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CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1	**Community Participation In Water Supply Schemes In Oke-Ogun Zone, Oyo State, NIGERIA.** Toyobo Adigun Emmanuel, Tanimowo N. Bolanle and Muili A.B	1-14
2	**The current situation, future prospect of Poverty and inequality in Sudan.** Dr. Ali Musa Abaker and Dr. Ali Abd Elaziz Salih	15-31
3	**Performance Evaluation of On-demand AODV and DSR Routing Protocols in Mobile Ad-hoc Network.** Muhammad Ashraf, Ahsan Raza Sattar, Tasleem Mustafa, Muhammad Inam Shahzad and Ahmad Adnan	32-57
4	**Enhancement of Security for Initial Network Entry of SS In IEEE 802.16e.** Ahmad Adnan, Fahad Jan, Ahsan Raza Sattar, Muhammad Ashraf and Inaam Shehzad	58-72
5	**The Role Social Capital Components on Entrepreneurship of Parsabad SMEs.** Gholamreza Rahimi (Phd) and Ghader Vazifeh Damirch (MA)	73-97
6	**Factors of default in Small and Medium Enterprise: an Application of Cluster Analysis.** Subroto Chowdhury	98-125
7	**Implementing Construction Projects on Schedule – A Real Challenge.** Prof (Dr.) Debabrata Kar	126-142
8	**A Study On Employee Stress Management In Selected Private Banks In Salem.** Ms. A. Sharmila and Ms. J. Poornima	143-161
9	**Elliptic Curve Cryptography With Secure Text Based Cryptosystem.** Anju Gera, Dr. Ashutosh Dixit and Sonia Saini	162-176
10	**Handling Of Synchronized Data Using JAVA/J2EE.** Ankur Saxena	177-194
11	**Forensic Tools Matrix: The Process of Computer Forensic for Digital Evidence Collection.** Dr. Jigar Patel	195-209
12	**Corporate Merger & Acquisition: A Strategic approach in Indian Banking Sector.** Madhuri Gupta and Kavita Aggarwal	210-235
13	**Loss Reduction in Radial Distribution Systems Using Plant Growth Simulation Algorithm.** V. Raj kumar, B. Venkata Ramana and T.Ramesh Babu	236-254
14	**Off Page Optimization Factors For Page Rank and Link Popularity.** Dr. Yogesh Yadav	255-268
15	**A Node Disjoint Multipath Routing Protocol in Mobile Ad Hoc Network.** R.K. Kapoor, M.A. Rizvi, Sanjay Sharma and M.M. Malik	269-285
16	**VLSI Implementation Of Systolic Array For Discrete Waveelet Transform.** Prof. Sonali R.Tavlare and Prof. P. R. Deshmukh	286-309
17	**HIGHER ORDER MUTATION TESTING (RESULT- EQUIVALENT MUTANTS).** Shalini Kapoor and Rajat Kapoor	310-327

Editorial Board

Title

CORPORATE MERGER & ACQUISITION: A STRATEGIC APPROACH IN INDIAN BANKING SECTOR

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Abstract:

It is an inherent desire and need of every business to grow vertically and horizontally. Organic growth, that is development from within, is often slow and sometimes difficult. Competition is fierce, and companies must team up to survive in an industry where specialized knowledge is king. That is why there is an increasing trend towards Mergers and Acquisitions. A complete combination of two separate corporations involving in a business is referred as business merger. A merger in the official sense is said to be worth when both businesses dissolve and double their assets and convert into a newly created third unit. Acquisitions on the other hand are take-over. In this case one company actually buys another company. In take-over or acquisition generally a larger company buys a smaller one. Mergers and Acquisitions encourage banks to gain global reach and better synergy and allow banks to acquire the stressed assets of weaker banks. Through Mergers and Acquisitions banks not only get established brand names, new geographies, complementary product offerings but also opportunities to cross sell to new accounts acquired.

The process of merger and acquisition is not a new to the Indian Banking. Our paper is an attempt to find the impact of Mergers and Acquisitions in Indian Banking Industry and their .position before and after merger and acquisition.

Key Words: *Mergers, Acquisitions, Indian Banking Sector, Strategy.*

Introduction of Merger and Acquisition in the Indian Banking Sector:

Mergers and Acquisition play a crucial economic role of moving resources from zones of under-utilization to zones of better utilization. Poorly run companies are more prone to being taken over by the powerful and managers have an incentive to ensure that their company is governed properly and resources are used to produce maximum value. Acquisition in the banking sector will ensure that the boards and management of institutions will improve corporate governance to avoid being targets in future.

The abbreviation of merger is as follow:-

M= Mixing

E= Entities

R= Resources for

G= Growth

E =Enrichment and

R= Renovation

A merger occurs when two or more companies combines and the resulting firm maintains the identity of one of the firms. One or more companies may merge with an existing company or they may merge to form a new company. Usually the assets and liabilities of the smaller firms are merged into those of larger firms.

Objective behind Mergers & Acquisitions in Banking Industry:

1. To overcome the problem of slow pace of growth and profitability due to widening of banking industry. The public sector banks have now to compete both with the private banks and the Foreign banks both in terms of products and service parameters.

2. To revive a loss making bank as it may not be able to restore the non performing assets (NPAs) on its own.

3. To utilize the underutilized market power in terms of regional or geographical coverage in the best possible manner.

4. To achieve some sort of diversification.

5. To limit competition and prevent overcrowding and mushrooming up of many banks.

6. To gain economies of scale and increase income in proportion to less amount of investment.

7 Utilize underutilized resources. The resources include human, physical or managerial skills.

8 To carve a niche for oneself as a strategic empire builder and amass vast economic power.

Types of Mergers:

- Horizontal Merger: Horizontal merger is a combination of two or more corporate firms dealing in same lines of business activity. Horizontal Merger is Co-centric Merger, which involves combination of two or more business units related by technology, production process, marketing research and development and management.
- Vertical Merger: Vertical Merger is the joining of two or more firms involved in different stages of production or distribution that are usually separate. The Vertical Mergers chief gains are identified as the lower buying cost of materials, minimization of distribution costs, assured supplies and market increasing or creating barriers to entry for potential competition or placing them at a cost disadvantage.
- Conglomerate Merger: Conglomerate Merger is the combination of two or more unrelated business units in respect of technology, production process or market and management. In other words, firms engaged in the different or unrelated activities are combined together. Diversification of risk constitutes the rational for such merger moves.
- Concentric Merger: Concentric Mergers are based on the Specific Management functions whereas the Conglomerate Mergers are based on General Management functions. If the activities of the segments brought together are so related that there is carry over on Specific Management functions. Such as marketing research, marketing, financing, manufacturing and personnel.

