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MERGERS AND ACQUISITIONS IN INDIA: A CASE STUDY ON INDIAN BANKING SECTOR

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ABSTRACT

The International Banking scenario has shown major changes in the past few years in terms of the Mergers and Acquisitions. Like all business entities, banks want to safeguard against risks, as well as exploit available opportunities indicated by existing and expected trends. Mergers and Acquisition in the banking sector have been on the rise in the recent past, both globally and in India. Mergers and Acquisitions is the only way for gaining competitive advantage domestically and internationally and as such the whole range of industries are looking to strategic acquisitions within India and abroad. In order to attain the economies of scale and also to combat the unhealthy competition within the sector besides emerging as a competitive force to reckon with in the International economy. Consolidation of Indian banking sector through mergers and acquisitions on commercial considerations and business strategies – is the essential pre- requisite. In the light of emerging global and Indian trends in the banking sector, this study highlights the main issues related with mergers and acquisition in the banking sector in India. It attempts to explain the objectives behind mergers and acquisition that have taken place in Indian banks since nationalization of banks. A present scenario of mergers in Indian banking sector and some key recommendations for banks, follow from this study.

KEYWORDS-*Merger ,acquisition,return on equity,net profit margin,return on asset,operating profit margin*

1.1 INTRODUCTION

Banks are the utmost important instrument that signifies and depicts a sound financial growth and development of economy. A sound banking system is an indicator of economic development. Post liberalized era has witnessed massive economic reforms like deregulation, removal of barriers, market liberalization, dismantling of interest control has led to extreme competition, higher amount of expectation by the customers has led banks to undergo M&A activities for achieving overall growth. Amalgamations have become a significant tool to gain immediate synergy benefits, earning profits through technological awareness and earning through efficiency gains. Basil-II norms also led to emergence of M&A activity in India. Indian banks have always been dominant even the financial crises globally could not effect its growth which is evident from its credit growth and profitability.

1.2 REVIEW OF LITERATURE

Various studies have been conducted to understand the change in the corporate performance as a result of a merger deal. Few of the results have supported the fact that mergers have a positive effect attained as a result of competitive advantage and synergistic benefits achieved.

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Weston and Mansingka (1971) studied the performance of conglomerate firms pre and post merger period. The results showed that earnings rates significantly underperformed those in the control sample group, but post 10 years, there were no significant differences observed in performance between the two groups.

J and Crane. D (1992), Diaz. B, Olalla. M and Azofra. S (2004) which found that merged banks gained more profits and increase in shareholders wealth.Study conducted by **Rhoades. S (1998)** also showed a significant reduction in cost arising from banks as a result of competitive advantage attained. On the contrary research also showed that mergers and acquisition did not help the banks to improve their performance also increased the non interest expenses and decreased level of efficiency.

Capron (1999) in his research also agreed that mergers and acquisitions is the best and most lucrative way to achieve higher sales and competitive advantage through synergistic benefits achieved. It also secures the company by providing a strong back up. It benefited the banks by increased economies of scale and lowering the operating costs. It also leads to expansion of business through large equity base and asset base thereby increasing the liquidity of merged banks and reduce insolvency or risk. This result was also supported by studies conducted by **Linder**.

Ghosh (2001) investigated whether operating cash flow performance improves following corporate acquisitions, using a design that led to pre-acquisition performance and found that merged firms did not show any improvements in the operating performance post acquisitions.

The study of **Vanitha. S and Selvam. M (2007)** on "Financial Performance of Indian Manufacturing Companies During Pre and Post Merger" analyzed 17 companies as a sample out of 58 to study the impact of merger on the performance in Indian manufacturing sector from 2000- 2002. Result showed a positive impact on the performance.

