CONSOLIDATION/ MERGERS AND ACQUISITIONS OF BANKING SECTOR FOR PROFITABILITY AND EFFICIENCY

Dr Jyoti Singhal[1]

[1]Associate Professor, Vivekanand Education Society's Institute of Management Studies and Research, JJTU University's Guide for Management
E-mail: jyotisinghal@ymail.com

ABSTRACT

Banking system is deemed as the bloodline of any economy and banks are trustees of public money. Till the year 1988, the concept of Merger and Acquisition in India was not much popular. During that period a very small percentage of businesses in the country used to come together, mostly into a friendly acquisition with a negotiated deal. The key factor contributing to fewer companies involved in the merger is the regulatory and prohibitory provisions of MRTP (Monopolistic and Restrictive Trade Practices) Act, 1969. According to this Act, a company or a firm has to follow a pressurized and burdensome procedure to get approval for the merger and acquisitions. Merger and Acquisitions provide benefit either financially or non-financially to the companies involved. Major benefit of merger and acquisition is to receive the benefit of synergy i.e., 2+2=5. The paper examined the effects of merger and acquisition on the performance of banks pre and post mergers and consolidation. The result showed that it neither enhanced financial performance nor improved financial efficiency owing to merger and acquisition. Overhead efficiency ratio has increased after merger of banks in most of cases.

KEYWORDS

Consolidation, NPA, Banking sector, Profitability, Efficiency

INTRODUCTION

In the corporate world it is said if you can't beat your competitor then go with them i.e. merge your company with your rival or take them over. So all it boils down to is the survival of the fittest. This process helps in attaining greater market share, acquiring additional brands, cannibalizing competing brands, realizing improved infrastructure, creating new synergies, and capitalizing on efficiencies and economies of scale or to globalize in the shortest span of time. Banking system is deemed as the bloodline of any economy and banks are trustees of public money. Till the year 1988, the concept of Merger and Acquisition in India was not much popular. During that period a very small percentage of businesses in the country used to come together, mostly into a friendly acquisition with a negotiated deal. The key factor contributing to fewer companies involved in the merger is the regulatory and prohibitory provisions of MRTP (Monopolistic and Restrictive Trade Practices) Act, 1969. According to this Act, a company or a firm has to follow a pressurized and burdensome procedure to get approval for the merger and acquisitions.

Merger and Acquisitions (M&A) have been a very important market entry strategy as well as an expansion strategy. The concept of mergers and acquisitions is very much popular in the current scenario. Consolidation through mergers and acquisitions is considered as one of the best ways of restructuring structure of corporate units. M&A gives a new life to the existing companies. Banking Industry has seen a number of changes over the last 5 decades. The major changes been the Nationalization of the banks in 1969 and 1980, followed by the liberalization of the economy in 1991, opening up of Banking sector for Private sector in 1993 and the latest one being the emergence of Payment Banks and Small Finance banks in 2015. Bank consolidation is a means of making Indian banking globally competitive. In this regard in India there are seven public sectors banks which have been identified by the Government which are in the race of consolidation process to name them - Central Bank of India, Bank of Baroda, State Bank of India, Punjab National Bank, Bank of India, Union Bank of India, and Canara Bank. The rationale behind identifying these banks in the consolidation process is mainly on account of the owning assets exceeding Rs.10,00,000 crore and possessing bigger size of balance sheet. Government also feels that these bank may take over another bank, either private or Government-owned thus proving themselves to be the fore frontier in process of consolidation this is mainly on accounts of the assets and size of balance that these bank possess which gives them edge in takeover of small banks. With a population of 125 crore if is not possible to have only one large bank i.e State Bank of India. There is expectation of four or five other public sector banks to grow in size and reach the level of SBI to become globally competitive.

