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“2019 Bank Mergers and Acquisitions in India: Evaluating Share Price Impacts"

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Abstract:

Mergers and acquisitions (M&A) within the banking sector have become increasingly prevalent in India, shaping the financial landscape and influencing stakeholders, particularly shareholders. This study delves into the multifaceted impacts of M&A activities on the share prices of banks operating in the Indian market. Through a comprehensive analysis of various merger and acquisition cases within the banking industry, this research aims to elucidate the correlations between such strategic moves and the fluctuations in share prices.

The study employs a mixed-method approach, combining quantitative analysis of stock market data and qualitative assessment of merger strategies and financial performance post-M&A. By examining historical data, market reactions, and financial indicators, the research seeks to identify trends, patterns, and determinants influencing share price movements before, during, and after bank mergers.

Key factors influencing share prices, such as synergies achieved through consolidation, cost efficiencies, changes in market competitiveness, regulatory impacts, and investor sentiment, will be critically evaluated. Additionally, the study will explore the role of corporate governance, management effectiveness, and market perceptions in shaping the response of shareholders to M&A activities in the banking sector.

Merger of PSBs has been proposed as a part of 4r's strategy. PNB, Oriental bank of India, United Bank of India, Allahabad Bank, Indian Bank, Canara Bank, Syndicate Bank, Andhra Bank, Union Bank of India and Corporation Bank are chosen for merger and approved by RBI.

This research aims to provide valuable insights for stakeholders, including investors, policymakers, banking institutions, and regulators, by shedding light on the dynamics between M&A events and share price movements. Understanding these dynamics is crucial for making informed decisions, predicting market trends, and comprehending the overall implications of M&A activities on the financial performance and shareholder value of banks in India.

INTRODUCTION:

Most of the financial gains of the country depends upon the performance of banking sector. This performance is influenced by many internal and external factors. Internal factors like NPA's and external factors like strong competitive market leads to mergers and acquisitions of the companies. In last few years, Indian banking sector have seen number of Mergers which led to change in its operations and had a great impact on its share prices. It helped many underperforming banks to reposition itself in the market. There has been a lot of fluctuations in the share prices of the banks when the announcement of merging of 10 public banks into four has been done in 2019.

NEED OF THE RESEARCH:

To understand the purpose and need of mergers in banking sector. To know how the share market is getting effected by these mergers. To give detail analysis of the mergers and acquisitions and know how well these Merger will help the functioning of Indian banking system.

SCOPE OF THE RESEARCH:

Mergers and acquisitions are one of the strategic-technique that has been introduced by the financial engineers. The concept of mergers and acquisitions refers to the combination of two or more companies to form one strong entity which helps to reconstruct themselves in the highly competitive market.

The idea of this study is to know why there is a sudden need of mergers of banks in India. To understand the decision of merging of particular banks. To represent the financial performance and the share values of the 10 banks that are been selected for the merger.

OBJECTIVES OF THE RESEARCH:

- The main purpose of this study is to know the impact of mergers and acquisitions of banks on its share price.
- For the purpose of knowing the performance of the banking sector while making the Comparison of performances between different banks before the merger and after the merger announcement.
- To study about the delay in merging of public sector banks announced in 2019.
- To evaluate the internal and external factors leading to the mergers and acquisitions.

RESEARCH METHODOLOGY

This Research involves collection of data from different sources. They are two different types of data, Primary data and Secondary data**.**

PRIMARY DATA: The data that has been collected for the first time by a researcher to address any problem is called as primary data. Simply, A Raw data is known as a primary data. There are different types of methods to collect the primary data like Surveys, Interviews, Experiments etc.

SECONDARY DATA: The information that has been taken from already collected and published data is called as secondary data. Journals, Newspapers, Trade publications, Websites etc.

The data used for carrying out this paper is mostly collected from the secondary data sources like newspapers, websites, books, journals, E-journals etc.

TOOLS AND TECHNIQUES

The tools and techniques used to know impact of mergers on share prices of banks are

- Financial tools
- Statistical tools

LITERATURE REVIEW

Various research paper have been studied about the effect of merger and acquisition of bank in India and compared pre and post Merger position of selected banks and quested advantage and disadvantages of merger and acquisition of banks. Here are some following related review.

Devarajapp S.(2012) analysed financial performance of HDFC Bank Limited and Centurion Bank of Punjab with the help of financial parameters and compared pre merger and post merger performance of banks on the basis of last 3 year data and the result of this analysis was that mean value of gross profit had increased and the mean value of equity had increased but there is no change in net profit, return on capital, and operating profit. And concluded that merger effect is helpful for surviving of week Bank by merging into larger banks.

Dr K.A. Goyal & Vijay Joshi (2012) studied case of ICICI Bank Limited to be aware with the growth of ICICI Bank Limited. This Bank amalgamated with Nine Finance entities like SCICL, ITC Classic Finance Ltd., Anagram Finance, Bank of Madura, Bank of Sangali, ICICI Personal Finance Service Ltd & ICICI Capital Service Ltd., Standard of Chartered Grindlays Bank's two branches, and Bank of Rajasthan Ltd.. According to them merger and acquisition considered in three phases pre merger phase, acquisition phase and post merger phase. And concluded that that there were many issues and challenges for ICICI Bank Limited but it accepted that challenges and became India's largest Private sector bank.

Dr K.A. Goyal & Vijay Joshi (2012) have found in their study there are some rising issue in merger and acquisition in banking sector. Rising issues like employees reception, brand size, customer perception, communication, Change management strategies, Human Resource Management. They observed the need of merger and acquisition of bank in India. And quested motives behind the merger and acquisition of bank through the study of 17 merged banks that motives and rational are market leadership, Rapid growth, synergy, reduce stress, Economies of scale, enhance revenue. They concluded that small bank has to face many issues and the merger and acquisition is helpful tool for them.

It is founded from Gurubaksh Singh & Sunil Gupta's (2015) paper title "An impact of merger and acquisition on profitability of consolidation banking sector in India". analysed the performance of public and private sector bank with the data of last five year and evaluated pre and post merger positions of bank through financial parameters like Arithmetic mean, standardization, t-test comma p-value . They found that merger and acquisition have positively impacted on merged Bank.

Dr. Sangita Ghosh(2016) researched on merger between Global Trust Bank and Oriental Bank of Commerce. She analysed liquidity factor, efficiency factor, profitability factor and performance factor of Oriental bank of commerce. And found that after merging bank profitability and efficiency of acquirer bank has improved but there was no change in liquidity position of oriental bank of commerce.

