CHAPTER – 7
CONCLUSION AND RECOMMENDATION

7.1 Summary

There are principally two methods for development - organic and inorganic - for a corporate sector. Organic development is improved through client base, higher sales deals which are through the greater organization of men, cash, materials, and technology. The inorganic development gives a corporate a road for achieving quickened development empowering it to skip few stages to achieve development. Rebuilding through merger and acquisition constitute a unique and essential strategy for securing inorganic development.

The environment of business is increasing by way of choosing different path in respect to technology, competition, produces, individual, market, clients. Because of Inorganic development synergies like mergers, acquisition, takeovers are observed as imperative devices that assist corporates to participate in markets, explore and increase cliental, reduce rivalry, merger & develop in measure rapidly, inculcate new technology in regard to products, individuals & procedures. Subsequently the inorganic synergies found by corporates as fast-track corporate reformation strategies for development.

In this case, business environment is reflected by globalization, by exploring the economy, worldwide challenges, exploring markets, quick evolving technologies, endless requirement for fund and need of diversification etc.

The core objective of the research was to conduct the in-depth analysis of m & a in the Banking area in a recent period. In 90s. the economy is regulated by Environment regulations. The direction issued by government viz, the amendment in Companies Act to support fast tracks Merger and Cross Border Merger. Competition Act to facilitate by exploring of an enterprise, amendment in FEMA to allow investment directly by foreign and determining the criteria by abolishment of licensing in industrial area, now it will be market driven rather than controlled, and aggressive condition. The advancement prior to
controlled by state drowsy economy constrained industries of India to experience the way toward restructuring in order to the end goal to raise challenges which will help to boost strength, both in the domestic and Global market.

The Corporate world of India, in profiting from control and regulation which was removed has initiated to, feel the impact of this competition; it is changing their focus and re-modifying their entities by exploring and accepting the likes of M & A, and strategic alliances. In present, small scale industry is no boon in case of business, trade, and commerce. The attention is on bigger business foundations to accomplish efficiencies and to resist global in challenges and worldwide competition by availing economies of scale. The said thing has reflected in what is known as “Merger Wave” in country and world. Other business establishments and MNCs are exploring by increasing by means of M & A.

**Some common themes that have emerged from these studies are:**

However merger is not only creating value in strategic but also has far more objectives. Which is a proof, from research of the scheme for mergers it is found that, it is inclusive of desire and require for horizontal growth as well as expansion, vertical combinations, expand capital bases, get tax shelter or increase tax efficiency, correct leverage imbalances, achieve economies of scale through improvement of operations, reduced costs etc.

Merger domination is likely to be seen to be either in the same product line (horizontal mergers) or within a business group (within group mergers). These modus operandi that firm has attempted to consolidate in same product lines. The said thing also apply to over-diversification which in return reflects from earlier business strategies is being corrected. The regulated steps of the pre-reform period often made companies within group complete with each other for market share. The economic reforms of the 90s, have created a liberalized environment for rectifying such mistakes.
Mergers taking place in India is mostly so as to compete with the international market which is taken place due to post liberalization regime. With respect to economic efficiency and which depend on the compatibility and complimentarily wherein two merged firms, merger activities should lead to economies of scale and scope. In such case whether the main aim to merge has been accomplished or not plays a important role. Every merger is distinct and unique .The end of various studies reveals that mergers have not have any significant improvement in performance of two merged firms.

The steep fall in profits of the merged company is expected as it shall be justified by stating various adjustment which would have been made and new mergers activities. And once the period elapses the adjustments made shall be reversed accordingly as per fall, if any. It also raises questions that whether merger will sustain in our economy.

Foreign companies are allow to go through cross-border mergers and permitted to withstand universal challenges by cross border mergers. On the contrary, it is requiring that monopoly or barriers to entry and similar anti-competitive practices not allowed. Further that's why regulations are required to be framed. The requirement of such mergers which shall be benefit the country and anticompetitive by prohibiting the formulation of merger and control over regime in the world.

Study of various legislatures like Companies Act, Competition Act and specifically Banking Regulation Act along with the RBI act and there diverse guidelines helped to understand the legislature related to the Merger & Acquisition in general and in particular with reference to banks. Various countries laws for the M&A and banking helped in to understand differences in the M&A in the banking sector as against the other corporate sectors and the details of procedure of M&A.

M&A’s impact is studied through literature review about Indian banks as well as international scenario for the same .Other readings and the trends going on for the same which shows the importance of the synergy and through the
study of various M&As adopted by many since years which shows its positive impact as well as negative impact, that makes this deals or say synergy fail, having an impact on overall survival and profitability of the merged entity. For banking sector impact of M&A can studied through its after merger effects.

