Merger And Acquisition Analysis Of Bob, Dena And Vijaya Bank

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ABSTRACT

Keywords

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Introduction

Indian banking histories reveal that Indian banking seeds were sown in the 18th century, when the Central Bank of India and the Bank of Hindustan were estalblished in 1786 and 1790, respectively. Then, banks such as Bank of Bengal, Bank of Mumbai and Bank of Madras were formed by the charter of the British East India Company. In 1921, the three banks brought the Indian Imperial Bank together and established it, which became the Indian State Bank. The Bank of India, Baroda Bank, Corporate Bank, Indian Bank and Central Bank of India was founded between 1906 and 1911, and now they have survived. The banking industry in India is divided into two periods: the time of pre-liberalization and the time after 1991. During the pre-liberalization period of 1969, the Indian government nationalized the 14 largest trading banks. In 1980, a second nationalization dose was taken by six more commercial banks. A more regulated credit provision by the government justified the nationalization. The New Bank of India joined the National Bank of Punjab in 1993 subsequently. This was simply the merging of nationalized banks, which reduced the number of nationalized banks from 20 to 19.

The banking sector experienced a major shift during the post-liberalization period in early 1991; Narasimha Rao's government initiated its policy of liberalisation. The International Trust Bank, then mixed with Oriental, Axis Bank (formerly UTI Bank), ICICI Bank and HDFC Bank, has been allowed to hold a small number of deposits. This change enhanced the development of Indian banking. In addition to the rapid economic growth of India, followed by growth that all the three banks strongly supported, i.e. Government, private banks and foreign banks. Regulations and structural impacts of globalization on Indian banks have changed a lot. This industry has implemented several different approaches, which are productive and lead the world in the growing climate. In the restructuring process, Merger and merger were one such technique.

1.1 Mergers Of Indian Banks

The following table clears the picture of mergers in Indian Banking Industry.

S.NO.	TARGET BANK	ACQUIRER BANK	YEAR
1	BAREILLY CORPORATION BANK LTD.	BANK OF BARODA	07.06.1998
2	SIKKIM BANK	UNION BANK OF INDIA	25.05.1999
3	TIMES BANK LTD	HDFC BANK LIMITED	26.02.2000
4	ANZ GRINDLAYS BANK	STANDARD CHARTERED	27/04/2000
5	BANK OF MADURA LIMITED	ICICI BANK LTD	14.03.2001
6	BENARES STATE BANK LTD	BANK OF BARODA	21.06.2002
7	ICICI & ITS RETAIL FINANCE SUBSIDIARIES	ICICI BANK LTD	January, 2002
8	SOUTH GUJARAT LOCAL AREA BANK LTD	BANK OF BARODA	25.06.2004
9	GLOBAL TRUST BANK	ORIENTAL BANK OF COMMERCE	27.08.2004
10	UNITED WESTERN BANK (UWB)	IDBI BANK	03.01.2006
11	GANESH BANK OF KURUNDWAD LTD	FEDERAL BANK LTD	25.01.2006
12	THE GANESH BANK OF KURUNDWAD	THE FEDERAL BANK LTD	02.09.2006

There is a Merger, where the latter melds up with the former bank and a merging bank. For instance, "Vijaya Bank and Dena Bank were merged with Bank of Baroda (the anchor bank) in the April 2019 consolidation. Vijaya Bank and Dena Bank operations were effectively transferred to Bank of Baroda". In essence, amalgamating banks' retail customers are likely to be affected directly while anchor bank customers are unlikely to experience a lot of change. The shareholders of all banks participating in the combinations must, however, be affected.

"Merger of bob, dena bank and vijaya bank"

1. The Government announced that Bank of Baroda, Vijaya Bank and Dena Bank will be joining forces.
2. The goal of the new Merger announced by the government is to clean up the balance sheet and reduce NPAs.
3. The government's strategy is to merge a weak bank with its stronger counterparts.
4. The weaker bank is Dena Bank, located in Mumbai, in this scenario.

