Growth of Banking Sector: A Study of Various Mergers and Acquisitions in India

Dharmesh Kumar
Research Scholar
Department of Commerce
C.C.S.University, Meerut
Email: ssom5400@gmail.com

Prof. Manoj Kumar Agarwal
Principal
NAS College, Meerut
C.C.S.University, Meerut
Email: agrwal.manoj73@gmail.com

Abstract

The banking system is considered as the backbone of any economy as it has a direct bearing on financial and economic development. The aim of the research paper is to study the growth and evolution of the banking system in India and to evaluate the benefits of mergers and acquisitions in the Indian banking sector. The secondary data for the study has been acquired from sources such as Reports and Publications of RBI, the Indian Banking Association and various websites. The banking sector in India has evolved through three chronological phases. The first phase marked the establishment and nationalization of Central Bank and Commercial Banks as well as the enactment of laws to regulate. The second phase was characterized by significant expansion in the banking sector and establishments of RRBs, NABARD, EXIM BANK, and NHB. The third phase featured liberalization, globalization and technological advancement that led to increased number of private banks in India. Payment banks and small finance banks were accorded authorization by the RBI to promote financial inclusion. In 2019, merger of public sector banks was announced resulting in 12 public sector banks in current time period. Mergers & acquisitions bring about significant financial benefits to the banking sector. It helps the bank to significantly improve its profitability, accessibility and efficiency. M&A bolsters the financial performance of the Banks by improving EPS and business per employee.

Keywords

Indian Banking System, Merger and Acquisition, Evaluation and growth of banking system.

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Prof. Manoj Kumar Agarwal
Dharmesh Kumar
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Introduction

The banking sector serves as the backbone of an Indian economy as it facilitates channelizing the surplus public fund into the most productive channels, inculcating saving habits and accelerating the rate of capital formation. The scope of the Indian banking sector has undergone several changes in relation to its structure, function and role so as to accelerate the pace of the growth of the economy. The growing competition has forced banks to become relentless about being financially strong and capturing the market. Merger and acquisition(M&A) plays a vital role in enabling companies to grow at a faster pace than their competitors and ensure that weak companies get swallowed easily. The Indian banking industry has witnessed a paradigm shift from the traditional functioning of banks' lending and borrowing to modern banking like internet banking, mobile banking, micro banking, Core Banking solutions, insurance etc. There have been several reforms in the banking sector as well as quite a few successful mergers & acquisitions.

The Mergers and acquisition are one of the important tools to achieve the growth. The merger as per the Godbole (2013) is the "combination of all assets, liabilities, loan & business of two or more companies such that one of them survives." Any industry can grow and expand by using the merger and acquisition (M&A) strategy. M&A is one of the most popular corporate restructuring techniques employed by businesses to promote growth. The drive for more efficient and cost-cutting initiatives, as well as an increase in shareholder value, feed this urge for expansion. There is no exception to this norm in the banking industry. Since the emergence of financial and technological innovation in the previous few decades, bank consolidation has been more prevalent (Joshi, 2011).

By joining forces with the bigger banks, the weaker banks can survive. Both corporate finance and management, which deal with the purchasing, selling, dividing, and combining of different corporations or similar entities, are included in mergers and acquisitions, which are a type of strategic management. The combining of two or more company entities under a single controlling ownership is referred to as a merger or acquisition. The use of mergers and acquisitions by banks to bolster and retain their market position is common in the current environment. Assets, liabilities, shareholder interests, and the businesses of the merging companies are all completely combined during a merger (Pandey 2005). A takeover, also known as an acquisition, occurs when one group of shareholders transfers control of a company to another. The acquisition entails the buyer assuming ownership of all assets and liabilities. Amidst fierce market rivalry, businesses and investors believe that only major players can survive. Takeover, merger, and consolidation are just a few of the

M&A phrases that are frequently used to refer to corporate restructuring. However, these various words all refer to the same concepts and ultimate objective, which is a synergy. A synergy, in essence, refers to the idea that two businesses working together provide more value and improved performance than the sum of the businesses functioning individually. By joining forces, banks will profit operationally and cut costs by avoiding the complexity of so many processes. The banking industry used mergers and acquisitions to grow, achieve synergy, and improve its ability to compete on a global stage.

