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AN OVERVIEW OF MERGERS AND ACQUISITIONS IN THE INDIAN BANKING SECTOR

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Abstract
In the current competitive era, all banking companies are using mergers and acquisitions technology to compete in their profit and efficiency. Because without this it is not possible to save yourself in today's globalization environment. At the same time, some companies are using this technic to expand themselves. While mergers and acquisitions have led to the expansion of companies, the other hand, their side effects are also emerging. Before doing it, you should take a very careful decision.

***Keywords: Merger, Acquisition, Banking, Profitability*.**

Introduction

Mergers and acquisitions (M&A) is a broad phrase that refers to a variety of financial transactions that combine firms or assets, such as mergers, acquisitions, consolidations, tender offers, asset purchases, and management acquisitions. Mergers and acquisitions are words that are sometimes used interchangeably, but they have significantly different meanings. An acquisition occurs when one corporation buys another and establishes itself as the new owner. A merger, on the other hand, is when two companies of similar size join forces to move ahead as a single new organization rather than being individually owned and run. Mergers are when two or more businesses come together to form a single entity. A merger is described as a "transaction involving the exchange of securities between two or more corporations in which only one company remains." Without physically merging the firms, the acquisition is obtaining control over the target company by either acquiring assets or establishing influence over the board of directors.

Types of Mergers and Acquisitions

1. Vertical Merger

It is a merger that occurs when two firms operating in the same industry but at different phases of production or distribution system combine. Vertical mergers are easy and popular. It's done to bring together diverse supply chain tasks that each firm could operate with by merging two companies that provide comparable or common goods or services. A vehicle manufacturer, for example, may merge with a components supplier so that their shared operations may be carried out in closer proximity and with more visibility. The automobile manufacturer obtains more control over part prices, while the parts supplier profits from a steady supply of orders.

2. Horizontal Merger

A horizontal merger involves two or more firms that are rivals, as opposed to a vertical merger, which involves two or more companies that are competitors. These businesses will share the same premises and, in most cases, provide the same goods or services. Because there is more rivalry in industries with fewer enterprises selling the same product, they are more typical. Within this market, a successful merger or acquisition offers a lot of upside potential. Consider what would happen if McDonald's and Burger King merged. This would be a typical example of a horizontal merger: two firms operating in the same area merging to form a new company with a 'supersized' market share. Taking a larger share

of the market and combining some businesses, such as manufacturing, might help lower total operating expenses. It's a terrific method for small enterprises to access markets in other countries that they may not have had access to previously.

3. Conglomerate Merger
It is a merger of two or more firms operating in different and unrelated industries. This is a merger or purchase between two companies that have completely different business activities. Conglomerate mergers are different from the other two types of mergers we've studied. The conglomerate merger is divided into two sections:

- **Pure Conglomerate Merger:** When the firms engaged have no common products or services, this is referred to be pure.
- **Mixed Conglomerate Merger:** When the organizations engaged have a modest number of comparable items, this is referred to be "mixed."

4. Market Extension Merger
Assume you're a company that targets a certain market. Now, another company is offering the same product or service, but in a different market. You're seeking a method into that market to expand your customer base and market share. The best method to do this is through a market expansion merger.

Product Extension Merger
Market extension mergers and product extension mergers are comparable. Two or more firms that deal in comparable or related items and operate in the same market are involved in this. Broadcom, for example, purchased Mobilink Telecom Inc in 2002 to blend the latter's mobile product designs with the former's wireless, Bluetooth goods.

.**Review of Literature:**

1. **Dr.Ruchita Verma and Rajan Kumar:** Banking is one of the fastest expanding sectors in the Indian economy. Merger & acquisition is one of the most effective growth and expansion tactics. This study examines the impact of mergers and acquisitions on the financial performance of acquired banks throughout the post-merger period. It also compares the financial performance of the target and acquired banks before the merger.
2. **Suresh Kumar:** In a competitive environment, levelling the playing field between domestic and international banks is critical. The general belief that giant banking firms are more efficient and less dangerous than smaller firms, or the assumption that the global banking industry is combining to eliminate surplus capacity, are two of the dynamics at work, but one cannot dispute that today's public policies encourage banks to merge. The issue is not one of consolidation to cover up flaws, but of building a stronger financial industry. While each bank and branch can be effective on its own, the combined assets, processes, and technology platforms of the corporate parents will minimize risk and extend credit in ways that a single bank cannot. The central bank's main worry about bank consolidation is its impact on systemic risk and thus financial stability. Financial integration minimizes financial costs, boosts market competition, improves technology use, and reduces economic dependence.
3. **Komal Gupta:** The current study tried to investigate the influence of mergers and acquisitions on the financial performance of many Indian banks. The results show that in the first case of merger between Bank of Rajasthan and ICICI Bank, the performance of banks significantly improved in terms of net profit margin, return on assets, net interest margin, capital adequacy ratio, CASA, and cost to income in the post-merger period, but there was no significant change

in total income/capital employed, return on equity, and credit deposit ratio. In the second case of the merger between Centurion Bank of Punjab and HDFC Bank, the analyses show that net profit margin, return on assets, return on equity, credit deposit ratio, CASA, and cost to income have all improved significantly, but total income/capital employed and capital adequacy ratio have remained unchanged, while net interest margin has decreased. The results demonstrate that most financial parameters improved significantly after the merger in both cases, while others did not improve significantly, although it is probable that these ratios will improve in future years because just three years of financial ratios are compared. In the long run, synergy gains are achieved while dealing with mergers and acquisitions, resulting in an improvement in bank efficiency and performance. As a result, it is possible to conclude that mergers and acquisitions have a beneficial impact on bank financial performance.