Significance

1. We are witnessing for the first time a combination of three PSBs which may be the precursor to other movements.
2. There are three banks, two strong banks and one PCA (Dena Bank). The three banks involved are
3. It is regarded as an attempt to revive with two healthier banks a relatively weaker bank
4. Where two banks in geographic space cross each other, the third becomes strategically important in the south.
5. The merger took place at a time when all PSBs had a negative impact on their profitability.
6. According to analysts, the success of this merger is critical for the future.

Positives

1. When Merger takes place, capital would be higher and offer a feeling of a more efficient bank.
2. Big, lending-capable institutions.
3. It will make the banks more efficient and improve the quality of corporate administration.
4. According to data publish from March 2018, the combined company will be the third largest bank in the country with a market share of approximately 6.8 percent by loans.
5. Operational efficiency improvement.
6. Costs are projected to decrease with the combined company.
7. More Current Accounts
8. Without reliance on the state exchequer, banks will be able to raise resources.
9. Improve the bank system's capacity to absorb shocks caused by markets

Need For Consolidation

1. PSBs, in particular compared to other major economies, are very fragmented.
2. The Merger would cause the government to pay greater attention, as is the case with SBI, to the enlarged organization.
3. To protect the financial system and the money of depositors.
4. Strengthening credit demand capability and sustaining economic growth
5. The need to overcome geographical divisions.
6. In 1991 the Committee of Narasimha proposed that India should have fewer, but stronger PSBs

Concerns / Challenges

1. Alignment of the distribution and management of human resources of professionals in the merged bank.
2. With seniority problems organized and relevant in a setting up of the public sector, it will be a struggle to maintain peace.
3. Physical infrastructure rationalization.
4. Due to high net NPA and negative RoA (return on assets), the Dena Bank was promptly taken in May 2017 under RBI corrective measure.
5. The Baroda Bank is the largest of the three and will be hit by the quality of its assets.
6. In the recent merger with their associate banks, SBI also faced the challenge of retaining their customers.
7. For the whole financial industry, stuff cannot alter when capital stays unchanged. • Unable and still to be addressed the quantum of Gross NPA (GNPA).
8. In the context of PSBs, Mergers are not the panacea.

Worldwide in the Indian banking industry, Mergers and acquisitions have been coveted. The main reason for bank mergers and acquisitions is the use of economies of scale. Merger and acquisition played an important role in the transformation of India's industrial sector due to the Second World War. In the course of the Second World War, economic and political conditions led to effective M&A (M&A). Mergers could be a major cause for growth in any economy, but particularly in a comparatively stagnant and profoundly unsafe economy. The M&A approach is considered relatively quickly and efficiently to expand to new markets and to incorporate new technology. The primary justification for consolidating and retaining the company's business place. Merger and acquisition (M&A) have played an significant part in organizational consolidation and the financial services sector .There has been great stress on banking staff worldwide, the establishment of new players and high-tech products, the globalization of the financial markets, the changing demographic of customers, the pressures on broader choices and low-cost services, the growth in shareholder demand, and margins.

Gruh finance & bandhan bank merger: why are they merging?

New license guidelines required RBI to reduce its interest from 82 to 40 percent over three years from Bandhan Bank's promoter Bandhan Financial Holdings Limited to 20 percent over ten years and 15 percent over 12 years of start-up.
The deadline of three years ended on 23 August 2018.
Failing to minimize the equity ownership of its shareholders, the RBI revoked its general approval to open new branches and also froze Mr. Chandra Shekhar Ghosh, MD, and CEO's remuneration at current rates.
The bank had three options to reduce the promoter stake:
I. Sale Offer
II. Inorganic expansion by fusions and acquisitions
III. Main or secondary pool of money, i.e. IPO or FPO.
The Bandhan Bank and GRUH Finance Boards of Directors have met and accepted the "merger partnership arrangement." This has reduced the shareholding of promoters in the merged entity to around 61%.
HDFC, the largest stakeholder in GRUH Finance, is expected to reduce its participation in the combined entity from 57.83 percent to 14.96 percent.
HDFC has seeked approval from the RBI to retain up to 15% of the merged entity because it can only hold up to 10%, according to the current rule. If the requisite approval is not received, their holding must be reduced to 9,9%. As of FY18, the position of Bandhan Bank and GRUH Finance stands as under:

	Bandhan Bank	GRUH Finance
Branch Presence	938	194
Employees	30,431	692
Total Advances (Rs. Crores)	33,373	16,663
Total Deposits (Rs. Crores)	33,869	1,515
Capital Adequacy Ratio	32.60%	18.90%
Gross NPAs	1.30%	0.88%
Return on Assets	4.30%	2.57%

Bandhan Bank & GRUH Finance merger: advantages

While the fusion can be driven by regulatory constraints, it provides synergies.
GRUH Finance extends the loan facility to low income and weaker economic sectors of society.
It has a significant presence in Western India's rural and semi-urban areas.
On the other hand, Bandhan Bank is mainly present in Eastern India, with a focus on microfinance.
Bandhan Bank will reduce its risk from geographical concentration, diversify its products portfolio, and still focus on the underpenetrated market by a merger with GRUH Finance.
GRUH Finance was founded as an HDFC affiliate in 1986 with the aim of providing lower income segments with housing financing. Over the years, however, HDFC has been providing loans to the lower income segments.
In H1FY18, 37 per cent of the loans approved by HDFC were weaker in volume and 18 per cent in value. This recomposition of the borrowing book could have led to two scenarios – the merger of GRUH Finance with HDFC or the sale of GRUH Finance.
Geographical and monetary sense was the merger with Bandhan Bank.
Since GRUH Finance runs at very high ratings of its trailing book values, the addition is potentially expensive and diluting the book value for Bandhan Bank.
However, it will strengthen the Bandhan Bank 's presence in economically weaker and low-income groups in affordable housing with a diversified portfolio of micro-finance and housing financing.

Literature review:

Rhoades
(1998) summarized nine case studies, by nine authors, on the efficiency effects of bank
mergers. The mergers selected for study were ones that seemed relatively likely to yield efficiency gains. That is, they involved relatively large banks generally with substantial
market overlap, and most occurred during the early 1990s when efficiency was getting a lot
of attention in banking. All nine of the mergers resulted in significant cost cutting in line
with pre-merger projections. Four of the nine mergers were clearly successful in improving
cost efficiency but five were not.
Nine authors' case studies on the efficiency consequences of bank mergers were summarized by Rhoades (1998). The Mergers chosen for the study were those which appeared to produce relatively good results. In other words, relatively large companies usually involved a substantial overlap with the market and most were involved in banking efficiency during the early 1990s. All nine of the Mergers have caused substantial cost cuts according to pre-Merger forecasts. Four of the 9 Mergers significantly increased cost-efficiency, but five did not.
In the study conducted by Humphry, Willeson, Bergendahl and Lindblom (2006), it was found, that the industrial consolidation is mainly caused by financial and technological innovation which has changed the optimal productive role of financing companies. The facilitator has been a surge of financial dereglementation that must be used entirely by banks and other financial institutions in the revolutionized back offices, front office delivery systems and payments systems by means of new production processes and technology progress.
During the mergers and acquisitions cycle in the banking industry, Sergio & Olalla (2008) found that during the period 1995-2001 there had been significant financial reform and technical development. The multinoma logit study was used to infer the characteristics of continental European finances and noticed that Merger and accumulation of scale is a major factor.
In their De Young study, Evanoff & Molyneux (2009) found that deregulation changes have allowed commercial banks and other financial services companies in the form of Mergers and acquisitions to expand to the geographical and product markets.
Tarba & brock (2011) looked in his article "Calipha," at M&A and its performance factors such as entrance on the global sector, acquiring new limited capital, synergies and other strategic and organizational variables in M&A, including M&A's relative scale, management engagement, cultural and institutional problems, etc.