Review of Literature

Several studies have been carried out to examine the impact of M & A on different aspects of the banking sector. Further many studies have also highlighted the various motives behind such a strategic move. An extensive review of literature has been carried out in order to enhance the present level of understanding in the area of mergers and acquisitions, reviewing various papers on factors that lead to mergers and acquisitions in the banking sector and reforms in the banking sector in India. Following is the review of related literature:

Pradhan and Abraham 2005, studied the motive behind Indian overseas M&A, and examined factors that differentiate firms that undertook M&A and those that did not undertake M&A. Data was collected using newspaper reports, financial magazines and company annual reports. He concluded that extensive overseas M&A was found to be within the service sector led by the software industry that was older, larger size and export-oriented. Industrial sector overseas M&A emphasized more on pharma, paint, and plastics goods. In the case of the manufacturing sector M&A tend to be large-sized and research-intensive. The U.S.A. and the U.K. were considered the two major hosts of India M&A. The main motive forces behind M&As included reasons such as access to international market, acquiring technology and human skills and benefits from operational dell synergies

Joshi, 2011, evaluates the objective of the paper is to investigate the intention and purpose of the Banks to M&A with special reference to the Indian Banking Industry with the help of a sample of 17 mergers (post liberalization) of banks. He concluded that in the developing Economies like India, the Banking sector is considered to be the fastest-growing industry and M&A is deemed as one of the most useful tools for its growth. It is evident that M&A as a useful tool has benefitted many weak Banks by ensuring their survival post-merging into larger Banks. One of the significant reasons for the merger is the much-needed support provided by larger Banks to weak Banks that help them bear the impact of the global economy. ICICI Banks Ltd has used the merger as a means of expanding their Horizon (expansion

strategy) in the rural market. The action led to a reaction, which seemed to be the case with the employee of BOR, who got agitated with the news of the merger when it was released.

Fashola, 2014 studied the influence of M&A on banker-customer relationship and to differentiate the customer experience of a merger and acquisition bank post-merger. Data was collected from United Bank for Africa-UBA and First Bank Holding Nigeria-FBN. Using Kaiser's rule eigenvalue,8 factors were determined and on these factors correlation and multiple linear regression were used and at last independent T-test was conducted. The end result exhibited more customer satisfaction for acquisition Banks (FBN) than the Merged Banks. It was conveyed that the acquisition Bank's customer was more satisfied post-acquisition than the merged Bank's customers post-merger.

Joash and Njangiru (2015), examine the consequences of the M&A on the company's profitability and shareholder value on the grounds of financial performance. The study included the data acquired from 14 banks in Kenya from the year 2000 until the time of the study. Data was analyzed using a coefficient of correlation between independent variables (shareholder value, profitability and operational efficiency) and dependent variables (financial performance). He concluded that enlarge market share and increase profitability through the merging of 2 or more Banks and their resources together. M&A increases the demand and consequently the price of the organization's share in the stock market increasing the shareholder value. M&A enables the expansion of the capital base of the organization which allows the organization to access more resources especially credit facilities to ensure liquidity throughout the year.

Research on the merging of Global Trust Bank and Oriental Bank of Commerce was conducted by **S. Ghosh 2016** to assess the difference in the performance of the OBC, before and after it merged with GTB and the consequences and effect of merger on OBC with respect to its profitability, liquidity and operating efficiency. The ratio was used to analyze data. She concludes that the main purpose was proliferation of organization operations. The post-merger period showed improvement in profitability and overall performance than in the pre-merger period whereas liquidity remained indifferent to any changes.

Mabunni, S.K. & Sreenivas, T. (2020) examined various factors responsible for the banking sector reforms in India. She concluded new economic policy (Liberalization, Privatization and Globalization) is one of the major factors responsible for changing the economic environment in India. Baking as one of the economic structures is altering gradually and periodically in response to the effective

development in Finance, Money and capital markets. Banking reform helped overcome the inadequacy and inflexibility of the Indian economy. The First Banking sector reform introduced in 1991 enhanced the performance of the Indian commercial banks. After its success much significance and emphasis were given to the II phase of the reform in 1998 with the purpose of eventually strengthening the banking sector by identifying different challenges and including the necessary remedies to overcome them.

In their study, **Mubarak and Barikara, A. (2021)**, analyzed the enhancement and refinement of the performance, diminishing NPA and the value creation of the banking in the post-merger phase of banks. She came to the conclusion that while consolidation is a powerful tool for maintaining liquidity, ensuring corporate transparency and assuring efficient administration, it also exposes a bank to unstable and unanticipated system risk. They came to the conclusion that the stability of banks was in doubt and that the new banks' net profit would decrease as a result of the merger.

