysis entitled "Impact of Mergers on the performance of Banks in Public and Private sectors- SBI and HDFC perspective" analyzes the pre- and post-merger performance of banks on the basis of their productivity and employee perspectives. The assessment focused on the pre-and post-solidification execution of SBI and

HDFC Banks, who have partaken in unions for different reasons. The examination relies upon Secondary Sources which joins the Annual Reports of the selected banks, RBI Database, Profile of Banks, various issues, research dispersions, etc. During the period between 1991 and 2019 in all out 22 consolidations have occurred in the Indian Banking Sector. As per the data of the study over a time of sixteen years, eight years before the consolidation and eight years after the consolidation, changes were seen in the boundaries and the t test results demonstrated that the change is critical. T test after effects of both the banks showed a huge contrast in execution during pre-consolidation and post-consolidation periods. The study concluded that the banks have had positive effects when distinguished between pre mergers and post mergers period.

15. **Sonia Kundra & Daljit Singh (2022)** - In their study 'Before and after Merger Performance of Selected Commercial Banks in India' emphasized that numerous businesses were helped by mergers and acquisitions and corporate restructuring methods to reclaim their competitive advantages and seize new possibilities as well as unforeseen obstacles. Regarding the performance of the Indian banking system over the years, it has been marked by inefficiency, a high incidence of distress, and macroeconomic instability. The essay examines how mergers and acquisitions affect the financial health of Indian banks. Using a paired t-test, the study assessed the efficiency of the banks before and after mergers and acquisitions. The findings showed that Bank of Baroda experienced a favorable, negligible influence from mergers and acquisitions, whereas State Bank of India and Kotak Mahindra Bank experienced a negligible reduction in their financial performance.

3.1 INTRODUCTION

Mergers and acquisition results in the transact of the ownership and the control of a firm to another. They are having both the aspects of the strategic management's corporate finance and management dealing with the buying of selling dividing and combining the different companies of the similar entities. A comparatively new development in the Indian banking sector is enhanced through mergers and acquisitions. It permits banks to achieve a world class position and throw superior value to the stakeholders. The impact of merger on a company's stock and the effect on the equity share of the shareholder's capital is usually proportional. Performance of the bank pre and post-merger usually is in the green and improved.

3.2 BANKING

Banking is directly or indirectly connected with the trade of a country and the life of each individual. Credit, cash, and other financial transactions are managed by this sector of the economy. The commercial bank is the most important institution in banking for the economy of any nation or for granting credit to its clients. The bank engages in the deposit and withdrawal of funds, as well as savings and loans that can be repaid at any time. Banks assist individuals in accessing their savings, making money available to businesses, and assisting them in starting new ventures. A bank allows a person with excess money to deposit his money in the bank & earns an interest rate. Similarly, the bank lends to a person who needs money at an interest rate. Thus, the bank acts as an intermediary between the saver & the borrower.

3.3 BANKING IN INDIA

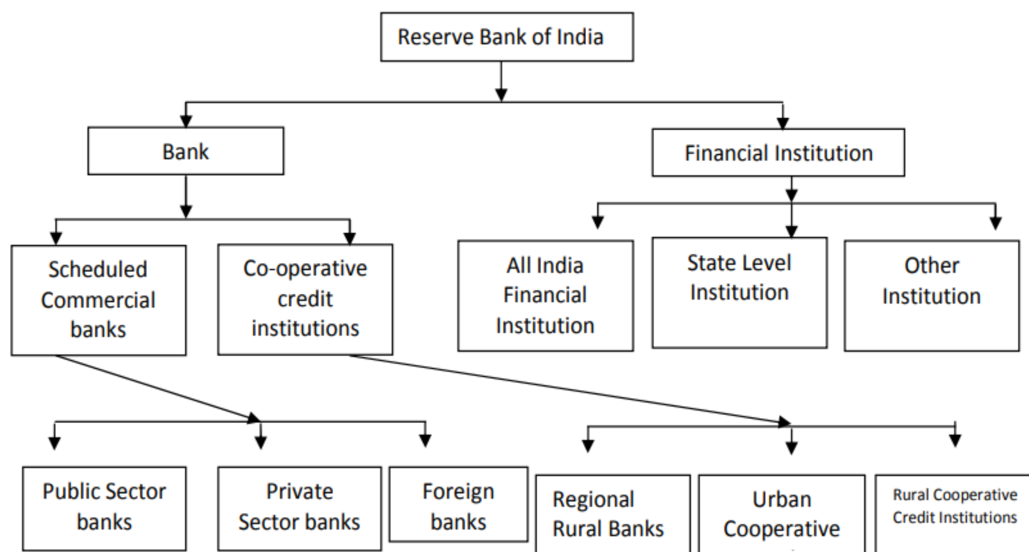


Fig 3.1: Banking in India

The practice of banking began in India in the latter half of the 18th century. The General Bank of India, founded in 1786, and Bank of Hindustan, founded in 1790, were the first two banks; both are no longer in operation. The State Bank of India, which began as the Bank of Calcutta in June 1806, and nearly soon changed its name to the Bank of Bengal, is the oldest bank still operating in India. The Bank of Bombay and the Bank of Madras, the other two presidency banks that were founded with charters from the British East India Company, were the other two. This was one of the three presidential banks.

Indian merchants in Calcutta established the Union Bank in 1839, but it failed in 1848 as a consequence of the economic crisis of 1848-49. The Allahabad Bank, established in 1865 and still functioning today, is the oldest Joint Stock bank in India. The next was the Punjab National Bank, established in Lahore in 1895, which has survived to the present and is now one of the largest banks in India. The presidency banks dominated banking in India but there were also some exchange banks and a number of Indian joint stock banks. All these banks operated in different segments of the economy.

The second milestone in the history of Indian banking was India becoming a sovereign republic. The Government of India initiated measures to play an active role in the economic life of the nation, and the Industrial Policy Resolution adopted by the government in 1948 envisaged a mixed economy.

Government took major steps in this Indian Banking Sector Reform after independence.

- Nationalization of RBI in 1949
- Enactment of Banking Regulation Act in 1949
- Reserve Bank of India Scheduled Banks' Regulations, 1951.
- Nationalization of Imperial Bank of India in 1955
- Nationalization of SBI subsidiaries in 1959

The Industrial Credit and Investment Corporation of India Limited (ICICI) was incorporated at the initiative of the World Bank, the Government of India and representatives of Indian industry, with the objective of creating a development financial institution for providing medium-term and long-term project financing to Indian businesses.

3.4 NATIONALIZATION PROCESS

In India, nationalization of banks was a significant development. Banks in India, with the exception of the State Bank of India or SBI, continued to be owned and run by private entities notwithstanding the laws, control, and regulations of the Reserve Bank of India. The Indian banking sector had grown to be a crucial factor in the development of the Indian economy by the 1960s.

The Government of India issued an ordinance and nationalized the 14 largest commercial banks with effect from the midnight of July 19, 1969. Within two weeks of the issue of the ordinance, the Parliament passed the Banking Companies (Acquisition and Transfer of Undertaking) Bill, and it

received the presidential approval on 9 August 1969. In 1980, six further commercial banks were nationalized again. The government wanted more control over how credit is distributed, which was the claimed justification for nationalization. Approximately 91% of India's banking industry was under the authority of the Indian government after the second phase of nationalization. Later, in 1993, the government combined Punjab National Bank and New Bank of India. The number of nationalized banks fell from 20 to 19 as a result of the one and only merger between nationalized banks.

3.5 ECONOMIC LIBERALIZATION

Economic liberalization in India marked the second significant turning point in the nationalization phase. In the early 1990s, the then Narasimha Rao government initiated a liberalization policy and licensed a small number of private banks. The next phase of Indian banking has been brought about by the proposed relaxation of foreign direct investment norms. This would grant every foreign investor voting rights in a bank that could exceed his current 10% cap. This had risen to 74%. This new policy had completely shaken up the Indian banking sector. Bankers by this point were accustomed to the 4-6-4 formula (4% to borrow, 6% to lend, 4% to leave). The new wave had brought traditional banks a modern perspective and a tech-savvy way of working. All of this led to a retail boom in India.

Banking in India is generally fairly mature in terms of supply, product range and reach-even though reach in rural India still remains a challenge for the private sector and foreign banks. In terms of quality of assets and capital adequacy, Indian banks are considered to have clean, strong and transparent balance sheets relative to other banks in comparable economies in its region. The Reserve Bank of India is an autonomous body, with minimal pressure from the government. The stated policy of the Bank on the Indian Rupee is to manage volatility but without any fixed exchange rate-and this has mostly been true. With the growth in the Indian economy expected to be strong for quite some time especially in its services sector-the demand for banking services, especially retail banking, mortgages and investment services are expected to be strong.

3.6 MERGER AND ACQUISITION

Mergers and acquisitions (M&A) refer to transactions between two companies that combine in some form. Mergers and acquisitions (M&A) are used interchangeably, but have different legal meanings. In a merger, two companies of similar size combine to form a new entity. Acquisitions, on the other hand, occur when a large company acquires a smaller company and thereby takes over the business of the smaller company. M&A transactions can be friendly or hostile, depending on the approval of the target company's board of directors.