2.1 Merger And Acquisition Defined

Over the past decade, the verbalization of industry has sparked a quest for a global strategic edge. Firms have followed their customers – who go globally by responding to pressure for scale in a rapidly consolidating global economy. Alongside other developments including accelerated globalization, privatization and organizational transformation, verbalization has encouraged a fast merger and acquisition campaign that has never been seen before. The key subject of today's corporate climate are Mergers and acquisitions. Mergers and acquisitions have gained widespread support or admiration by various companies with various motives. The most frequently discussed issue is whether it is Survival issue or profit optimization, or the strengthening of corporate and acquisition economy mergers.M&A is essentially carried out to expand the organization, increase profits and save the company from losses. The biggest shift for a organization is merger and buy. There is no more complex and frustrating occurrence than a Merger or takeover. It's a regular pattern of life and potentially more so that people are used to it. Mergers have become a means of long-term survival in today's global and competitive environment. Any merger or acquisition requires a high level of management and expertise. The workers innate problems in each organization are compounded to the point that two firms work together for instability, tension, fear and compromise. When we say about a "Merger," we mean the Merger or reunion of two enterprises, where there will continue to be one company. Merger and acquisition is a strategic resource that is utilized in increasing the activities to improve long-term productivity.

"The merger is a merger of two or more enterprises via direct procurement by one or another of the net assets of the other company or others. No new enterprise is created during the merger" (Heric L. Kohler). The seller business stays involved in the acquisitions and the acquired company or the intended organization is merged into the purchasing group. Buy is a business activity in which an enterprise acquires all or most of its ownership to control the target company. In other words, an acquisition is made when one company takes charge of or buys another, whereas a merger is a situation where two companies agree to continue to operate and remain one new company. "It is said that a purchase takes place if one company buys an asset or another company's stock."

An acquisition is similar and therefore the buyer is significantly larger than the seller. A sequence of transactions wherein a company Takeovers (individual, community of persons, companies) or acquires control over a company's properties, either explicitly through the acquisition of possession over those properties or indirectly through the acquisition over control over its management.'

The types of Mergers and their Probable Outcomes

Vertical Mergers

The company sells one of its vendors or merges with some of its clients in this kind of mix. The first is a "backward Merger" and the latter can be called a "future Merger." An acquired entity normally falls under the acquisition market field, which allows it possible for it to continue engaging mainly at corporate level and for one particular finished product to be integrated in a vertical context. Example: merger between the Time Warner Incorporated major cable operation. Turner, a CNN, TBS and other programming service. In the deal, Time Warner effectively monopolies a significant amount of tv transmissions through the Federal Trade Commission (FTC), which raised worry over a agreement like this. The FTC agreed to the agreement, but declared that the acquisition should not be exploited for anti-competitiveness reasons to such an degree that it affected the public interest.

Horizontal Mergers

When two companies collaborate or combine on the same market, a horizontal Merger happens. In this kind of acquisition, an organization acquires another business which has a similarly connected or identical product or service. This form of merger will also have a very significant, if not a little to zero impact on the business, the result of merger becomes less apparent where two very tiny businesses overlap to integrate horizontally. Smaller lateral Mergers are very common. The competitive situation 4 a g e in an industry could be adversely affected by horizontal Mergers. Therefore, administrative authorities are also opposed. The level of concentration in an industry is often increased by a horizontal merger. Example: This kind of merger also comes from larger firms seeking to create more productive economies of scale. A popular example of horizontal merger is the Merger of Daimler-Benz with Chrysler.

Conglomerate Mergers

Companies engaged in unrelated business activities are involved in Conglomerate Mergers. Three types were distinguished among the conglomerates Mergers. Extension to company Mergers extends corporations' product lines. These are Mergers among businesses involved and can also be referred to as concentric Mergers. A geographical extension Merger consists of two companies operating in geographical areas that do not overlap. The third, called pure conglomerate Mergers, involves activities that are unlinked or unrelated under one banner. Conglomerate Mergers have the capacity for increased distribution of financial conglomerates with the opportunity for synergies and organizational abilities among executives and integrated conglomerates. For examples, a mixture of an automaker and an engine supplier would be concentrated. Although both industries fulfil their customers' transport needs, they are both quite unique in their competitive structures. Concentric Mergers appear to merge those functions, especially technology and marketing departments. This leads to the sharing of expertise between the two companies that the employees of both companies can resist. This business is the only place to solve this.

Merger Of Congeneric

Such Mergers occur between firms in the same large field and which are very related but have no shared connection with consumers and service providers. This form of convergence is used by one business to utilize the same delivery and advertising platforms and to serve its consumers.