In their study on merger and acquisition (M&A), **Priyarsono, DS et al. (2021)** found that M&A is a way for businesses to expand more quickly than organic business growth and that it can be a conduit for businesses to strengthen their position in the global market and boost competitiveness. M&A is one of the strategic options in corporate restructuring that can give organizations more access to growing earnings, controlling or gaining market share, and enhancing competitiveness (competitive advantage) in order to compete in the contemporary inexorable global market.

In their study, **Bhargava, H., and Tandon, D. (2022).** Examined the effect of merger on Indian Public sector banks. They achieved this purpose through survey research, in personal interviews and data interpretation on 100 respondents that consisted of employees of different banks. after taking into account their major viewpoints and recommendations, they came to findings that showed strong banking systems, loss compensation, and increased capital capacity are the driving forces behind mergers in the banking sector. Mergers, according to 40% of banks, aid in reaching economies of scale. According to 74% of respondents, merger is the best course of action to expand

Objectives of the Study

1. To study the evolution and growth of the banking system in India.
2. To evaluate the benefits of various mergers and acquisitions in the Indian banking sector.

Collection of Data

The study is based on secondary data that has been collected from the banking website, moneycontrol.com, reports and publications of Reserve Bank of India and

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Reports and Publications of Indian Banker's associations. In addition, other relevant data was collected from various journals and websites.

Evolution and Growth of Banking Sector In India

The evolution of the banking system in India can be traced back to the 18th century when the British East India Company established the Bank of Hindustan in 1770. However, it was only in 1786 when the Bank of Calcutta, the first modern bank in India, was established by the British East India Company. Over the years, the banking system in India has undergone a significant transformation, adapting to changing economic, political, and social conditions. This period, spanning from 1786 to 1969, is known as Phase 1 of the evolution of the banking system in India. Over the centuries, numerous changes have taken place within this industry, starting from technological advancement to the diversification of financial services and products. Banks. Banks operating within the boundaries of India abide by the Banking Regulation Act, of 1949. [1]

Phase 1 (1786-1969)

The pre-independence phase saw about 600 banks working together to make the nation's economy more robust by bringing in some considerable developments. During the first phase of the evolution of the banking system in India, the focus was on establishing banking institutions to cater to the needs of British traders and merchants. In 1806, the Bank of Calcutta was established, followed by the Bank of Bombay in 1840 and the Bank of Madras in 1843. These three banks together formed the Presidency Banks, which were the first joint-stock banks in India.[2]

In 1865, the Allahabad Bank was established, which was the first bank to be wholly owned by Indians. In 1894, the Punjab National Bank was established, followed by the Bank of India in 1906, the Canara Bank in 1906, the Bank of Baroda in 1908 and the Central bank of India in 1911.

In 1921, Bank of Calcutta (1806), Bank of Baroda (1840) and Bank of Madras (1843) were merged to form the Imperial Bank of India. The Reserve Bank of India (RBI) was established in (1935) as the central bank of India. The RBI was established to regulate the currency and credit system of the country and to provide a stable monetary environment for economic growth. The RBI was nationalized in 1949 and it became the regulator and supervisor of the banking system in India.

The prevailing commercial banks at the time of independence in 1947, lacked the resources to fulfill the growing capital demands in any significant manner. To

[1] (https://groww.in/blog/the-evolution-of-banking-in-india)

[2] (https://www.idfcfirstbank.com/finfirst-blogs/finance/the-evolution-of-banking-in-india)

narrow the demand-supply gap for the capital needs of the economy, the foundation of IFCI was laid on 1 July 1948 by the government of India through the enactment of the IFCI Act. 1948 to impel economic growth through infrastructure and industrial development. It was the first developed financial institution in India.[3]

In 1949, the government passed the Banking Companies Act, which allowed the government to take over the management of private banks in case of financial instability. The act also regulated the entry of new banks into the market.