3.6.1 MERGERS

- A merger is the voluntary fusion of two companies on broadly equal terms into one new legal entity.
- Mergers are a way for companies to expand their reach, expand into new segments, or gain market share.
- The five major types of mergers are conglomerate, congeneric, market extension, horizontal, and vertical
- A merger is an agreement that unites two existing companies into one new company.
- There are several types of mergers and also several reasons why companies complete mergers.

3.6.2 ACQUISITION

- An acquisition is a business combination that occurs when one company buys most or all of another company's shares.
- An acquisition is often friendly, while a takeover can be hostile; a merger creates a brand new entity from two separate companies.
- If a firm buys more than 50% of a target company's shares, it effectively gains control of that company.
- Acquisitions are often carried out with the help of an investment bank, as they are complex arrangements with legal and tax ramifications.
- Acquisitions are closely related to mergers and takeovers.

3.6.3 TYPES OF MERGERS

1. **Conglomerate:** Merger between two or more companies engaged in unrelated business activities. The operations of the firms may be in different industries or in different geographical regions. A pure conglomerate involves two firms that have nothing in common. A mixed conglomerate, on the other hand, takes place between organizations that, while operating in unrelated business activities, are actually trying to gain product or market extensions through the merger.
2. **Congeneric:** Congeneric merger or a Product Extension merger is a combining of two or more companies that operate in the same market or sector with overlapping factors, such as technology, marketing, production processes, and research and development (R&D). A product extension merger is achieved when a new product line from one company is added to an existing product line of the other company.
3. **Horizontal:** A horizontal merger occurs between companies which are operating in the same industry. This merger is typically part of consolidation between two or more competitors offering the same products or services. Such mergers are common in industries with fewer

firms, and the goal is to create a larger business with greater market share and economies of scale since competition among fewer companies tends to be higher.

4. **Vertical:** When two companies that produce parts or services for a product merger, the union is referred to as a vertical merger. A vertical merger occurs when two companies operating at different levels within the same industry's supply chain combine their operations. Such mergers are done to increase synergies achieved through the cost reduction, which results from merging with one or more supply companies.
5. **Reverse merger:** In a reverse merger, a private company acquires a publicly listed company. The owners of the private company become the controlling shareholders of the public company, and after the acquisition is complete, they reorganize the public company's assets and operations to absorb the formerly private company.

3.6.4 MERITS OF BANK MERGER

1. The bank merger will pave the way for more capital generation opportunities from the market and also internally, for the anchor bank.
2. The competition in the financial market will decrease since there will be a lesser number of individual banks existing.
3. Bank merger will reduce the operational risks since the size of the overall bank will grow, so the distance between the management and operational employees increases
4. RBI will be watching banks on its performance, especially in the terms of NPA (Nonperforming Asset) otherwise loans which are not recovered.
5. Customers will have a wide range of products like mutual funds and insurance to choose from the additional to the traditional loans and deposits.
6. If the NPA percentage of the bank is above prescribed norms, it will be asked to merge with a bigger bank to the case where the situation as to combined capital of banks will be higher and thereby reducing the NPA percentage.
7. A large capital base would help the acquirer banks to offer large loans.
8. This merger allows the RBI to have better control on the system and the implementation of policies will become easy.
9. The cost of operation has been reduced with the help of merger.

3.6.5 DEMERITS OF BANK MERGER

1. Acquiring banks have to handle the burden of weaker banks, resulting in risk exposure.
2. The idea of decentralization as many banks that have a regional audience to cater to customers often respond very emotionally to the bank's acquisition.

3. The governing board of the new bank which could lead to employment issues that the coping with the staffers disappointment that could be another challenge
4. Bank officials and unions of PSBs are against the merger due to the issues with employment, security, tenure, etc.
5. All different banks have different cultures, systems, processes, procedures and that merger will lead to clash of organizational cultures.
6. Employees of the larger bank are not given equal treatment to the employees of the smaller bank into the new and the merged bank. The local identity of small banks are not that big.
7. It will take some time for the customers to know that their banks are merged. Even though it's mandatory for the banks to inform all their customers about the merger, some customers may miss the communication and panic to see their branch board is replaced with the new one.

3.7 BANKING SECTOR IN INDIA

Mergers and acquisitions (M&A) is one of the ideal choices and a successful strategy to enter in the new markets with the light of rapidly advancing technology and the rise in corporate competition. This approach is often employed by corporations with an aim to extend their business into a new domain and prevail over their unviable state. As the pillars of our economy, banks are frequently encouraged to merge in order to grow internationally and foster harmony, which benefits the wealth of our nation by enhancing the flow of money. The Indian banking sector is currently thought to be expanding quickly and evolving into a dynamic sector. A new dimension is accelerated in the sector through mergers and acquisitions and has enabled banks to achieve a high ranking, tossing huge value to the shareholders.

Bank in general technology is referred to as a financial institute or a corporation which is authorized by the state or central government to deal with money but accepting deposits, giving out loans and investing in securities. The main roles of banks are economic growth, expansion of the economy, and providing funds for investment. The banking industry has been undergoing major Mergers and Acquisitions in the recent years for the achievement of consolidation of banks. It would also help to scale up quickly and gain a large number of new customers instantly. It also provides a broader geographic footprint in which they operate.

Recently the banking sector has been undergoing a lot of changes in regulation and effects of globalization. These changes have affected banks both structurally and strategically. One such strategy is through the process of consolidation of banks. There are several ways to consolidate the banking industry and one of the most prominent ways is merging of banks. The first and most successful merger between nationalized banks is with Punjab National Bank (PNB) by The New Bank of India. And then there are a lot of mergers in the banking industry which exemplified that mergers are beneficial for an industry.

3.8 RATIO ANALYSIS

Ratio analysis is the technique of analysis and interpretation of financial statements with the help of ratios. It is a quantitative method of evaluating company's liquidity, operational efficiency and profitability by establishing relationship between information contained in financial statements. It helps to convert the complex accounting and financial data into simple ratios of solvency, operating efficiency, profitability etc. Ratio analysis can show how a company is performing over a period of time, while comparing a company to another within the same industry or sector. Examples of ratio analysis include current ratio, gross profit margin ratio, and inventory turnover ratio.

1. **Operating Profit Ratio**

   Operating Profit Ratio = Operating Profit/Net Sales x 100

   It is calculated by adding non-operating expenses and deducting non- operating income from net profit. Operating margin ratio indicates how well a company is running and how effectively it can generate profits from its sales. This ratio illustrates the extent to which revenues are accessible and can be used to meet non-operating costs such as interest payments. It is typically measures the operating performance and the efficiency of the company. When a company's operating profit ratio outperforms the industry average, it is considered to have a competitive advantage, implying that it is more successful than similar businesses.

2. **Net Profit Ratio**

   Net Profit Ratio = Net Profit / Net Sales x 100

   It is a profitability ratio that measures the company's profits to the total amount of money brought into the business. It is net profit percentage after the tax profits to net sales. The remaining profit after all costs of production, administration and financing have been deducted from the sales, and income taxes recognized. This is the best measures of the overall result of a firm, especially when there is combined with an evaluation of how well it is using its in working capital. Net Profit is not an indicator of cash flows, and since the net profit incorporates a number of non-cash expenses such as a accrued expenses, amortization and depreciation.

3. **Return on Assets Ratio**

   Return on assert = Net Income / Total Assets

   This ratio establishes relationship between net profits and total assets of the company. The return on assets means that how much contribution of assets is been for generating the return. Total assets are equal to the sum of the shareholders' equity and the company's debt. This value is found on the company's balance sheet. If more the assets is says to be the good because by the employee than more the assets the company can be earn more return and also the ratio will be more positive. It is similar to return on equity but it doesn't reflect the impact of a bank's leverage.

4. Return on Equity Ratio

Return on equity = net income / shareholder's equity

This ratio establishes a relationship between the company's net profit and equity shareholder's fund. Return on equity is the most important ratio in all of the bank investing. It can be used to measure profitability by dividing a bank's net income by its shareholders equity. The ratio can be calculated accurately if both the net income and equity are positive in value. Sometimes an extremely high ROE is a good thing if net income is extremely large compared to equity because a company's performance is so strong. However, an extremely high ROE is often due to a small equity account compared to net income, which indicates risk.

5. Cost to Income Ratio

Cost to Income Ratio = Operating costs / Operating Income

It is the measurement that is been used in the company in the order to evaluate its efficiency. Generally it is used in the microfinance institutions or banks in order to measure its operating cost that compared to the income it generates. The lower cost to income ratio that is better for the company's performance. Likewise the lower ratio is the more efficiency of the company that can achieve in the period. Operating costs include both personnel expenses and administration expenses. In order to reduce the cost to income of the company that needs to either increase its operating income or reduce its operating costs.

6. Earnings per share

Earnings per share = Net income of the company / weighted average number of shares outstanding

This ratio measures the profit available to the equity shareholder's per share. It is calculated by dividing the profit available to equity shareholders by the number of equity shares. The profit available to the equity shareholder's means Net profit after interest, tax and preference dividend. It shows the capacity of business to pay dividend to its equity shareholders and also help in determining the market price of equity shares.

