CHAPTER-5
DETAILS OF ACQUIRING BANKS AND MERGER MOTIVES

5.1 Introduction:
The study covered all the nine commercial banks (7-Public Sector acquirer banks and 2- Private Sector acquirer banks) that have merged between 1993-1994 to 2004- 2005. Mergers in India assumed prominence since the advent of deregulation initiated in the year 1991. Hence, the selection of merger cases for the present study have been those mergers and acquisitions deals, which occurred post 1991. The basic premise of selection was to ensure that the period of merger cases is such that there is a blend of both public sector bank acquirers as well as private sector bank acquirers as well as a mix of voluntary acquisitions as well as forced acquisitions.

5.2 Bank of India Acquires Bank of Karad:

Type of merger: Restructuring of weak banks- Forced merger.


Brief details of the acquirer bank- Bank of India (BOI).

BANK OF INDIA (BOI) is headquartered in Mumbai. The bank was founded by a team of eminent businessmen from Mumbai in 1906. The Bank was under private ownership till 1969. It was nationalized in 1969, whereby it had to give up its private ownership and control.

Bank of India started its banking operations through its only office in Mumbai, with a paid-up capital of INR 50 lakh and employee strength of 50 employees. Over the years the bank developed and grew rapidly and is today a mighty institution with a strong national presence, sizable international operations and occupies a premier position among the nationalized banks in India. The Bank has more than 4500 branches in India spread over all states and union territories, which are controlled through Zonal Offices. Bank of India was the first Indian Bank to open a branch outside the country, even before India became independent and presently the bank has overseas presence in twenty countries out of India that are spread over 5 continents. Way early in
1989, the Bank has been the first among the nationalized banks to establish a fully computerized branch and ATM facility. The Bank pioneered the concept of SWIFT in India and is the Founder Member of SWIFT in India. While firmly adhering to a policy of prudence and caution, the bank has been in the forefront of introducing various innovative services and systems and is committed to become the bank of choice to all customers by providing superior, proactive, state of the art and innovative banking services coupled with most modern infrastructure with the attitude of care and concern for customers and a successful blend of traditional values and ethics.

Merger Motives

- Bank of Karad was a victim of 1992 Securities scam.
- The bank was used by scamster’s in 1991-92, to issue bank receipts as and when the need arose. These Bank Receipts could then be used to do ready-forward deals with other banks.
- This move of the scamster’s endangered the liquidity of the bank and the quality of the bank’s assets declined, which required the Reserve Bank of India (RBI) to intervene and protect the interest of the depositor’s.
- RBI provided two options - either liquidation of Bank of Karad or merger with another bank. RBI then mandated Bank of India to acquire Bank of Karad.
- The primary reason for the merger was to protect the interest of the depositors of Bank of Karad, hence RBI issued a moratorium requiring Bank of India to acquire Bank of Karad under the premise of, merger of sick bank with a healthy bank to protect the interest of all the stakeholders especially the investors and depositor's.

5.3 State Bank of India Acquires Kashinath Seth Bank Ltd.:

Type of merger: Restructuring of weak banks- Forced merger.

Brief details of the acquirer bank- State Bank of India (SBI).

State Bank of India (SBI) is the nation's largest and oldest bank. It is a government-owned corporation with its headquarters in Mumbai, Maharashtra. As of 31st March 2014, SBI was the largest banking and financial services company in India by assets and largest provider of infrastructure debt and the largest arranger of external commercial borrowings in the country. The bank traces its ancestry to British India through the Imperial Bank of India which was formed through the merger of three "presidency banks" in British India, Bank of Calcutta which was established in India in 1806 and was re-designed as Bank of Bengal, Bank of Bombay, which was founded in 1984 and Bank of Madras which was established in 1843; thereby making State Bank Of India the oldest commercial bank in the Indian Subcontinent. The bank operates more than 26,000 branches within India and more than 130 branches in more than 30 countries out of India. It also owns majority stakes in five associate banks. A premier bank in terms of size of the balance sheet, number of branches, market capitalization and profits, the bank is today going through a significant phase of change and transformation and moving with dexterity to give the private and foreign banks a run for their money. Apart from banking services the bank is also taking up several new initiatives that have a huge potential for growth with strategic tie ups like – Pension Funds, General Insurance, Custodial Services, Private Equity, Mobile Banking, Point of Sale Merchant Acquisition, Advisory Services and Structured Products. The bank is forging ahead with cutting edge technology and innovative new banking models, to expand its rural banking base, looking at the vast untapped potential in the rural neighborhood. Most importantly it is the only Indian bank to feature in the Fortune 500 list.