Benefits of Mergers & Acquisitions:

1) Increase in the Growth & Expansion: Growth is the need of survival. A corporate that shows growth and dynamism is very much able to attract and retain talented executives. At the same time, it enriches the job perspectives of the working executives by posing ever increasing challenges and hence has a proportional effect on managerial efficiency.

2) Increase in Profit Margins: Profits increase due to the fact that a combination of two or more banks may result into cost reduction due to operating economies. This can happen as a combined

entity, May avoid or at least reduce overlapping functions and facilities. At the same time economies of scale may also enhance profitability.

3) Strategic Benefit: This can be explained owing to the fact that in a saturated market like that of India, simultaneous expansion and replacement (through merger) may help the banks to reap profits rather than creation of additional capacity through internal expansion.

4) Product Innovation: With the merger of two banks, it may be easier for them to successfully bring about product innovations as their resources are more so complementary.

Limitations of M & As:

1) Dysynergy Effect: It is very important that before merging the two banks should take into Consideration the nature and extent of synergy which they have. Generally it is seen that if the two combining entities differ in their work cultures then the synergy might go negative and this brings about dysyergy.

2) Striving for Bigness: It is the matter of fact that size is taken to be the most important yardstick for the measurement of success. But beyond a particular size, the economies of scale turn into diseconomies of scale. . Thus while evaluating a merger or acquisition proposal, the focus should be on to create or maximize the shareholders' wealth rather than increasing the size.

3) Failure to Integrate Well: It is said that –"Sometimes even a best strategy can be ruined by poor implementation." A post merger or post acquisition integration of the two banks is a must. Although this is an extremely complex task – just like grinding east and west together.

Regulations regarding the Mergers in Indian Banking Sector Mergers and Acquisition in India:

Before liberalization**:** In India the Companies Act 1956 and the Monopolies and Restrictive Trade Practices Act, 1969 are states governing mergers among companies. In the Companies Act, a procedure has been laid down, in terms of which the merger can effectuate. Sanction of the Company Court is essential prerequisite for the effectiveness of and for effectuating a scheme of merger. The other statue regulating mergers was the hit hero Monopolies and Restrictive Trade Practices Act. After the amendments the statue does not regulate mergers.

Post Liberalization period: *Narsimham Committee (1998)* **:** The Report of the Narsimham Committee on the banking sector reforms on the structural issues made recommendations that "Mergers between banks and between banks and DFI's and NBFC's need to be based on synergies and vocational and business specific complimentary of the concerned institutions and must obviously make sound commercial sense. Mergers of public sector banks should emanate from the managements of banks with the govt. as the common shareholder playing a supportive role. Such mergers however can be worthwhile if they lead to rationalization of workforce and branch network otherwise the mergers of public sector banks would tie down the management with operational issues and distract attention from the real issue. Mergers should not be seen as a means of bailing out weak banks. Mergers between strong banks/FIs would make for greater economic and commercial sense and would greater than the sum of its parts and have a force multiplier effect. It can hence be seen from the recommendations of the Narsimham Committee that mergers of the public sector banks were expected to emanate from the managements of the banks with the Government as common shareholder playing a supportive role. *Joint Parliamentary Committee on Mergers* **:** The "joint Parliamentary Committee observed that "Bank merger is a recent phenomenon in our country and before the merger, sanction of the Reserve Bank of India is required as stipulated under section 44A of the Banking Regulation Act, 1949 and the role of the RBI is limited. No merger is allowed unless the scheme of amalgamation draft has been placed before the shareholders of the banking company and approved by a resolution passed by the majority representing two-third value of the shareholders.

Banking Sector in India:

Banking in India has its origin as early as the Vedic period. During the mogul period, the Indigenous bankers played a very important role in lending money and financing foreign trade and commerce. During the days of the east India Company, it was the turn of the agency houses to carry on the banking business. In the first half of the 19th century the East India Company established three banks; the Bank of Bengaline 1890, the Bank of Bombay in 1840 and the Bank of Madras in 1843.These three banks were merged in 1920 and a new bank, the Imperial Bank of

India was established on 27th January1921.With the passing of the State Bank of India Act in 1955 the undertaking of the Imperial Bank of India was takeover by the newly constituted State Bank of India. This is the first merger of Indian history. After that a Central Bank of India was established in the name Reserve Bank of India. On July19, 1969, 14 major banks of the country were nationalized and in 15th April 1980 six more commercial private sector banks also taken over by the government.

Mergers and Indian Banking Sector:

Mergers and Acquisitions encourage banks to gain global reach and better synergy and allow large banks to acquire the stressed assets of weaker banks. Mergers in India between weak/unviable banks should grow faster so that the weak/unviable banks could be rehabilitated providing continuity of employment with the working force, utilization of the assets blocked up in the weak/unviable banks and adding constructively to the prosperity of the nation through increased flow of funds. The process of merger and acquisition is not a new happening in case of Indian banking, Grind lays Bank merged with Standard Chartered Bank, Times Bank with HDFC Bank, Bank of Madura with ICICI Bank, Nedungadi Bank Ltd.with Punjab National Bank and most recently Global Trust Bank merged with Oriental Bank of Commerce. Merger and amalgamation in Indian banking so far has been to provide the safeguard and hedging to weak bank against their failure and that too at the initiative of RBI, rather than to pave the way to initiate the banks to come forward on their own record for merger and amalgamation purely with a commercial view and economic consideration. As the entire Indian banking industry is witnessing a paradigm shift in systems, processes, strategies, it would warrant creation of new competencies and capabilities on an on-going basis for which an environment of continuous learning would have to be created so as to enhance knowledge and skills. Looking the global trend of consolidation and convergence, it is need of the hour to restructure the banking sector in India through mergers and amalgamations in order to make them more capitalized, automated and technology oriented so as to provide environment more competitive and customer friendly. The merger cult in India has yet to catch fire with merchant bankers and financial consultant acquiring skills in grinding the banks to absorb weak unviable banks and put them again on successful operations.