7. Debt-Equity Ratio

Debt Equity Ratio = total liabilities / total shareholders' equity

It is measured by the company's financial leverage calculated by dividing the total liabilities by a stockholders' equity. By this it indicate that what is proportion of equity and debt of the company is using to its finance assets. It is also known as the personal debt/equity ratio, Debt-Net worth ratio or external internal liability ratio and it can be applied to the personal financial statement and also as well as corporate ones. There is a high debt/equity ratio is generally means that a company is been aggressive in the financing their growth with debt. And this can be result in volatile earning as a result of an additional interest expenses.

8. Return on Capital Employed

ROCE = Earning / Capital Employed x100

It is used in finance as a measure of returns that a company is realizing from its capital employed. Capital Employed is the represented as total assets minus current liabilities. This ratio indicates the efficiency and the profitability of a company's capital investments. The numerator is earning before interest and tax. It is useful measurement for comparing the relative profitability of the companies. This financial ratio can be used to assess a company's profitability and capital efficiency. In other words, this ratio can help to understand how well a company is generating profits from its capital as it is put to use.

9. Asset Turnover Ratio

Asset Turnover Ratio = Sales Revenue / Total Assets.

Asset turnover ratio is the ratio between the value of a company's sales or revenues and the value of its assets. It is an indicator of the efficiency with which a company is deploying its assets to produce the revenue. Thus, asset turnover ratio can be a determinant of a company's performance. It indicates that how well a firm's assets are utilized in producing revenue. Assets turnover ratio takes into the account both the fixed as well as the current assets to measure the overall efficiency in generation of the revenue with the assets utilization. Higher ratio are the indicative of the efficient management and the utilization of the resources while low ratios are indicative of underutilization of the resources and presence of idle capacity.

10. Current Account Saving Account Ratio

CASA Ratio=Deposits in Current & Saving Account/Total Deposits

CASA ratio means current account and saving account. Current Account are those account in which it is especially for customers those who have to carry out business and the large number of transactions in the account every day. In current account there is no restriction on the number of transactions. Savings bank accounts are especially for the individual persons or jointly individual which has a limit of transaction at every day. A higher CASA ratio indicates a lower cost of funds, because banks do not usually give any interests on current account deposits and the interest on saving accounts is usually very low 3-4%.

4.1 BANK OF BARODA, VIJAYA BANK & DENA BANK

Bank of Baroda

It is an Indian public sector bank headquartered in Vadodara, Gujarat. It has 132 million customers, an annual revenue of US$218 billion, 100 international locations, and is India's second-largest public sector bank after State Bank of India.

It is listed as number 1145 on the Forbes Global 2000 list as of 2019. On July 20, 1908, Sayajirao Gaekwad III, the Maharaja of Baroda, established the bank in the Gujarati princely state of Baroda. On July 19, 1969, the Indian government declared the Bank of Baroda, along with 13 other significant Indian commercial banks, to be a profit-making public sector venture (PSU).

Dena Bank

Dena Bank was founded on 26 May 1938 by the sons of Devkaran Nanjee. It was headquartered in Mumbai and had 1,874 branches. In July 1969, the government of India nationalized Dena Bank, along with thirteen other major banks. Dena Bank became a Public Sector bank under the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970.

Vijaya Bank

Vijaya Bank was established by a group of farmers led by A. B. Shetty on 23 October 1931 in Mangalore in Dakshina Kannada district of the Princely State of Mysore. Since it was established on the day of Vijayadashami, it was named "Vijaya Bank". It was one of the nationalized banks in India. The bank offered customers a wide range of financial products and services through its various delivery channels. As of March 2017, the bank had a network of 2031 branches throughout the country and over 4,000 customer touch points including 2001 ATMs.

Post-Merger

On 17 September 2018, the government of India proposed the merger of Dena Bank and Vijaya Bank with the Bank of Baroda, pending approval from the boards of the three banks, effectively creating the third-largest lender in the country. On January 2, 2019, the Union Government and the bank boards authorized the merger. In accordance with the merger's conditions, shareholders of Dena Bank and Vijaya Bank received 110 and 402 face value 2 equity shares of the Bank of Baroda, respectively, for every 1,000 shares they held. The merger became official on April 1, 2019. After State Bank of India and HDFC Bank, the Bank of Baroda is now India's third-largest bank. The consolidated entity has over 9,500 branches, 13,400 ATMs, 85,000 employees and serves 120 million customers. The amalgamation is the first-ever three-way consolidation of banks in the country, with a combined business of Rs 14.82 trillion (short scale), making it the third largest bank after State Bank of India

(SBI) and ICICI Bank. Post-merger effective 1 April 2019, the bank has become India's third largest lender behind SBI and ICICI Bank.

Bank of Baroda announced in May 2019 that it would either close or rationalize 800–900 branches to increase operational efficiency and reduce duplication post-merger. The regional and zonal offices of the merged companies would also be closed. PTI quoted an unnamed senior bank official as stating that Bank of Baroda would look to expand in eastern India as it already had a strong presence in the other regions

The agenda of this merger was to reduce Non- performing asset (NPA). At the time of the merger proposal the gross NPA ratio of Bank of Baroda, Vijaya bank & Dena Bank were 12.4%, 6.9% & 22% respectively. Before the merger of Bank of Baroda the entity would 40% more deposits and 44% more loans, but it would also have 70% more distribution. So there would be more products and services available to customers after the merger. The total business of Bank of Baroda is expected to be more than Rs 15 trillion after a merger.

4.2 PUNJAB NATIONAL BANK, ORIENTAL BANK OF COMMERCE & UNITED BANK OF INDIA

Punjab National Bank

Punjab National Bank (abbreviated as PNB) is an Indian public sector bank based in New Delhi and is the third largest public sector bank in India, both in terms of its business volumes and its network. It was founded on 19th May 1894. The government of India (GOI) nationalized PNB and 13 other major commercial banks, on 19 July 1969. The bank has over 180 million customers, 12,248 branches, and 13,000+ ATMs. PNB is the first Indian bank to have been started solely with Indian capital that survives to the present.

Oriental Bank of Commerce

Oriental Bank of Commerce (OBC) was an Indian public sector bank headquartered in Gurgaon, Haryana. It had 2390 branches and 2625 ATMs across India. Its earliest date of incorporation per the Registrar of Companies is 1901. The bank was nationalized on 15 April 1980. At that time, OBC ranked 19th among the 20 nationalized banks. As per March 2018 – 2019 annual report, it has 2390 branches and 2625 ATMs pan India.

United Bank of India

United Bank of India (UBI) was an Indian nationalized bank which provided financial and banking services. Established in 1950 and headquartered in Kolkata, the bank was nationalized by the

government of India in 1969 becoming one of public sector banks in the country. UBI was the result of the merger in 1950 of four Bengali banks.

Post-Merger

On 30 August 2019, Finance Minister Nirmala Sitharaman announced that the Oriental Bank of Commerce and United Bank of India would be merged with Punjab National Bank. The proposed merger would make Punjab National Bank the second largest public sector bank in the country with assets of ₹17.95 lakh crore (US$220 billion) and 11,437 branches. The Union Cabinet approved the merger on 4 March 2020. PNB announced that its board had approved the merger ratios the next day. Shareholders of Oriental Bank of Commerce and United Bank will receive 1,150 shares and 121 shares of PNB, respectively, for every 1,000 shares they hold. On 1 April 2020, the merger came into effect. The amalgamated bank will have a wider geographical reach through 11,000 plus branches, more than 13,000 ATMs, 1 lakh employees and a business mix of over Rs 188 lakh crore. Post-merger, all customers of the other two merging banks are now treated as the customers of PNB.

4.3 UNION BANK OF INDIA, ANDHRA BANK AND CORPORATION BANK

Union Bank of India

Union Bank of India was established on 11 November 1919 in Mumbai by Seth Sitaram Poddar. It has 120+ million customers and a total business of US$106 billion. The bank has a network of 8700+ domestic branches, 11100+ ATMs, 15300+ Business Correspondent Points serving over 120 million customers with 75000+ employees.

Andhra Bank

Andhra Bank was a medium-sized public sector bank (PSB) of India, with a network of 2885 branches, 4 extension counters, 38 satellite offices and 3798 automated teller machines (ATMs) as of 31 March 2019. It operated in 25 states and three union territories. Bhogaraju Pattabhi Sitaramayya founded Andhra Bank in 1923 in Machilipatnam, Madras Presidency. It had its headquarters in Hyderabad, Telangana, India.

Corporation Bank

Corporation Bank was a public-sector banking company headquartered in Mangalore, India. The bank had a pan-Indian presence. Corporation Bank was founded on 12 March 1906 in Udupi, with ₹5,000 capital, Haji Abdulla Haji Khasim Saheb Bahadur as founding president, and guided by the principles of the Swadeshi movement of Bal Gangadhar Tilak Presently, the bank has a network of 2,432 fully automated CBS branches, 3,040 ATMs, and 4,724 branchless banking units across the country.