Pramod Mantravadi and Vidyadhar Reddy (2008) investigated a sample of 118 cases of mergers in their study; "Post merger Performance of acquiring firms from different industries in India" aimed to study the impact of Mergers on operating performance of acquiring corporate in different industries from a period of 1999 to 2003. The results showed minor variation in the operating performance following mergers where more impact of merger can be seen on profitability of banking and finance industry, pharmaceutical, textile and electric equipment sector whereas significant decline was seen in chemical and Agri-Products sector. It also indicated that for mergers between the same groups of companies in India, there has been decline in performance and returns on investment

Antony A. (2011) in his study, " post merger profitability of selected banks in India" took a sample of 6 banks 3 public sector and 3 private sector banks respectively for a period of 1999 to 2011. He examined the impact of mergers by using certain profitability ratio like growth of total assets, net profit ratio, return on assets, return on equity, net interest margin ratio using paired t-test. The results showed a significant difference in the profitability of banks post merger.

The research was conducted by **Muhammad (2011)** similarly **Amel et al (2004)** also claimed there was no positive effect of merger on profitability and cost of the banks. It has not shown enough impact on the shareholder's wealth.Mergers and acquisitions have shown constructive effects on the financial position of the company which was supported by another research conducted by **Dutta and Dawn (2012)** which was based on Indian banks mergers post liberalization period. In their study "mergers and acquisitions in Indian banks after liberalization: An analysis" four years pre and post merger performance of the banks were evaluated on the basis of growth of assets, profits, revenue, deposits and no. of employees .The results showed a significant improvement in the performance.

1.3 OBJECTIVE OF THE STUDY

The present research focuses on examining the impact of mergers on the performance of Indian banks with the following objectives:

- To study the impact of merger announcement on the financial performance of the banks in the merger periods.

Further the study intends to investigate the sustainability of the impact of merger post 3 year period.

1.4 RESEARCH HYPOTHESIS

To test the objectives above the following hypothesis was formulated:

I. H00- There is no significant difference in the financial performance of Indian banks post merger.
II. H01- There is significant difference in the financial performance of Indian banks post merger.
III.

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1.5 DATA COLLECTION

The data collected for the study are of secondary in nature and have been collected from secondary sources like website of Bombay Stock exchange (BSE) ; website Money control.com, books, articles, magazines, journals etc. The data Collection of financial ratios for 3 years pre and 3 years post of merger are Selected of the concerned banking companies.

1.6 METHODOLOGY

The purpose of the present study is to evaluate financial performance of banks three years pre and post merger. Keeping in view the nature and scope of the present study, financial performance indicators, various accounting and statistical tools have been used.

1.7 SAMPLE SELECTION

The present study takes into consideration the mergers in banking sector announced between January 2005 to December 2014 . In the present study only public sector bank mergers are considered for investigation, only 5 such cases existed. All the banks are listed in BSE. Only stock to stock mergers are included in the sample. Acquisitions have been excluded from the sample.

Five cases of Merger of Banks:-

1. IDBI Ltd. with IDBI Bank Ltd. (2005)
2. IDBI Ltd. with United Western Bank Ltd. (2006)
3. HDFC Bank with Centurion Bank of India (2010)
4. ICICI Bank with Bank of Rajasthan (2010)
5. Kotak Mahindra Bank with ING Vyasa Bank (2014)

1.8 DATA ANALYSIS

For the purpose of measuring the financial and operating performance of the merger following ratios have been considered to evaluate the impact of mergers.

1. Return on Equity
2. Return on Assets
3. Earning per Share
4. Net Profit Margin
5. Operating Profit Margin

The method manual or mechanical adopted for data processing, and an account of methods used for data analysis and testing hypothesis. The common methods are used like t test and analysis of variance.

MERGER & ACQUISITION

2.1 MERGER

A merger is the combination of two or more companies generally by offering the stockholders of one company securities in the acquiring company in exchange for the surrender of their stock. It leads to the dissolution of more or more entities, to get absorbed into another undertaking, which is relatively bigger in size. It is a strategy adopted by the company to maximize company's growth by expanding its production and marketing operations, that results in synergy, increased customer base, reduced competition, introduction to a new market/product segment, etc.It is a form of amalgamation, wherein the assets and liabilities of the companies undergoing amalgamation becomes the assets and liabilities of the amalgamated company. Likewise, the shareholders of the old company also get their part ownership in the new company.