M&A not only matter to the companies but also all the people associated with the companies in any way get affected in one way or another and when we are talking about the banking companies they are not only the companies, but banks are the face of the country's economy and banks don’t have only investments but they also hold huge sums of monies for the general public who place their trust in these banking companies to hold their life savings for them, making banks very important for each everyone including the whole nation. The benefits for the banks in all the sense like expansion & growth, technology improvement, increases the capacity to borrowing etc. gives direct benefits to its customers so to general public and most important to economy of the country.

The study on the anti-competitive scenario which is done through questioners for the bankers, here is to get a clear picture as regards the effect on the cost surrounding the merged entity, including the effects on the competition, which has been explained in detailed in data analysis which shows there was no negative impact on the same in fact Merger gave capacity to compete globally along with that we are standing in the list of world's largest bank, which proved by SBI after merger.

M&A find the beneficial for the banking sectors in the view of the senior management and as per the reports of the banks but SBI has faced little downside in the profit which is clearly mentioned by them that because of the initial effect and still ground work is left for the same but it will be profitable in near future. But overall impact of the M&A found good and positive which is confirmed by the customers also or we can say by the society.

The international evidence does not provide strong evidence on merger benefits in the banking industry. However it may be useful to note that these
findings from the academic literature usually conflict with consultant studies which typically forecast considerable cost savings from mergers. Study on mergers of Indian banks and Malaysian banks shows that, forced mergers have destroyed wealth of acquired banks which disturbs essence of the merger. If it is done calculatedly that negative effects can be nullify.

In various countries different models have been adopted for consolidation. Several research studies have critically analyzed various issues in each consolidation case which serves as a useful lesson for the banks and policymakers who are pursuing the agenda of consolidation. But in India, guided by the central bank, most of the weak banks are being merged with healthy banks in order to avoid financial distress and to protect the interests of depositors. Hence the motivation behind the mergers may not be increase in operating efficiency of banks but to prevent financial distress of weak banks.

In India, mergers so far were not market driven. Amalgamation was rather mediated by the RBI to protect the depositor and avoid the bankruptcy situation which would have created panic. The bail-outs were mainly by stronger PSUs taking over the weak private sector banks. There were a few mergers within the private sector banks and perhaps they were market driven with strategic considerations.

In recent years, banks have been functioning more as leaders in development and instruments of national policy, than as mere dealers in money. The conditions in the banking industry have changed and changing all over the world. In our country, economic reform and in participant operate. Banking in midst of change because the banking sector has developed pari passu in a manner that it supports and stimulate growth.

Size is a barrier to Indian banks competing with a foreign bank in India; merger will enable public sector banks to compete in the international marketplace in foreseeable future. Often mergers result in gains by enhanced size and diversification benefits. It is said that public sector banks need to the merger because there are obvious synergies to be had from doing so.
There are several forces at work in the environment to make bank consolidation necessary: deregulation, technology, globalization and distress or bankruptcy in the banking system. Deregulation has been big factor propelling consolidation especially in the market that has dominated bank mergers; the US deregulation induces consolidation in many ways: by exposing existing players to greater competition by new entry, by freeing interest and deposit rates and by allowing banks to move into geographical areas, etc. Technology can confer economies of scale in various operations, in the production of derivatives and various risk management products. This could motivate mergers of firms operating at uneconomical scales. Globalization renders consolidation necessary as good and financial markets get integrated.

To achieve a greater level of profits, M&As in the banking sector is popular the most potent activity in the majority of the countries in the world. One of the main objectives guiding the wall of the M&A in the banking sector is to reap the benefits of economies of scale. With the intensification of competition in the Indian banking industry through deregulation, partial privatization and entry of new Private and foreign bank, the process of consolidation in the recent year through merger has become more market-driven rather than forcing one.

One of the most of the significant changes that occurred in the Indian banking sector is increasing in the level of competition in the Market. The deregulation process pervaded the competition in the banking sector by allowing the liberal entry of new private sector and foreign sector which led to the introduction of new financial products and technology. The reform process has shifted the focus of public sector dominated banking system from social banking to more efficient and profit-oriented industry. And has resulted in the private sector replacing the PSBs, which led to shareholder’s challenges to bureaucratic decision making.
The imperative to expand vertically as well as horizontally are forcing banks to reconsider their strategies. And consolidation is being considered as the elixir. The result is a wave of consolidation all over the world that has changed the nature of the financial services industry. It is, therefore, an appropriate time to take stock and examine the consolidation of Banks in the light of global and Indian Situation. Usually, a small size does not attract too many competitors. The rapid technological change enables not quicker and more efficient services but advantages to new entrants over existing players. Markets are increasingly getting integrated into our country also.