Post-Merger

On 30 August 2019, Corporation Bank and Andhra Bank was merged into Union Bank of India. The proposed merger would make Union Bank of India the fifth largest public sector bank in the country with assets of ₹14.59 lakh crore (US$180 billion) and 9,609 branches. The Board of Directors of Andhra Bank approved the merger on 13 September. The Union Cabinet approved the merger on 4 March, and it was completed on 1 April 2020.

4.4 SYNDICATE BANK & CANARA BANK

Canara Bank

Canara Bank is a central public sector undertaking under the ownership of the Ministry of Finance, Government of India. Established in 1906 at Mangalore by Ammembal Subba Rao Pai, the CPSU also has offices in London, Dubai, and New York. The government of India nationalized Canara Bank, along with 13 other major commercial banks of India, on 19 July 1969.

Syndicate Bank

Syndicate Bank was one of the oldest and major commercial banks of India. It was founded by Upendra Ananth Pai, T. M. A. Pai and Vaman Srinivas Kudva in 1925. At the time of its establishment, the bank was known as Canara Industrial and Banking Syndicate Limited. The bank, along with 13 major commercial banks of India, was nationalized on 19 July 1969, by the government of India. It was headquartered in the university town of Manipal, India. On 1 April 2020, the bank was merged into Canara Bank.

Post-Merger

On 30 August 2019, Syndicate Bank was merged with Canara Bank. The proposed merger would create the fourth largest public sector bank in the country with a total business of ₹15.20 lakh crore (US$190 billion) and 10,324 branches. The Board of Directors of Canara Bank approved the merger on 13 September. The Union Cabinet approved the merger on 4 March 2020. The merger was completed on 1 April 2020 with Syndicate Bank shareholders receiving 158 equity shares in the former for every 1,000 shares they hold. As of December 2022, the promoter holding at the bank is 62.93%, the institutional holding is 25.37%, and the public holding is 11.69%.

4.5 ALLAHABAD BANK & INDIAN BANK

Allahabad Bank

Allahabad Bank was an Indian nationalized bank with its headquarters in Kolkata, India. Founded in Allahabad in 1865 and nationalized by the government of India in 1969, the bank provided banking and financial services for 155 years until it was merged with Indian Bank in 2020. It was the oldest still running joint stock bank in India until its merger. As of 31 March 2018, Allahabad Bank had over

3245 branches across India. The bank did a total business of ₹3.8 trillion during the FY 2017–18. The bank's market capitalization in June 2018 was US$573 million and ranked #1,882 on the Forbes Global 2000 list.

Indian Bank

Indian Bank is a central public sector bank under the ownership of Ministry of Finance, Government of India. It was established in 1907 and headquartered in Chennai. It serves over 100 million customers with 39,734 employees, 5,721 branches with 5,428 ATMs and Cash deposit machines. Total business of the bank has touched ₹1,010,000 crore (US$130 billion) as on 31 March 2022. It has 227 overseas correspondent banks in 75 countries. Since 1969, the Government of India has owned the bank.

Post-Merger

On 30 August 2019, Finance Minister Nirmala Sitharaman announced that Allahabad Bank would be merged with Indian bank. The proposed merger would create the seventh largest public sector bank in the country with assets of ₹8.08 lakh crore (US$100 billion). The Union Cabinet approved the merger on 4 March 2020. Indian Bank assumed control of Allahabad Bank on 1 April 2020.

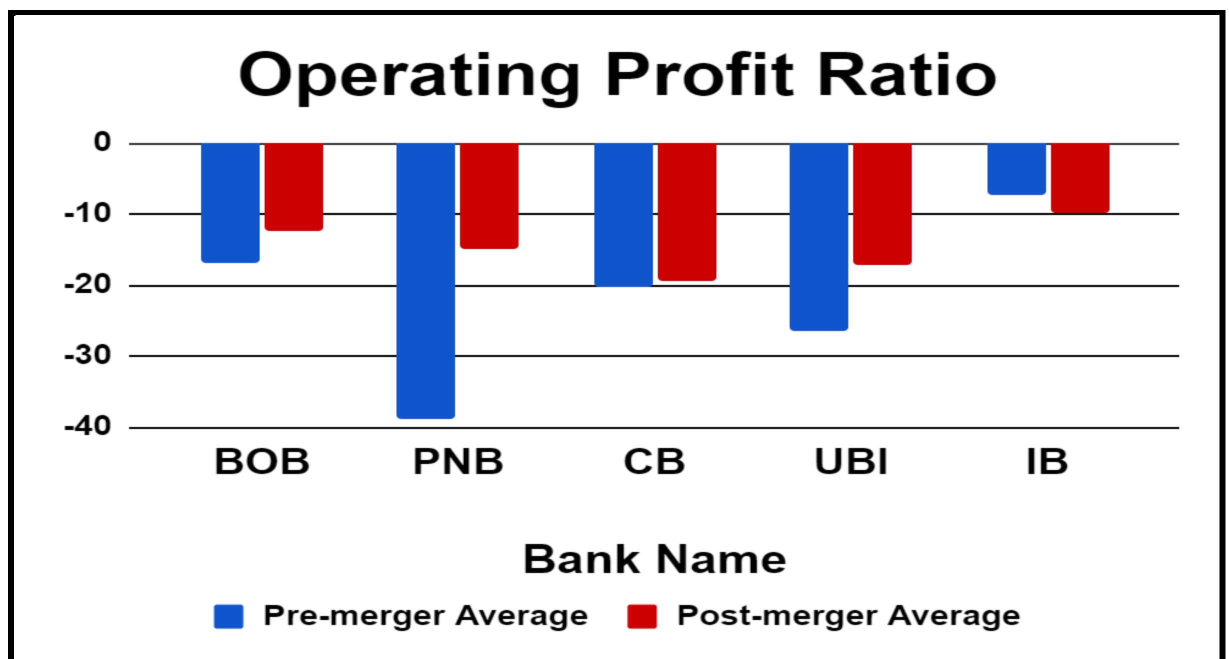
5.1 Operating Profit Ratio

Table 5.1 Operating profit ratio

Bank name	Pre-merger Average	Post-merger Average	Difference (X-Y)	Square of difference (X-Y)^2
BOB	-16.775	-12.31	-4.465	19.936225
PNB	-38.95	-14.985	-23.965	574.321225
CB	-20.18	-19.455	-0.725	0.525625
UBI	-26.52	-17.085	-9.435	89.019225
IB	-7.415	-9.905	2.49	6.2001

Source: Secondary

Figure 5.1 Operating profit ratio



Interpretation: Operating profit ratio establishes the relationship between the operating profit and revenue from operations. A higher ratio indicates better operational efficiency. It is better than the net profit ratio as it ignores non-operating expenses and incomes. As per the table 5.1, Bank of Baroda, Punjab National Bank, Canara Bank, and Union Bank of India show an increase in operating profit ratio. But the Indian Bank shows a decrease in the ratio by 2.49. Among the banks, Punjab National Bank shows a higher increase in the operating profit ratio after the bank merger.

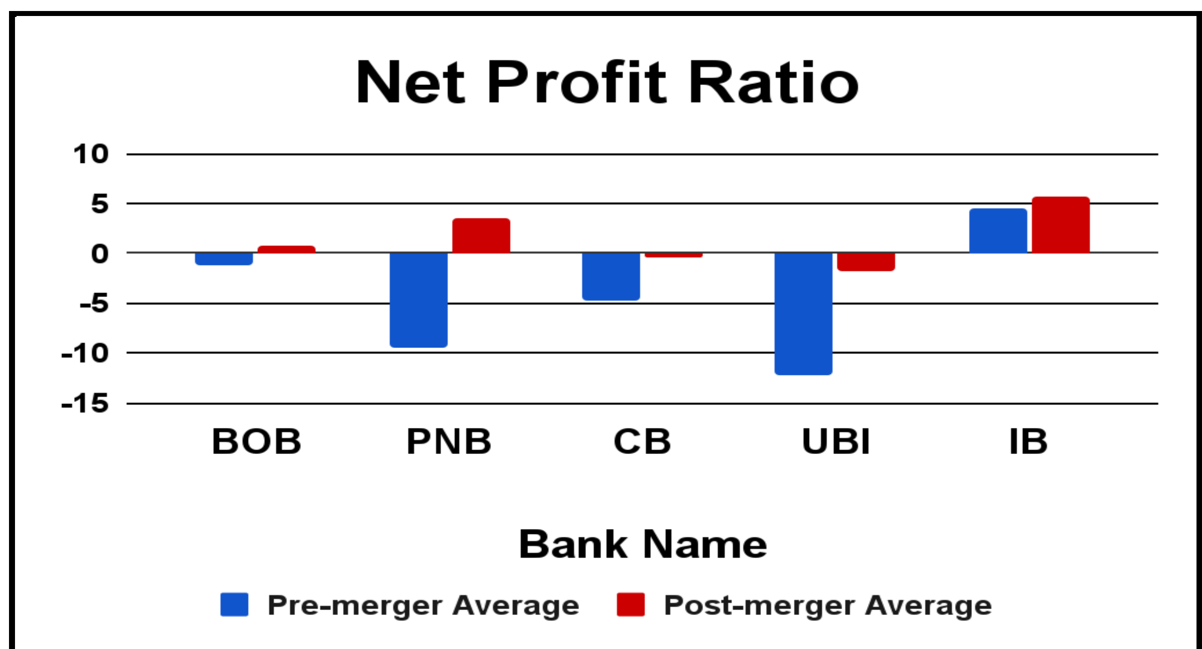
5.2 Net Profit Ratio

Table 5.2 Net profit ratio

Bank name	Pre-merger Average	Post-merger Average	Difference (X-Y)	Square of difference (X-Y)^2
BOB	-1.15	0.79	-1.94	3.7636
PNB	-9.41	3.555	-12.965	168.091225
CB	-4.745	-0.435	-4.31	18.5761
UBI	-12.335	-1.78	-10.555	111.408025
IB	4.51	5.595	-1.085	1.177225