2.2 TYPES OF MERGER

From the perspective of business structures, there is a whole host of different mergers. Here are a few types, distinguished by the relationship between the two companies that are merging:

- **Horizontal merger:** Two companies that are in direct competition and share the same product lines and markets.
- **Vertical merger:** A customer and company or a supplier and company. Think of a cone supplier merging with an ice cream maker.

- **Congeneric mergers:** Two businesses that serve the same consumer base in different ways, such as a TV manufacturer and a cable company.
- **Market-extension merger:** Two companies that sell the same products in different markets.
- **Product-extension merger:** Two companies selling different but related products in the same market.
- **Conglomeration:** Two companies that have no common business areas. There are two types of mergers that are distinguished by how the merger is financed. Each has certain implications for the companies involved and for investors:
- **Purchase Mergers:** As the name suggests, this kind of merger occurs when one company purchases another company. The purchase is made with cash or through the issue of some kind of debt instrument; the sale is taxable. Acquiring companies often prefer this type of merger because it can provide them with a tax benefit. Acquired assets can be written-up to the actual purchase price, and the difference between the book value and the purchase price of the assets can depreciate annually, reducing taxes payable by the acquiring company.
- **Consolidation Mergers:** With this merger, a brand new company is formed, and both companies are bought and combined under the new entity. The tax terms are the same as those of a purchase merger.

2.3 ACQUISITION

An acquisition is a situation whereby one company purchases most or all of another company's shares in order to take control. An acquisition occurs when a buying company obtains more than 50% ownership in a target company . As part of the exchange the acquiring company often purchases the target company's stock and other assets, which allows the acquiring company to make decisions regarding the newly acquired assets without the approval of the target company's shareholders. It is to be noted that in acquisition unlike merge r that target company's identity remain intact. Unless the acquirer company does not specifically decide to merge the target company with itself & carries out all the legal processes required to complete the merger, the target /acquired company continue to exist as earlier. What changes is the entity that now controls its management or policy decisions or the composition of its board of directors.

2.4 TYPES OF ACQUISITION

- **Friendly acquisition:** Both the companies approve of the acquisition under friendly terms.
- **Reverse acquisition:** A private company takes over a public company.
- **Back flip acquisition:** A very rare case of acquisition in which, the purchasing company becomes a subsidiary of the purchased company.
- **Hostile acquisition:** Here, as the name suggests, the entire process is done by force.

BANKING: AN OVERVIEW

3.1 THE INDIAN BANKING SECTOR

Indian banking system came into existence in the year 1770 with formation of Bank of Hindustan. Later on some more banks were formed which lost their entity after merger and all the merged banks were names as Imperial Bank of India. The history of Indian banking can be segregated into 3 phases: Phase I (1786-1969)- Initial phase when many small banks were set up. Phase II(1696-1991) Nationalization , regularization and growth Phase III(1991 onwards) Liberalization and its outcome (Srinivasan.R,2015) Post phase III the Indian banking sector has observed growth , there is abundance of credit and debit cards, the sales have increased, the retail credit has got a boost, NPA"s have lowered as a result of improved macroeconomic conditions and regulatory changes. With entry of private sector banks in post liberalized period the banks have become focused on brand building, customer satisfaction, advancement in technology and risk management system have been evolved in the recent past. The impact of the Basel II norms would be advantageous to relatively larger banks but is going to be expensive for banks as additional capital would be required and it will be costly database creation and maintenance processes.

3.2 HISTORY OF BANKING IN INDIA

Banking in India, in the modern sense, originated in the last decade of the 18th century. Among the first banks were the *Bank of Hindustan*, which was established in 1770 and liquidated in 1829–32; and the General Bank of India, established in 1786 but failed in 1791.