Prof.Ritesh Patel(2014) examined finance and stock return of selected banks to know the effect after merger and concluded that merger and acquisition has positively impacted on Indian banks and told that some public sector banks is more advantageous rather than private sector bank.

Parveen Kumari (2014) revealed in her paper merger and acquisition of bank as strategic approach and told that the aim of the merger and acquisition of bank is increase credit creation and make progressive. According to gathered post merger data she concluded that Number of branches & ATM, Net Profit, Deposit, Net Worth have increased.

Prof. Ritesh Patel & Dr. Dharmesh Shah (2016) compared the financial performance of before and after merger of banks through Economic Value added approach and through others financial parameters like mean score of net profit margin, return on net worth, return on assets, return on long term fund, interest earned and total assets. And told that its not necessary that EVA approach is common for all other bank. They concluded that financial performance of bank may be improved after merger. But if past financial data are examined before merger, it can make merger fruitful.

MERGERS OF BANKS

In 1990-91, the "Narsimha committee", along with the LPG reforms, recommended the "Merger of banks", as a major banking sector reform. After this proposal, in 1993 merger of **New Bank of India** with **PNB** took place. And after almost 12 years, in 2007, **State Bank of Saurashtra** and in the year 2010, **State Bank of Indore** got merged with **SBI.** There after no mergers and acquisitions were seen in public sector banks till 2017 but a few private sector banks were of course merged with some public sector banks. In July, 2017, a mega merger of SBI and its five subsidiaries took place and **Rashtriya Mahila Bank** was also merged with SBI.

In April 2019, the two public sector banks, **Vijaya Bank and Dena Bank** were merged with **Bank of Baroda** creating the third-largest lender of the country**.** Besides this the financial minister "Nirmala Sitharaman" has announced the merger of 10 public sector banks into four with which there will be 12 public sector banks in place of 27 public sector banks in 2017.

Those 12 will include **State Bank of India** and **Bank of Baroda** and excludes **IDBI** as RBI re-classified it as a private sector lender for regulatory purposes on 1st January,2019, after LIC acquired a 51% stake in the bank by infusing around Rs. 20,800 crores. The government now holds a 46.46% stake in the bank.

The 2019 Mega merger include merger of Oriental Bank of Commerce and United Bank of India into Punjab National bank which will become India's second largest lender; Union Bank of India will amalgamate with Andhra Bank and Corporation Bank will become the country's fifth largest PSB; Syndicate bank will be merged into Canara Bank which will be the fourth largest PSB; and Indian Bank will be merging with Allahabad Bank to become the seventh largest PSB.

Post the mega merger, these PSU banks that will remain independent: Indian Overseas Bank, UCO Bank, Bank of Maharashtra and Punjab & Sind Bank, which have strong regional focus, will continue as separate entities.

Apart from the merger, the centre announced that Rs. 55,250 crores upfront capital will be infused into the PSBs. This mega merger will be effective from 1 April, 2020.

The following are the public sector banks before merger in 2017 and after merger in 2020.

	PUBLIC SECTOR BANKS IN 2017	**PUBLIC SECTOR BANKS IN 2020**
1	Allahabad bank	State Bank of India
2	Andhra bank	Punjab National Bank
3	Bank of Baroda	Indian Overseas Bank
4	Bank of India	Canara Bank
5	Bank of Maharashtra	Bank of Baroda
6	Canara Bank	Bank of India
7	Corporation Bank	Bank of Maharashtra
8	Dena Bank	Indian Bank
9	Indian Bank	Punjab & Sind Bank
10	Indian Overseas Bank	UCO Bank
11	Oriental Bank of Commerce	Union Bank of India
12	Punjab National Bank	Central Bank of India (RBI)
13	Punjab & Sind Bank	
14	Syndicate Bank	

15	Union Bank of India	
16	United Bank of India	
17	UCO Bank	
18	Vijaya Bank	
19	IDBI	
20	State Bank of India	
21	State Bank of Bikaner	
22	State Bank of Jaipur	
23	State Bank of Travancore	
24	State Bank of Patiala	
25	State Bank of Mysore	
26	State Bank of Hyderabad	
27	Rashtriya Mahila Bank	
28	Central Bank of India (RBI)	

Table No. : 1

The main reason behind this mega merger is bring down the Gross NPAs of the Public sector banks. This consolidation is expected to create fewer, and stronger, lenders. This merger is being undertaken in order to revive and revitalise the banking sector to stay on course for the govt's stated target of touching $5 trillion as an economy.

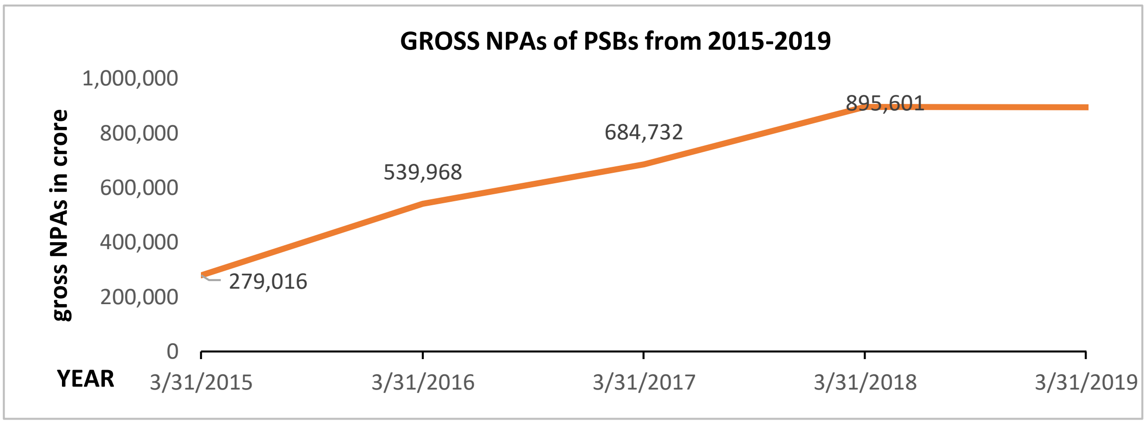
As on September 30, 2019, the NPAs of PSBs stood at Rs 7.27 trillion; the following table depicts the

GROSS NPAs OF PSBs FROM 2015-2019

Gross NPAs of PSBs	
Year	gross NPAs in crore
31-03-2015	2,79,016
31-03-2016	5,39,968
31-03-2017	6,84,732
31-03-2018	8,95,601
31-03-3019	8,06,412

Table No. : 2

GRAPHICAL REPRESENTATION OF GROSS NPAs OF PSBs FROM 2015-2019



Graph No. : 1

INTERPRETATION: The NPAs (Non- performing assets) of PSBs (Public sector banks) has rose from Rs. 2,79,016 crores as on 31 March, 2015 to Rs. 5,39,968 crores as on 31 March, 2016. Further, it has increased to Rs. 6,84, 732 crores in 2016 and to Rs. 8,95,601 crores in 2018. As a result of governments strategy of recognition, resolution, recapitalization, and reforms, NPAs have declined by Rs. 89,189 crores to Rs. 8,06,412 as on March 31, 2019. Further it got declined to Rs. 7,27,296 crores as on September, 2019.