Source: Secondary

Figure 5.2 Net profit ratio



Interpretation: Net profit ratio establishes the relationship between Net profit and sales. A higher ratio means better profitability and a lower ratio indicates poor financial efficiency. As per the table 5.2, all 5 bank's Net profit ratios have increased after the merger. Among them, Punjab National Bank has the highest increase in net profit ratio after the merger and Indian Bank has the lowest increase in the net profit ratio after the merger. It shows that mergers have a positive impact on increasing the net profit ratio of the banks.

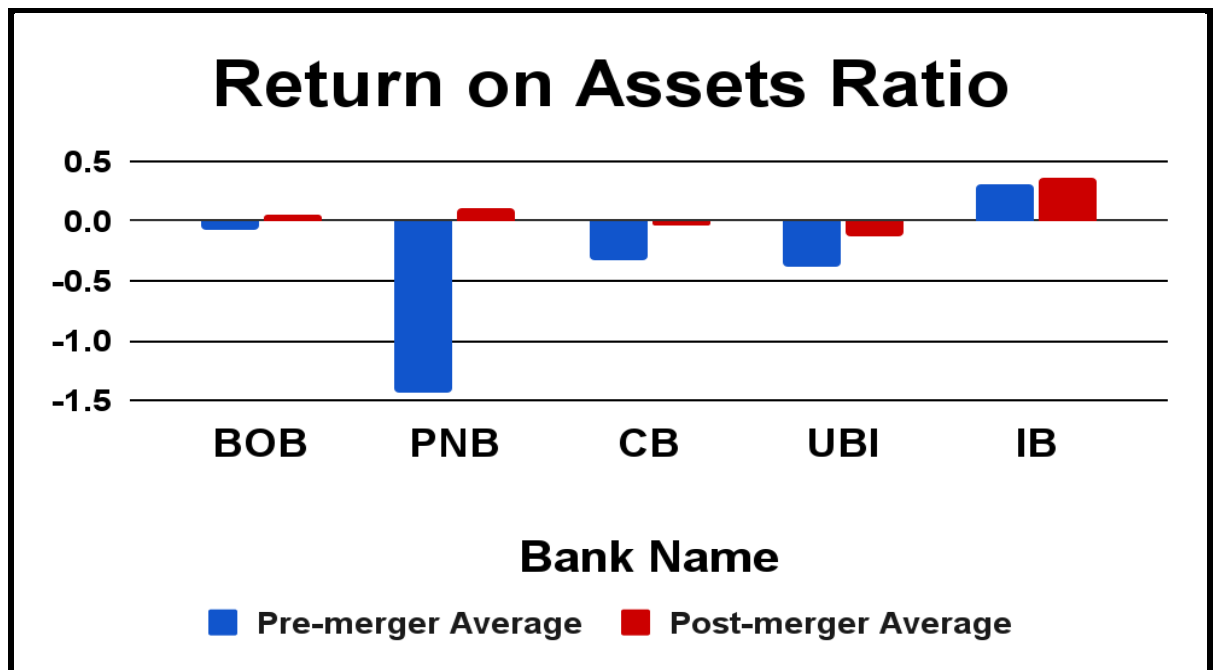
5.3 Return on Asset Ratio

Table 5.3 Return on asset ratio

Bank name	Pre-merger average	Post-merger average	Difference (X-Y)	Square of difference (X-Y)^2
BOB	-0.07	0.045	-0.115	0.013225
PNB	-1.44	0.1	-1.54	2.3716
CB	-0.32	-0.04	-0.28	0.0784
UBI	-0.38	-0.125	-0.255	0.065025
IB	0.3	0.355	-0.055	0.003025

Source: Secondary

Figure 5.3 Return on asset ratio



Interpretation: The return on total assets ratio is calculated by dividing a company's earnings after tax by its total assets. It measures earnings of a company in relation to total assets. Higher ratio indicate a better position and lower ratio indicate a poor financial position. As per the data on figure 5.3, all 5 banks have shown an increase in the return on total assets ratio. Among them, Punjab National Bank has shown the highest increase in the ratio after the merger and Indian Bank shows the lowest increase in the return on capital assets after the merger.

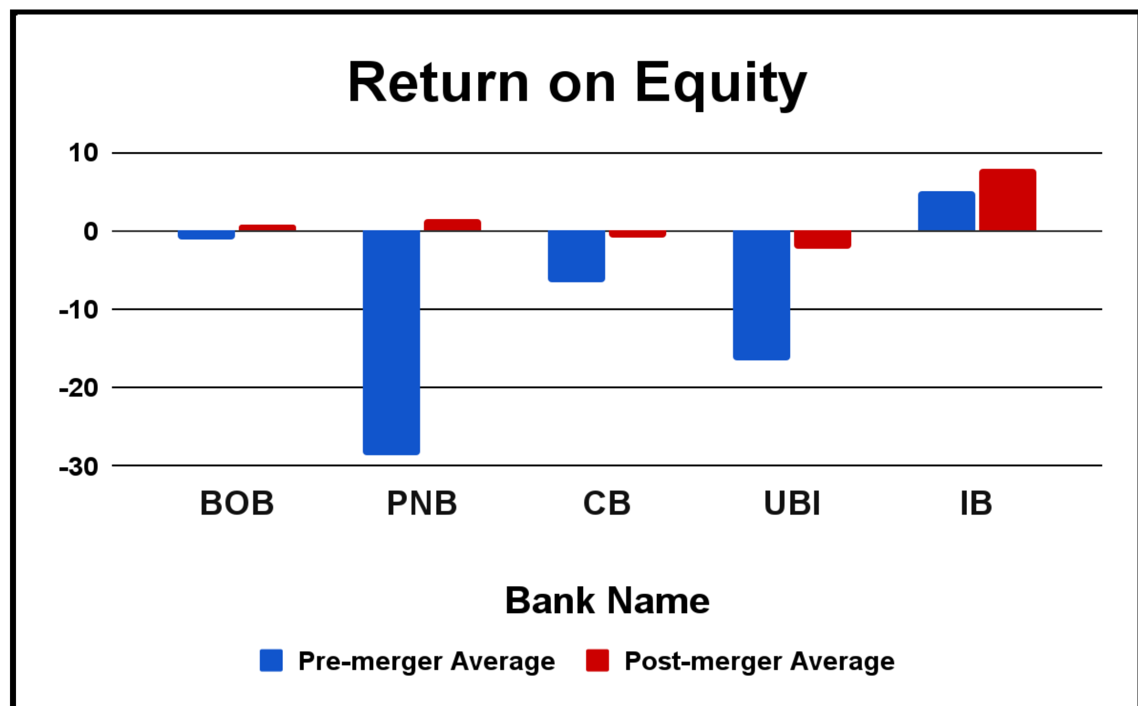
5.4 Return on Equity

Table 5.4 Return on equity

Bank Name	Pre-merger Average(X)	Post-merger Average(Y)	Difference (X-Y)	Square of Difference (X-Y)^2
BOB	-1.085	0.85	-1.935	3.7442
PNB	-28.525	1.495	-30.02	901.2004
CB	-6.675	-0.865	-5.81	33.7561
UBI	-16.525	-2.295	-14.23	202.4929
IB	4.96	7.91	-2.95	8.7025

Source: Secondary

Figure 5.4 Return on equity



Interpretation: Return on equity (ROE) is a financial ratio that shows how well a company is managing the capital that shareholders have invested in it. Higher the ratio, the better the financial position, and vice versa. As per the table 5.4, the ROE ratio of all 5 banks has increased after the merger. Punjab National Bank has the highest increase in ROE after the merger and Bank of Baroda has the lowest increase in ROE ratio after the merger. It is clear that mergers have a positive impact on increasing the return on equity ratio.