Apart from business operations, the bank is also actively involved in community services since 1973, through its non–profit activity called Community Services Banking. All branches and administrative offices throughout the country sponsor and participate in large number of welfare activities and social causes. Their business is more than banking because they touch the lives of people anywhere in many ways. Commanding unsurpassed respect and legacy in the Indian financial expanse, SBI offers financial solutions that extract maximum value from business and market situations.
While the bank is strongly positioned to structure financial packages that anticipate the changing business environment, its vast network--the world's largest--ensures delivery channels of unmatched reach, both in India and abroad.

**Merger Reasons:**

- Kashinath Seth Bank was found guilty of negligence, misfeasance and breach of trust causing mismanagement in banking practices and losses to the bank leading to its winding up.
- The Government of India passed an order of Moratorium suspending the business of the Kashinath Seth Bank Ltd. This was done to protect the interest of the stakeholders of Kashinath Seth Bank Ltd; hence the merger was forced by RBI under the premise of merger of sick bank with healthy bank.
- Kashinath Seth Bank was amalgamated with the State Bank of India, under a scheme prepared by Reserve Bank of India in 1995-1996.

**5.4 Oriental Bank of Commerce Acquires Bari Doab Bank Ltd.:**

**Type of merger:** Restructuring of weak banks- Forced merger.

**Year of merger:** 1996-1997.

**Brief details of the acquirer bank- Oriental Bank of Commerce (OBC).**

Oriental Bank of Commerce (OBC) is a Government of India undertaking that was incorporated in 1943. Back then, its business activities included monetary intermediation of commercial banks, saving banks and discount houses. The bank made a beginning under its founding father, Late Rai Bahadur Lala Sohan Lal, the first Chairman of the Bank. Within four years of coming into existence, the bank had to face partition. Branches in the newly formed Pakistan had to be closed down and in the year 1951, bank’s registered office had to be relocated to Delhi, from Lahore in Pakistan. In the year 1980, the bank was nationalized. Much later in the year 1992, the bank set up its merchant banking division.

The Bank has witnessed many ups and downs since its establishment. The bank was nationalized on 15 April 1980. At that time total the bank was at 19th position among the 20 nationalized
banks. Within a decade the bank turned into one of the most efficient and best performing banks of India. The bank was declared as the seventh largest public sector bank in India in 2010. As of today, the bank’s network covers more than 2000 branches with 82 extension counters spread across India. The bank operates in four segments: treasury operations, corporate banking, retail banking and other banking business operations. International activities of the bank and its clients are supported by membership of Oriental Bank of Commerce in the international payment association S.W.I.F.T. A unique feature of the bank is the lowest staff cost with highest productivity in the Indian banking industry. OBC is one of the strongest banks in India. It has high CAR, One of the lowest NPA’s and one of the highest productivity per employee. The bank very closely lives with its vision statements that makes it a customer friendly premier bank that is committed to enhancing stakeholder’s value.

**Merger Reasons**

- The Central Government of India passed an order of moratorium to discontinue the banking operations of the Bari Doab Bank Ltd. This order was based on the fact that it was contended by authorities that the bank was being run as a family bank which was detrimental to the interest of the depositors.

- The banks management policies were unfavorable to the bank and could result in a “run” on the bank due to which the interest of the stakeholders of the banks and the banking operations could be jeopardized.

- RBI required a forced acquisition of Bari Doab Bank by Oriental bank of Commerce under the premise of merger of sick bank with healthy bank.

- Bari Doab Bank was amalgamated with the Oriental bank of Commerce, under a scheme prepared by Reserve Bank of India in 1996-1997.

