UNIT 1 - Mergers in Banking Sector of India

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As we first discuss what is Merger? A merger is a combination of two companies combines to form a single company. A merger is similar like an acquisition or takeover the only difference is in merger existing shareholders of both companies involved retain a shared interest in the new corporation while in acquisition one company purchases a bulk of second company's stock by willingness or unwillingness of another company.

Introduction of Mergers and Acquisitions in Banking Sectors:

In the last few years banking sector has witnessed many tremendous mergers and one of the most prominent mergers is a merger of ICICI Ltd. with its banking arm ICICI bank Ltd. the merger of Global Trust Bank with Oriental Bank of Commerce and the merger of IDBI with its banking arm IDBI Bank Ltd.

Recent Mergers:

Year of Merged	Name of the Banks Acquired	Name of the Banks Merged into

2019 April	Bank of Baroda	Vijaya bank and Dena Bank
2017 April	State Bank of India	Bhartiya Mahila Bank (BMB)
2017 April	State Bank of India	All the 5 associates of SBI
2014 Nov	Kotak Mahindra Bank	ING Vyasa Bank
2010 May	ICICI Bank	Bank of Rajasthan

Some of the past merged are:

- Grind lay Bank merged Standard Charted Bank
- Times Bank with HDFC Bank
- Bank of Madura with ICICI Bank
- Nedungadi Bank with Punjab National Bank
- Post Mergers of Banks 90's and 2000

Successful Approach to Mergers and Acquisition Integration

Years of Merged	**Name of the Banks Acquired**	**Name of the Banks Merged into**
1985	Canara Bank	Lakshmi Commercial Bank
1993	Punjab National Bank	New Bank of India
1994	Bank of India	Bank of Karad
1999	Union Bank of India	Sikkim Bank
2000	HDFC Bank	Times Bank
2001	ICICI Bank	Bank of Madura

2008	HDFC Bank	Centurion Bank of Punjab

Merits of Bank Mergers and Acquisitions:

- Through mergers, it will help the banks to scale up its business and gain a large no. of customers quickly.
- It also helps to fill the business gap, to empower the business to fill product or technology gaps and being acquired by the big business firm it will help to upgrade its technology platform efficiently.
- It will bring better efficiency ratio to the business and banking operations and minimize the risk factor ratio by merging into one.
- It will also help in upgradation of technology, increase in profit and raise the standard of living.

Demerits of Bank Mergers and Acquisitions:

- The foremost disadvantage is compliance and risk consistency and both the merged organizations have different perspective of thinking, different risk culture so it creates a negative impact on the profitability of the organization.
- Another disadvantage is a poor culture fit as the bank only consider the perspective of merging on papers not consider their people or culture into account this is the reason why many bank mergers ultimately fail.

Important Points related to Sections and Law:

- Amalgamation of two banking companies is under the provisions of Section 44 of the Banking Regulation Act,1949.
- Amalgamation of a banking company with a non-banking company is governed by sections 391 to 394 of the Companies Act, 1956