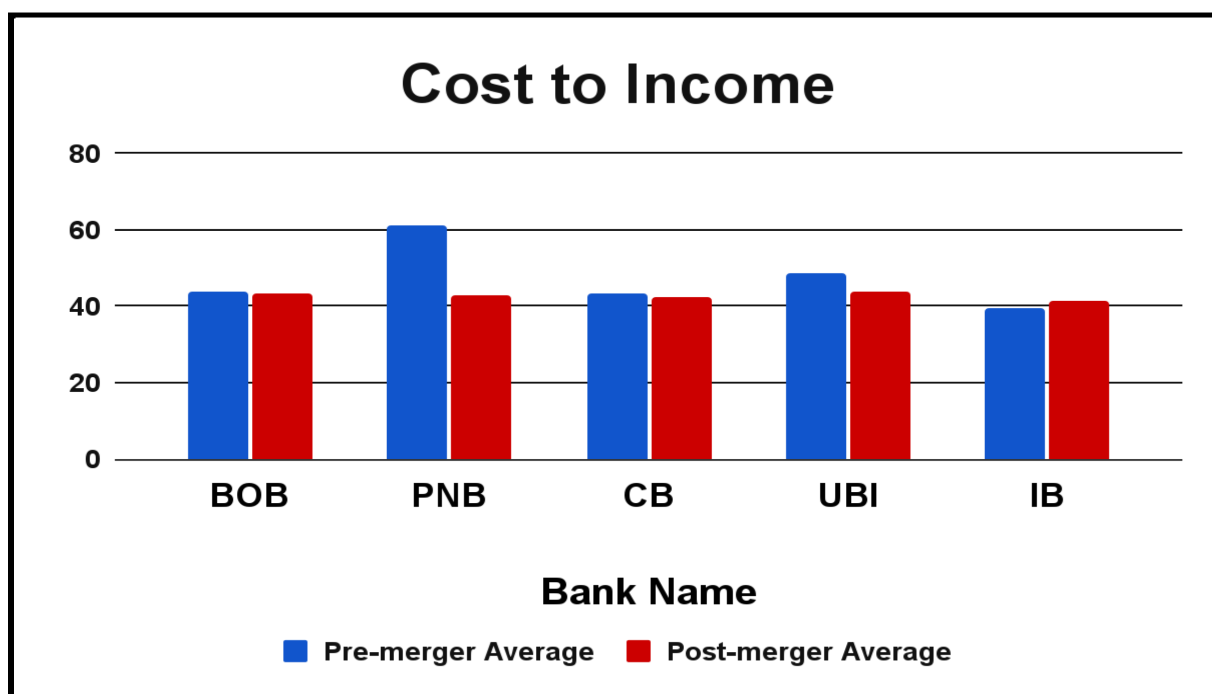
5.5 Cost to Income ratio

Table 5.5 Cost to income ratio

Bank Name	Pre-merger Average(X)	Post-merger Average(Y)	Difference (X-Y)	Square of Difference (X-Y)^2
BOB	43.75	43.27	0.48	0.2304
PNB	61.12	42.955	18.165	329.9672
CB	43.59	42.175	1.415	2.0022
UBI	48.77	43.725	5.045	25.452
IB	39.34	41.295	-1.955	3.822

Source: Secondary

Figure 5.5 Cost to income ratio



Interpretation: The cost to income ratio measures operating expense as a percentage of operating income. Higher ratio indicates lower profitability and a lower ratio indicates higher profitability. It is evident from the table 5.5and figure 5.5 that the cost to income ratio of all banks has been decreased after the merger except Indian Bank. Among them Punjab National Bank shows lower ratio and Indian Bank shows higher ratio after the merger.

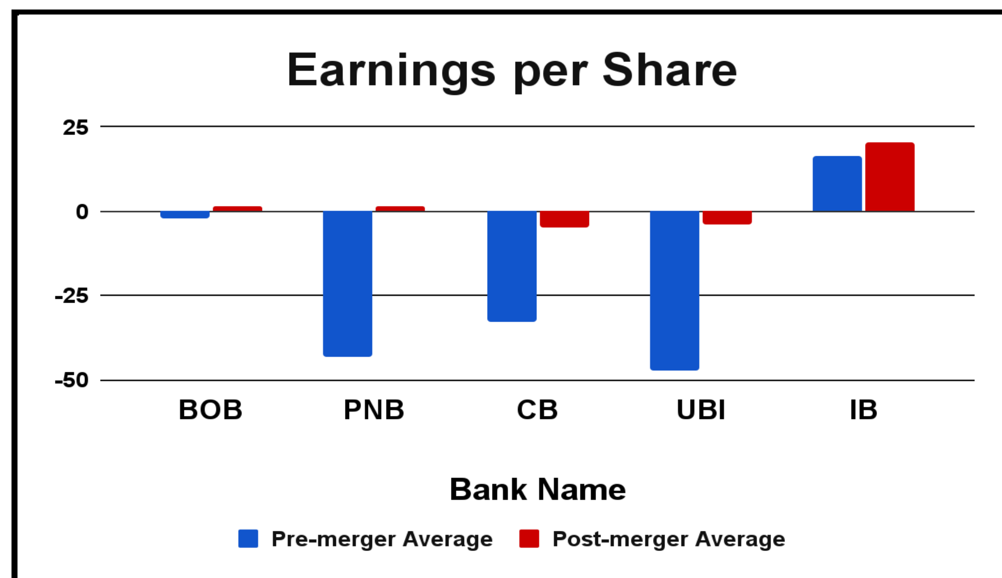
5.6 Earnings per share

Table 5.6 Earnings per share

Bank Name	Pre-merger Average(X)	Post-merger Average(Y)	Difference (X-Y)	Square of Difference (X-Y)^2
BOB	-2.265	1.5	-3.765	14.1752
PNB	-43.165	1.35	-44.515	1981.5852
CB	-32.88	-4.795	-28.085	788.7672
UBI	-47.265	-3.975	-43.29	1874.0241
IB	16.455	20.47	-4.015	16.1202

Source: Secondary

Figure 5.6 Earnings per share



Interpretation: The Earnings Per Share(EPS) measures the profit available to equity shareholders per share. It shows the capacity of banks to pay dividend to its equity shareholders and also helps in determining the market price of the equity shares. The higher the earnings per share of a company, the better is its profitability and vice versa. As per the table 5.6, the EPS of all the 5 banks has been increased after the merger. Among them, Indian Bank has higher EPS and Canara Bank has lower EPS after the merger. It is clear from the above table and graph that mergers have led to a significant increase in earnings per share.

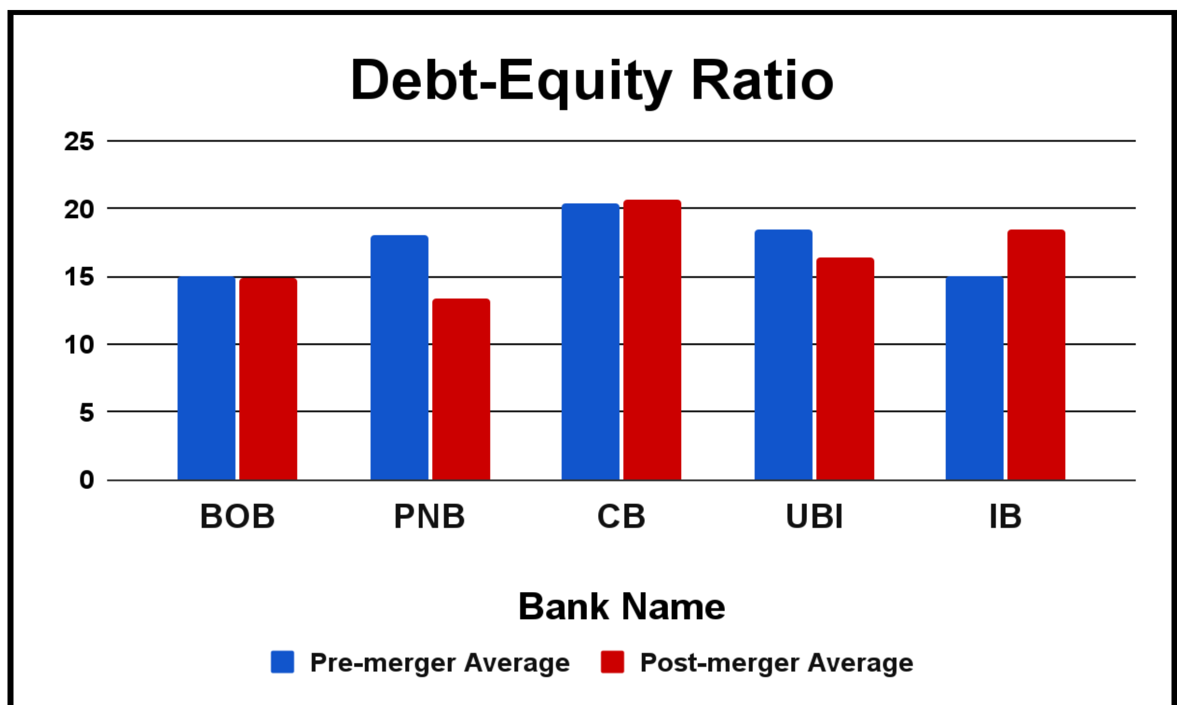
5.7 Debt Equity Ratio

Table 5.7 Debt Equity Ratio

Bank Name	Pre-merger Average(X)	Post-merger Average(Y)	Difference (X-Y)	Square of Difference (X-Y)^2
BOB	15.07	14.915	0.155	0.024
PNB	18.08	13.405	4.675	21.8556
CB	20.455	20.62	-0.165	0.0272
UBI	18.51	16.41	2.1	4.41
IB	15.005	18.51	-3.505	12.285

Source: Secondary

Figure 5.7 Debt Equity Ratio



Interpretation: The debt-equity ratio is a financial ratio indicating the relative proportion of debt fund in relation to shareholders' fund. It reveals the long term solvency position of the business. Higher ratio is unfavorable to the firms as it is difficult to get credit. Lower ratio is favorable to the firms to get credit. As per table 5.7, Bank Of Baroda, Punjab National Bank and Union Bank of India show a decrease in debt-equity ratio after the merger and in the case of these banks merger shows a positive impact on debt-equity ratio .But Canara Bank and Indian Bank show an increase in debt-equity ratio after the merger and in the case of these banks merger shows a negative impact on debt-equity ratio.