**5.5 Union Bank of India Acquires Sikkim Bank Ltd.:**

**Type of merger:** Restructuring of weak banks- Forced merger.

**Year of merger:** 1999-2000.
Brief details of the acquirer bank- Union Bank of India (UBI).

Union Bank of India was established in 1919 and is headquartered in Mumbai. The bank was privileged to have its head office building in Mumbai inaugurated by Mahatma Gandhi, the Father of the nation in the year 1921. On the inaugural itself, The father of the Nation had anticipated the growth of the bank, which has taken place in the decades that followed. The Bank now operates through over 4000 branches across the country. The Bank's core values of prudent management without ignoring opportunities is reflected in the fact that the Bank has shown uninterrupted profit during all its 95 years of its operations. Union Bank of India has evolved into one of the largest state-owned banks in India.

Union Bank has been playing a very proactive role in the economic growth of India and it extends credit for the requirements of different sectors of economy. Industries, exports, trading, agriculture, infrastructure and the individual segments are sectors in which the bank has deployed credit to spur economic growth and to earn from a well-diversified portfolio of assets.

Resources are mobilized through current, savings and term deposits and through refinance and borrowings from abroad. The bank has a large clientele base.

On the technology front the bank has taken early initiatives and 100% of its branches are computerized as well as 100% of the business of the bank is under Core Banking Solution making it a leader among its peers in infusion of technology. The bank started with a vision to turn into "the bank of first choice in their chosen area by building beneficial and lasting relationship with customers through a process of continuous improvement". It is also included on the Forbes 2000 list. The bank also has international operations in overseas destinations. Behind all these achievements is a dedicated team of staff of over 31,000 members that is truly cosmopolitan in its composition. Many generations of members of staff have contributed in building up the strong structure of the bank. The bank distinguishes itself with its customer centricity and adherence to values enabling it to be recognized as a caring organization where people enjoy their work and relationship with customers through a process of continuous improvement.
Merger Reasons:

- Sikkim Bank Limited’s management policies were detrimental to the bank due to which the interest of the stakeholders of the banks and the banking operations were endangered.
- RBI issued an order of acquisition of Sikkim Bank Limited in an attempt to rescue the bank after extensive irregularities had been discovered at Sikkim Bank Limited.
- This amalgamation was signaled by RBI under the premise of merger of sick bank with healthy bank.
- Sikkim Bank Limited was amalgamated with the Union bank of India, under a scheme prepared by Reserve Bank of India in 1999-2000, which seemed to be attractive to Union Bank of India as Sikkim Bank had eight branches in the north-eastern region of India and Union bank would thereby extend its presence to north eastern part of the country through this acquisition.

5.6 Bank of Baroda Acquires Benaras State Bank Limited.:

Type of merger: Restructuring of weak banks- Forced merger.


Brief details of the acquirer bank- Bank of Baroda (BOB).

Bank of Baroda is a 105 years old state-owned bank with modern and contemporary personality, offering banking products and services to large industrial, SME, retail and agricultural customers across the country. It is one of the most prominent Indian state-owned banking and financial service company that is headquartered in Vadodara, Gujarat. The bank was founded by Maharaja Sayajirao Gaekwad III, the then Maharaja of Baroda in 1908. The bank was nationalized by the Government of India along with 13 other commercial banks in 1969. From a modest beginning of a paid up share capital of INR 10 lakhs, the bank has traversed an eventful and successful journey of more than 100 years. It is the second largest bank in India after State Bank of India. From its introduction in a small building of Baroda, the bank has come a long way to achieve its current position as the second largest bank in the country. The first branch of the bank was set up in 1910 and presently the bank has more than 5000 branches in the country and more than 100 international branches spread in 24 countries out of India. The bank has always proved to be a
beneficial agency for lending transmission and deposit of money and is a powerful financial support to arts, industries and commerce both in India as well as out of the country. The bank is a pioneer in various customer centric initiatives in the Indian banking sector. It is amongst first in the industry to complete an all-inclusive rebranding exercise wherein various novel customer centric initiatives were undertaken along with the change of logo. The initiatives include setting up of specialized NRI Branches, Gen-Next Branches and Retail Loan Factories and several other novel initiatives. Ever since it’s rebranding in 2005, the bank has consistently promoted its major strengths viz. large international presence; technological advancement and superior customer service. It also introduced several innovative and unique approaches to showcase how it has utilized technology to nurture long term relationships for superior customer experience. The bank’s constant endeavor to strengthen its branch and ATM network combined with well-informed staff offering personalized service at its various touch points have enhanced customer interactions and satisfaction. Thus the Bank has firmly positioned itself as a technologically advanced customer-centric bank.