In the year 1955, at the proposal of the world bank, the Government of India and the representative of Indian Industry, ICICI was established to cater to medium and long financial needs of Industrial projects.[4]

In 1955, the Imperial Bank of India was nationalized and renamed the State Bank of India (SBI). The SBI became the first nationalized bank in India. In 1959 seven subsidiaries' of SBI were Nationalized State Bank of Patiala, State Bank of Hyderabad, State Bank of Bikaner and Jaipur, State Bank of Mysore, State Bank of Travancore, State Bank of Saurashtra, State Bank of Indore.[5]

In 1964, IDBI was established under the industrial development bank of India Act, of 1964 as a development financial Institution.[6]

In 1969, limitations of private banks to big cities only, their monopoly by industrialists and the total credit of less than 2% given to the agricultural sector were the factors that stimulated the nationalization of the 14 commercial banks. These were the banks with national deposits of more than 50 crores. Allahabad Bank, Bank of India, Bank of Baroda, Central Bank of India, Bank of Maharashtra, Canara Bank, Dena Bank, Syndicate Bank, Indian Overseas Bank, Union Bank of India, Indian Bank, United Bank, Punjab National Bank, U.C.O Bank.

This move was aimed at providing credit to priority sectors including agriculture and small-scale industries. The nationalization of banks also aimed at ensuring the availability of credit to marginalized sections of society, such as farmers, small traders, and low-income households.

Phase 2 (1969-1991)

The second phase of the evolution of the banking system in India, spanning from 1969 to 1991, was marked by a significant expansion in the banking sector,

[3] https://www.ifciltd.com/?q=en/content/journey-so-far

[4] https://www.icicibank.com/about-us/history

[5] https://byjus.com/bank-exam/history-banking-india/?utm_medium=soc
ial&utm

[6] https://www.idbibank.in/idbi-bank-about-us.aspx

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with a focus on social welfare and the promotion of rural development. Following the nationalization of 14 major commercial banks in 1969, the government of India established six more commercial banks in 1980. These banks were established with the objective of increasing the outreach of banking services and promoting financial inclusion. Andhra Bank, Corporation Bank, New Bank of India, Oriental Bank of India, Punjab and Sindh Bank, Vijaya Bank.[7]

In the 1970s, RRBs were established under the RRB Act, to encourage the prosperity of the rural economy by emphasizing the growth and development of agriculture, trade and industry in rural areas. They aimed at providing credit to small and marginal farmers and were sponsored by nationalized banks, with the participation of the state and central governments.

One of the significant developments in the banking sector during this phase was the introduction of credit planning. In 1965, the government of India established the National Credit Council to coordinate and direct credit policies to meet the socio-economic goals of the country. Credit planning was aimed at directing bank credit towards priority sectors, such as agriculture, small-scale industries, and exports. In 1982, EXIM BANK was established, providing financial assistance to exporters and importers, and functioning as the principal financial institution for coordinating the working of institutions engaged in financing export and import of goods and services with a view to promoting the country's international trade.

NABARD came into existence in July, 1982 by an act of the parliament. It facilitates refinancing facilities to commercial banks, state cooperative banks, central cooperative banks, RRBs and land development Banks. It encourages rural industries, small scale and cottage industries by allocating loans to commercial and cooperative banks.

The National Housing Bank was set up in July 1988 under the NHB Act 1987. It intends to provide affordable housing credit to all the sections of the population by cartelizing the credit flow to all regions and income groups. It aims to manage the activities of the housing fiancé company based on its supervisory power. [8]

The second phase of the evolution of the banking system in India also saw the introduction of technology in the banking sector. In 1980, the Reserve Bank of India introduced the concept of computerization of banking operations, which helped banks to improve their efficiency and customer service. The introduction of technology also helped to bring about a transformation in the banking sector by enabling banks to offer a wide range of services to their customers. [9]

Phase 3 (1991- Present)

[7]https://byjus.com/bank-exam/history-banking-india/?utm_medium=social&utm_source

[8] https://nhb.org.in/about-us/#objectives

[9] Reserve Bank of India. (2021). Evolution of Banking in India, Retrieved from https://www.rbi.org.in/scripts/PublicationReportDetails.aspx?ID=992

The third phase of the evolution of the banking system in India, spanning from 1991 to the present, has been marked by a series of significant changes, including financial liberalization, globalization, and technological advancements. This phase has been characterized by increased competition, greater efficiency, and the emergence of new players in the banking sector.

One of the key developments in this phase was the introduction of financial liberalization in 1991, leading to the approval of 10 private banks in India by RBI. In January 2001, the Reserve Bank permitted the reverse merger of ICICI with its commercial bank subsidiary. ICICI Ltd. became the first DFI to convert itself into bank. On October 1, 2004, the Industrial Development Bank of India, another large DFI, was converted into a banking company. In April 2005, it merged its banking subsidiary (IDBI Bank Ltd.) with itself.