The merger wave has been intense in industrial countries. In Europe, M&As surged in 1999 in face of formation of European Monetary Union which increased competition and further forced banks to seek ways to cut costs and to increase market share which gave result in form of strong national units and improved international competitiveness of banking sector. In Japan, the consolidation of the banking was mainly to save and restructure the industry struggling to recover the healthier levels. Hence, bank mergers like in other industries; have been growing at frenetic pace.

But the literatures on mergers, in general, warns that the potential for increasing revenues and reducing cost on a standalone basis in so large that to undertake this exercise under the aegis of a merger seems utterly uncalled for. Many have raised doubts on the basis of evidence about the consolidation of banks. There is nothing in the literature on the bank mergers that provide a basis for a presumption that mergers must automatically lead to gains. Contrary experience also there in India and many other countries. Further, both profitability and market capitalism at public sector banks have grown consequent to deregulation.

The policymaker is shifting economies towards openness, competition and market discipline. Privatization is spreading and banks, that were once highly regulated, are looking forward to the announcement of a liberalized autonomy package. To survive and prosper, banks must jettison their bureaucratic culture and become competitive entrepreneurs. The buzzword in today’s
corporate and banking all over the world is ‘big’. Size has become important in the context of challenges posed by global competition.

In fact, the policymakers consider the bank mergers as a possible avenue for improving the structure and efficiency of the Indian banking industry. The bank’s M&As that took place in the Indian Banking industry over the last two decades. It is to be noted that though the mergers in India were primarily triggered by weak financials of the bank being merged, in the most recent years, there has also been the mergers between a healthy and well-functioning bank, which were driven by business and commercial consideration. Leaving aside the distress and forced merger of Ganesh Bank of Kurundwad and the Federal Bank, all the remaining mergers between the private sector banks in the post-1999 period are a voluntary and market-driven merger between healthy and financially sound banks and are primarily guided by the profitability consideration.

In sum, the recent phase of consolidation in Indian industry presents a healthy trend which is somewhat on the lines suggested by the Narasimham Committee I. RBI is the central bank of the country that regulates the operation of other banks, manages the money supply and discharges other myriad responsibilities that are usually associated with a central bank. The banking system in India comprises commercial and co-operative banks, of which the former accounts for more than 90% of the total assets of the banking system. Commercial banks operating in India are governed by different statutory provisions depending upon their status as a corporate body established by an Act of Parliament or a banking company registered under the Banking Companies Act, 1956, after obtaining banking license from RBI.

The RBI in different ways by way of consolidation wherever possible whereby the inability of small banks to faces the challenges which are likely to be put up by the large banks will enjoy enormous economies of scale and scope. A drive towards the consolidation of the banking sector through the steps of M&As of small banks with better and stronger banks which shall be set in motion to indemnify the interests of depositors, avoid possible financial
contagion that could result from individual bank failures and also to reap the benefits of synergy.

Indian Banks Association vision report on Indian banking ‘Banking Industry Vision 2010’ points out that consolidation in banking industry could get accelerated. There will be mergers and acquisition between national banks and international banks, between private sector bank and public sector banks. However, with a liberalization of entry norms for the private sector, the public sector has witnessed a loss in market share to these banks. The size of Indian Banks is very small compared to international banks. Only a fewer banks to India are listed in the top 1000 world banks ranked. After mergers of some public sector banks which if materialize will create another large bank like SBI. The Indian banks are aspiring for the global slice.

The opportunity and risk created by increasing globalization are such that Indian banks will have to change and strive for a recognition as a global force in the financial sector. In such a scenarios, consolidation is to be considered a healthy and constructive force for progress. Consolidation will help Indian banks to position themselves as strong sound and globally competitive banks. The Narasimham Committee II had recommended three-tier banking with two or three large banks with the international character, eight or ten national banks, and large local area banks. As banks grow their business they will need to raise capital either in the local markets or internationally. Consolidation will be the first step in branch and staff rationalization in Indian banking industry.

Reserve Bank of India (RBI) governor Urjit Patel mentioned, “India will be going in to add one more round of merger in public banking sector. The government intends to create 4-5 banks of SBI size. This will be better for the nation to have fewer banks yet more strong banks”. Further, NITI Aayog is a policy thinker and they come with proper formulate a roadmap for the same with consideration of the factors like regional balance, geographical reach, financial burden and smooth human resource transition at the time of merger decision, also adding, that there should not be merger of a very weak bank
with a strong bank which at last shoot down. Also made strong base by amending Act and creating policy, the acquisition, under Section 35 of the State Bank of India Act, 1955 will also result in improved risk management and unified treasury operations. An important step towards consolidation of public sector banks, the merger is in line with the government’s Indradhanush action plan.