PUBLIC SECTOR BANKS MEGA MERGER 2019

Merger of PSBs has been proposed as a part of 4r's strategy. PNB, Oriental bank of India, United Bank of India, Allahabad Bank, Indian Bank, Canara Bank, Syndicate Bank, Andhra Bank, Union Bank of India and Corporation Bank are chosen for merger and approved by RBI.

DATA ANALYSIS & INTERPRETATION OF MEGERING PSBs

The 10 PSBs are to be merged to form 4 large Public sector banks.

1.PUNJAB NATIONAL BANK, ORIENTAL BANK OF COMMERCE, UNITED BANK OF INDIA

Oriental Bank of Commerce and United Bank of India will be merged into Punjab National Bank. The following table represents the assets and liabilities of these three banks for the past three years.

ASSETS AND LIABILITIES OF PNB, OBC, UNITED BANK OF INDIA

BANK	ASSETS (in thousands)			LIABILITIES (in thousands)		
	2017	2018	2019	2017	2018	2019
PNB	7,33,31,09,100	7,78,99,49,100	7,89,26,57,900	6,89,36,54,200	7,35,71,03,400	7,43,74,76,600
OBC	2,53,06,47,250	2,33,34,40,436	2,71,90,95,661	2,38,94,33,601	2,21,55,72,867	2,53,00,83,226
United bank of India	1,41,05,31,124	1,44,74,86,558	1,51,52,99,278	1,33,30,93,011	1,36,07,34,199	1,40,03,10,501

Table No. : 3

INTERPRETATION:

From the table, it is clear that Punjab national bank (PNB) is the largest bank and have highest number of increasing Assets and liabilities compared to Oriental Bank of Commerce (OBC) and United Bank of India that are to be merged. And taking all this into consideration and to reach the large number of customers, the entity formed after merging may continue with the name Punjab national bank along with a new logo designed including the other two banks.

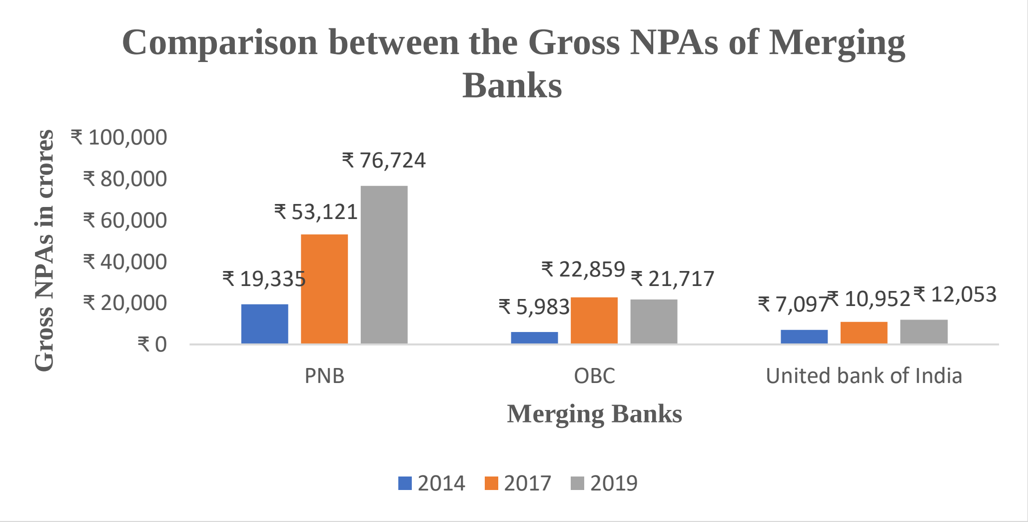
COMPARISON BETWEEN THE GROSS NPAs OF PNB, OBC, UNITED BANK OF INDIA

GROSS NPAs OF PNB, OBC, UNITED BANK OF INDIA IN CRORE

Year	PNB	OBC	United bank of India
2014	₹ 19,335	₹ 5,983	₹ 7,097
2017	₹ 53,121	₹ 22,859	₹ 10,952
2019	₹ 76,724	₹ 21,717	₹ 12,053

Table No. : 4

GRAPHICAL REPRESENTATION OF GROSS NPAs OF PNB, OBC UNITED BANK OF INDIA



Graph No. : 2

INTERPRETATION:

The above chart represents the Gross NPAs (non-performing assets) of the three merging banks (PNB, OBC, United Bank of India) in the year 2014, 2017 and 2019. From the chart it is clear that PNB have more NPAs compared to OBC and United Bank of India. The NPAs of PNB and United Bank of India have increased 44.43% and 10.06% from 2017 to 2019 respectively, whereas the NPAs of Oriental Bank of India has increased from 2014 to 2017 and then declined by 5% from 2017 to 2019, its focus on retail lending and RAM(retail, Agriculture and MSME Advances) and recovery helped to decrease the gross NPAs.

2. UNION BANK OF INDIA, ANDHRA BANK AND CORPORATION BANK

Andhra bank and Corporation Bank is to be merged with Union Bank of India. The following table represents the assets and liabilities of these three banks for the past three years.

ASSETS AND LIABILITIES OF UNION BANK OF INDIA, ANDHRA BANK, CORPORATION BANK

BANK	ASSETS (in thousands)			LIABILITIES (in thousands)		
	2017	2018	2019	2017	2018	2019

Union Banks of India	4,55,66,87,221	4,91,14,64,047	4,98,58,05,347	4,31,55,66,424	4,65,89,45,962	4,71,74,48,829
Andhra Bank	2,25,44,63,284	2,46,11,12,736	2,54,04,39,811	2,14,01,71,655	2,35,17,49,464	2,35,17,49,464
Corporation Bank	2,47,91,98,035	2,47,91,98,035	2,13,62,41,147	2,35,16,99,026	2,11,03,83,609	1,97,00,96,027

Table No. : 5

INTERPRETATION:

From the table, it is clear that Union bank of India is the largest and have the highest number of increasing assets and liabilities compared Andhra Bank and Corporation Bank. While the assets of Andhra bank increased over three years but liabilities have increased from 2017 to 2018 and has been constant from 2018 to 2019 and the assets and liabilities of Corporation have decreased from 2018 to 2019 that means the lending loans and deposits might have decreased. And taking all this into consideration and to reach the large number of customers, the entity formed after merging may continue with the name of Union Bank of India along with a new logo designed including the other two banks.