Guidelines of RBI for Private Sector Merger:

Based on the recommendations of the working Group and the RBI , the guidelines laying down the process of merger proposal, determination of swap ratios, disclosures, the stages at which Boards will get involved in the merger process and norms of buying / selling of shares by the promoters before and during the process of merger have been finalized. That two-third majority should approve the decision of the merger of the total board members and not those present alone.A private sector banks will be allowed to hold shares in any other private sector bank only up to 5 per cent of the paid-up capital of the investee bank. All private sector banks to raise the minimum paid-up capital to Rs 300 crore. Private sector banks to bring down promoters' stake to 10 per cent over a period of time. The Directors who participate in such meetings should be signatories to the Deeds of Covenants.

This paper deals with studying Merger and Acquisition of few organizations which include:

1 **ICICI Bank merged with Bank of Madura in 2001:** ICICI one of the largest financial institution was formed in 1955 at the initiative of the World Bank, the Government of India and representatives of Indian Industry. The principal objective was to create a development financial institution for providing medium term and long term project financing to Indian Business. In 1990's, ICICI transformed its business from a development financial institution offering only project finance to a diversified financial services group offering a wide variety of products and services both directly and through a number of subsidiaries and affiliates like ICICI Bank. In 2001,the ICICI merged with the Bank of Madura to expand its customer base and branch network.

2 **Centurion Bank merged with Bank of Punjab in 2005**: Bank of Punjab (BoP) and Centurion Bank (CB) have been merged to form Centurion Bank of Punjab (CBP). RBI has approved merger of Centurion Bank and Bank of Punjab effective from October 1, 2005. The merger is at a swap ratio 9:4 and the combined bank is called Centurion Bank of Punjab. For every two stocks of Centurion Bank, a shareholder will get one stock of Bank of Punjab.

3 **IDBI bank and United Western Bank ltd. In 2006:** The Reserve Bank of India told IDBI acquire the distressed United Western Bank, which the central bank had put under

moratorium by the RBI on September2, 2006. In the process, IDBI bested a long line of suitors, including Canara Bank, ICICI Bank, Citibank, Standard Chartered Bank, and a consortium of HDFC and the State Industrial Investment Corporation of Maharashtra. Since IDBI is adequately capitalized, it will not have to pump money into United Western Bank, which has a net worth of Rs 70 crore (Rs 700 million). However, IDBI had pay United Western Bank shareholders Rs 150.55 crore (Rs 1.5 billion) at Rs 28 a share, which works out to a 31 per cent premium over United Western Bank's closing price of Rs 21.45 on the Bombay Stock Exchange.

4 **HDFC and Centurian bank of Punjab in 2007:** HDFC Bank approved the acquisition of Centurion Bank of Punjab for Rs 9,510 crore ($2.4 billion) in one of the largest mergers in the financial sector in India in February, 2008. Centurion Bank of Punjab shareholders got one share of HDFC Bank for every 29 shares held by them. Post-acquisition, HDFC Bank became the second-largest private sector bank in India. The acquisition was also India's 7th largest ever.

5 **HSBC, Canara bank and Oriental Bank of Commerce in 2009:** Canara HSBC Oriental Bank of Commerce Life Insurance Co Ltd has informed that it has got the license to operate in India. Three banking majors have joined hands to offer services in Insurance sector. Two major in Public Sector banks, Canara Bank and OBC, have joined hands with global banking and investment services major HSBC to offer innovative insurance products to Indian consumers. Insurance Regulatory and Development Authority (IRDA) has approved the company to operate in Life Insurance sector in India. The new company, to be called Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited, has Canara Bank as majority stake holder. Oriental Bank of Commerce and HSBC Insurance (Asia-Pacific) Holdings Ltd collectively hold 49% share.

Review of Literature:

Kumar and Bansal(2008) examined that while going for mergers and acquisitions (M&A) management smell financial synergy or/and operating synergy in different ways. But actually are they able to generate that potential synergy or not, is the important issue. The aim of this study is to find out whether the claims made by the corporate sector while going for M&As to generate synergy, are being achieved or not in Indian context. ***Risberg.S (1997)*** examined that mergers and acquisitions are known to have failures that often are explained by clashing corporate cultures. Previous research has tried to predict better acquisition outcomes by prescribing different kinds of fits between the combining companies. Takes an alternative perspective to look at mergers and acquisitions. Develops a conceptual framework that uses communication throughout the acquisition process to produce and negotiate some meaning out of ambiguities and cultural differences and suggested that this alternative perspective can give a new insight into explaining the causes of unfulfilled expectations in international mergers and acquisitions. ***Lynch and Lind (2002)*** examined that the average M&A adventure just an executive ego trip? Is it management folly, or can it be done so that it reliably produces growth? A model presented here may help executives who are engaged in making acquisitions and making them work navigate the shoals of mergers and acquisitions more successfully. ***Shrivastava.P (1986)*** examined that while mergers may be a good way to grow rapidly, can one sustain growth and performance for long periods? The answer lies in how well one integrates the business after the merger. ***Dorata and Steven (2008)*** examined whether CEO duality further exacerbates CEOs' motivation of self-interest to engage in mergers and acquisitions to increase their compensation. ***Baird L (1997)*** examined the relationship between industrial structure on the one hand and competitive behavior and performance on the other. The original explanations were based on the view that concentration facilitates collusive behavior, and adherents to the Monopoly Power view naturally attributed the relationship to the existence of monopoly profits in concentrated industries. The counterargument proposed by Demsetz (1973) views concentration as the result of active competition by which firms are motivated to improve efficiency. In the presence of scale economies, larger firms are more efficient and, hence, more profitable than their smaller rivals. Since their larger market shares produce higher concentration, a positive relationship between industry concentration and profitability is observed. In the Efficient Structure (ES) view, concentration reflects intra-industry efficiency differences; in the Monopoly Power (MP) view, concentration reflects collusive behavior. Importantly, the empirical distinction between these theories and, hence, their empirical validity as competing alternative hypotheses remains unclear. ***Hall and Norburn (1987)*** examined theoretical development and empirical investigation into the performance of mergers and acquisitions. In parallel, recent research which links the performance of organisations to the presence of an appropriate corporate culture is discussed. From these two theoretical platforms, it is argued that the performance of acquisitions is determined by a match of culture and those organisational expectations which avoid post-acquisition managerial indigestion. Finally, a programme of research is proposed to measure the performance of acquisitions against the criteria laid down by the acquiring management, and to determine the impact of culture clashes on those acquisitions perceived to have failed. ***Weber and Schweiger (1992)*** examined the impact of top management culture clash on the commitment of the acquired team to the new organization and on its cooperation with the acquiring team. It suggests that three factors are influential, namely the degree of cultural differences, the nature of the contact between the teams, and the intended level of integration between the companies. The paper generates numerous propositions for predicting the impact of the culture clash. It also offers suggestions for further theoretical and empirical study, and presents some of the model's practical implications. ***Nikandrou.L.et.al(2000)*** examined that Acquisitions often have a negative impact on employee behaviour resulting in counter productive practices, absenteeism, low morale and job dissatisfaction. It appears that an important factor affecting the successful outcome of acquisitions is top management's ability to gain employee trust. Explores a number of variables which bear an impact on managerial trustworthiness. Among them, frequent communication before and after acquisition, and the already existing quality of employee relations seem to play the most important role. Therefore, a carefully planned, employee-centered communication programme, together with a good level of employee relations, seem to form the basis for a successful outcome as far as employee relations in the face of acquisitions is concerned. ***Dube and Glascock(2006)*** examined the post-acquisition differences in share and operating performance, and in risk characteristics, for acquirers who pay cash versus those who employ stock, as well as for acquirers who merge with targets as opposed to those who directly approach target shareholders to tender their shares.