4. **Dr. K.A. Goyal and Vijay Joshi-** According to the preceding discussion, mergers and acquisitions (M&As) are considered corporate events that help an organisation create synergy and provide sustainable competitive advantage; however, these types of corporate events have the potential to create severe personal trauma and stress, which can result in psychological, behavioural, health, performance, and survival problems for both individuals and companies, whether it is a bank or not.
5. **Tajalli Fatima, Amir Shehzad-**We discovered in this study that analysis that the aim of the merger is not effectively achieved in this era since neither synergy nor economies of scale are achieved. As a result, we may conclude that the merger had no positive consequences on the bank's financial performance. Our findings are consistent with those of (Joshua, 2011), who indicated that neither ratio has a substantial impact on a bank's financial performance after the merger, but that there is a rise in the mean values of all ratios after the merger.

Objective of the Study

1. Understanding the objective of the merger and acquisitions,
2. Understanding the advantages of mergers and acquisitions,
3. Examining the impact of mergers and acquisitions,

Purpose of the Merger and Acquisition

The primary goal of a merger or company combination is to generate quicker corporate development. Product enhancement and competitive positioning can help you develop faster.

1. Purchasing supplies: to protect the raw material or intermediate product supply source.
2. Renovating manufacturing facilities: To obtain economies of scale by combining production facilities and utilizing plant and resources more efficiently.
3. Market expansion and strategy: To decrease competitors while also protecting the present market.
4. Financial strength: to increase liquidity and have immediate access to funds.
5. Strategic goal: Depending on the corporate plans, the acquirer company sees the merger as a way to accomplish strategic goals through various types of combinations, such as horizontal, vertical, product growth, market extension, or other unconnected goals.
6. The Desired level of integration: Mergers and acquisitions are undertaken to achieve the desired level of integration between the two merging companies. This type of integration might be operational or financial in nature.

Advantages of Merger

From the point of view of the shareholders: Shareholders' investments in the firms that are merging should increase in value. The selling of shares from one company's shareholders to another and the keeping of shares as an investment should result in higher valuations, i.e. alternative investment opportunity gains.

1. Economies of scale;
2. Product line diversity;
3. The purchase of human assets and other resources that would otherwise be unavailable;
4. Combination investments offer superior returns.

From the manager's perspective

Managers are concerned with enhancing the company's operations and successfully managing the company's affairs for all-around gains and growth, which will offer them better deals in terms of boosting their position, perks, and fringe benefits. Managers embrace mergers in which all of these factors are a foregone conclusion. At the same time, when managers are afraid of being replaced by new management in the combined firm, as well as the resulting devaluation from the merger, getting their support becomes difficult.

Gains for promoters-Mergers provide the benefit of growing the size of a firm as well as its financial structure and strength to its promoters. They can turn a privately owned limited business into a public corporation without putting much money into it.

Public Benefits

The impact of mergers on the general public may be considered as an element of
Advantages and costs to:

1. Consumers of product or service
2. Employees of the combined company;
3. The general public, who are not users, consumers, or employees of the enterprises involved in the merger plan.

Research Methodology: This research paper is based on secondary resources, which included a variety of sources commonly available research articles, journals, books, websites, newspapers, and reports, as well as pieces from websites that deal directly or indirectly with mergers and acquisitions in the Indian banking sector. The choice of descriptive study was made to gain a deeper understanding of mergers and acquisitions in the banking sector.

Analysis

The goal of the study is to learn more about the behaviour of various "Mergers and Acquisitions in the Indian Banking Sector." Mergers and acquisitions are being pursued by a big number of multinational and domestic banks throughout the world. One of the primary goals of mergers and acquisitions in the banking industry is to take advantage of economies of scale. Mergers and acquisitions are crucial business strategy acts that help a company develop outside of its current market and gain a competitive edge. Mergers and acquisitions (M&A) are increasingly employed in today's globalized economy to improve company competitiveness by acquiring more market share, extending the portfolio to decrease business risk, entering new markets and regions, and profiting on economies of scale, among other things**.** The banking business is becoming one of India's most quickly developing industries. It has evolved from a slow commercial entity to a thriving industry. This industry has had phenomenal growth, and as a result, it has become one of the most popular banking locations for foreign investors. Mergers and acquisitions are accelerating a relatively new feature in the Indian banking business. It

will allow banks to attain world-class status and provide more value to stakeholders. The major goal of this study is to see if the bank was able to attain financial performance efficiency in the post-merger & acquisition phase, especially in the areas of profitability, leverage, liquidity, and capital market norms. This research examines the influence of bank mergers and acquisitions on bank profitability, as well as their function following the merger.

Conclusion

Bank mergers and acquisitions are intended to increase efficiency, improve competitive advantage, achieve synergy, and increase shareholder value. Mergers and acquisitions seek to improve an organization's profitability, liquidity, and solvency. The study was conducted to investigate whether or not improvements occur after a merger or acquisition. Bank mergers and acquisitions are intended to increase efficiency, improve competitive advantage, achieve synergy, and increase shareholder value. Mergers and acquisitions seek to improve an organization's profitability, liquidity, and solvency. The investigation was conducted to see if there are any improvements in the post-merger and acquisition phase. According to the analysis and results, banking companies performed poorly in the post-merger and acquisition era as compared to the pre-merger and acquisition era. This is confirmed by the fact that mergers and acquisitions had little effect on ROA. Because of the statistical importance it has on other ratios, this is the overall standard measure of financial performance.

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