Merger Of Cash

On the grounds of relative 5 P a g e value of the two initial firms in traditional integration, a combined corporation incorporates the purchase of both businesses with owners in each existing entity. In the case of a "cash-Merger" also known as a "cash-out Merger," the shareholders of one enterprise receive cash rather than shares of the merger.. In cases where shareholders of a Merger entity do not wish to become part of the Merger entity, this is common practice.

Triangular Merger

For regulatory and fiscal reasons, a triangular Merger is often used. As the name implies, the aim merges to a subsidiary of the seller. It is a three-party deal. Based on the entities that survive after such Merger, a triangular Merger can be conducted or reversed (where the target Merger remains the subsidiary and the subsidiary survive).

Way forward:

1. The merging of two or three public-sector banks cannot change the architecture without tackling the governance problems in the banks.
2. If the operating structures are not changed, mergers may not produce the desired results in the long term.
3. Autonomy and roles for PSBs.
4. Merger firms would need government capital funding, otherwise their capitalisation profile will not be strengthened by such Merger.
5. If these banks rationalize their subsidiaries, seek to will expenses to cope with concerns of citizens well, the merger will produce the required results.
6. For more small financing banks as well as universal banks and bank merger, RBI should continue to grant banke licences.

Discussions

3.1 Benefits Of Merger To Indian Banks

We have studied mergers of 17 banks in India, following a clear understanding of the reason for the mergers. In this study, the following benefits of Mergers for both participants can be established.

- Following Merger, the ill banks survived.
- Physically enhanced branch network.
- Wide customer base (rural portfolio).
- Market share grew.
- Building achievement.

The Indian Banking Sector and Indian Banking System

The Indian financial network is the foundation of a currency economy. In Indian banking, the pre-relief and post-relief sectors have been divided into 2 stages. As of 19 July 1965, the Indian government nationalized 14 banks and additional corporate banks in India, fifteen Gregorian calendar months 1980. The new Asian country and regional region Banks were merged by government during the year 1993 and the nationalized banks alone subsequently saw a reduction between twenty and 19 in quantity, and the government adopted strategy for mitigation in the post-discharge portion, which contributed to licenses being provided for non-public entities that could contribute to a reduction of 20% to 19%. The Indian industries consider that since 1935 Indian industry has been accountable to the financial organisation, known as The Bank of India Federal Reserve. The Reserve Bank of India (RBI) has quarantined corporate banks into banks of the public sector, private sector and foreign banks in the Asian Country. 9 The financial apec in a selected country and acquisitions in the banking sector shall be controlled or regulated by P. 9. For example, the RBI oversees Mergers and acquisitions in the Indian banking sector. It even intervenes sometimes and tells a bank to raise another bank because the banking system is unable to do so. In the event that the purchasers fail to execute the bank, they must come back to promote Merger or selling. This means the buyers are not allowed to suffer.

Industry scenario of Indian Banking Industry

The growth in the Indian banking sector was additional qualitative than quantitative and can be predicted to stay comparable over the next few years. And the industry supported the Commission's projections for the "India Vision 2020" project and the 10th arrangement that the report forecasts the growth pace is likely to decelerate within banks' budgets. The maximum reserves of the popular corporate banks are projected to be estimated by the end of March 2010 at Rs 40 90,000 crores. In addition to 67% in 2002-03, which will include current market costs of 65 percent of the value? In comparison with a 67 percent expansion level between 1994-95 and 2002-03 in India, the square bancing index estimated to increase by 13.4 per cent over the last decade in an average aggregate pace of AN. There is provision for a massive increase of the capital base and reserves on the responsibility of the banking sector. In general India's 1949 Banking Act market can be divided in 2 leading groups, uncontrolled banks and standard banks. The banks and cooperative banks of corporations are everyday institutions. Ownership may also be classified as nationalized banks by the business bank company, its cluster banks, regional rural banks, and private sector banks (the former and new national and foreign banks). The banks in the country have more than 67,000 branches. The public sector banks in India make up 78% of maximum industry reserves, the bottom of India's banking market. Sadly, excessively inefficient assets (NPAs), enormous powers and the absence of modern technology are burdening them. On the opposite, the square measure of the private sector banks produces tremendous development. They are net bank managers, mobile banking managers, 10 Page bankers, automated customers. As far as the calculation of the international banks concerns the Indian industry they are likely to enter. In the Indonesian industry, the IGBI, the SBI and In geographic areas, such as the full service bank, Vijaya bank, UCO Bank, Oriental bank and Allahabad banking, the International Business Bank Ltd. and the Radiastan Bank and general public sector cover There are several operational square measures in the Indian sector in the private sector. Other ANZ Grindlays Bank, ABN AMRO Bank, Yankee categorical Bank Ltd, and Citibank Square are some of the foreign banks operating in the Indian industry. The fact is that the Indian industry is worried about the gift situation. In 1969, 14 major banks became nationalized and the transition from banking to mass banks was significant. The biggest part of the monetary reforms. The geographical reach of the banks grew considerably in succession. Each bank must make a minimum part of its loan portfolio available to the so-called "priority sectors."