Research Methodology:

Sources of Data: Study is entirely based upon secondary data, which has been taken from articles from magazines, newspapers and books, Websites.

Objectives of the Study

- To assess the impact of Mergers and Acquisition in the Indian Banking Industry.
- To know main reasons behind these mergers in banking sector.
- To study the financial condition of merged banks before and after merger.

Scope of the Study: The scope of the study is kept limited to five Mergers

- ICICI Bank merged with Bank of Madura in 2001.
- Centurion Bank merged with Bank of Punjab in 2005.
- IDBI bank and United Western Bank ltd. In 2006.
- HDFC and Centurian bank of Punjab in 2007.
- HSBC, Canara bank and Oriental Bank of Commerce in 2009.

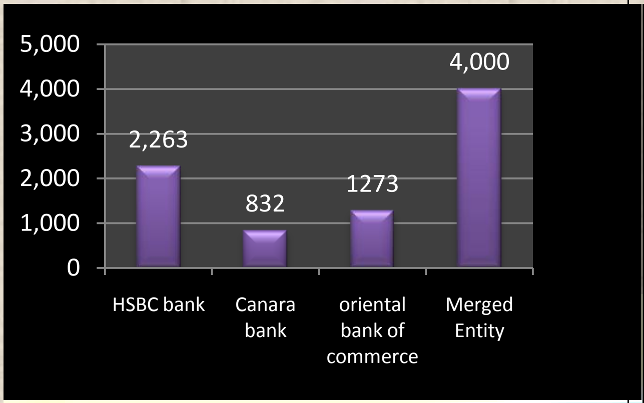
Analysis and Interpretation:

5.1 Merger of HSBC, Canara bank & Oriental bank of commerce

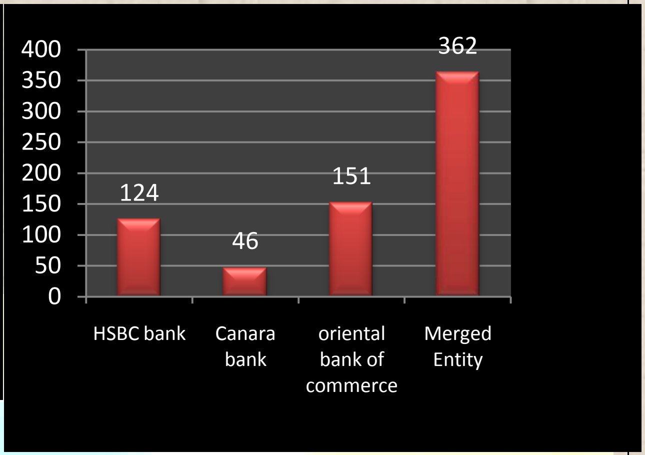
Sr. no.	contents	HSBC	Canara bank	OBC	Merged Entity
1.	Branches	2263	832	1273	4,000
2.	ATMs	124	46	151	362
3.	Deposits	7.5 crore	5.6 crore	9.05 crore	9.56 crore
4.	Net worth	576 crore	443 crore	470 crore	592 crore
5.	Net profit	13.29 crore	8.0 crore	11.43 crore	15.21 crore

Table No.5.1

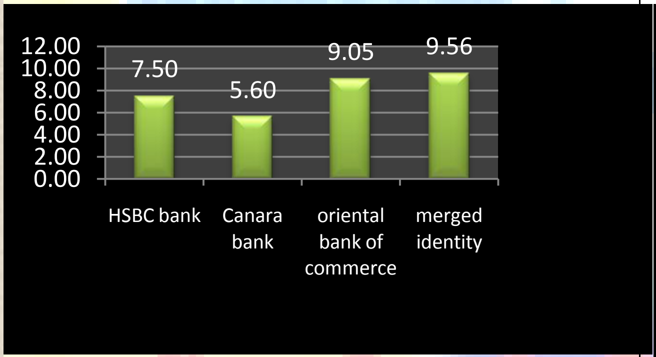
Branches (Figure no. 5.1.1)