**Problems in India:**

It's a well-known fact that a good number of mergers fail not because of various factors including cultural differences and flawed intentions, some may be direct causes and some may be indirect causes. Most of the companies when they sign an agreement usually present themselves as what they actually are not i.e. often they create a bigger picture of their expectations, as they believe in a pure concept of higher capital gains when two are combining together for better potentials, this belief is not always true. The reason behind this is that as conditions in the market and economy often rule not only the operation but also the functioning of any company, so there are bound to be an adverse effect of the same. The history of merger and acquisitions have shown that almost two-thirds of the mergers taking place pass through failure and feel disappointed on their own terms. They not only feel disappointed on their own terms but also on pre-defined parameters set by them. Sometimes even the motivation driving the mergers can prove to be futile and intangible. There are many other factors responsible for the failure of mergers & acquisitions in India. Apart from this, there are several elements that are creating problems to mergers and acquisition. There are many aspects that should be understood and analyzed before signing an agreement for merger and acquisition because even one small mistake in taking a decision can completely downgrade or dump both the companies with an adverse or irreversible impact.

It would be wrong to say all mergers and acquisition results are positive. When the mergers and acquisitions are not done in a systematic way keeping in view the goals of the company. There are many mergers and acquisitions that have helped in achieving the desired results and the performance of the
corporate and they have also been able to safeguard the well-being of their shareholders.

Some of the prominent issues with regards to the failure of M&A’s are:

- Negative or flawed intention basically in terms of unethical motivation or very high expectations or not relevant issue can gradually and eventually lead to failure of the merger. If any company desires to achieve high capital gain along with glory and respect and fame, which is irrespective of the corporate strategy as has been defined to fulfill the requirements of the company, then the merger fails.

- Any kind of agreement that is based completely on the optimistic stock conditions of the stock market can also lead to failure in M & A transactions as the stock market is an uncertain entity, which keeps on fluctuating. In such cases, more risks are involved with the prevailing merger, which indeed is a failure.

- For making a merger or acquisition to be successful, if the desired results are planned on the basis of the bullish conditions as prevailing in the stock market, then it will be very risky to opt for M & A.

- Mergers and acquisitions may also fail if the two unifying companies embrace different “corporate cultures” and not one. Cultural difference is also a very big problem in case of a merger or acquisition. Mergers take place when two companies from different corporate cultures come together to be one, then it becomes a really challenging task to merge or integrate the cultures of both the companies and the corporate. It is definitely a difficult task to maintain the difference and move ahead. Moving ahead is basically for the success purposes, which is without any kind of integration that has adverse effects on the business.

- Many times, mergers and acquisitions are sought by the bigger companies for the sake of “seeking glory”, and not considering as a strategy of the corporate. As the corporate strategy is concentrated in fulfilling the needs of the
corporate or the entities, irrespective of the organizational goal. Under such circumstances, the executives at the top level are more concerned in fulfilling their "executive ego" and not bothering about the benefits that they could achieve for the company.

- Apart from all this, a merger or an acquisition might also fail if the merger takes the place of a defensive measure so as to neutralize the negative effects of globalization. Under such circumstances, the goals of merger or the acquisition are ignored thereby making it difficult to achieve what is beneficial for the corporate environment.

Mergers and acquisitions are an integral part of the new economic paradigm, especially in today’s booming Indian economy. They have made Indian companies truly global enterprises which are able to compete with best in the world. That’s why laws regulating M&As should promote corporate restructuring through mergers and acquisitions. As a result, Company Law, Takeover Code, Competition Act, Taxation Law and FEMA Laws have been constantly evolved by our policymakers; still, a lot of loopholes are there.