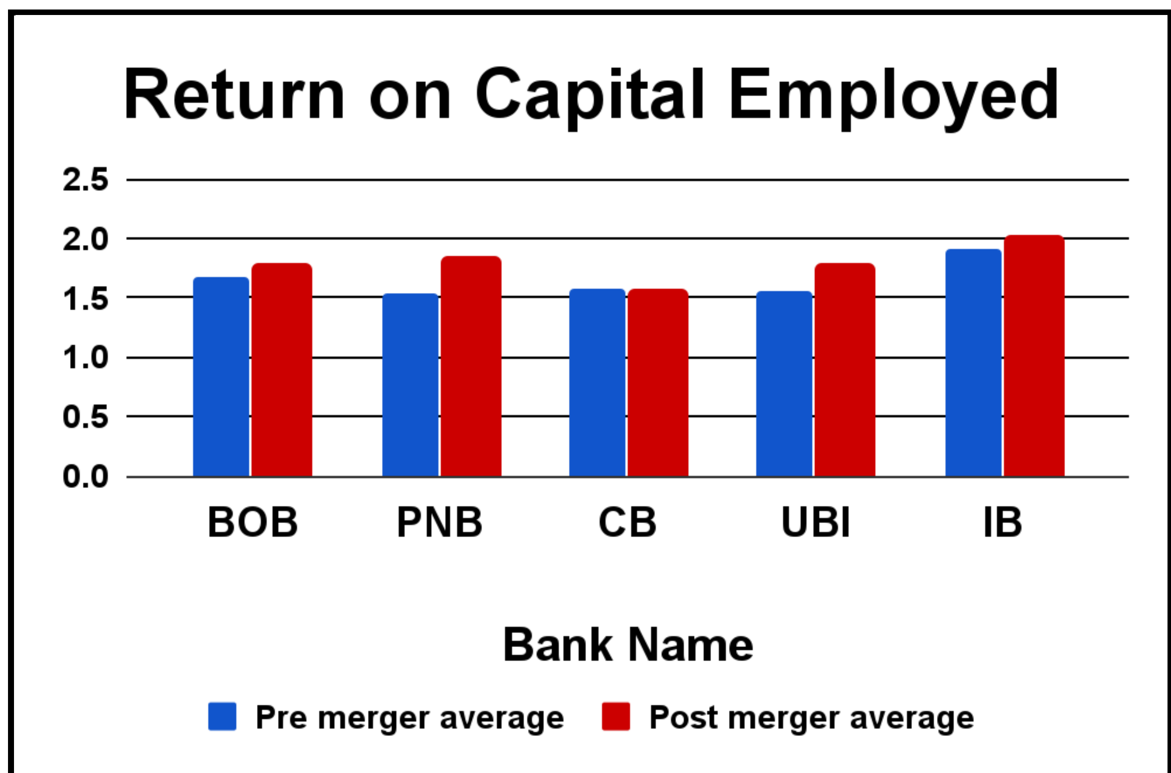
5.8 Return on capital employed

Table 5.8 Return on capital employed

Bank name	Pre-merger average	Post-merger average	Difference (X-Y)	Square of difference (X-Y)^2
BOB	1.675	1.775	-0.1	0.01
PNB	1.54	1.825	-0.285	0.081225
CB	1.575	1.55	0.025	0.000625
UBI	1.555	1.775	-0.22	0.0484
IB	1.9	2.015	-0.115	0.013225

Source: Secondary

Figure 5.8 Return on capital employed



Interpretation: ROCE is an indicator of the overall profitability and efficiency of a business. It is evident from the above table and figure that over the average pre and post-merger period, the return on capital employed has slightly increased in most cases. The higher the ratio, the better the position, and vice versa. As per the table 5.8, in case of Bank of Baroda, Punjab National Bank, Union Bank of India, and Indian Bank we can see an increase in the return on capital. But Canara Bank shows a slight decrease in the return on capital employed by 0.025. Punjab National Bank has the highest increase in ROCE after the merger.

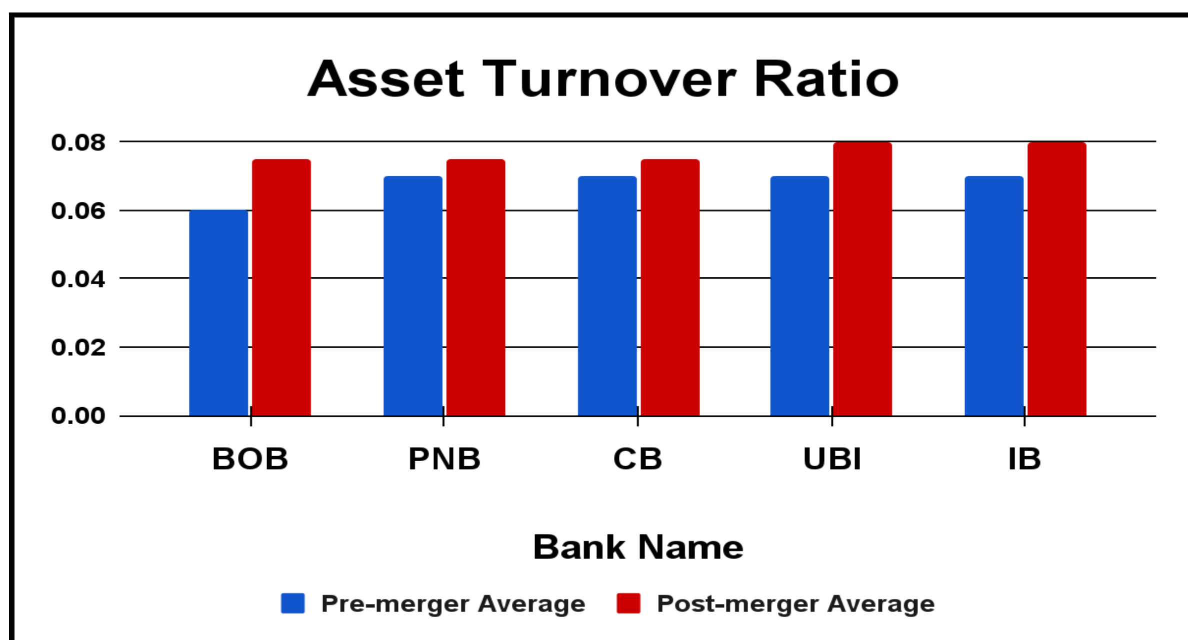
5.9 Asset Turnover ratio

Table 5.9 Asset Turnover ratio

Bank Name	Pre-merger Average(X)	Post-merger Average(Y)	Difference (X-Y)	Square of Difference (X-Y)^2
BOB	0.06	0.075	-0.015	0.000225
PNB	0.07	0.075	-0.005	0.000025
CB	0.07	0.075	-0.005	0.000025
UBI	0.07	0.08	-0.01	0.0001
IB	0.07	0.08	-0.01	0.0001

Source: Secondary

Figure 5.9 Asset Turnover ratio



Interpretation: Asset turnover ratio is the ratio between the value of a company's sales or revenues and the value of its assets. It is an indicator of the efficiency with which a company is deploying its assets to produce the revenue. Higher ratio indicates effective utilization of assets and lower ratio indicates underutilization of assets. As per table 5.9, the asset turnover ratio of all the 5 banks has been slightly increased after the merger. Bank Of Baroda, Punjab National Bank and Canara Bank show same asset turnover ratio after the merger whereas Union Bank of India and Indian Bank show same asset turnover ratio after the merger.