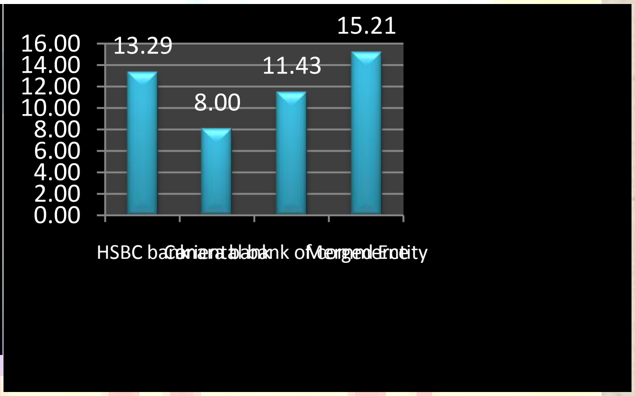
ATMS (Figure no. 5.1.2)



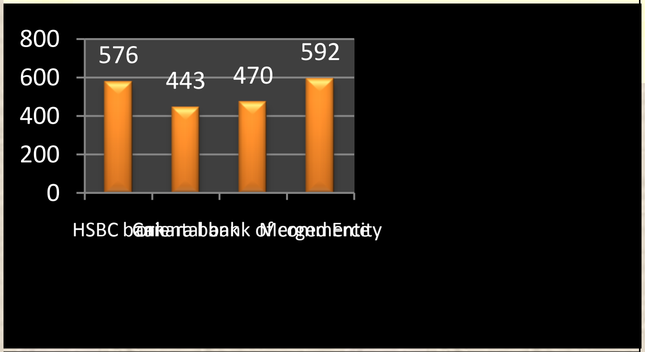
Deposits (in crore) (Figure no. 5.1.3)



Net profit (in crore) (Figure no. 5.1.4



Net worth (in crore) (Figure no. 5.1.5)



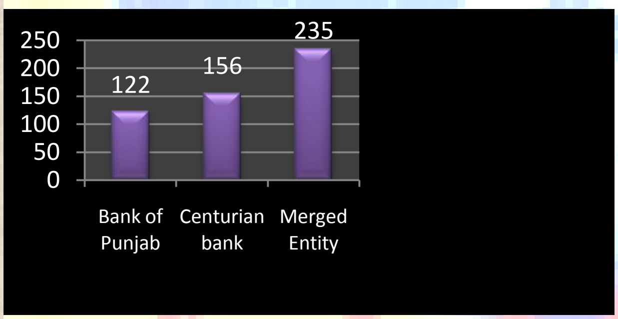
These diagrams show that HSBC, Canara bank & oriental bank of commerce had a great reputation before merger. All of three had no. of branches & ATMs and their financial position was in good condition. After merger, merger entity has great impact on their increase in branches and ATMs. But little impact on their financial condition because there is slight increase in deposits, net profit & net worth. As recently they have merge so well financial condition could be imagine in future.

5.2 MERGER OF BANK OF PUNJAB AND CENTURIAN BANK

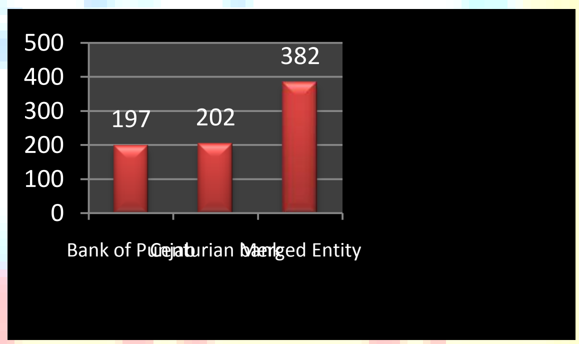
Table no.5.2

Sr. no.	contents	Bank of Punjab	Centurian bank	Merged Entity
1.	Branches	122	156	235
2.	ATMs	197	202	382
3.	Deposits	4.3 crore	5.8 crore	4.8 crore
4.	Net worth	241crore	511crore	696 crore
5.	Net profit	5.3 crore	6.1 crore	7.5 crore

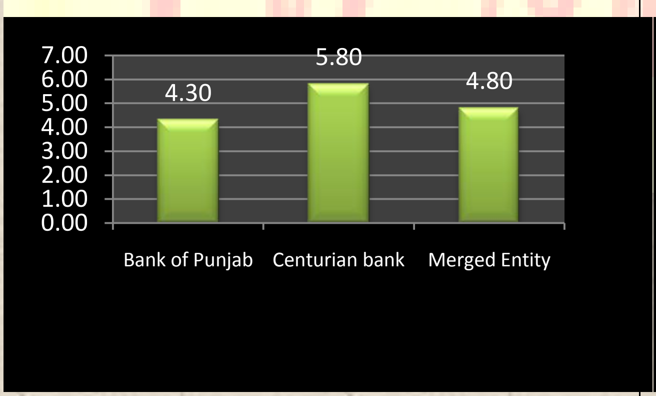
Branches (Figure no. 5.2.1)



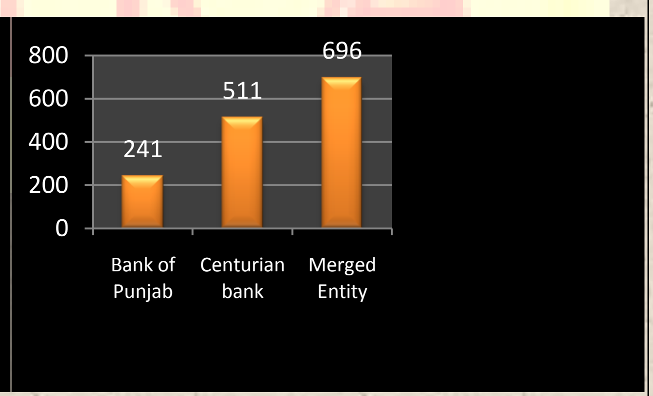
ATMs (Figure no. 5.2.2)



Deposits (in crore) (Figure no. 5.2.3)

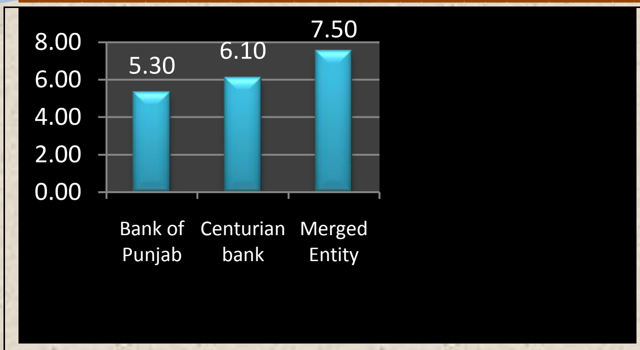


Net worth (in crore) (Figure no. 5.2.4)