The largest bank, and the oldest still in existence, is the State Bank of India (S.B.I). It originated and started working as the Bank of Calcutta in mid-June 1806. In 1809, it was renamed as the Bank of Bengal. This was one of the three banks founded by a presidency government, the other two were the Bank of Bombay in 1840 and the Bank of Madras in 1843. The three banks were merged in 1921 to form the Imperial Bank of India, which upon India's independence, became the State Bank of India in 1955. For many years the presidency banks had acted as quasi-central banks, as did their successors, until the Reserve Bank of India was established in 1935, under the Reserve Bank of India Act, 1934.

In 1960, the State Banks of India was given control of eight state-associated banks under the State Bank of India (Subsidiary Banks) Act, 1959. These are now called its associate banks.[6] In 1969 the Indian government nationalized 14 major private banks, one of the big bank was Bank of India. In 1980, 6 more private banks were nationalized. These nationalized banks are the majority of lenders in the Indian economy. They dominate the banking sector because of their large size and widespread networks.

The Indian banking sector is broadly classified into scheduled and non-scheduled banks. The scheduled banks are those included under the 2nd Schedule of the Reserve Bank of India Act, 1934. The scheduled banks are further classified into: nationalized banks; State Bank of India and its associates; Regional Rural Banks (RRBs); foreign banks; and other Indian private sector banks. The term commercial banks refers to both scheduled and non-scheduled commercial banks regulated under the Banking Regulation Act, 1949.

Generally the supply, product range and reach of banking in India is fairly mature-even though reach in rural India and to the poor still remains a challenge. The government has developed initiatives to address this through the State Bank of India expanding its branch network and through the National Bank for Agriculture and Rural Development (NABARD) with facilities like microfinance.

Post-Independence

During 1938-46, bank branch offices trebled to 3,469 and deposits quadrupled to 962 crore. Nevertheless, the partition of India in 1947 adversely impacted the economies of Punjab and West Bengal, paralyzing banking activities for months. India's independence marked the end of a regime of the Laissez-faire for the Indian banking. 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. This resulted in greater involvement of the state in different segments of the economy including banking and finance. The major steps to regulate banking included:

- The Reserve Bank of India, India's central banking authority, was established in April 1935, but was nationalized on 1 January 1949 under the terms of the Reserve Bank of India (Transfer to Public Ownership) Act, 1948 (RBI, 2005b).
- In 1949, the Banking Regulation Act was enacted, which empowered the Reserve Bank of India (RBI) to regulate, control, and inspect the banks in India.
- The Banking Regulation Act also provided that no new bank or branch of an existing bank could be opened without a license from the RBI, and no two banks could have common directors.

Nationalization in 1969 and 1980

Despite the provisions, control and regulations of the Reserve Bank of India, banks in India except the State Bank of India (SBI), remain owned and operated by private persons. By the 1960s, the Indian banking industry had become an important tool to facilitate the development of the Indian economy. At the same time, it had emerged as a large employer, and a debate had ensued about the nationalisation of the banking industry. Indira Gandhi, the then Prime Minister of India, expressed the intention of the Government of India in the annual conference of the All India Congress Meeting in a paper entitled *Stray thoughts on Bank Nationalization.*

Thereafter, the Government of India issued the Banking Companies (Acquisition and Transfer of Undertakings) Ordinance, 1969 and nationalized the 14 largest commercial banks with effect from the midnight of 19 July 1969. These banks contained 85 percent of bank deposits in the country.[21] Within two weeks of the issue of the ordinance, the Parliament passed the Banking Companies (Acquisition and Transfer of Undertaking) Bill, and it received presidential approval on 9 August 1969.