**Merger Reasons:**

- Since liberalization in 1991, the status of small scheduled commercial banks started coming under scrutiny.
- Post liberalization financial pressure on Benaras State Bank Limited started escalating due to which the royal family of the Benares state sold its majority stake in the bank to a south Indian business man having versatile range of businesses.
- This move bought only temporary relief to the bank and financial crisis in the bank started mounting which was detrimental to the interest of the depositor’s and more over the stakeholders.
- To take control of the situation and bail out the bank, RBI issued an order requiring Bank of Baroda to acquire Benaras State Bank Limited in 2002-2003.
5.7 Punjab National Bank Acquires Nedungadi Bank Ltd.:

**Type of merger:** Restructuring of weak banks- Forced merger.

**Year of merger:** 2002-2003.

**Brief details of the acquirer bank- Punjab National Bank (PNB).**

Punjab National Bank is one of the oldest banks in India having a virtual presence in every important center of the country. It was established in 1895 in Lahore and was nationalized in 1969 along with thirteen other banks. The bank primarily operates in the corporate and retail banking and treasury space. With more than 119 years of strong existence and over 6000 branches including overseas branches, Punjab National Bank is serving more than 82 million delighted customers. Almost two thirds of its branches are in rural and semi-rural areas, which is the largest among nationalized banks, which makes it, enjoy one of the highest penetration rate of banking activities in the country. Punjab National Bank caters to a wide variety of audience through spectrum of services including corporate and personal banking, industrial finance, agricultural finance and international finance. Sitting on vast banking resources and significant presence in almost every lending sphere, the bank has sound financials, despite being exposed to numerous market and credit risk elements. The bank is on a very comfortable and formidable position. Punjab National Bank has a net interest margin (NIM) higher than the industry average due to a mix of improving yields and low cost funding base and has one of the healthiest low cost current account saving account (CASA) ratio. It also enjoys the highest rating by all four domestic rating agencies and one of the few banks to boast AAA rating on its perpetual debt issue. The bank has always stood with the time even in the direst of circumstances. The bank did face stiff challenges from its private sector counterparts, however the bank has not only withstood such adversities but has also established itself more firmly to become a frontline financial institution. At the time of global financial turmoil, where the banks all over the world were creeping under tremendous pressure, Punjab National Bank managed to insulate itself away from fatal transactions since it strictly adhered to the RBI guidelines. The core focus of the bank has always been on retaining and further improving low cost deposits, lending to agriculture and small and medium enterprises and repositioning of subsidiaries and joint ventures. It is amongst the big four banks in the country, being one of the largest nationalized banks, PNB has continued
to provide prudent and trustworthy banking service to customers. The bank has always enjoyed strong fundamentals, large franchise value and good brand image.

**Merger Reasons:**

- Nedungadi Bank Ltd was technically owned by a stock broker-led group and hence was under broker-led influences and vested interests of brokers.
- Joint Parliamentary Committee (JPC) probing a stock scam pointed out discrepancies in the conduct of business by Nedungadi Bank.
- Reserve Bank of India thereafter ordered a moratorium on the sick Kozhikode-based Nedungadi Bank Ltd to ensure full protection to customers and depositors of the century-old Nedungadi Bank Ltd. The bank was put on the wedge after RBI initiated moves to weed out the broker-promoter power from the bank.
- RBI placed Nedungadi Bank Ltd under moratorium for few months and restricted depositors from withdrawing more than INR 5,000 during the period.
- RBI then drafted the scheme of amalgamation of Punjab National Bank with Nedungadi Bank Ltd in 2002-2003, so as to lift the bank and protect the interest of the depositors, investors and stakeholders, however since the shares of Nedungadi Bank Ltd. had zero value, its shareholders received no payment for their shares.