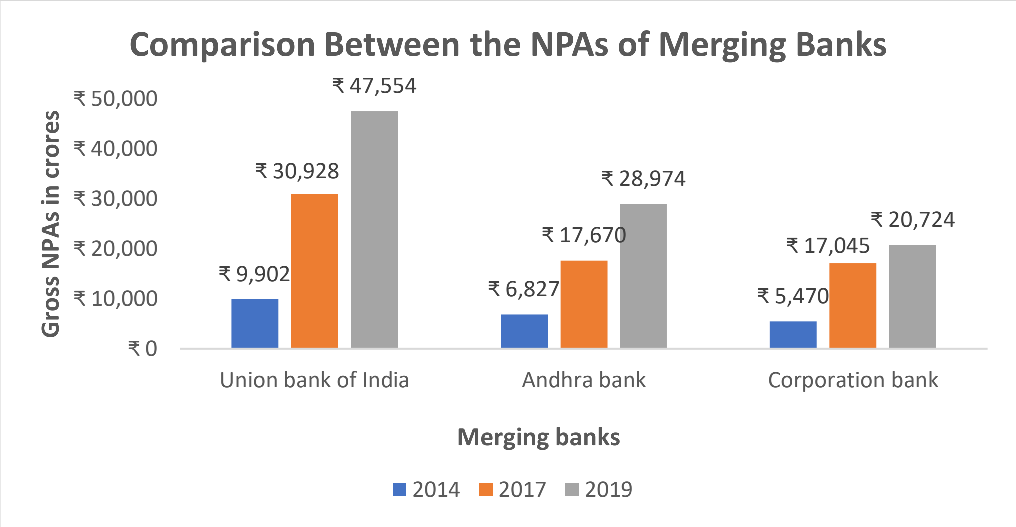
COMPARISON BETWEEN THE GROSS NPAs OF UNION BANK OF INDIA, ANDHRA BANK, CORPORATION BANK

IN CRORE

Year	Union bank of India	Andhra bank	Corporation bank
2014	₹ 9,902	₹ 6,827	₹ 5,470
2017	₹ 30,928	₹ 17,670	₹ 17,045
2019	₹ 47,554	₹ 28,974	₹ 20,724

Table No. : 6

GRAPHICAL REPRESENTATION OF GROSS NPAs OF UNION BANK OF INDIA, ANDHRA BANK, CORPORATION BANK



Graph No. : 3

INTERPRETATION:

The above chart represents the Gross NPAs (non-performing assets) of the three merging banks (Union Bank of India, Andhra Bank and Corporation Bank) in the year 2014, 2017 and 2019. The NPAs of all these three banks have increased over the years. There is almost 53.76% increase in the NPAs of Union Bank of India from 2017 to 2019, 63.97% increase in the NPAs of Andhra Bank from 2017 to 2019, and 21.58% increase in the NPAs of Corporation Bank. Though there is an increase in the NPAs of the bank but the percentage of increase is declined from 2014 - 2017 to 2017 - 2019.

3. CANARA BANK AND SYNDICATE BANK

Syndicate Bank is to be merged with Canara Bank. The following table represents the assets and liabilities of these two banks for the past three years.

BANK	ASSETS (in thousands)			LIABILITIES (in thousands)		
	2017	2018	2019	2017	2018	2019

Canara Bank	5,96,15,87,493	6,31,43,54,697	7,11,78,28,070	5,60,97,52,731	5,94,01,59,786	6,73,42,56,949
Syndicate bank	3,00,59,03,760	3,25,59,26,899	3,12,97,08,645	2,84,87,62,168	3,09,02,02,742	2,94,19,50,262

ASSETS AND LIABILITIES OF CANARA BANK AND SYNDICATE BANK

Table No. : 7

INTERPRETATION:

From the above table, it is clear that Canara Bank is the largest and have highest number of increasing assets and liabilities compared Syndicate Bank. The assets of Syndicate Bank are been increasing over the three years while the liabilities have increased from 2017 to 2018 but decreased in 2019 that indicating negative cash impact. And taking all this into consideration and to reach the large number of customers, the entity formed after merging may continue with the name of Canara Bank.

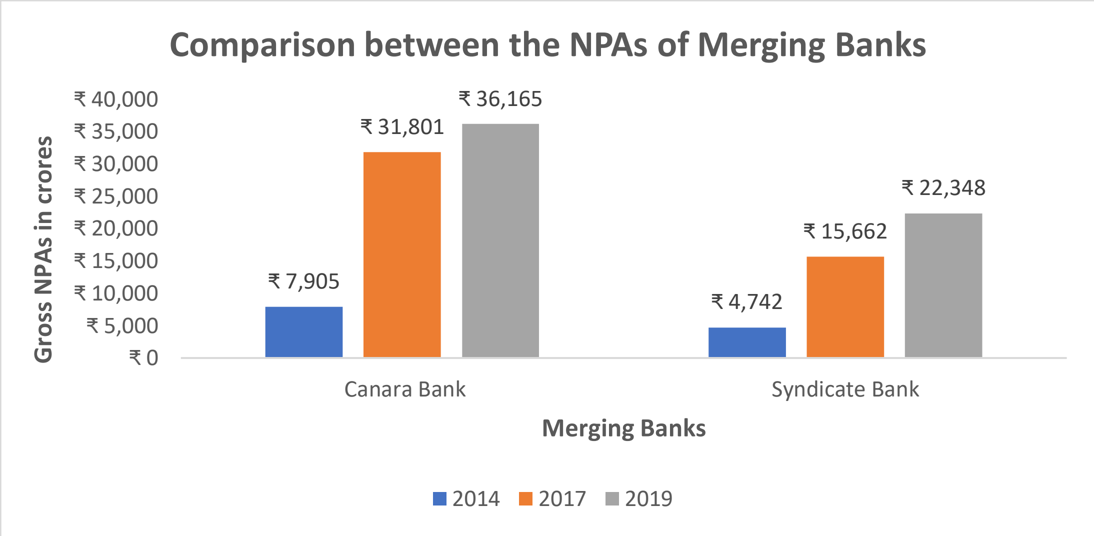
COMPARISON BETWEEN THE GROSS NPAs OF CANARA BANK AND SYNDICATE BANK

GROSS NPAs OF CANARA BANK AND SYNDICATE BANK IN CRORE

Year	Canara Bank	Syndicate Bank
2014	₹ 7,905	₹ 4,742
2017	₹ 31,801	₹ 15,662
2019	₹ 36,165	₹ 22,348

Table No. : 8

GRAPHICAL REPRESENTATION OF GROSS NPAs OF CANARA BANK AND SYNDICATE BANK



Graph No. : 4

INTERPRETATION:

The above chart represents the Gross NPAs (non-performing assets) of the two merging banks (Canara Bank and Syndicate Bank) in the year 2014, 2017 and 2019. The NPAs of these two banks have increased over the years. There is 13.72% increase in the NPAs of Canara Bank from 2017 to 2019 and 42.70% increase in the NPAs of Syndicate Bank. By this we can say that Canara Bank is performing better than Syndicate Bank. Though there is an increase in the NPAs of these two banks but the percentage of increase is declined from 2014-2017 to 2017-2019.