Net profit (in crore) (Figure no. 5.2.5)

These diagrams show that bank of Punjab & Centurian bank of Punjab was in same condition



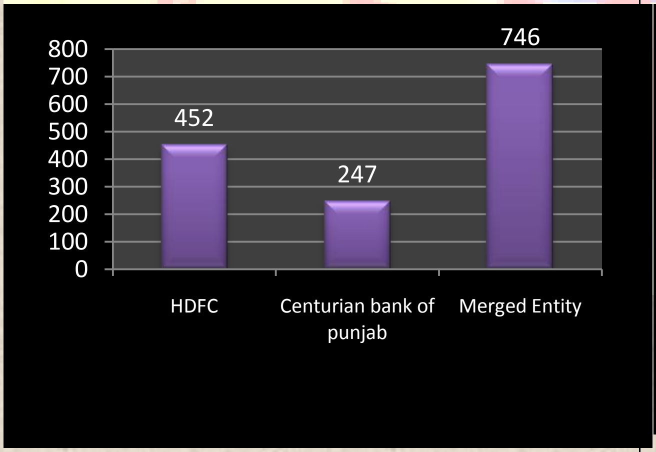
before merger. They have a almost but little bit difference in their financial position. After merger, it has been notice that merger of these banks created a great impact on net profit of merged entity i.e. Centurian bank of Punjab but slightly increases in no. of branches, ATMs & net worth. But the deposit amount had very minimum effected.

5.3 Merger of HDFC & Centurion bank of Punjab

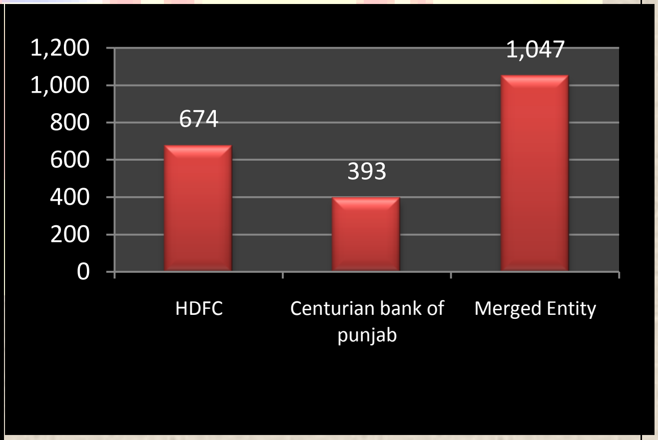
Table no.5.3

Sr. no.	contents	HDFC	Centurian bank of punjab	Merged Entity
1.	Branches	452	247	746
2.	ATMs	674	393	1047
3.	Deposits	7.11 crore	5.70 crore	15.8crore
4.	Net worth	132.1crore	102.5crore	224.5crore
5.	Net profit	713.3crore	699.3crore	848.7crore

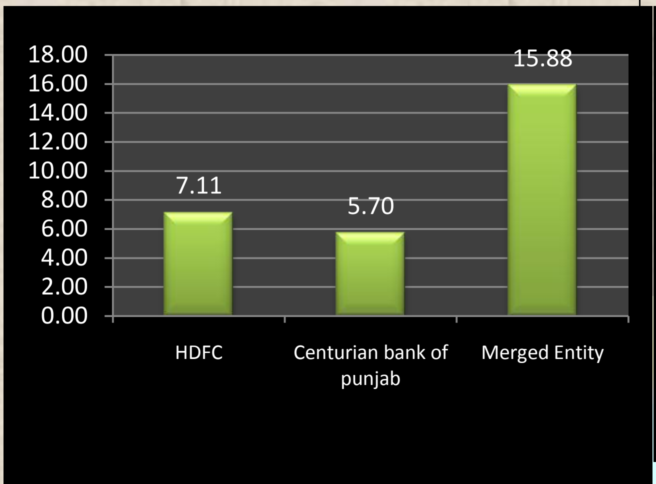
Branches (Figure no. 5.3.1)



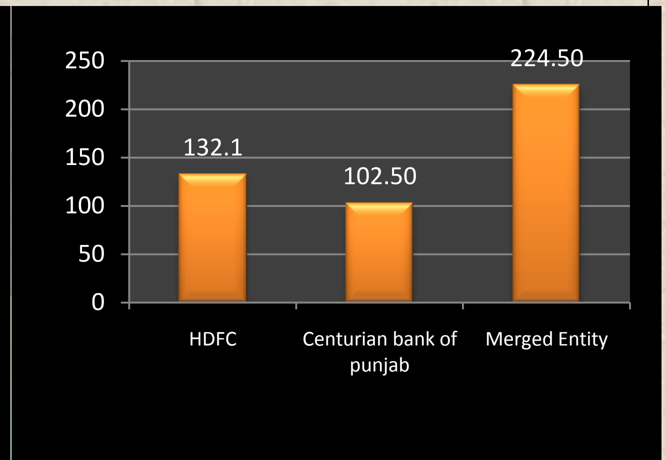
ATMs (Figure no. 5.3.2)



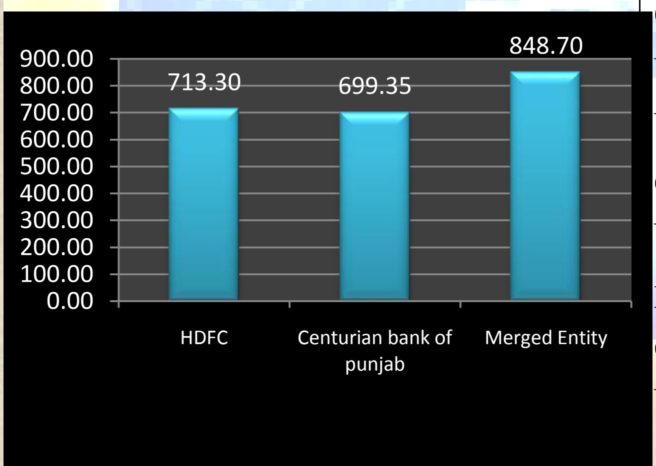
Deposit (in crore) (Figure no. 5.3.3)