The following banks were nationalized in 1969:

- Allahabad Bank
- Bank of Baroda

- Bank of India
- Bank of Maharashtra
- Central Bank of India
- Canara Bank
- Dena Bank
- Indian Bank
- Indian Overseas Bank
- Punjab National Bank
- Syndicate Bank
- UCO Bank
- Union Bank
- United Bank of India

A second round of nationalisations of six more commercial banks followed in 1980. The stated reason for the nationalisation was to give the government more control of credit delivery. With the second round of nationalisations, the Government of India controlled around 91% of the banking business of India.

The following banks were nationalized in 1980:

- Punjab and Sind Bank
- Vijaya Bank
- Oriental Bank of India
- Corporate Bank
- Andhra Bank
- New Bank of India

Later on, in the year 1993, the government merged New Bank of India with Punjab National Bank.[22] It was the only merger between nationalized banks and resulted in the reduction of the number of nationalized banks from 20 to 19. Until the 1990s, the nationalised banks grew at a pace of around 4%, closer to the average growth rate of the Indian economy.

Liberalization in the 1990s

In the early 1990s, the then government embarked on a policy of liberalisation, licensing a small number of private banks. These came to be known as *New Generation tech-savvy banks*, and included Global Trust Bank (the first of such new generation banks to be set up), which later amalgamated with Oriental Bank of Commerce, IndusInd Bank, UTI Bank (since renamed Axis Bank), ICICI Bank and HDFC Bank. This move, along with the rapid growth in the economy of India, revitalised the banking sector in India, which has seen rapid growth with strong contribution from all the three sectors of banks, namely, government banks, private banks and foreign banks.

The next stage for the Indian banking has been set up, with proposed relaxation of norms for foreign direct investment. All foreign investors in banks may be given voting rights that could exceed the present cap of 10% at present. It has gone up to 74% with some restrictions.

The new policy shook the Banking sector in India completely. Bankers, till this time, were used to the 4–6–4 method (borrow at 4%; lend at 6%; go home at 4) of functioning. The new wave ushered in a modern outlook and tech-savvy methods of working for traditional banks. All this led to the retail boom in India. People demanded more from their banks and received more.

3.3 SCENARIO OF MERGERS IN INDIA

In India, the mergers in 60s had taken place under the direction of RBI and as a result from 566 banks during 1951, the no. came down to 85 (14 non- scheduled) by 1969. During 90s, the merger of NBI with PNB created personnel integration problems and as a result, PSB mergers were not contemplated, subsequently. However private bank mergers continued with merger of Bank of Madura with ICICI, that of Times Bank with HDFC, Benares State Bank with BoB in 2002, Nedungadi Bank with PNB in 2003 and more recently that of the Global Trust Bank with OBC in 2004. Reverse merger of ICICI Ltd also took place with ICICI Bank, during the year 2001. These mergers did help in strengthening financially, helped to avoid the complex processes of restructuring the weaker of the units and foster financial stability and opened the possibility of actively promoting universal banking. It is encouraging

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that these mergers were facilitated to a large extent by banking sector reforms. However, there is little published empirical literature on the impact of mergers in banking in India.

Today, the banking industry is counted among the rapidly growing industries in India. It has transformed itself from a sluggish business entity to a dynamic industry. The growth rate in this sector is remarkable and therefore, it has become the most preferred banking destinations for international investors‟. In the last two decade, there have been paradigm shift in Indian banking industries. The Indian banking sector is growing at an astonishing pace. A relatively new dimension in the Indian banking industry is accelerated through mergers and acquisitions. It will enable banks to achieve world class status and throw greater value to the stakeholders. Rs. 82, 99,220 (during 2014) is the total assets of Banks in India. These all are regulated by the Indian Ministry of Finance, as well as the Reserve Bank of India.

3.4 PERFORMANCE OF BANKS AFTER MERGER

The following top five banks in India that have performed better after mergers are: HDFC Bank – The HDFC Bank has witnessed two bank mergers till date. These are the ones with Centurion Bank of Punjab in 2008 and the one with Times Bank Ltd. in the year 2000. Both these spurted the growth in the bank and it has now reached the zenith.