Merger is defined as a combination of two or more companies into a single company where one survives and the other loses their corporate existence. The survivor acquires the assets as well as liabilities of the merged company or companies. It is simply a combination of two or more businesses into one business. Laws in India use the term 'amalgamation' for merger. It usually involves two companies of the same size and stature joining hands. There are different types of concept in which merging of the companies take place like, Horizontal Merger, Vertical Merger, Conglomerate Merger, and Reverse Merger. Acquisition in a general sense means acquiring the ownership in the property. It is the purchase by one company of controlling interest in the share capital of another existing company. Even after the takeover, although there is a change in the management of both the firms, companies retain their separate legal identity. The Companies remain independent and separate; there is only a change in control of the Companies.

BENEFITS OF MERGER AND ACQUISITIONS

Merger and Acquisitions provide benefit either financially or non financially to thecompanies involved. Major benefit of merger and acquisition is to receive the benefit ofsynergy i.e., 2+2=5. The value of combined company is greater than then the value of twocompanies separately. This can also be represent as

- Where V = Value of the firm
- A = Firm 1
- B = Firm 2
- V (A+B) > V (A) + V (B)

- Many mergers which happened we can't remember a time when two companies were distinctbut there are mergers which fall flat on their faces. Mergers on which synergy effect does notworked and do not create any wealth for the shareholders.
- In the list of corporate couplings which worked we always talk about Disney and Pixermerged in the year 2006 with the amount of $7.4billion in a stock deal with the success ofmovies like WALL-E, UP, Bolt etc.
- Exxon and Mobil joined in the year 1999 and signed the agreement with the amount of $81billion to form ExxonMobil and becomes strongest leader in the oil market.

LITERATURE REVIEW

Consolidation is viewed as the reduction in the number of banks and other deposit asking institutions with a simultaneous increase in size, concentration and efficiency of the remaining entities in the sector. Berger, Demsetz and Strahan are of the opinion that consolidation is mostly motivated by technological innovations, deregulation of financial services, enhancement of intermediation and increased emphasis on shareholder value, privatization and international competition. Bello (2005) opined that the process of consolidation has been argued to enhance bank efficiency through cost reduction and increase in revenue in the long run. It also reduces industry risk by eliminating weaker banks and acquiring the smaller ones by bigger and stronger banks as well as creates opportunities for greater diversification and financial intermediation. He further stated that the pattern of banking system consolidation could be viewed in two different perspectives, market-driven and government led consolidation. The former is more pronounced in the developed countries as a way of broadening competitiveness with added comparative advantage thereby eliminating excess capacity more efficiently, while the latter arises from the need to resolve problems of financial distress in order to avoid systemic crises as well as restructure inefficient banks.

MERGER AND ACQUISITION

Merger and acquisition benefit shareholders when the consolidated post-merger firm is more valuable than the simple sum of the two separate pre-merger firms. In line with this, Enyi (2007), concluded that the banks consolidation exercise of 2005 as supervised by the Central Bank of Nigeria has yielded basket full of benefits in terms of improved banking environment and renewed customer confidence in the banking industry. Soludo (2004) , opined that mergers and acquisitions are aimed at achieving cost efficiency through economies of scale, and to diversity and expand on the range of business activities for improved performance. Merger and acquisition is adopted to attain the operating and financial efficiencies. According to the efficiency theory, the main motive of mergers and acquisition is to gain operating and financial synergy.

CORPORATE FINANCIAL PERFORMANCE MEASURES

According to Orlitzky et al., (2011), the three broad subdivisions of corporate financial performance consist of marketbased (investor returns), accounting-based (accounting returns), and perceptual (survey) measures. Alternatively, accounting-based indicators, such as the firm's return on assets (ROA), return on equity (ROE), or earnings per share (EPS), capture a firm's internal efficiency. Market base indicators such P/E ratio. Market capitalization and share price.

increase in national / international ranking. This research work will analyze the data collected using the accounting-based (accounting returns) and the market-based (investor returns) and survey base financial performance measures in the pre-consolidation and post-consolidation years considered in the research work in order for meaningful conclusions to be drawn.