**Type of merger:** Restructuring of weak banks- Forced merger.

**Year of merger:** 2004-2005.

**Merger Reasons:**

- Global Trust Bank (GTB) was founded by Ex MD of Vysya Bank Limited, Mr. Ramesh Gilli who, in a skill to develop the Bank within a short span of time, invested a lot of the public money in financial instruments that invited risk and the bank faced a major crisis.
- The bank was involved in stock market scandal in the year 2001 and there was a run on the money by the depositors in the year 2002. The Joint Committee of Parliament in India submitted its report on the securities scam clearly noted that the exposure of GTB to the capital market during the year 2000 by way of advances against shares and guarantees issued on behalf of the brokers was relatively larger and that the bank had a very high exposure to a
particular stock brokers which was detrimental to the interest of its stakeholders especially the depositors.

- The Joint Committee found that the exposure of GTB to capital market was in excess of the limit prescribed by the board of the bank. But the board of GTB ratified such excesses every time and the situation continued beyond questioning and controlling by any authorities.
- The banks financial statements were camouflaged, cleverly by the bank with the help of the auditors who audited the balance sheet which did not capture the attention of RBI and other authorities and general depositors and investors took the balance sheets of GTB as the true picture of financial health of the bank.
- The bank reported a positive net worth in its balance sheet but the RBI auditors found the net worth to be negative.
- The bank was unable to maintain the RBI requirement of capital adequacy ratio.
- The Reserve Bank of India advised the bank to increase its capital adequacy ratio to the minimum prescribed level either by raising sufficient capital from the market or if this was not possible then to merge with other bank.
- The bank came out with an alternative proposal to restructure the financials of GTB, however RBI found it unacceptable and advised the government of India to declare a moratorium against the bank.
- GTB was put under moratorium for a three-month, partially freezing its operations following "wrong" financial disclosures. The moratorium aimed at freezing the assets and liabilities of the bank in order to protect the bank's health from further deterioration. It also provides an opportunity for a potential acquirer to evaluate the assets and liabilities of the bank.
- Depositors of the bank could not withdraw more than INR 10,000.
- This sudden decision of RBI and Government of India to place GTB under Moratorium caught more than 8.5 lakh customers of the bank unaware and shocked however RBI echoed that the objective of the moratorium was to protect the interests and safeguard the funds of all depositors.
5.9 HDFC bank Limited Acquires Times Bank:

Type of merger: Voluntary Merger - Market driven.


Brief details of the acquirer bank- HDFC Bank Limited (HDFC)

The Housing Development Finance Corporation Limited (HDFC) was initially established and incorporated in 1977 as India's premier housing finance company. It enjoys a flawless track record in India as well as in international markets. In August 1994, it was ‘amongst the first to receive an ‘in principle’ consent from the Reserve Bank of India to set up a bank in the private sector, as part of RBI’s liberalization of the Indian Banking Industry. This move incepted a private sector bank in 1994 in the name of ‘HDFC Bank Limited. It is headquartered in Mumbai. It commenced its operations as a Scheduled Commercial Bank in January 1995.

The Bank at present has a desirable network of over 3000 branches spread over more than 2000 cities across India. All branches are linked on an online real-time basis. The bank was also a pioneer in setting up Telephone Banking and has more than 11000 ATM’s spread across the country. It was the first bank in India to launch an International Debit Card in association with VISA (VISA Electron). HDFC Bank’s business philosophy is based on five core values: Operational Excellence, Customer Focus, Product Leadership, People and Sustainability.