So here under, the researcher forwards a blueprint of the acts:

1. Business restructuring through mergers, amalgamations, and takeovers have become an important perspective of today’s world. In the Indian scenario, the controls and restrictions of the seventies and eighties were replaced by liberalization and free trade post-1991. Therefore, various laws were modified and re-enacted to suit the liberal environment. But the Companies Act, 1956 was continued as such thereby causing hurdles to restructuring through M&As. That’s why the new Companies Act 2013 received presidential assent in December 2016. The new Act aims to be forward-looking, more transparent, compact and able to adequately respond to the needs of the ever-evolving economic activities and business models of India Inc. But there are certain areas of concern which the regulators should pay heed to while notifying rules and issuing clarifications.
Good initiative taken to attract FDI, but it can harm the future, as per the amendments brought about in the new Companies Act 2013, Indian Companies are allowed to merge into foreign companies which was not permitted in the Companies Act 1956 which goes in the opposite direction of the primary objective of the growth and development of the Indian sector by allowing the companies to transfigure to foreign companies. This might have a short term benefit in the form of increased tax revenues for the government as per the taxation rates for the foreign companies but in the long run it may prove to be harmful for the Indian Economy as the various aspects such as decisions regarding the operations and the profits made from the Indian leg of the operations will all be controlled from the foreign country where the merged entity is incorporated.

2. The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 are based on the principle of transparency, fairness and equal opportunity to all. The new Takeover Code is expected to provide a transparent environment for M&As and has incorporated best takeover practices from around the world. But when those best takeover practices from around the world are applied into Indian Corporate System, certain areas of concern arise which need to be deliberated upon.

3. Thus Competition Act, 2002 came into existence which aims to protect the whole market, players in the market including consumers from appreciable adverse impacts of combinations. The Act was amended in 2007 to plug a number of loopholes. As a critical step to implementing the merger control regime, the Commission also notified the implementing regulations tilted “The Competition Commission of India (Procedure in Regard to the Transaction of Business Relating to Combinations) Regulations, 2011.”

The relevant provisions of the Competition Act along with these regulations complete the merger control framework in India. The relevant provisions of Competition Act, 2002 that regulate combinations. Merger control under our competition law is based on preventive theory as a cost of de-merging entities after the merger has taken place is very difficult and involve heavy costs. Our
Competition Act, 2002 introduced a system of pre-merger voluntary notification system which was changed to pre-merger mandatory notification system by Competition (Amendment) Act, 2007. After receiving notice, Commission moves to inquire and investigate into the combination.

The Indian Competition Law has largely developed its lineage from the EU and USA and the law provide for mandatory pre-merger notification, definite threshold limits, preventing mergers that have an appreciable adverse impact on competition, prescribes time period for merger notification and the remedies. These provisions help the competition authorities to work towards its duties of preventing adverse effects on competition, protecting the interest of consumers and ensuring freedom of trade. However, there are certain factors which need to be deliberated upon and need further skilled escalation. These issues must be addressed in order that the law can effectively deal with mergers.

4. If the amalgamating and the amalgamated company fulfill certain conditions under the provision of Income Tax Act, 1961, they are entitled to certain tax benefits. So both the amalgamating and the amalgamated company should keep those conditions in mind while planning a merger or amalgamation to get the tax benefits. In India, the law provides for ample benefits in the form of various provisions to companies going in for amalgamation. A very good incentive is provided for a revival of sick units in the form of section 72A. With the introduction of section 72A in 1978, many mergers-look places to avail the tax benefits. But in today’s scenario, we can assert that the tax consequences are the off-shoot of the merger and not vice versa. No doubt, companies can arrange their affairs, so that tax liability is reduced to a minimum but if the sole purpose of the merger is to avoid payment of tax, then the courts may not approve such merger as happened in case McDowell and Co. Ltd. v. CIT. by the Supreme Court.

The focus on tax aspects in M&A is intensifying as the tax becomes more and more important to deal processes and valuations these days. Transaction costs, such as tax liabilities, provisions of the Income Tax Act, transfer taxes
like stamp duty etc. can often make or break a deal, if not addressed properly. The introduction of retroactive taxation and General anti-avoidance rule (GAAR) has created widespread discontent among the investor's community worldwide.

5. One of the most contentious issues in a scheme of amalgamation is the levy of stamp duty on an instrument transferring property in amalgamation. Though, in the judgment of Hindustan Lever Ltd., the Supreme Court laid down that the court-order is a conveyance and therefore subject to stamp duty but the certain companies continued to take the position that since this judgment was in the context of Bombay Stamp Act, it is not applicable to the states that do not have any specific entry and even some states took the position since transfer of property in a scheme happens by way of vesting, pursuant to a court order, and therefore, cannot be regarded as an instrument liable to stamp duty. But majority of High Courts have held that transfer of property through court’s order in a merger or amalgamation is conveyance chargeable to stamp duty.