Also in the 1970s in the covered geographical area, the manufacturing sector was expanding and banking was a crucial supply. In 1980, vi further commercial banks were nationalized following the wave of reforms. Since then, the sum has been quadrupled for standard banks and the number of deposits has eight times that for corporations. In the second part of the changing monetary system and the global relief in the beginning of the 1990s the general public sector banks (PSB) found it extremely difficult to deal with new private sector banks and international banks. The new private sector banks first developed their look once the rules that allowed them were issued in June 1993. 8 new private sector banks square are currently operational in size. Late-stage banks have access to innovative technologies that prevent waste of practical rates and higher resources. In 2000, 25% of deposits and 28.1% of loans were lent from the Indian State Bank (SBI) and its seven associates. The twenty nationalized banks were in line with 53.2% and 40 7.5% of the loan. Over the whole of 2000, 5.7%, 3.9% and 12.2% of deposits and 8.41%, 3.14 and 12.85% of debts, accounted for foreign (numbering 42), rural banks and several regular commercial banks.

Dena Bank, Vijaya Bank and Bank of Baroda Merger

The government proposed the merger of Bank of Baroda, Vijaya Bank and Dena Bank with an aim at creating the country's third-biggest lender. Bank of Baroda is the biggest of the three with Rs 10.29 lakh crore of total business, followed by Vijaya Bank and Dena Bank. In this merger, the government found the right fit. "Dena Bank has a strong Current Account and Saving Account (CASA) base with a good retail and MSME presence. Vijaya Bank was sensible in its lending, while Bank of Baroda offers a good international presence, a strong brand and a good tech platform will result in a massive cost rationalization. Continuing its merger plan for public sector banks, the government has finally completed the mega-merger of A weaker Dena Bank lender and the Vijaya Bank anchor lender with a 111-year-old Baroda Bank (BOB). All these banks are distinct, have specific market processes, occupy various roles and experience. This would be the second largest fusion plan for the centre, following the largest lender acquisition by the State Bank of India (SBI) and its six associated banks. Dena Bank and Vijaya Bank have stated on their official website that the amalgamation process promises to build the specific skills and best practices of each bank. This mega-entity will do better to serve consumers with world-class goods backed by reliable processes.

Although BOB will not make much material difference because it is the procurement company, the implementation of Vijaya Bank and Dena Bank will be something to be looked after. That said, even Vijaya Bank and Dena Bank 's customers would see a difference in the way they perform a financial transaction.

1) Number of public sector banks will be downgraded: by 2014 there are 27 public sector banks and the figure has already been downgraded to 21 and will tend to decline to 19 with this specific increase. The problem with the existing public-sector banking structure is that these public-sector banks account for more than 90% of all NPAs within the banking sector, which is the huge disadvantage or burden on the public-sector banks. If the NPA aims to increase the financing of the banking sector.

2) Regulatory burden will fall: all players in the banking sector are being governed by RBI. On the one hand, RBI must regulate differentiated banking institutions, RBI must regulate regional rural banks, RBI must regulate scheduled commercial banks, both private and public sector banks. Since the number of banking units has steadily increased the regulatory burden, the RBI shoulders have also increased. The regulatory burden on RBI will also decrease.

3) Recapitalisation Pressure should fall down: the recapitalization need is also rising for India's government. In 2014 the Indian government announced a recapitalization of around 70,000cr, but in a five-year period via budget allocation. They allocated 25,000Cr. in the first two years and 10,000Cr in the next two years.