REVIEW OF RELATED EMPIRICAL STUDIES

The previous studies on the relationship between banks mergers and acquisitions and banks performance provided mixed evidence and many failed to show a clear relationship between mergers and acquisitions and performance. Many researchers agreed that banks have been able to significantly improve their profit potential through merger and they agreed that merger and acquisition has helped Indian banks to be more efficient in financial intermediation. The studies of Carletti et al., and Szapary provided the foundation for a research on the linkage between banks mergers and acquisitions and profitability. From the reviewed of literature and empirical studies on the impact of mergers and acquisitions on the performance of banks scholars appear to have different conclusion. The position of the scholars that posited positive relationship between merger and acquisition; and bank performance make logical sense because the essence of mergers and acquisition is to improve efficiency in financial intermediation thereby propelling the banks toward profit maximization. It is therefore expected in this study post-merger/ consolidation periods will better in terms of efficiency than the pre-merger/consolidation periods. The study includes four cases of mergers where one is of merger of Rajasthan bank and Madurai bank in ICICI bank and second is merger of ING Vysaya bank in Kotak Mahindra bank third is of State Bank of Indore in State Bank of India last but not the least Centurion bank of Punjab in HDFC bank. The study is also considered the case of SBI consolidation. All above cases are analyzed on three parameters, accounting base, market base and survey report base.

Objectives:

- To explore the strategicmotives behind the Mergers and Acquisitions/ Consolidation.
- To explore the current need of Merger and Acquisition/Consolidation in banking sector.
- To analyze the financial performance of mergers and acquisitions and identify the major factors affecting the financial performance.
- To analyze the effects of profitability and NPAperformance of Mergers and Acquisitions/ Consolidation.

RESEARCH METHODOLOGY

RESEARCH DESIGN

The research design used for this study is the ex post facto research design. This design is used where the phenomenon under study has already taken place. Previous data relating to the subject matter will collect to establish the relationship between the phenomena under study. To explore the strategic and external motives behind the mergers, acquisitions and consolidation

1. The strategic reason behind such merger is consolidation on the belief that globally the banking industry has become very competitive and challenging. The banks which are large and well capitalized will be ready to face the challenges.

2. Indian banks required international capital to be invested in India through banks not directly in Stock market. Banks has to improve their financial parameters as capital structure, NPA, balance-sheet and break up of Advances in individual and corporates to be in competition.

3. Indian banks has to be ready for Basel IV requirements where Basel III will comply up to 2019. This involved further strengthening of capital requirements and more careful scrutiny of banks' funding and liquidity. Basel III focused on capital levels and quality, the new proposals Basel IV concentrate on the estimation of banks' risk-weighted assets (RWA). These reforms include proposed revisions to the BCBS's standardized approaches as well as how bankers develop and apply their internal models for assessing their risks.

4. ROA is less than 2% in banking industry It is essential to exploit strategic opportunities through synergy in M&A to increase profitability by reducing competition.

5. Smaller banks are in dire need of capital which govt in not providing up to the extent. So consolidation or merger of smaller banks with bigger bank will lead to a better balance sheet and long term growth.

6. Technical competencies,R&D capacities, new knowledge and technology are required to be in competition and retain customers. It is difficult to have R&D expense and implementation of "Blockchain" kind of new technology with less customers. The merge with technologically advance banks to have excess to that technology for customers will be a win-win situation for both the banks. Small bank will get technology and big banks will get customers.

7. Consolidation is a tool to improve business process and increase efficiency of management.SBI is consolidated with five regional state banks owned by govt.
State bank of India is the bank with highest branches, highest total assets highest customer base with best management under the govt control. SBI has reduced the NPA from 2% to 1% last year during the process of consolidation by improving business process.

8. After demonetizationand restriction on cash transactions downtime in repayments of corporates loans has increased. It is the biggest challenge for banks where GDP growth rate has reduced from 7.6% in 2016 to 7.1 % in 2017. This situation will reduce profitability and increase NPA of banks.