Net worth (in crore) (Figure no. 5.3.4)



Net profit (in crore) (Figure no. 5.3.2)



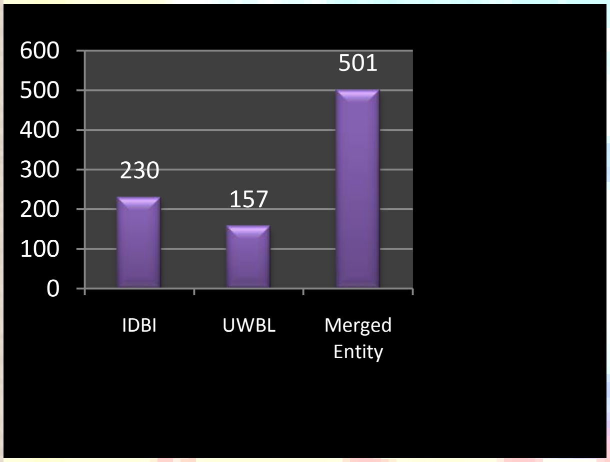
These diagrams show the position of HDFC, Centurian Bank of Punjab & their merged entity before merger and after merger. Merger of these banks shows a great impact on the merged entity condition. There is increase in no. of branches, ATMs, deposits, net worth and net profit of merged entity after merger. Merged entity is continuously growing rather than before acquisition

5.4 Merger of IDBI Bank & United Western Bank ltd.

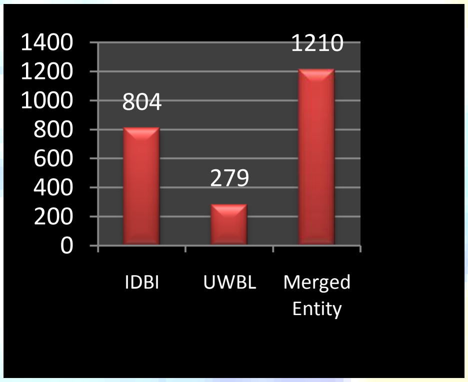
Table no.5.4.1

Sr. no.	contents	IDBI	United western bank ltd.	Merged Entity
1.	Branches	230	157	501
2.	ATMs	804	279	1210
3.	Deposits	6.4 crore	4.30 crore	11.20crore
4.	Net worth	318.4crore	98.6crore	696.2crore
5.	Net profit	83.20crore	59.30crore	119.5crore

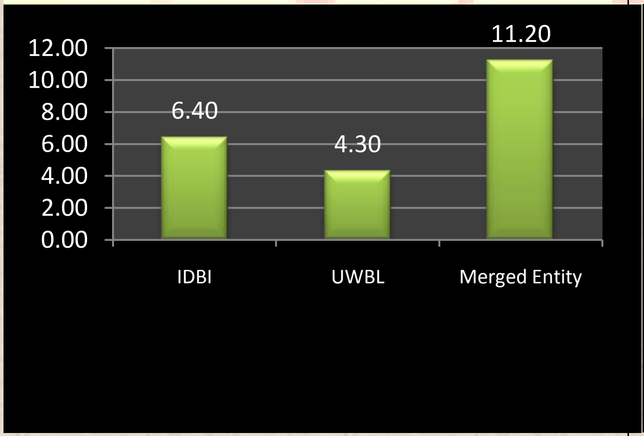
Branches (Figure no. 5.4.1)



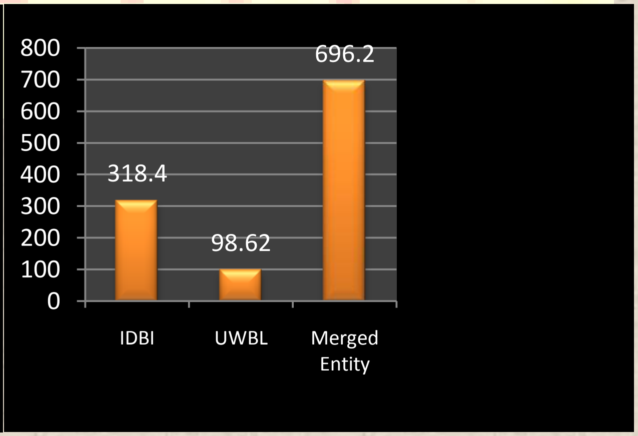
ATMs (Figure no. 5.4.2)



Deposits (in crore) (Figure no. 5.4.3)



Net worth (in crore) (Figure no. 5.4.4)



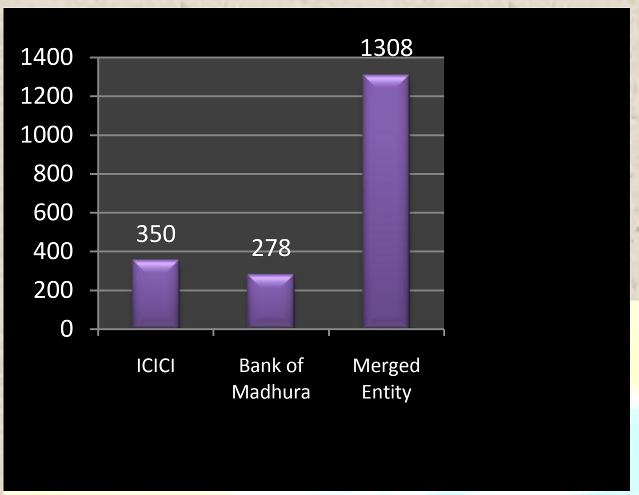
Net profit (in crore) (Figure no. 5.4.5)	The effect of merger of IDBI & United Western bank ltd.has been shown in above diagrams. Their position before and after merger has been shown. Merger of both the bank has a great effect on no. of branches & ATMs as well as deposit amount, net profit &net worth. Merged entity has been continuously growing after merger.
	