In the recent years, the Reserve Bank of India (RBI) has also taken several measures to promote financial inclusion and improve access to banking services. The RBI has introduced initiatives such as Jan Dhan Yojana, which aims to provide basic banking services to every household in the country. As of June 1 2023, Pradhan Mantri Jan Dhan Yojana reached 45.60 crores, with deposits totaling Rs 1.68 trillion. Payment Banks were conceptualized by the RBI in 2014 with the purpose of offering banking and financial services to the unbanked and underbanked segments. They have a cash deposit limitation of up to 2 lacs per customer and can't issue loans or credit cards but can offer both current and savings accounts, issue ATMs and debit card, and offer net and mobile banking. RBI granted banking licenses to payment banks and small finance banks to promote financial inclusion.

At present, there are six Payments Banks as of 31 March 2023.

					(₹ Crore)
BANK NAME	**ESTABLISHED**	**HEADQUARTERS**	**TOTAL ASSETS**	**TOTAL INCOME**	**NET PROFIT**
Airtel Payments Bank	2017	New Delhi, Delhi	3026.45	129.1	-1983.7
India Post Payments Bank	2018	New Delhi, Delhi	7619.87	766.15	20.16
Paytm Payments Bank	2017	Noida, Uttar Pradesh		2752.16	42.85
Jio Payments Bank	2018	Mumbai, Maharashtra	212.8	13.86	-184.94
Fino Payments Bank	2017	Mumbai, Maharashtra	2466.4	1229.91	-206.59
NSDL Payments Bank	2018	Mumbai, Maharashtra	391.91	541.2	-36.05

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Small finance banks were accorded authorization by the RBI in 2016 to amplify financial incorporation to people who are not assisted by regular banks. Its purpose is to allocate saving facilities and credit to small businesses, small and marginal farmers, and micro and small industries through modern technology at low-cost operations.

At present, there are 12 small sector banks in India as of 31 March, 2023.

(₹ in Crore)

BANK NAME	ESTABLISHED	HEADQUARTERS	TOTAL ASSETS	TOTAL INCOME	NET PROFIT
AU Small Finance Bank	2017	Jaipur, Rajasthan	90,216	9,240	1,428
Capital Small Finance Bank	2016	Jalandhar, Punjab	7,991	725	94
Equitas Small Finance Bank	2016	Chennai, TamilNadu	34,958	4,831	574
ESAF Small Finance Bank	2017	Thrissur, Kerala	20,224	3,142	302
Fincare Small Finance Bank	2017	Bengaluru,Karnataka	12,468	1,971	104
Jana Small Finance Bank	2018	Bengaluru,Karnataka	25,644	3,700	256
North East Small Finance Bank	2017	Guwahati, Assam	2,710	335	-213
Shivalik Small Finance Bank	2021	Saharanpur, UP	2,250	219	2
Suryoday Small Finance Bank	2017	Navi Mumbai, Maharashtra	9,861	1,281	78
Ujjivan Small Finance Bank	2017	Bengaluru, Karnataka	33,317	4,754	1,100
Unity Small Finance Bank	2021	Vasant Vihar, New Delhi	8,761	803	35
Utkarsh Small Finance Bank	2018	Varanasi, UP	19,118	2,804	405

In 2019, Finance Minister Nirmala Sitharaman announced merger of public sector banks.

There are 12 public sector banks in India as of 1 March, 2023.

(₹ in Crore)

BANK NAME	ESTABLISHED	HEADQUARTERS	TOTAL ASSETS	TOTAL INCOME	NET PROFIT
Bank of Baroda	1908	Vadodara, Gujarat	14,58,562	99,614	14,110
Bank of India	1906	Mumbai, Maharashtra	8,15,556	54,748	4,023
Bank Of Maharashtra	1935	Pune, Maharashtra	2,67,651	18,179	2,602
Canara Bank	1906	Bengaluru, Karnataka	13,45,732	1,03,187	10,604
Central Bank of India	1911	Mumbai, Maharashtra	4,06,165	29,626	1,582
Indian Bank	1907	Chennai, Tamil Nadu	7,10,501	52,085	5,282
Indian Overseas Bank	1937	Chennai, Tamil Nadu	3,13,746	23,509	2,099
Punjab and Sind Bank	1908	New Delhi, NCT of Delhi	1,36,455	8,933	1,313
Punjab National Bank	1894	Dwarka, NCT of Delhi	14,61,831	97,287	2,507
State Bank of India	1955	Mumbai, Maharashtra	55,16,979	3,68,719	50,232
UCO Bank	1943	Kolkata, West Bengal	3,00,863	20,159	1,862
Union Bank of India	1919	Mumbai, Maharashtra	12,80,752	95,376	8,433