HDFC has developed significant expertise in retail mortgage loans to different market segments and also has a large corporate client base for its housing related credit facilities. The bank has always operated on a highly automated environment, be it in terms of information technology or communication systems. All the branches of the bank boast of online connectivity with the other, ensuring speedy funds transfer for the clients. At the same time, the bank’s branch network and Automated Teller Machines (ATMs) allow multi-branch access to retail clients. The bank makes use of its up-to-date technology, along with market position and expertise, to create a competitive advantage and thereby builds market share. It is adorned with astounding experience in the financial markets, a strong market reputation, large shareholder base and unique consumer franchise.
The shares of the bank are listed on the Bombay Stock Exchange Limited and The National Stock Exchange of India Limited. The Bank’s American Depository Shares (ADS) are listed on the New York Stock Exchange (NYSE) under the symbol ‘HDB’ and the Bank’s Global Depository Receipts (GDRs) are listed on Luxembourg Stock Exchange.

HDFC Bank offers a wide range of commercial and transactional banking services and treasury products to wholesale and retail customers. The bank has three key business segments: Wholesale Banking Services - The Bank’s target market ranges from large, blue-chip manufacturing companies in the Indian corporate to small & mid-sized corporates and agro-based businesses. Retail Banking Services - The objective of the Retail Bank is to provide its target market customers a full range of financial products and banking services, giving the customer a one-stop window for all banking requirements. Treasury - Within this business, the bank has three main product areas - Foreign Exchange and Derivatives, Local Currency Money Market & Debt Securities, and Equities. HDFC Bank’s mission is to be a World Class Indian Bank. The objective is to build sound customer franchises across distinct businesses so as to be the preferred provider of banking services for target retail and wholesale customer segments, and to achieve healthy growth in profitability that is consistent with the bank’s risk appetite. The bank is committed to maintain the highest level of ethical standards, professional integrity, corporate governance and regulatory compliance.

Merger Reasons:

- This was the first merger of two New Generation Private Sector Banks.
- RBI observed that there were certain regulatory issues pertaining to the promoters of Times Bank. Times Bank was not going anywhere because there wasn’t enough capital and competent employees.
- Times bank was a bank with sound provision and HDFC was a bank with mission. Both the banks mutually consented that Times bank’s provision coupled with HDFC Bank’s mission would catapult both the banks to the top league.
- The merger of Times Bank with HDFC Bank was a landmark deal in the Indian banking industry in many ways as it was the first friendly merger in the banking space done voluntary for business and commercial reasons rather than all other deals done so far in the banking
industry that were forced by RBI. It was also the first deal where RBI did not play the matchmaker and the first done through the share swap route.

- The deal catapulted HDFC Bank into the big league in terms of business as well as market valuation.
- This deal marked the era of voluntary mergers undertaken for business and commercial motives.

5.10 ICICI Bank Acquires Bank of Madura:

**Type of merger:** Voluntary Merger- Market driven

**Year of merger:** 2000-2001.

**Brief details of the acquirer bank- ICICI Bank (ICICI)**

ICICI Bank is an Indian multinational banking and financial services company headquartered in Mumbai, Maharashtra. As of 2014 it is the second largest bank in India in terms of assets and market capitalization. ICICI is India’s fastest growing financial conglomerate. It was formed in 1955 as a scheme of the Government of India, the World Bank, and representatives of Indian industry with the basic objective of being a universal bank providing medium-term and long-term project funding to Indian business houses. ICICI Group offers a wide range of banking products and financial services to corporate and retail customers through a range of delivery channels through its specialized group companies, subsidiaries and affiliates. With a strong customer focus, ICICI Group Companies have maintained and enhanced their leadership position in their respective sectors. ICICI Bank was established by the Industrial Credit and Investment Corporation of India (ICICI), an Indian financial institution, as a wholly owned subsidiary in 1994. The bank was registered as a banking company in January 1994 and received its banking license in May 1994. It was initially known as the Industrial Credit and Investment Corporation of India Bank, before it changed its name to the abbreviated ICICI Bank. The parent company was later merged with the bank.