6. Proper and Timely Due Diligence and Valuation of Intellectual Property Rights in Mergers and Acquisitions:
The acquiring company should conduct proper and timely due diligence of IPRs possessed by the acquired company so that it gets the ownership of those IPRs or at least license to use it. If it does not get to use the precious IPRs of the acquired company, it may in many instances lead to failure of mergers. In addition to it, IPRs should be properly valued following the approaches mentioned in the previous chapter, so that correct value of the target company can be arrived at. This is also important so that acquiring company do not overpay to acquire the target. If the cost of a target is too high due to a faulty valuation of IPRs, then synergies to be realized from the merger will be greatly reduced.
7. Proper Integration of Human Resources in Mergers:
In spite of the overwhelming importance of human resources in M&As, they are often ignored by companies undertaking M&As as more stress and importance is given to financial aspects of the transaction. But the human aspects should be addressed simultaneously along with issues of financial and legal integration if not well before. In fact, they should be paid attention right from the design stage if a merger or acquisition is to succeed. A well-planned process built on the foundation of an open, honest and consistent communication strategy accompanied by proper management of cultural differences, promoting co-operation, providing training, development, and counseling to employees and their involvement in the decision-making process can pave the way to success.

8. Our regulation and regulatory effect on lenders are like a toothless tiger, that's the reason India currently ranks 136 out of 189 countries in the World Bank's index on the ease of resolving insolvencies. India's weak insolvency regime, its significant inefficiencies and systematic abuse are some of the reasons for the distressed state of credit markets in India today. This has resulted in high NPAs in banking sector, which causes weakening the base of the banks. Today there is situation demands recapitalization to resolve the issue. There is need for proper provisions to address cross border insolvency through arrangements with other countries. So country don’t have to face same issue like which many banks of the country faced because of Individual or say corporate person who ran away out of country without paying loan and created huge NPA PROBLEM. Along with that there is need to structure time bound process for insolvency resolution.

Conclusion:
The fact derived from the research is that mergers and acquisitions have become a common phenomenon and are considered as an important mechanism of other corporate and banking sector growth. They are a vital part of the new economic model, especially in today’s flourishing Indian
economy. Here studied done on 6 companies out of that 4 are banking companies.

Out of research and questioners found merger and acquisition is become famous synergy so almost everyone is well versed with same and its effects. Banking sector is the crucial fragment of corporate sector.

SBI is important case study of the research where found that merger is done as per recommendations of the Committee on Banking Sector Reforms. This done with the intention to create few mega banks for an effective instrument of domestic and international competition. Merger has been done with its 5 other subsidiaries and BMB. Post-merger profit was comparatively lower than the per-merger quarter. Reason behind this was the expense of merger and specifically the NPA of subsidiaries was more which affected the profit. Now if we are talking about other aspects which shows the win-win situation for the SBI. Banker specifically mentioned still ground work is going on like closing of overlapped branches in many geographical areas. It is done under its own act i.e. SBI act. Customers found that there was not much difference found in operating system and they agreed merger was beneficial for them as they found wide coverage of branches, ATM’s and merged banks customers were also found happy for the same. And senior level managers mentioned this is done for the benefit of the bank and which direct positive effect came on society and on country. It became India’s first bank who made its position in the world’s largest bank after this merger and that create more trust in the mind of the investors. This RBI’s decision and SBI is the bank of the government so merger procedure was very lucid for them. And SBI is sure about profits and benefits in near future out of these merger.

HDFC Bank, Kotak Mahindra Bank and ICICI Bank are Private sector Banks and this all mergers done voluntarily. Kotak and HDFC have done merger with stable and efficient banks and they have done proper SWOT analysis which resulted in profit making deal of merger and all three banks got the benefits of the wide coverage of different geographical area and extended customer
base. Which analysis is not done in the case of SBI so in initial the profit figure showing than earlier.

If we talking about, Kotak Mahindra Bank, here ING Vyasya banks have 50% FDI. At the time of merger this FDI comes to less than 50% so, Kotak does not required additional permission from FPBI. But Kotak have applied for the same to increase the limit. And this merger was perfect in all the sense. Customers of the bank were happy and in fact it gave positive impact on share price after announcing merger deal. And as mentioned earlier employees of banks also happy and satisfied with the deal. The Deal, being covered by the exemption under Regulation 10(d), did not trigger an open offer under the Takeover Code (the Regulation is intentionally as opposed to the 2013 Circular and thus even covers a merger under Section 41 of the BR Act. So basically this deal is done with all the precautions and calculative but then also post-merger Mr. Kotak mentioned it was done without proper homework.

HDFC merger also was as smooth and as perfect as Kotak. And this merger also beneficial in all prospect for all the related person. This acquisition of HDFC benefited with SME portfolio.