ICICI Bank – ICICI Bank has undergone various mergers of banks. It has targeted a lot of banks till date and emerged as a leading bank in India. Here is a list of bank mergers ICICI has had in the past.

Axis Bank – Bank merger has been beneficial for Axis Bank too. It has seen record increase in business.

Kotak Mahindra Bank and ING Vyasa Bank Merger – The most recent merger of banks was in 2014 between these two banks. This consolidation will surely give an upgraded geographical reach for the unit that has been formed after the much debated merger.

IndusInd Bank – It too witnessed positive synergies after the merger. Also there has been progressive increase in its business.

3.5 MERGER AND ACQUISITION OF BANKS SINCE NATIONALIZATION OF BANKS IN INDIA

Sr. No.	Name of the Transferor company	Name of the Transferee company	Date of Merger/Amalgamation
1.	Bank of Bihar ltd.	State Bank of India	November 8,1969
2.	National Bank of Lahore ltd.	State Bank of India	February 20,1970
3.	Mirja State Bank ltd.	Union Bank of India	July 29,1985
4.	Laxmi Commercial Bank	Canara Bank	August 24,1985
5.	Bank of Cohin ltd.	State Bank of India	August 26,1985
6.	Hindustan Commercial Bank ltd.	Punjab National Bank	December 19,1986
7.	Traders Bank ltd.	Bank of Boroda	May 13,1988
8.	United Industrial Bank ltd.	Allahabad Bank	October 31,1989
9.	Bank of Tamilnadu ltd.	Indian overseas Bank	February 20,1990
10.	Bank of Thanjavur Ltd.	Indian Bank	February 20,1990
11.	Parur Central Bank ltd.	Bank of India	February 20,1990
12.	Purbanchal Bank ltd.	Central Bank of India	August 29,1990
13.	New Bank of India	Punjab National Bank	September 4,1993
14.	Bank of Karada Ltd.	Bank of India	1993-94
15.	Kashi Nath Seth Bank Ltd.	State Bank of India	January 1,19696
16.	Bari Doba Bank Ltd.	Oriental Bank of Commerce	April 8,1997
17.	Punjab Co-operative Bank Ltd.	Oriental Bank of Commerce	April 8,1997
18.	Bareilly Corporation Bank Ltd.	Bank of Boroda	June 3,1999
19.	Sikkim Bank Ltd.	Union Bank of India	December 22,1999
20.	Times Bank Ltd.	HDFC Bank Ltd.	February 26,2000
21.	Bank of Madura Ltd.	ICICI Bank Ltd.	March 10,2001
22.	ICICI Ltd.	ICICI Bank Ltd.	May 3,2002

23.	Benares State Bank Ltd.	Bank of Boroda	June 20,2002
24.	Nedungadi Bank Ltd.	Punjab National Bank	February 1,2003
25.	South Gujrat Local Area Bank Ltd.	Bank of Boroda	June 25,2004
26.	Global Trust Bank Ltd.	Oriental Bank of Commerce	August 14,2004
27.	Indian Bank Ltd.	IDBI Ltd.	April 2,2005
28.	Bank of Punjab Ltd.	Centurion Bank Ltd.	October 1,2005
29.	Ganesh Bank of Kurndward Ltd.	Federal Bank Ltd.	September 2,2006
30.	United Western Bank Ltd.	IDBI Ltd.	October 3,2006
31.	Bharat overseas Bank Ltd.	Indian overseas Bank	March 31,2007
32.	Sangali Bank Ltd.	ICICI Bank Ltd.	April 19,2007
33.	Lord Krishna Bank Ltd.	Centurion Bank of Punjab	August 29,2007
34.	Centurion Bank of Punjab Ltd.	HDFC Bank Ltd.	May 23,2008
35.	The Bank of Rajasthan	ICICI Bank Ltd.	August 13,2010
36.	State Bank of Indore	State Bank of India	August 26,2010
37.	ING Vyasa Bank	Kotak Mahindra Bank	November,2014
38.	Bharatiya Mahila Bank	State Bank of India	April,2017
39.	Associates of State Bank	State Bank of India	2017
40.	Vijaya Bank,Dena Bank	Bank of Baroda	April,2019