ICICI Bank is the largest private sector bank and second largest bank in India. Its growth as a banking company knew no boundaries and in a very short span of time it came to be recognized as the largest private sector bank in the country. ICICI Bank’s equity shares are listed in India on
Bombay Stock Exchange and the National Stock Exchange of India Limited and its American Depositary Receipts (ADRs) are listed on the New York Stock Exchange (NYSE). In fact it was the first Indian bank to be listed on the New York Stock exchange. The bank has a branch network of more than 3800 branches and 12000 ATMs in India and presence in 18 countries. The bank offers a wide variety of banking products and financial services with specific focus on Retail Banking and Corporate Banking. It caters to the needs of millions of customers in the areas of Investment Banking, Internet banking, Rural and Agricultural Banking, Life and Non-life insurance, Venture Capital and Asset Management and is also the largest issuer of credit cards in India. The Bank is one of the Big Four banks of India and has subsidiaries and representative offices in several countries out of India. The Bank follows a voluntary code, which sets minimum standards of banking practices when dealing with individual customers. The bank always strives to be the leading provider of financial services in India and a major global bank.
Merger Reasons:

- This was another friendly merger deal that was not forced by RBI, between two private banks in the banking space done voluntary for business and commercial reasons.
- Bank of Madura opined that the merger with a new private sector bank, particularly a financially and technologically strong bank like ICICI Bank, would add to shareholder value and enhance the career opportunities for their employees besides providing first rate, technology-based modern banking services to customers.
- The merged entity would have around 2.6 million customer accounts and an extensive network of about 350 branches spread across India, providing a critical mass in an intensely competitive banking arena.
- The expanded customer base and distribution network of the merged entity would provide considerable cross-selling opportunities, enhancing the universal banking strategy of ICICI Bank.
- ICICI bank believed that this merger was full of possibilities. The large customer base, geographical reach and infrastructure managed by trained personnel would help the bank to accelerate their growth plans.

### TABLE NO- 5.1: MOTIVES FOR THE INDIAN BANK MERGER DURING THE PERIOD OF STUDY

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<th>Public Sector Banks</th>
<th>Target Bank</th>
<th>Acquirer Bank</th>
<th>Motives for the merger</th>
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- This move bought only temporary relief to the bank and financial crisis in the bank started mounting which was detrimental to the interest of the depositor’s and more over the stakeholders.  
- There was a need to control the situation and bail out the bank,  
- Nedungadi Bank Ltd was technically owned by a stock broker-led group and hence was under broker-led influences.  
- Joint Parliamentary Committee (JPC) probing a stock scam pointed out discrepancies in the conduct of business by Nedungadi Bank.  
- To ensure full protection to customers and depositors. |
- The bank was involved in stock market scandal and there was a run on the money by the depositors in the year 2002.  
- The exposure of GTB to capital market was in excess of the limit prescribed by the board of the bank. |
• The banks financial statements were camouflaged, cleverly by the bank with the help of the auditors.
• The bank was unable to maintain the RBI requirement of capital adequacy ratio. In order to maintain, it was advised either to raise capital from the market or if this was not possible then to merge with other bank.
• GTB was put under moratorium; partially freezing its operations following "wrong" financial disclosures to protect and safeguard the funds of all depositors.

<table>
<thead>
<tr>
<th>Private Sector Banks</th>
<th>Target Bank</th>
<th>Acquirer Bank</th>
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</thead>
<tbody>
<tr>
<td>1.</td>
<td>Times Bank Ltd.</td>
<td>HDFC Bank Ltd.</td>
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<tr>
<td></td>
<td></td>
<td>• It was the first merger in the banking space done voluntary for business and commercial reasons.</td>
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<td></td>
<td></td>
<td>• The deal catapulted HDFC Bank into the big league in terms of business as well as market valuation.</td>
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<td>2.</td>
<td>Bank of Madura</td>
<td>ICICI Bank</td>
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<td></td>
<td></td>
<td>• Merger taken up voluntary for business and commercial reasons.</td>
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<td></td>
<td></td>
<td>• Bank of Madura opined that the merger would add shareholder value, enhance the career opportunities for their employees and add technology-based modern banking services.</td>
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<td></td>
<td></td>
<td>• The merged entity would have an extensive network of branches spread across India.</td>
</tr>
</tbody>
</table>
• The expanded customer base and distribution network of the merged entity would provide considerable cross-selling opportunities, enhancing the universal banking.

• The merger was full of possibilities of large customer base, geographical reach and infrastructure managed by trained personnel that would help the bank to accelerate growth plans.