9. There was not a single Indian bank in the list of top 50 banks of world whereas China's "Industrial and Commercial Bank of China" is on top with 3615b $total assets. Now SBI on 52 place in the list after consolidation which gives Competitive power against foreign banks.

NEED OF CONSOLIDATION

CURRENT SCENARIO IN BANKING INDUSTRY:

The Indian banking system consists of 26 public sector banks, 25 private sector banks, 43 foreign banks, 56 regional rural banks, 1,589 urban cooperative banks and 93,550 rural cooperative banks, in addition to cooperative credit institutions. Public-sector banks control nearly 80 percent of the market, thereby leaving comparatively much smaller shares for its private peers. Banks are also encouraging their customers to manage their finances using mobile phones The credit quality of large borrowers (with exposures of ₹ 50 million and more) has deteriorated considerably. The system level credit risk of the banking sector against macroeconomic stress revealed that the GNPA may increase to 9.8 per cent by March 2017 and further to 10.1 per cent by March 2018.

NPA

Total NPAs including both the public and private sector banks were Rs 697,409cr in December 2016. The NPA have risen up from Rs 261,843cr by 135 per cent in last two years. NPA of Public Sector Unit (PSU) banks now constitute 11 per cent of the gross advances. Five banks have reported gross NPA ratios of over 15 per cent. Indian Overseas Bank's (IOB) gross NPA ratio reads 22.42 per cent, which means Rs 22.42 out of Rs 100 lent by the bank will be classified as bad loan. Similarly, UCO bank posted NPA ratio of 17.18 per cent, United Bank of India (UBI) read 15.98 per cent, IDBI bank read 15.16 per cent and Bank of Maharashtra read 15.08 per cent. RBI's Financial Stability Report (FSR) said, "Under baseline scenario, the PSBs' GNPA ratio may increase to 12.5 per cent in March 2017 and then to 12.9 per cent in March 2018 from 11.8 per cent in September 2016, which could increase further under a severe stress scenario."

CAPITAL ADEQUACY

Capital to risk-weighted asset ratio (CRAR) for the public sector may continue to be lowest at above 11 per cent by March 2017 and less than 10 per cent by March 2018, an indication of just how much the public sector banks (PSBs) are undercapitalised. The macro stress test also revealed that the provisioning and capital adequacy for the banks and particularly PSBs need to be further enhanced from the present level of 5.8 per cent for PSBs. While there is a persistence of subdued business growth, at the system level, public sector has lagged the private sector.

PROFITABILITY (STABILITY REPORT 2016 AND REPORT ON TRENDS AND PROGRESS OF BANKING)

Reports divulge serious concerns for the banking sector in terms of indicators of profitability based on Return on Assets (RoA) and Return on Equity (RoE), particularly for PSBs with RoA of minus 0.20 per cent and RoE of minus 3.47 per cent during 2015-16. September 2016 report revealed that there has been a reduction in the bank credit to industry and credit to agriculture increased marginally. The weighted average lending rate (WALR) declined marginally to 11.26 per cent. Here are some reasons that justify the need for consolidation/mergers of banks in India under the current scenario.

- As we are moving in a steady pace towards international banking, the need for a large number of banks stands out to be a must. These will be required to play a meaningful and important role in the economy which will emerge as a result. Also, these must have a firm base to withstand competition and live up to the rising expectations.

- To enhancein technological approaches; deregulation of functional, geographical as well as the product related restrictions; emergence of new opportunities; and consolidating the banking markets across borders. Government policies regarding incentives too may pace up top bank mergers.