There are 21 private banks in India as of 1 March 2023. ([1] in Crore)

BANK NAME	ESTABLISHED	HEADQUARTERS	TOTAL ASSETS	TOTAL INCOME	NET PROFIT
Axis Bank	1993	Mumbai, Maharashtra	13,17,326	1,01,665	9,580
Bandhan Bank	2015	Kolkata, West Bengal	1,55,770	18,373	2,195
CSB Bank	1920	Thrissur, Kerala	29,162	2,636	547
City Union Bank	1904	Kumbakonam, Tamil Nadu	66,595	5,525	937
DCB Bank	1930	Mumbai, Maharashtra	52,366	4,610	466
Dhanlaxmi Bank	1927	Thrissur, Kerala	15,132	1,146	49
Federal Bank	1931	Kochi, Kerala	2,60,342	19,134	3,011
HDFC Bank	1994	Mumbai, Maharashtra	24,66,081	1,92,800	44,109
ICICI Bank	1994	Mumbai, Maharashtra	15,84,207	1,29,062	31,896
IDBI Bank	1964	Mumbai, Maharashtra	3,30,502	24,942	3,645
IDFC First Bank	2015	Mumbai, Maharashtra	2,39,942	27,195	2,437
IndusInd Bank	1994	Mumbai, Maharashtra	4,57,804	44,534	7,390
Jammu & Kashmir Bank	1938	Srinagar, Jammu and Kashmir	1,45,962	10,112	1,197
Karnataka Bank	1924	Mangalore, Karnataka	99,058	8,213	1,180
Karur Vysya Bank	1916	Karur, Tamil Nadu	90,179	7,675	1,106
Kotak Mahindra Bank	2003	Mumbai, Maharashtra	4,89,862	41,334	10,939
Nainital Bank	1922	Nainital, Uttarakhand	8,656	603	46
RBL Bank	1943	Mumbai, Maharashtra	1,15,876	11,619	883
South Indian Bank	1929	Thrissur, Kerala	1,07,698	8,046	776
Tamilnad Mercantile Bank	1921	Thoothukkudi, Tamil Nadu	57,895	4,710	1,029
Yes Bank	2004	Mumbai, Maharashtra	3,54,786	26,624	717

Benefits of Mergers and Acquisitions for the Indian Banking Sector

The following motives are considered to improve the financial performance of the organization:

The merger of Dena Bank, Bank of Baroda and Vijaya Bank. The dominance of Bank of Baroda in the western and northern region and that of Vijaya Bank in the southern region plus Dena banks expertise in the MSME sector, together brought synergy in its operations. After the merger, the synergy effect was observed in terms of geographical reach of more than 9500 branches, and more than 1300 ATMs, 120 million customers, and 85000 employees. After the merger, the entity has a deposit of RS. 8.75 lakhs crore and advances of Rs. 625 Lakhs Crore. **The Economic Times**

The merger of Nedungadi Bank with PNB as on 01 Feb, 2003 and the merger of Centurion Bank of Punjab with HDFC Bank as on 23 May,2008, on analyzing the three-year pre- and post-merger performance of bidder bank, it was found that the N/P margin increase from 7.5965% to 15.3128%, ROE increase from 2.0714 to 4.4054 and ROCE increase from .7062% to 1.0637% for former bank and G/P margin increase from 70.2136% to 75.2397%, ROE increase from 2.1775 to 6.7197 for latter. **AA Khan, 2011**

The pre-and post-merger of the banks named Bank of Baroda, IDBI Bank, Indian Overseas Bank, Oriental Bank of Commerce and State Bank of India featured enhanced performance in terms of EPS, Profit per Employee, and Business per Employee. There was a subsequent increase in EPS of the above-mentioned banks from 20.84 to 34.90, 20.20 to 26.55, 5.40 to 12.32, 12.72 to 17.98 and 112.92 to 134.85 respectively. Profit per employee (Rs. In Lakh) significantly increased from .01 to .03, .028 to .056, .07 to .09, .03 to .04 and 4.61 to 9.49 respectively. **R Patel,2018**