4) The penetration / attainment of these banks is increasing: Vijaya bank is more or less dominant in southern India whereas Dena bank and Bank of Baroda are mostly present in western India. When these three entries are combined, the penetration of the new entity will increase in India. Moreover, in terms of FOREX incomes as well as technology-driven tools, Bank of Baroda is considered more important. These tools and FOREX income will benefit the new company. This type of merger will therefore essentially promote the penetration or reach of these particular banks.

5) Dena Bank Should Be Pulled Out of Problem: Dena is a debilitated bank. Recently, Dena Bank's NPA reported 22 % of the total bank loans and was promptly corrected, and RBI basically stated that Dena's bank will not be permitted to lend on the market. So, Dena Bank is merged with strong banks like Vijaya Bank and Bank of Baroda. As a result of this Dena bank's problem of very high NPAs will be removed. Dena Bank's NPA was the fifth highest in the banking sector.

To study the financial performance of BOB, Dena and Vijaya before merger:

Indicators	**BANK OF BARODA**	**DENA BANK**	**VIJYA BANK**
Total advances (Rs. Cr.)	187896	163552	351448
Total deposits (Rs. Cr.)	242076	214335	456411
Employees	19604	23210	42814
Branches	2875	3229	6104
CASA (%)	34.71	49.49	41.65
Net NPA (%)	3.75	5.22	4.39
Capital adequacy (%)	13.21	12.51	12.89

Source: Business Standard, 30th August,2019

The aim of RBI in bank merger is merging weak banks with strong banks to prevent loss to depositors and building strong banking sector. This is done on the basis of evaluation found in the inspection report conducted; sec 35 of the Banking Regulation Act, 1949.The merger of public sector banks is under the policy of central government. According to Financial services secretary Rajiv Kumar, the two-guiding principle for merger is –

- To create a healthy bank that is large in size.
- To have an entity with a strong brand, technology, and a good reach

Table No. 02: Overall financial standing of the three banks and their combined entity

S.No.	Parameters	Bank of Baroda	Vijaya Bank	Dena Bank	Merged Entity
1	Total business (in lakh crs.)	10.29	2.79	1.72	14.82
2	Total Deposits (in lakh crs.)	5.81	1.57	1.03	8.41
3	Gross Advances (in lakh crs.)	4.48	1.22	0.69	6.40
4	Net NPAs	5.4	4.1	11.04	5.71
5	CRAR (%)	12.13	13.91	10.6	12.25
6	Branches	5,502	2,129	1,858	9,490
7	Employees	56,361	15,874	13,440	85,675
8	Net Profits/Loss (in crs.)	528 cr. profit	144 cr. profit	-721 cr. Loss	-

Source: http://www.economictimes.com

The finance ministry stated that the provision coverage ratio (PCR) of the proposed amalgamated entity will be 67.5%, well above the average of public sector banks(PSBs) at 63.7%. The capital adequacy ratio of the combined entity would be at 12.25%, significantly above the regulatory norm of 10.875%. One of the reasons for choosing these 3 banks was that the two stronger ones will absorb the weaker entity.

Conclusion

In the emerging economies like India, the banking industry is one of the fastest rising industries. M&A is discussed and evoked the interest of researchers and researchers as one of the most valuable instruments for growth. In India, the post-liberalization period has seen rapid development, one of which is banking. M&A in the banking sector has demonstrated that this is the useful tool of merging into a larger Bank for the survival of weak banks. Our study shows that the effects of the global economy are therefore difficult for small and local banks, and that they need support and this is one of the reasons for their Merger. Any private banks use mergers to broaden their horizons as a competitive weapon. India's rural markets have immense opportunity which the major banks have not yet exploited. ICICI Bank Ltd. has therefore employed Merger as their rural market expansion strategy. They succeed in being present in the countryside of India. It strengthens its networks across regions, enhances the base and market share of its customers. Every behavior of the item, on the contrary, leads to reactions, and this is what occured in Rajasthan Bank and ICICI Bank Ltd. when the news regarding the merger was published. BOR employees were angry. As a result, a range of emerging issues for researchers and scientists have been identified.

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