5.5 Merger of ICICI Bank & Bank Of Madura

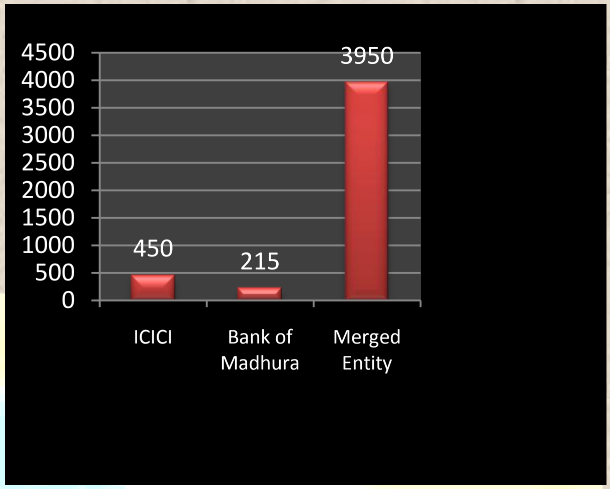
Table no.5.5

Sr. no.	contents	ICICI	Bank of Madura	Merged Entity
1.	Branches	350	278	1308
2.	ATMs	450	215	3950
3.	Deposits	3.60 crore	1.60 crore	16.80crore
4.	Net worth	130.13crore	309.50crore	498.80crore
5.	Net profit	141.28crore	45.58crore	375.81crore

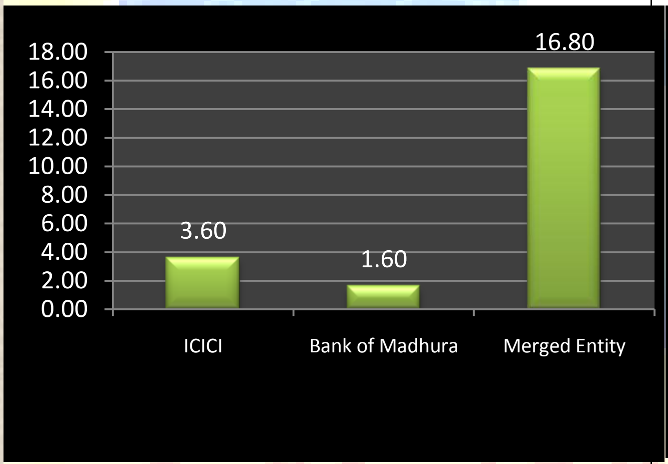
Branches (Figure no. 5.5.1)



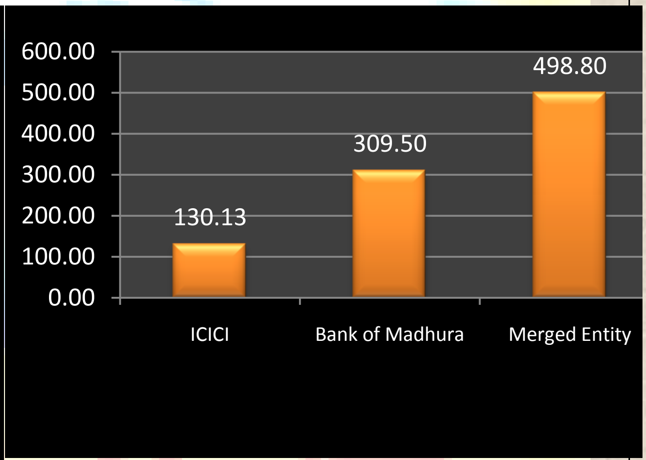
ATMs (Figure no. 5.5.2)



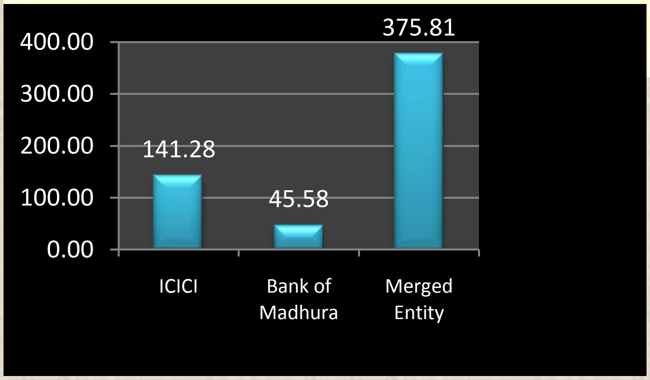
Deposits (in crore) (Figure no. 5.5.3)



Net worth (in crore) (Figure no. 5.5.4)



Net profit (in crore) (Figure no. 5.5.5)



The rapid growth of merged entity of ICICI & Bank of Madura is shown in above diagrams. As these banks had merged in 2001, so after 9 year this entity develops a great reputation in their business. Within nine years they have a large no. Of branches, ATMs as well as continuously growth in deposits, net profit & net worth. They grow with a huge reputation.

Findings:

1. The trend shows that the merger and acquisition has a good impact on the banking sector. Merger and acquisition in Indian banking so far has been to provide the safeguard to weak banks against their failure.
2. The small and medium size banks are working under threat from the economic environment which is full of problems for them. Their reorganization through merger could offer re-establishment of those in viable banks of optimum size with global presence.
3. As per discussed in above data analysis all the merged entities after merger and acquisition are continuously growing rather than before the merger. There is increase in no. of branches and ATMs as well as in deposit amount, their net profit and worth.

Conclusion:

Merger and acquisition encourage banks to gain global reach and better synergy and allow large banks to acquire the stressed assets of weaker banks. Merger in India b/w weak banks should grow faster so that they could rehabilitate providing continuity of employment with the working force, utilization of assets blocked up in the weak banks and adding constructively to the prosperity of nation through increased flow of funds. The small and medium size banks are working under threat from the economic environment which is full of problems for them, viz, inadequacy of resources, outdated technology, on-systemized management pattern, faltering marketing efforts, weak financial structure, technique obsolescence and lack of product innovations. Their reorganization through merger could offer re-establishment of those in viable banks of optimum size with global presence. Merger and acquisition in Indian banking so far has been to provide the safeguard and hedging weak bank against their failure. The merger cult in India has yet to catch fire with merchant bankers and financial consultants acquiring skills in grinding the banks to absorb unviable banks and put them again on successful operations.

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