4. INDIAN BANK AND ALLAHABAD BANK

Allahabad Bank is to be merged with Indian Bank. The following table represents the assets and liabilities of these two banks for the past three years.

ASSETS AND LIABILITIES OF INDIAN BANK AND ALLAHABAD BANK

BANK	ASSETS (in thousands)			LIABILITIES (in thousands)		
	2017	2018	2019	2017	2018	2019

Indian Bank	2,18,50,74,400	2,52,98,14,100	2,80,38,82,800	2,01,05,44,800	2,34,24,60,990	2,60,65,23,700
Allahabad Bank	2,37,96,26,300	2,53,76,97,200	2,49,57,66,600	2,22,92,64,400	2,41,61,34,600	2,33,28,49,600

Table No. : 9

INTERPRETATION:

From the above table, it is clear that the assets and liabilities of Indian Bank has been increasing over three years balancing the impact on cash flows. While the assets and liabilities of Allahabad Bank has increased from 2017 to 2018 and then declined in 2019 indicating the decrease in the lending and deposits. Taking all this into consideration the entity formed after merger may continue as Indian Bank to reach the large number of customers across the country.

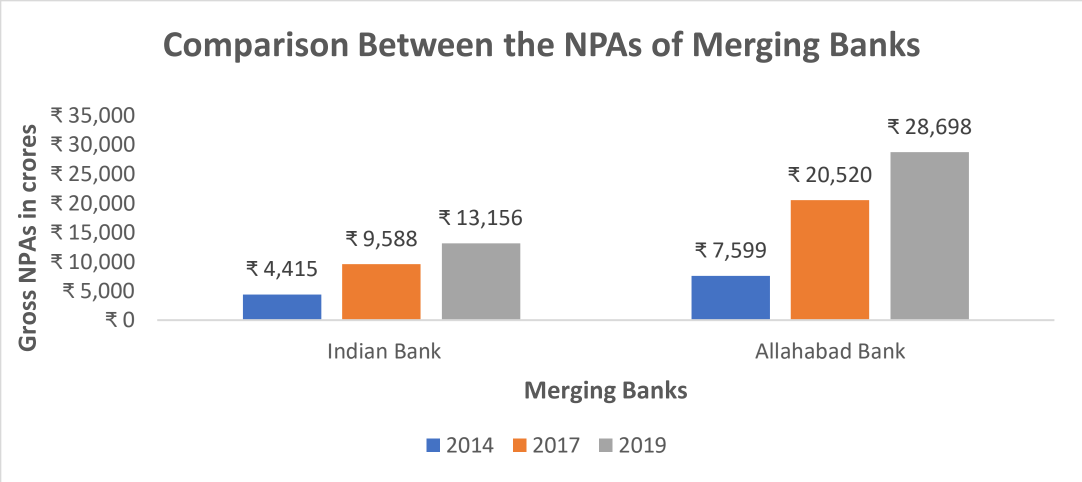
COMPARISON BETWEEN THE GROSS NPAs OF INDIAN BANK AND ALLAHABAD BANK

GROSS NPAs OF INDIAN BANK AND ALLAHABAD BANK IN CRORE

Year	Indian Bank	Allahabad Bank
2014	₹ 4,415	₹ 7,599
2017	₹ 9,588	₹ 20,520
2019	₹ 13,156	₹ 28,698

Table No. : 10

GRAPHICAL REPRESENTATION OF GROSS NPAs OF INDIAN BANK AND ALLAHABAD BANK



Graph No. : 5

INTERPRETATION:

The above chart represents the Gross NPAs (non-performing assets) of the two merging banks (Indian Bank and Allahabad Bank) in the year 2014, 2017 and 2019. The NPAs of these two banks have increased over the years. There is 37.21% increase in the NPAs of Indian Bank from 2017 to 2019 and 39.85% increase in the NPAs of Allahabad Bank. By this we can say that Indian Bank is performing better than Allahabad Bank. Though there is an increase in the NPAs of these two banks but the percentage of increase is declined from 2014-2017 to 2017-2019.

IMPACT OF MERGERS AND ACQUISITIONS ON SHARE PRICES

Mergers and acquisitions have greater impact on share performances, it effects the return of the investors, changes the risk and return carried by the shares of banks. Similarly, the announcement of PSBs mega merger has showed a greater impact on the shares of the banks.

1. PUNJAB NATIONAL BANK, ORIENTAL BANK OF COMMERCE, UNITED BANK OF INDIA

The following table represents the monthly Return on the shares of PNB, Oriental bank of commerce and United bank of India from April 2019 to March 2020.