ANALYSIS AND INTERPRETATION

4.1 FINANCIAL PERFORMANCE INDICATORS

The performance of the banks has been evaluated based on the following financial measures:

- Return on Equity =Net profit/Existing Shareholder' fund *100
- Return on Assets =Net Profit After Tax/ Average Total Assets *100
- Earnings Per Share = Net Profit Available for Equity Shareholders /No. of Equity Share*100
- Net Profit Margin =Net Profit/Sales *100
- Operating Profit Margin= Operating profit/Sales *100

The year of announcement is taken as the base year and denoted as "0". The period of 3 years before the merger is denoted as (-3) and post three years period is denoted as (+3) respectively. The data of specified financial ratios is collected for 3 years pre merger and up to 3 years post mergers starting from base year when merger was announced. To determine the impact on performance in pre and post merger period, paired sample T test has been conducted tested at confidence level of 0.05. The average of ration for pre 3 years period is compared with post 3 years averages of ratios using t-test. It is a case to case study and analysis of the findings.

4.2 EMPIRICAL RESULTS

The present paper aims at finding out the merger effects on financial performance of the banks. The following finding shows varied results in terms of performance. The Return on Equity ratio shows an improvement in most of the cases taken in the sample but the impact has not been significant enough, except in the case of HDFC bank merger showing a significant of merger on the performance of the bank. The results are depicted in Table 2.

Table 3 shows the results based on analysis of Return on Assets ratio. The results show significant improvement in the performance in two cases ; that is HDFC Bank with Centurion

Bank of Punjab and Kotak Mahindra Bank with ING Vyasa Bank mergers. Other three merger performance is not significant as per level of significance. On analyzing Earning per Share in Table 4 significant improvement was seen only in one cases. Table 5 shows the results of Net Profit Margin in which the improvement of performance is not significant in all cases. Only two cases are almost near to the level of significance but not significantle improved. Whereas on analyzing the Operating Profit Margin in Table 6, it was observed that only ICICI bank and Bank of Rajasthan result is better than others. But all cases are not significant the performance after merger.

Table 2: Return on Equity of acquirer company and target company pre and post merger.

SL. No.	Acqurier Company	Target Company	Return on Equity		t- Value [-3,+3]
			Mean Value Pre-merger	Mean Value Post-merger	
1.	IDBI Ltd.	IDBI Bank Ltd.	6.855 (1.5621)	10.41 (0.4384)	4.471 [0.140]
2	IDBI Ltd.	United Western Bank Ltd.	6.6 (1.9233)	11.125 (0.57275)	-2.5637 [0.236]
3.	HDFC Bank	Centurion Bank of Punjab	16.695 (1.4637)	14.58 (1.2586)	14.5862 [0.043]
4.	ICICI Bank	Bank of Rajasthan	8.26 (0.9616)	11.95 (1.2587)	2.1210 [0.280]
5.	Kotak Mahindra Bank	ING Vyasa Bank	13.98 (0.5515)	10.535 (2.5668)	2.4175 [0.249]

Table 3: Return on Assets of acquirer company and target company pre and post merger.

SL. No.	Acqurier Company	Target Company	Return on Asset		t- Value [-3,+3]
			Mean Value Pre-merger	Mean Value Post-merger	
1.	IDBI Ltd.	IDBI Bank Ltd.	98.135 (12.3814)	89.955 (5.4659)	-0.6481 [0.633]
2.	IDBI Ltd.	United Western Bank Ltd.	89.565 (0.2616)	98.265 (6.2862)	-2.0422 [0.289]
3.	HDFC Bank	Centurion Bank of Punjab	158.33 (22.7546)	507.825 (53.2239)	-14.9684 [0.042]
4.	ICICI Bank	Bank of Rajasthan	431.29 (19.304)	551.54 (38.3393)	8.9338 [0.070]
5.	Kotak Mahindra Bank	ING Vyasa Bank	116.89 (13.633)	140.31 (13.7178)	-390.33 [0.0016]

Table 4: Earning Per share of acquirer company and target company pre and post merger.