ICICI had so many merger with different NBFC, and there was reverse merger with its own holding co. and last but not the least with Bank of Rajasthan. The merger initially looks not so fascinating. The BOR was facing so many legal issues which is created by their promoters and board by not complying with laws and regulation of RBI, SEBI due to that they penalized by the authority. In fact other banks got proposal for the merger and they denied. But after thoughtful process ICICI agreed for this acquisition at the condition of no cash deal. After announcement of this deal overall impact on the ICICI was little low in the sense of share price. But due to its vast experience of M&As and its strong base it was handled nicely and become profitable deal for bank as well as for all the customers and employees too. All the regulation was followed by the ICICI. But it costly deal for the bank means ICICI paid huge premium to BOR shareholders and branch cost almost same as they use to have around
7cr. But as per CEO of the bank the deal was profitable for the bank in the sense of branches and customer base.

Observation about other corporate is Sun Pharma and Ranbaxy deal which shows it was profit making deal, It gave benefit in way of New Market penetration and specifically this combination will lead to platform in the U.S. the deal is done as per the companies law and approval taken from the High court of Andhra Pradesh, SEBI, BSE, NSE and FIPB to take up Daiichi’s FDI. CCI also gave conditional approval and approval under the Hart-Scott- Rodino Act in the US.

Other corporate is TATA Steel and Corus deal this was also profit making deal. This boost the company’s position in the world as one of the largest steel manufacturer.

The above case studies observed that there is not much difference in procedure and approval for merger in any sector only in banking sector RBI is the main authority and for NBFC and companies initially High Court but now NCLT is the main authority for the approvals and sector wise regulation and authorities varies. Which is observed not only in India but in the other countries also.

Further research proves the merger is beneficial for corporate sector. If it is banking or any other corporate. The banking industry merger can observe easily in number of profit, branches, employees, and even CASA ratio. But same way is not possible in other corporate sector in that we can observer only by the profit, sale and number of employees but it cannot as clear picture as banking industries gives. One the reason behind this is we can say product i.e. cash, that can be easily calculative. but not in other sector where we can observe merger effect as area of expansion or say entry in new market and production or say sales capacity. For clear picture have to wait for long term.

One more thing is observed for merger of other sector banks plays very important role as Investment Banking.
Bank’s role in M&As in other sector are:

- By successfully advising on some of the largest and most complex M&A transaction.
- Offers in-depth M&A advisory expertise and deal execution skills across a broad spectrum of products & services.
- Led by professionals with prior experience in advisory/ corporate finance
- ICICI Bank is ranked amongst top 3 in deal count for CY 2008 with 17 deals of value USD 1.1 billion (Source: Merger Market Global M&A round up for CY 2008)
- Kotak also Ranked #2 by volume of deals and #8 by value of deals in the M&A league tables in FY2016 (Source: Bloomberg, amongst investment banks only)

So as per the above details it’s easy to say without Banking sector, M&A is not possible in other sector but it is not the vice versa.

Banking industry one, where having a critical mass is the sine qua non for meeting competition. Regardless of the other factors how so ever commendable, without the critical mass the best of the banks is bound to either vegetate or be a target for getting gobbled up by a larger bank sooner or later.

1.2 Recommendation

1. We need to have unscathed and unique rules and regulations for Merger and Acquisition, which should be clear and Compaq so it can create transparency and without misperception, which can create very healthy environment for merger and it can also lead to single window concept.

2. RBI is the only authority for banking sectors but even for the M&As of banks. There is need to firm other authority who exclusively handles only M&As., and also authority who take care about the feasibility of the same. Along with that have to consider every concern’s view on the same.
3. There is need to create **Bank Board to keep watch on every activity** of bank and top managers at the time of M&As announcement and after that also trained the bankers to be a buffer between banks and the Government to ensure proper governance.

4. There is vestige of social era that we are in **need to review and rectify of our old policies, strategies** and specifically conservative approach regarding PSBs. Time have come to decide, we want many banks or strong banks.

5. **Large PSBs more efficient in performance than small ones** but Consolidation of weak banks does not produce a healthier institution; it actually harms the economy so this trend should discontinue. The IMF opined, size is absolutely linked with risk – size insulates entities from disciplinary action by the government and if any organization realizes there is no downside to risk, it is prone to indulge in it.

6. **Employee's protection policy for post-merger**, should be there Employees are the assets of any corporation. Merger can be successful only if it is done in similar culture, but it leads to job cuts, branch closures which should be taken in to serious consideration. Further should understand merger is not only about size but it’s about efficiency, performance and profitability. Employees are responsible for the same.

7. There is **constant need arise for recapitalization** which can be resolve issue of rising non-performing assets (NPAs). there is need to follow the “precaution is better than cure” way means there is need to have proper committee who approves huge loans. Like small lenders there is need to keep security for corporate loans also and there’s need to caption of maximum 60% against property. Hence, there is need to work on regulation of lending by banks.