MONTHLY RETURN ON THE SHARES OF PNB, OBC, UNITED BANK OF INDIA

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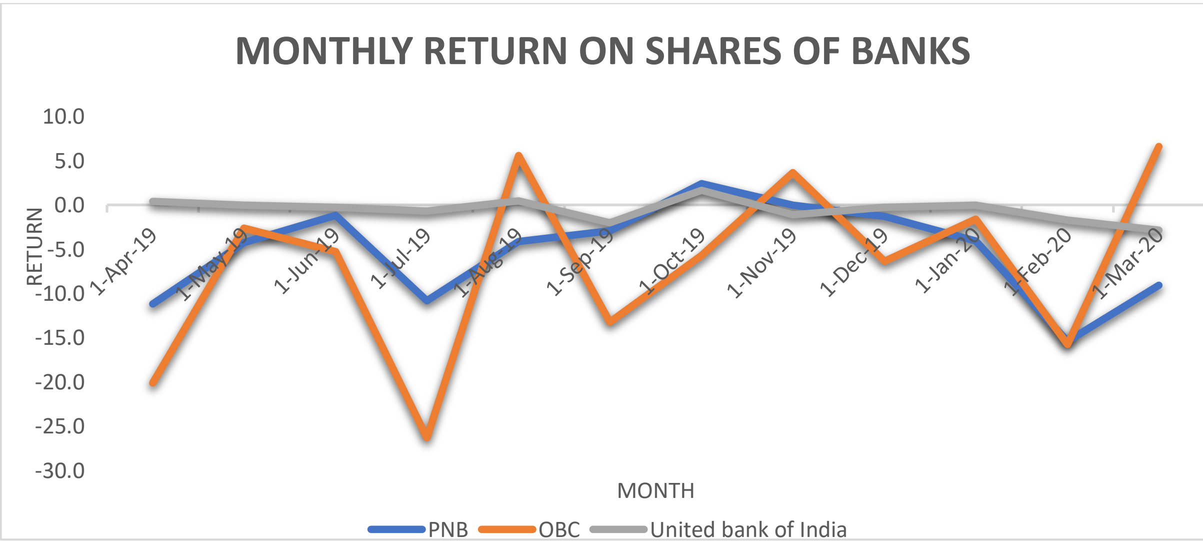
DATE	PNB	OBC	United bank of India
01-Mar-20	-9.1	6.6	-2.9
01-Feb-20	-15.4	-15.8	-1.7
01-Jan-20	-4.1	-1.6	-0.1
01-Dec-19	-1.3	-6.4	-0.3
01-Nov-19	0.0	3.7	-1.1
01-Oct-19	2.4	-5.7	1.7
01-Sep-19	-3.0	-13.3	-2.0
01-Aug-19	-4.1	5.6	0.5
01-Jul-19	-10.8	-26.3	-0.7
01-Jun-19	-1.2	-5.3	-0.3
01-May-19	-4.3	-2.6	0.0
01-Apr-19	-11.2	-20.1	0.4

Table No. : 11

GRAPHICAL REPRESENTATION OF MONTHLY RETURN ON THE SHARES OF PNB, OBC, UNITED BANK OF INDIA



Graph No. : 6

INTERPRETATION:

*Corresponding Author

From the above line chart, we can clearly see that there are more fluctuations in the returns of PNB and Oriental Bank of Commerce than United Bank of India. After the announcement of share swaps ratio in March 2020, that PNB will issue 121 shares for 1,000 shares of United Bank of India, and 1,150 shares for 1000 shares of OBC, the PNB shares fell nearly 6%, while those of United Bank of India plunged 20%. Meanwhile, OBC shares were traded in green, up nearly 3%. The trading OBC and United Bank of India was suspended on 20 march 2020, the last closing price of these two banks is 43.45 and 4.5 in NSE respectively.

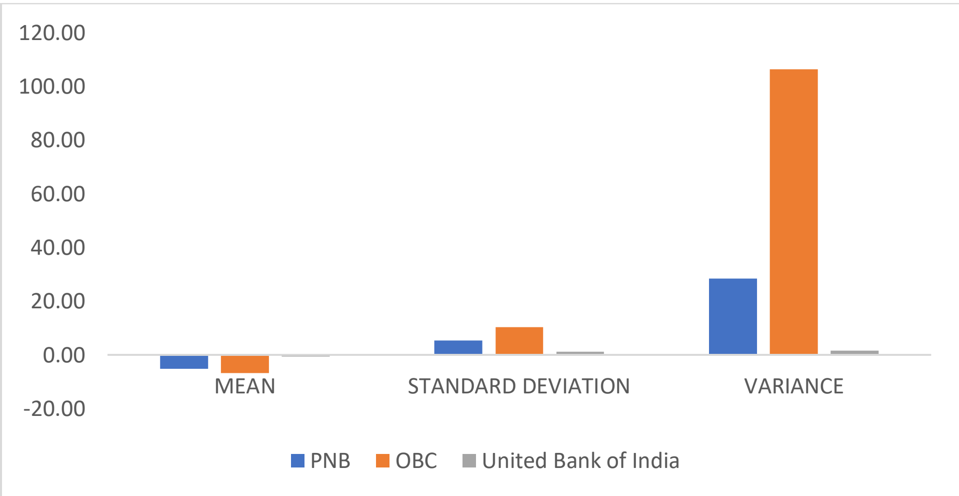
STATISTICAL SUMMARY OF RETURNS ON THE SHARES OF PNB, OBC UNITED BANK OF INDIA

The Mean, Standard deviation and Variance of PNB, OBC an United Bank of India is calculated below:

BANK	MEAN	STANDARD DEVIATION	VARIANCE
PNB	-5.16	5.32	28.32
OBC	-6.75	10.31	106.35
United Bank of India	-0.54	1.22	1.50

Table No. : 12

GRAPHICAL REPRESENTATION OF STATISTICAL SUMMARY OF PNB, OBC, UNITED BANK INDIA



Graph No. : 7

INTERPRETATION:

The Mean, Standard deviation and Variance calculated represents the average Return, Risk, and how much a stock tends to deviate from its mean respectively. Higher the variance, the riskier the stock. From the graph it is clear that the Standard deviation and variance of OBC is more than PNB and United Bank of India that means the shares of OBC carry more risk, and return is less compared to other two banks.

2.UNION BANK OF INDIA, ANDHRA BANK AND CORPORATION BANK

The following table represents the Monthly Return on the shares of United bank of India, Andhra Bank and Corporation Bank from April 2019 to March 2020. It represents the share performances after and before the merger announcement in August, 2019.