SL. No.	Acqurier Company	Target Company	Earning Per Share		t- Value [-3,+3]
			Mean Value Pre-merger	Mean Value Post-merger	
1.	IDBI Ltd.	IDBI Bank Ltd.	7.185 (0.0919)	9.38 (0.96166)	2.9463 [0.208]
2.	IDBI Ltd.	United Western Bank Ltd.	8.19 (1.5132)	10.955 (1.265720	-15.8 [0.040]
3.	HDFC Bank	Centurion Bank of Punjab	32.105 (1.74020)	42.28 (35.7513)	-0.345 [0.788]
4.	ICICI Bank	Bank of Rajasthan	35.565 (2.55256)	64.18 (11.37027)	-2.9065 [0.210
5.	Kotak Mahindra Bank	ING Vyasa Bank	16.5 (2.5597)	14.995 (5.0558)	0.8526 [0.550]

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Table 5: Net profit margin of acquirer company and target company pre and post merger.

SL. No.	Acqurier Company	Target Company	Net Profit Margin		t- Value [-3,+3]
			Mean Value Pre-merger	Mean Value Post-merger	
1.	IDBI Ltd.	IDBI Bank Ltd.	7.185 (0.0919)	9.38 (0.96166)	2.9463 [0.208]
2.	IDBI Ltd.	United Western Bank Ltd.	7.76 (2.83637)	7.145 (0.700)	-15.-0.241 [0.849]
3.	HDFC Bank	Centurion Bank of Punjab	14.865 (1.1242)	17.465 (3.1607)	0.8580 [0.548]
4.	ICICI Bank	Bank of Rajasthan	10.1 (0.6081)	20.02 (33.5410)	-8.4067 [0.075]
5.	Kotak Mahindra Bank	ING Vyasa Bank	17.23 (0.4525)	16.01 (4.64275)	0.3047 [0.790]

Table 6: Operating profit margin of acquirer company and target company pre and post merger.

SL. No.	Acqurier Company	Target Company	Operating profit Margin		t- Value [-3,+3]
			Mean Value Pre-merger	Mean Value Post-merger	
1.	IDBI Ltd.	IDBI Bank Ltd.	6.145 (2.0011)	6.595 (5.16589)	0.0828 [0.947]
2.	IDBI Ltd.	United Western Bank Ltd.	4.8 (0.0989)	8.815 (1.98697)	2.722 [0.224]
3.	HDFC Bank	Centurion Bank of Punjab	12.655 (3.2031)	4.965 (7.6433)	-1.6189 [0.352]
4.	ICICI Bank	Bank of Rajasthan	10.21 (0.15556)	-1.57 (2.1496)	8.3546 [0.075]
5.	Kotak Mahindra Bank	ING Vyasa Bank	2.11 (0.52325)	-1.775 (1.98697)	3.7536 [0.165]

Values in ( ) denotes Standard Deviation
Values in [ ] denotes value of significance
*denotes level of significance at 0.05

SUMMARY OF FINDINGS

Indian banking sector is going through a remarkable phase from last two decades. Growing competition led to realization of importance of mergers and acquisition activities among banking entities. It minimizes the expenses, improves profits and eliminates competitors. The aim to conduct the present study was to know the financial improvement in banks post merger. On analyzing the given rations for a period of 3 years pre and 5 year post it become evident that major impact was seen in terms of return to assets ratio as maximum banks in the samples showed significant results. Least performing ratios were return on equity and earnings per share. Whereas net profit margin and return to capital employed depicted a considerable improvement. Thus to conclude mergers have proved to have a propound effect on banks' ability to earn profits and building on assets for future growth.

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