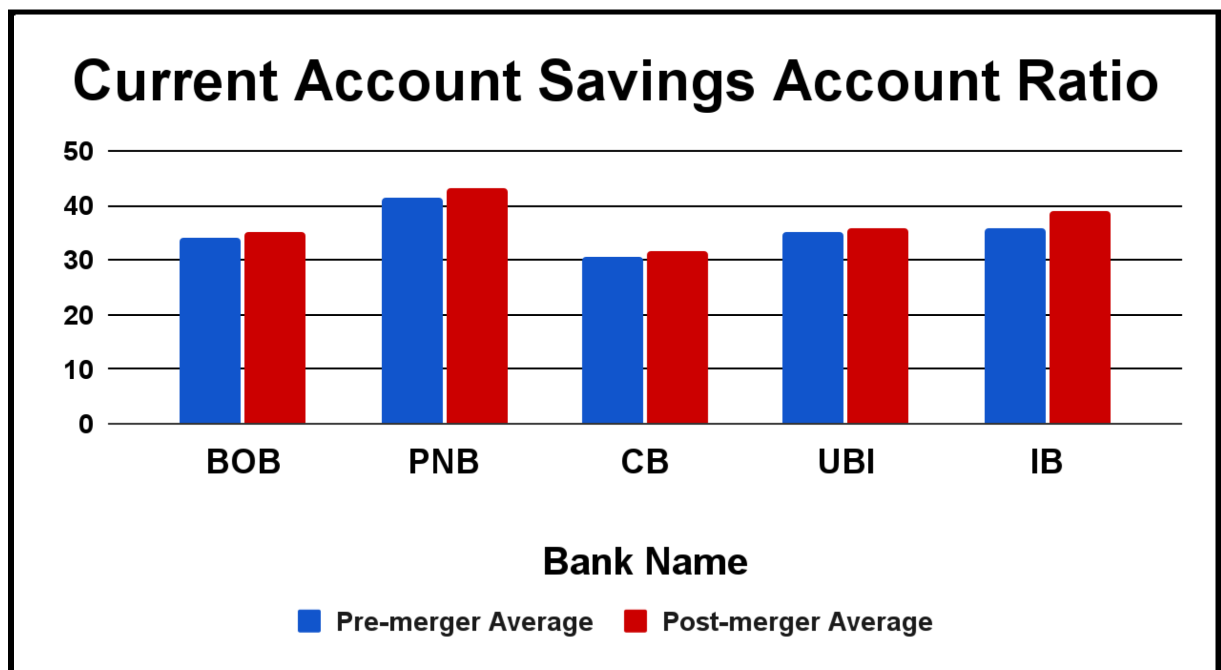
5.10 Current Account Savings Account Ratio

Table 5.10 Current Account Savings Account Ratio

Bank name	Pre-merger Average	Post-merger Average	Difference (X-Y)	Square of difference (X-Y)^2
BOB	33.98	35.155	-1.175	1.380625
PNB	41.57	43.055	-1.485	2.205225
CB	30.49	31.61	-1.12	1.2544
UBI	35.085	35.7025	-0.6175	0.38130625
IB	35.825	39.0575	-3.2325	10.44905625

Source: Secondary

Figure 5.10 Current Account Savings Account Ratio



Interpretation: In the case of Current Account Savings Account Ratio, all the banks have shown a positive impact after the merger. A higher CASA ratio indicates a lower cost of funds because banks do not usually give any interest on current account deposits and the interest on saving accounts is usually very low 3-4%. All 5 banks show a positive impact on the CASA ratio after the merger. Punjab National Bank has the highest CASA ratio among other banks and Indian bank shows more increase in the ratio after the merger.

6.1 SUMMARY

Banking sector is one of the fastest growing areas in developing economies like India. M&A is discussed as one of the most useful tools for growth, which has evoked the interest of researchers and scholars. The Indian economy has witnessed a fast pace of growth post liberalization era and banking is one of them. M&A in the banking sector has provided evidence that it is a useful tool for survival of weak banks by merging into larger banks. It is found in our study that small and local banks face difficulty in bearing the impact of global economy therefore, they need support and it is one of the reasons for merger. In India, the reform process of the banking sector or industry is part and parcel of the government's strategic agenda aimed at repositioning and integrating the Indian banking sector into the global financial system.

To make the Indian banking sector sound, the sector has undergone remarkable changes over the years in terms of the number of institutions, the structure of ownership, as well as depth and breadth of operations. Over the last few decades, due to the intensification of competition, the new financial possibilities and the changes in the regulating process in all the countries have become strategic instruments favoring the increase of the product portfolios, the penetration of new markets and the purchase of new technologies. The decision to apply M&A operation often represents one of the most important actions subordinated to the strategy of an enterprise, having immediate financial implications yet, important consequences on long-term development and survival. Consequently, various emerging issues have been identified for further attention of the researchers and the scholars.

6.2 FINDINGS

- In the operating profit ratio before the merger, the highest ratio is (-38.95) in Punjab National Bank and the lower ratio is (-7.415) in Indian Bank. After the merger, the highest ratio is (-19.455) in Canara Bank and the lower ratio is (-9.905) in Indian Bank.
- In the net profit ratio before the merger the highest ratio is (4.51) in Indian Bank and the lower ratio is (-12.335) in Union Bank of India. After the merger, the highest ratio is (5.595) in Indian Bank and the lower ratio is (-12.965) in Punjab National Bank.
- In return on assets before the merger the highest ratio is (0.3) in Indian Bank and the lower ratio is (-1.44) in Punjab National Bank. After the merger, the highest ratio is (0.1) in Punjab National Bank, and the lowest is (-0.125) in Union Bank of India.
- In return on equity ratio before the merger the highest ratio is (4.96) in Indian Bank and the lower ratio is (-28.525) in Punjab National Bank. After the merger, the highest ratio is (7.91) in Indian Bank and the lower ratio is (-2.295) in Union Bank of India.

- In the cost-to-income ratio before the merger the highest ratio is (61.12) in Punjab National Bank and the lower ratio is (39.34) in Indian Bank. After the merger, the highest ratio is (43.725) in Union Bank of India and the lower ratio is (41.295) in Indian Bank.
- In earning per share ratio before the merger the highest ratio is (16.455) in Indian Bank and the lower ratio is (-47.265) in Union Bank of India. After the merger, the highest ratio is (20.47) in Indian Bank and the lower ratio is (-4.795) in Canara Bank.
- In the debt-equity ratio before the merger the highest ratio is (20.455) in Canara Bank and the lower ratio is (15.07) in Bank of Baroda. After the merger, the highest ratio is (20.62) in Canara Bank and the lower ratio is (13.405) in Punjab National Bank.
- In ROCE ratio before the merger the highest ratio is (1.9) in Indian Bank and the lower ratio is (1.54) in Punjab National Bank. After the merger the highest ratio is (2.015) in Indian Bank and the lower ratio is (1.55) in Canara Bank.
- In asset turnover ratio before the merger the highest ratio is (0.07) in Punjab National Bank, Canara Bank, Union Bank of India, and Indian Bank, and the lower ratio is (0.06) in the Bank of Baroda. After the merger, the ratio (0.07) is equal in all the merged banks.
- In the CASA ratio before the merger the highest ratio is (41.57) in Punjab National Bank and the lower ratio is (30.49) in Canara Bank. After the merger, the highest ratio is (43.055) in Punjab National Bank and the lower ratio is (31.61) in Canara Bank.

6.3 SUGGESTIONS

1. The operating profit of Indian Bank got reduced due to merger and it is negative too. If the same has been continued in future, then it may affect the operational efficiency of the bank. So remedial measures have to be taken to increase the operating profit of Indian Bank. It can increase operating profit by boosting revenue and by lowering expenses
2. The Indian Bank should take necessary steps to reduce cost to income ratio. If costs are rising at a higher rate than income, it will affect the profitability of the bank. It is suggested that the bank should be more active in the open banking ecosystem and simplify products and services to lower cost to income ratio.
3. It is found from the result that banks like Canara Bank and Indian Bank is financed by more of debt that of equity. This can be highly risky for the banks due to high interest cost and in turn increases the risk of insolvency. Hence it is suggested that the banks should balance the debt and equity otherwise it becomes difficult for the banks to grow because of the high cost of servicing debt.
4. The Canara Bank should concentrate more on increasing the return on capital employed ratio. ROCE of Canara Bank got reduced after the merger. A low ROCE indicates that the bank is not using its capital efficiently and is not generating a high return on the investment. If the

same continues in the future, it may affect the overall profitability and efficiency of the bank. Hence it is suggested that the bank should reduce the costs incurred and cut costs where they think it is excessive or inefficient. Repaying debt and reducing liabilities of different forms will also help to improve the ROCE.

5. The banks should introduce new and innovative schemes to attract new customers as well as to retain existing customers.

6.4 CONCLUSION

The study shows the impact of merger and acquisition on selected banks like Vijaya Bank, Dena Bank merged with Bank Of Baroda, Oriental Bank of Commerce and United Bank of India merged into Punjab National Bank, Syndicate Bank merged with Canara Bank, Andhra Bank and Corporation Bank merged with Union Bank of India and Allahabad Bank merged with Indian Bank.

The banking industry has been experiencing major Merger and Acquisition in the recent years, with the number of global players emerging through successive Merger and Acquisition. Mergers and acquisitions leads to the financial gain and the increase in price of target banks. It depends on the condition and the different situations which determine the increase in share and the profit of the acquirer. The primary purpose of the merger and acquisition is to reduce the competition and protect existing markets in the economy. In the banking industry it helps the weaker banks to strengthen their position by merging with the bigger and stronger banks. Mergers help the banks to strengthen their financial base and access tax benefits and facilitate direct access to cash resources. Merger & Acquisition have improved the competition edge of the industry in order to compete with the competitors in the global market. But also shrinks the industry because as the reducing number of banks.