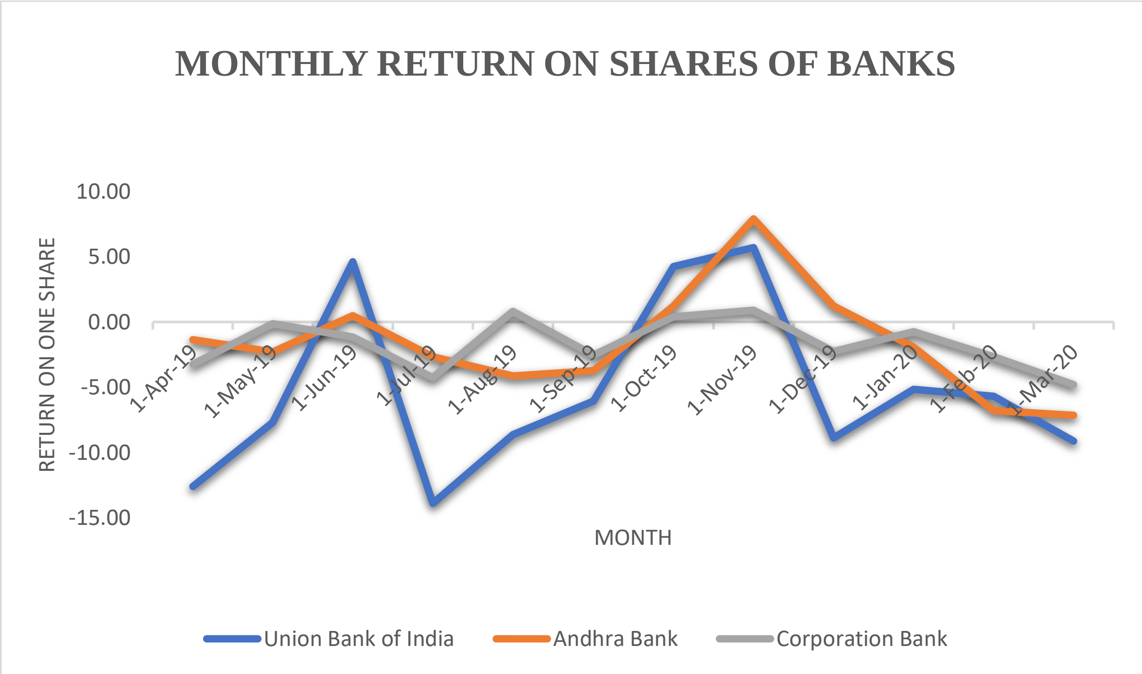
MONTHLY RETURN ON THE SHARES OF UNION BANK OF INDIA, ANDHRA BANK, CORPORATION BANK

DATE	Union Bank of India	Andhra Bank	Corporation Bank
01-Mar-20	-9.15	-7.15	-4.80
01-Feb-20	-5.70	-6.80	-2.65
01-Jan-20	-5.15	-1.95	-0.75
01-Dec-19	-8.90	1.20	-2.25
01-Nov-19	5.70	7.90	0.90
01-Oct-19	4.25	1.20	0.40
01-Sep-19	-6.05	-3.75	-2.55
01-Aug-19	-8.65	-4.15	0.80
01-Jul-19	-13.90	-2.65	-4.25
01-Jun-19	4.60	0.50	-1.15

01-May-19	-7.70	-2.30	-0.15
01-Apr-19	-12.60	-1.35	-3.25

Table No. : 13

GRAPHICAL REPRESENTATION OF MONTHLY RETURN ON THE SHARES OF UNION BANK OF INDIA, ANDHRA BANK AND CORPORATON BANK



Graph No. : 8

INTERPRETATION:

From the above line chart, it is clear that there are more fluctuations in the Return on Shares of Union Bank of India, Andhra Bank than Corporation Bank. From 1 December 2019 to 1 March 2020, the shares of all these three banks have possessed negative return. After the announcement of share swaps ratio in March 2020, that Union Bank of India will issue 325 shares for 1,000 shares of Andhra Bank, and 330 shares for 1,000 shares of Corporation Bank, the share of Union Bank of India slumped 7%, while those of Andhra Bank were down over 8% and the shares of Corporation Bank slipped down by a sharper 20%. The trading of Andhra Bank and Corporation Bank were suspended on 19 March, 2020 and the last closing price of these two banks is 9.1 and 9.8 in NSE respectively.

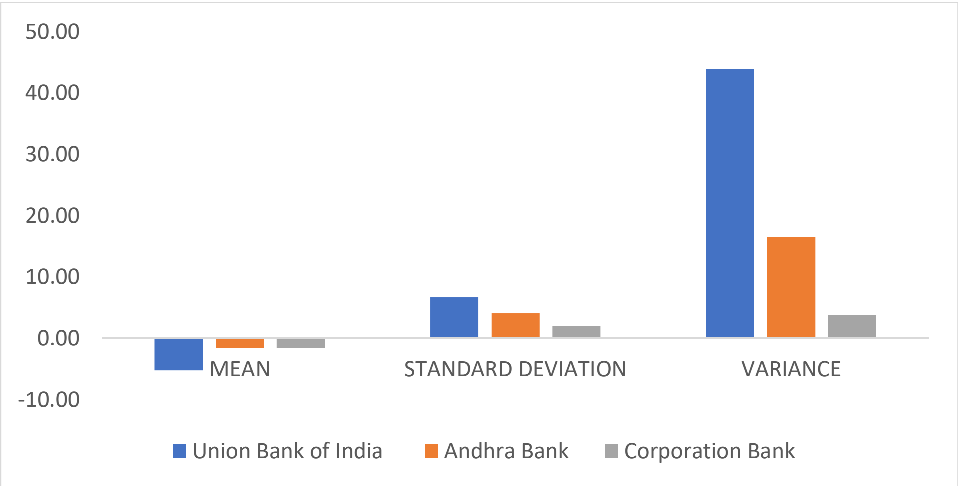
STATISTICAL SUMMARY OF RETURNS ON THE SHARES OF UNION BANK OF INDIA, ANDHRA BANK, CORPORATION BANK

The Mean, Standard deviation and Variance of Union Bank of India, Andhra bank and Corporation Bank is calculated below:

BANK	MEAN	STANDARD DEVIATION	VARIANCE
Union Bank of India	-5.27	6.63	43.91
Andhra Bank	-1.61	4.06	16.46
Corporation Bank	-1.64	1.94	3.77

Table No. : 14

GRAPHICAL REPRESENTATION OF STATISTICAL SUMMARY OF UNION BANK OF INDIA, ANDHRA BANK, CORPORATION BANK



Graph No. : 9

INTERPRETATION:

The Mean, Standard deviation and Variance calculated represents the average Return, Risk, and how much a stock tends to deviate from its mean respectively. Higher the variance, the riskier the stock. From the graph it is clear that, the Standard deviation and variance of all the three banks is positive that means risk can be treated as an opportunity but the standard deviation and variance of Union Bank of India is more when compared to Andhra bank and Corporation Bank which means the stock of Union Bank are more

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riskier than other two Banks. Whereas the negative mean of all these three banks represents the negative returns.

3.CANARA BANK AND SYNDICATE BANK

The following table represents the Monthly Return on the shares of Canara Bank and Syndicate Bank from April 2019 to March 2020. It represents the share performances after and before the merger announcement in August, 2019.