- To incorporate the strength by releasing the pressure that emerges because of the competition at the global level.
- To increase the ability of the bank towards acceptance of technology is enhanced. Besides all this, human resources increase and thus to fine tuning of the skills and experience.
- To get greater gains from Consolidation between unequal entities results than that among equals. Also, by appropriate technological advances in the firm and also diversification in the range of products and policies, the banking industry as a whole receives huge gains.
- To improve the efficiency and service delivery of Public Sector Banks
- To share of Infrastructure that will give customers a wider use of the ATM network.
- To give wider use of financial instruments like mutual funds and insurance products, as offered by Big Banks for Customers of smaller banks.
- To give Large banks a wider capital base enabling them to offer big ticket loans on their own without being part of a consortium.
- To have lot of synergy in terms of cost saving in consolidated treasury.

PHYSICAL PERFORMANCE OF SBI AFTER CONSOLIDATION OF 6 STATE BANKS:

"SBI made significant investments in technology so in a position to offer the widest portfolio of digital products and services. Three crore additional customers will have access to these products," after consolidation in 2017. SBI will enable to offer its products and services, larger branch and ATM network seamlessly to varied customer segments across India, after mergers. Customers can access SBI across the globe at over 190 foreign offices in over 36 countries with the merger. Post-merger, rationalization of branch network by relocating some of the branches will maximize the reach.

POPULATION OF THE STUDY

The population of the study consists of all the twenty-six (6 banks that scale through the 1993 consolidation exercise. This includes all the banks that recapitalized through the issuance of common stock, merger and acquisition. All the banks that met the capitalization requirements of the CBN together with their respective status during consolidation are the population for the study and shown in the Table 1.

Table 1: Banks under study

Sr No.	Acquiring bank	Acquired bank	Year of acquisition
1	State bank of India	BhartiyaMahila bank(BMB)	2017 (Recent and Important)
		State Bank of Bikaner and Jaipur (SBBJ)	
		State Bank of Hyderabad (SBH)	
		State Bank of Mysore (SBM)	
		State Bank of Patiala (SBP)	
		State Bank of Travancore (SBT)	
2	Kotak Mahindra bank	ING Vysya bank	2014
3	ICICI Bank	Bank of Rajasthan	2010
4	SBI	State bank of Indore	2009
5	HDFC Bank	Centurion bank of Punjab	2008
6	Indian overseas bank	Bharat overseas bank	2007
7	Federal bank	Ganesh bank of kurandwad	2006
8	Industrial development bank of India	United western bank	2006
9	Centurion bank of Punjab	Lord Krishna bank	2007
10	ICICI bank	Sangli bank	2006
11	Bank of Punjab	Centurion bank	2005
12	IDBI	IDBI bank Ltd.	2004
13	Bank of Baroda	South Gujarat local area bank	2004
14	Oriental bank of commerce	Global trust bank	2004
15	Punjab national Bank	Nedungadi bank ltd	2003
16	ICICI Bank	ICICI Ltd	2002
17	Bank of Baroda	Banaras state Ltd bank	
18	ICICI Bank	Bank of Madura	2001
19	HDFC bank ltd	Times bank ltd	2000
20	Bank of Baroda	Bareilly co-op ltd	1999

21	Union bank of India	Sikkim bank Ltd	
22	Oriental bank of commerce	Bari doab bank ltd	1997
23	Oriental bank of commerce	Punjab co-op ltd	1996
24	State bank of India	Kashinath state bank	1995
25	Bank of India	Bank of Karad ltd	1994
26	Punjab national bank	New bank of India	1993

SAMPLE SIZE AND SAMPLING TECHNIQUE

The study used judgmental sampling technique to select four (4) banks from the population. Banks that were selected are those banks that retain their identities prior to and after the merger and acquisition activities from 2007 to June 2017. To this end, only four banks satisfied the criterion and were selected as the sample size for the study as shown in Table 2.