The 5-year pre- and post-merger financial performance of the Oriental Bank of Commerce, Federal Bank, IDBI Bank, Indian Overseas Bank, HDFC Bank and ICICI Bank exhibited a significant increase in terms of Total Assets from 31,107 to 62,314, 12617 to 38310, 69,349 to 176,797, 46,735 to 126,933, 57,780 to 284,264, 285,314 to 531,489 (in crores) respectively, Interest Earned hiked from 3,031 to 4,285, 1091 to 3074, 5 768 to 11,962, 3,753 to 11,569, 3,805 to 22,956 and 20,350 to 38,572 (in crores) respectively, significant increase in ROA from 91.3 to 200, 206 to 246, 105 to 130, 40 to 131.7, 138 to 327.9 and 237 to 250 respectively and increase in Interest earned from 3,031 to 4,285, 1091 to 3074, 5,768 to 11,962, 3,753 to 11,569, 3,805 to 22,956 and 20,350 to 38,572 (in crore) respectively for the above mentioned banks. **Patel, R and Shah D. (2016)**

The average Net Profit Margin for six years for Bank of Baroda with Barelly Corporation Bank Ltd, Bank of Baroda with Banaras State Bank Ltd, HDFC Bank

with Times Bank Ltd, Oriental Bank of Commerce with Punjab Co-op Bank and Bari Doab Bank Ltd and State Bank of India with Kashinath Seth Bank significantly increased from 5.65% to 8.67%, 6.56% to 10.20%, 15.45% to 15.88%, 8.66% to 10.09% and 2.71% to 6.86% respectively. S Singh, S Das **,2018**.

The Merger of State Bank of India with its associate banks named State Bank of Bikaner and, State Bank of Hyderabad, State Bank of Mysore, State Bank of Travancore, State Bank of Patiala and Bhartiya Mahila Bank showed that ROCE of the associate bank for the pre-merger period was nil, but that of SBI in the post-merger is 2.06, The average ROA of the associate banks was 0.34 as compared to SBI 0.74 post-merger and average profit of associated bank was 3.70% which increased to 6.71%. P Dhara, S Basu, 2008

Analysis of pre-merger and post-merger performance of Bharat Overseas Bank with Indian Overseas bank revealed increase in average pre-merger and post-merger Business per Employee (in Lakh) increased from 291.27 to 662.87, Investment and Advances increased from 48458.3 to 103875.6, Interest Income from 4260 to 9208.67 and other income from 719.67 to 1258.7. **S KUMAR, 2013**

Conclusion/Findings

The first phase of modern Banking evolution of the Banking system in India saw the establishment of various banking institutions, the nationalization of the central bank and major commercial banks, and the passing of laws to regulate the banking industry.

The second phase of the evolution of the banking system in India was marked by a significant expansion in the banking sector with a focus on rural development. The second phase marks the establishment of the Regional Rural Bank, NABARD, **Exim Bank an National Housing Bank**

The third phase of the Banking system in India included liberalization, globalization and technological advancement that has led to an expansion in the number of private banks in India. As of 01 March 2023, there are 12 Scheduled Commercial Public Sector Banks with 87,072 operational branches across the country and at present, there are 21 Private Sector Banks in India with a wide network of 34,485 branches across the country. There are 43 Regional Rural Banks with 21,756 operational branches extended across India. There are 1,484 urban cooperative and 96,000 rural cooperative banks that are operational banks in India. The RBI took several measures to promote financial inclusion and improve banking services accessibility. They have introduced initiatives such as Jan Dhan Pradhan Mantri Mudra Yojana, Atal Pension Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana,

Pradhan Mantri Suraksha Bima Yojana and Stand-Up India etc. to provide basic banking services to every household and allocate credit to small entrepreneurs and micro business. The foundation of small finance banks, payments banks, and digital banks was also laid. Mergers & acquisitions bring about significant financial benefits to the banking sector. It helps the bank to improve their profitability, and efficiency and efficiently increases bank accessibility. M&A bolsters the financial performance of the Banks by improving EPS, business per employee etc. Merger allows banks to access new markets and help expand their presence. Merging banks influence the banking sector in India.

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