8. There is **misconception about Problem of bad loans can solve by the “bigger banks”** only. As per the government Plan ‘Indradhanush’ the
Merged banks) bigger banks will be recapitalized. Intention behind this is to make stronger banks but why it is not done before that only.

9. **RBI should not be the only authority for approval** there is need a expert committee who can understand the post-merger effect on all the stakeholders. Which can help to authority to give approval or denial for the same. One of the best example the merger of UTI – GTB merger can create bad example for the same which luckily did not take place. Bank is for society - their hard earn money is deposited in there. The synergy of merger should be taken very sensitively and not like normal company matter, which can cause wrong effect society and public at large.

10. But there are **certain problems** which need to be addressed so that the law can effectively regulate mergers. Thus the CCIs responsiveness to the industry concerns and its eagerness to develop a unique body of jurisprudence comparable to that of more advanced jurisdictions is encouraging and puts to rest any fears of merger control acting a roadblock to M&A activity in India. However, there are certain factors which need to be deliberated upon and need further skilled escalation. These issues must be addressed in order that the law can effectively deal with mergers.

- Calculation of threshold limits
- Guidelines on Types of Mergers
- Definition of Appreciable Adverse Effect on Competition
- Arrangements to Be Specifically Included
- 210 Days waiting period should be reduced
- Avoidance of Conflict with Other Indian Laws and Regulations
- Immediate Steps to Deal with Mandatory Notification Systems
- Ambiguity in Definition of ‘Control’ to be removed

11. **There should not be “Mens rea” motive behind M&As.** Which should be carefully look after by approval authority. For sick industrial merger is important for revival of the sick units. And this is beneficial for both the
amalgamating and the amalgamated company fulfill certain conditions under the provision of Income Tax Act, 1961, they are entitled to certain tax benefits. So both the amalgamating and the amalgamated company should keep those conditions in mind while planning a merger or amalgamation to get the tax benefits.

12. The lack of uniformity of acceptance of a single stand point throughout the country and differential stamp duty regime in different states has created acute confusion on the issue. This confusion needs to be removed and uniform stand should be taken throughout the country. In addition to uniform stamp duty laws, rate should be uniformed and lowered all over India as lower rates will translate into increased revenues for the government in the long run.

13. Before recommendation of M&As, policymakers should weigh the probable gains against the possible losses. In addition, in order to investigate the welfare implications to take into account in the effects of bank M&As, a full theoretical analysis relevant to every aspect should be undertaken.

14. Target Company should get the full value and right premium for their business. Thus, timely due diligence and valuation of IPRs before entering into M&A transaction is indispensable for the success of such transactions. Moreover, because of difference in-laws of different jurisdictions, the acquiring company should engage counsel experienced in worldwide transfer of intellectual property rights and familiar with the preparation of documents necessary for each jurisdiction.
7.3 Future Scope

The scope of this study is extended to various questions relating to general M&A as well as with reference to banking sector. A comparative study on the same with reference to other countries has been undertaken to gain better perspective to M&A.

- This study leaves a scope for research to be carried out on M&A related to Rural and Urban co-operative banks, Regional rural banks and foreign banks.

- The study focuses on bankers and customers. However, it could be of interest to conduct further studies on other intermediaries associated in the process which would help in understanding the ease of initiating M&A.

- Also a comparative study on work culture in various departments of a company / corporations would be helpful in understanding the employee attitude pertaining to M&A.

- This study concentrates only on few crucial case studies on M&A of banks located in Mumbai, from 2008 onwards. A comparative study of M&A in other sectors of other cities would facilitate the government in analyzing bureaucratic hurdles and differences in the stamp duty rates prevailing therein.
7.4 Limitation

The present study has faced certain limitation during the course of research, which are as follows:

a) The study is restricted to Mergers & Acquisition’s pertaining to the banking sector with reference to the Public and Private sector Banks.

b) Primary data has been collected from presumed representative sample of bankers and customers of the banks. Study relies on interviews with the concerned representatives.

c) Secondary data has been collected from the various published annual reports of banks and various other sources. The authenticity of the data lies with the banks and the sources.

d) Reluctance has been observed among bankers and customers to share their factual views for the fear of revealing confidential information.

e) Wherever the information was unavailable or was confidential in nature, other sources have been approached / referred to.

f) The sample size is limited up to specific banks from Mumbai and secondary data will be taken.

g) Simple and random sampling techniques have been adopted due to time and financial constraints.