Table 2: Sample of Study

S.NO	Acquirer Bank	Target Bank
1	State bank of India	State bank of Indore, State Bank of Travancore, State Bank of Bikaner and Jaipur, State Bank of Mysore , State Bank of Hyderabad State Bank of Patiala
2	ICICI Bank	Bank of Rajasthan
3	Kotak Mahindra Bank	ING - Vyasya Bank
4.	HDFC Bank	Centurion bank of Punjab

METHODS OF DATA COLLECTION AND DATA ANALYSIS

Data for the study were quantitatively retrieved from the annual reports and account of the studied banks from the respective websites. Case 1: ICICI Bank

Table 3: ICICI bank and Madurai bank merger happened in 2010

Particulars (RS in '000)	31.03.2010 (Pre)	31.03.2011 (Post)	31.03.2017 (Current)
Total Assets	3,633,997,151	4,062,336,688	7,717,914,460
Total income	331,845,831	326,219,453	736,607,624
Operating expenses	58,598,327	66,172,492	147,550,576
overhead efficiency	17.66%	20.28%	20.03%
Net NPAs to net advances (%)	2.12%	1.11%	5.43%
ROE %	9.52	11.43	
ROA %	0.96	1.19	

Case II: State Bank of India

Table 4: SBI and Bank of Indore merged in 2009

Particulars (Rs. In '0000000)	2009(pre)	2010(Post)
Operating exp	9,747.31	12,754.65
Total Assets	9,64,432.08	10,53,413.73
ROA	1.04	0.88
ROE	15.07	14.84
Net NPA	1.79	1.72
Total Advances	5,42,503.20	6,31,914.15
Total Income	42,989.36	47,633.47
Overhead efficiency	0.226737732	0.267766552

Case III: Kotak Mahindra bank

Table 5: Kotak Mahindra Bank acquired ING Vysaya Bank in 2015

Particulars ((Rs. In '000))	31.03.2015 (PRE)	31.03.2016 (POST)	31.03.2017 (Current)
Total Assets(Rs. In '000000)	106,012	192,260	214,590
Total income	117,483,209	211,760,913	189,964,179
Operating expenses	32,547,314	56,184,953	54,715,197
Overhead efficiency	27.70%	26.53%	28.80%
Net NPAs to net advances (%)	0.90%	1.10%	1.30%
ROE	14.80%	11.00%	13.80%
ROA	2.00%	1.20%	1.70%

Case IV: HDFC bank

Table 6 :HDFC bank Acquired Centurion bank of Punjab in 2007

Particulars (RS in '00000)	2007(Pre)	2008(Post)	2017 (Rs. In crore)
Total Assets	91,235,61	133,176,60	863,840
total income	8,164,16	12,398,15	2,156,070
Operating expenses	2,420,80	3,745,62	522,200
Overhead efficiency	29.65%	30.21%	24.22%
Net NPAsto net advances (%)	0.43%	0.47%	0.30%
ROE %	16.05%	19.40%	16.68%
ROA %	2.04%	1.91%	1.68%

DATA ANALYSIS

Descriptive and T-test statistics were used to analyze the data obtained from the annual reports and accounts of the sampled banks via excel.

Table 7: Descriptive statistics of variables

Bank	**NPA**		**ROA**		**ROE**		**Overhead efficiency**	
	Pre	Post	Pre	Post	Pre	Post	pre	post
Kotak Mahindra	0.90%	1.10%	2.00%	1.20%	14.80%	11.00%	27.70%	26.53%
SBI	2.10%	2.60%	0.80%	0.60%	14.30%	9.60%	22.67%	26.78%
HDFC bank	0.43%	0.47%	2.04%	1.91%	19.40%	16.05%	29.65%	30.21%
ICICI Bank	2.12%	1.11%	0.96%	1.19%	9.52%	11.43%	17.66%	20.28%
Mean	0.01710	0.01600	0.01449	0.01225	0.14505	0.12020	0.2442186	0.2595117
SD	0.00856	0.00904	0.00661	0.00536	0.04039	0.02798	0.0538276	0.0413423

(Source: Computed by the researchers using excel)

The pre-consolidation ROE shows a mean value of 14.51% while post consolidation ROE reveals a mean value of 12.02%. The standard deviation values of 0.0403899 and 0.02798 for the two periods under study show less variation in ROE for the two periods under study. The Table 7 above reveals that the mean of the pre-merger ROA has decreased from 1.45%to 1.23% in the post-merger, while the ROE also decreased from 1.45% to 1.23%. One of the reasons for this may be that the increase in capitalization of Indian banks which is the aim of the consolidation. is yielding the desired results of improving efficiency in banks. Only ICICI bank banks witnessed improved financial performance as a result of merger and acquisitions leading to more financial efficiency. This result states that consolidation is increasing asset base and capital but not the efficiency of bank.

HYPOTHESIS TESTING

Pre and Post-merger NPA is almost same.
H0: $\mu d=0$
Ha: $\mu d>0$
Where "d" is defined as difference of pre and post-merger/consolidation.

Pre and Post merger ROE is almost same.
H0: $\mu d=0$
Ha: $\mu d>0$
Where "d" is defined as difference of pre and post-merger/consolidation.

Pre and Post-merger ROA is almost same.
H0 $\mu d=0$
Ha: $\mu d>0$

Pre and Post-merger overhead efficiency is almost same.
H0µ d=0
Ha: $\mu d>0$
Where "d" is defined as difference of pre and post-merger/consolidation.

Table 8: T-test paired two samples for means for NPA, ROA and ROE

	NPA	ROA	ROE	Overhead efficiency
t values	0.4251	0.1855	0.0971	0.1389
t 0.05	3.18	3.18	3.18	3.18
p value	0.752	0.6243	0.3501	0.6681
Degree of freedom	6	6	6	6
Is P value > .05	yes	yes	yes	yes
Result	**Accept the Null Hypothesis**	**Accept the Null Hypothesis**	**Accept the Null Hypothesis**	**Accept the Null Hypothesis**

FINDINGS

The paper examined the effects of merger and acquisition on the performance of banks pre and post mergers and consolidation. The result showed that it neither enhanced financial performance nor improved financial efficiency owing to merger and acquisition. Overhead efficiency ratio has increased after merger of banks in most of cases.

1. There is no change in means of ROE of pre and post-merger.
2. There is no change in means of ROA of pre and post-merger.
3. There is no change in means of NPA of pre and post-merger.
4. Overhead efficiency ratio has increased after merger of banks in most of cases.

The efficiency will likely increase with the rationalization of branches, there will be a common treasury pooling and there will be proper deployment of skilled resources. An enhanced scale of operations and the rationalization of common costs will result in big savings than only mergers will give benefit to India. The cost of mergers is so high in comparison of benefits arrived out of mergers, so as a results ROA, ROE and NPA all are in negative direction after merger.

RECOMMENDATIONS

The study concluded that ROE, ROA, NPA could not be improved performance on the part of selected commercial banks due to merger and acquisition because of economic slowdown in Asia Pacific as per article in magazine of global finance. Sequels to findings of this study, the following recommendations have been suggested:

a. Weaker banks should either merge or be acquired by stronger bigger banks instead of continue with losses.

b. Banks should be more aggressive in financial products marketing to increase financial performance thereby reaping the benefit of post mergers and acquisition exercise.

c. The increasing volume of nonperforming loans is putting added stress on banks, as interest-coverage ratios, a measure of how easily companies can pay interest expenses, are declining at large companies in India

Banking in Asia is under attack from start-up technology companies offering financial products such as payment systems and lending platforms and by established companies from outside the industry, such as Alibaba and Tencent Holdings.

CONCLUSION

The result of this study are concluded that merger and acquisitions in the financial system have not improved significantly the financial performance of top most banks other than ICICI bank in India. In such a stressful situation of banking sector consolidation of PSU banks and merger of private banks is not only advisable action for banks but bank also has to raise the capital by increasing of the shareholding of people in a phased manner through the sale of share largely through retail to common citizen of this country to Development as well as acceptance of new and advanced technological approaches and globalization of the operation. Banking sector need size, innovation, efficiency and best standards of customer service in the international banking arena.

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