MONTHLY RETURN ON THE SHARES OF CANARA BANK AND SYNDICATE BANK

DATE	Canara Bank	Syndicate Bank
01-Mar-20	-47.25	-3.45
01-Feb-20	-57.30	-6.25
01-Jan-20	-19.45	-3.40
01-Dec-19	-4.95	-1.75
01-Nov-19	23.45	-0.40
01-Oct-19	20.05	3.40
01-Sep-19	-38.20	-5.55
01-Aug-19	-13.40	0.20
01-Jul-19	-49.90	-10.00
01-Jun-19	17.40	6.15
01-May-19	7.35	-2.10
01-Apr-19	-32.55	-5.70

Table No. : 15

GRAPHICAL REPRESENTATION OF MONTHLY RETURN ON THE SHARES OF CANARA BANK AND SYNDICATE BANK

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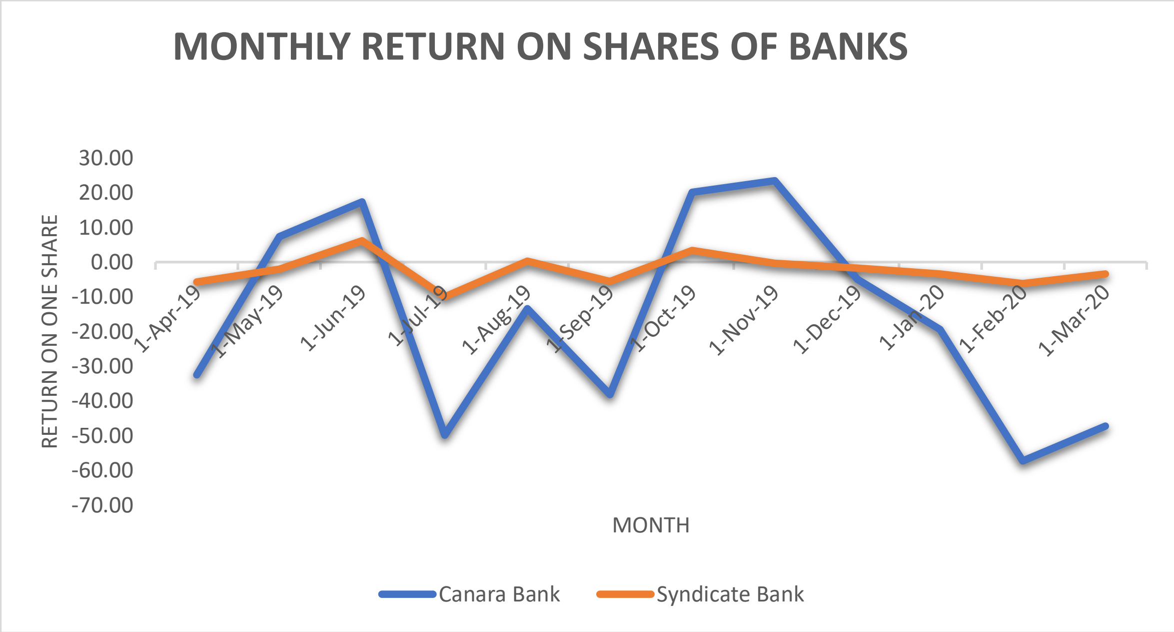


Graph No. : 10

INTERPRETATION:

From the above line chart, it is clear that there are more fluctuations in the shares of Canara Bank when compared to the shares of Syndicate Bank. From December 2019 to March 2020 the shares of Canara Bank have only possessed the negative returns to the investors while the returns on the shares of Syndicate Bank either have been constant or negative. After the announcement of share swaps ratio in March 2020, that Canara Bank would issue 158 shares for every 1,000 shares of Syndicate bank, the shares of Canara Bank dropped by 6% while those of Syndicate Bank ltd were down nearly 3%. The trading of Syndicate bank shares was suspended on 19 March, 2020 and the last opening and closing price of it is 14 and 15.15 in NSE.

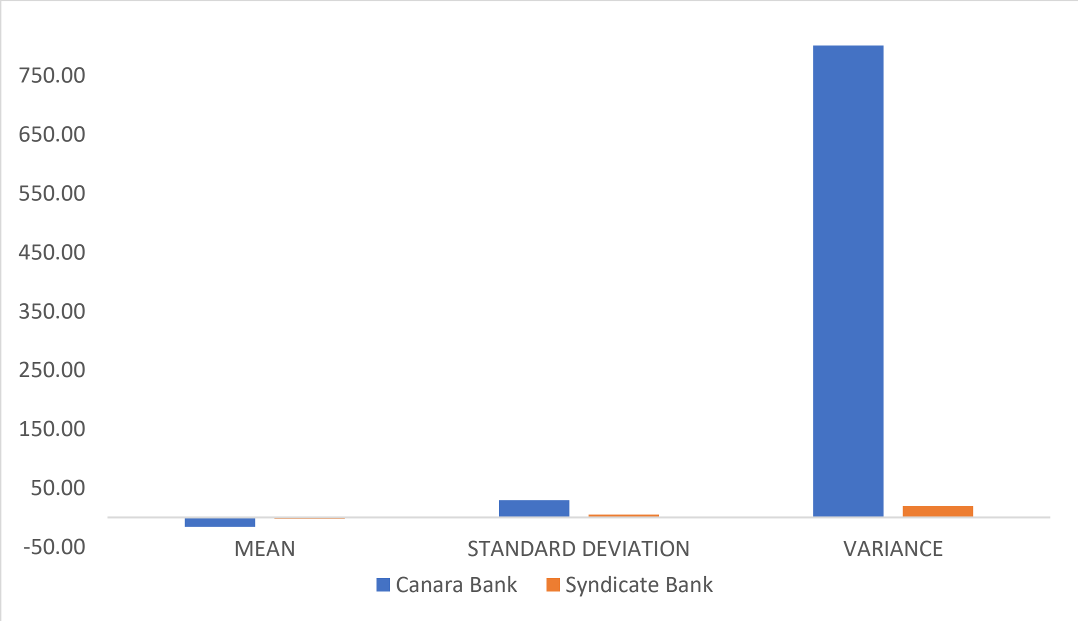
STATISTICAL SUMMARY OF RETURNS ON THE SHARES OF CANARA BANK AND SYNDICATE BANK

BANK	MEAN	STANDARD DEVIATION	VARIANCE
Canara Bank	-16.23	29.01	841.37
Syndicate Bank	-2.40	4.41	19.41

Table No. : 16

*Corresponding Author

GRAPHICAL REPRESENTATION OF STATISTICAL SUMMARY OF CANARA BANK AND SYNDICATE BANK



Graph No. : 11

INTERPRETATION:

The Mean, Standard deviation and Variance calculated represents the average Return, Risk, and how much a stock tends to deviate from its mean respectively. Higher the variance, the riskier the stock. From the graph it is clear that, the Standard deviation and of the two banks is positive that means risk can be treated has an opportunity and Variance of Canara Bank is more than Syndicate Bank that means the stocks of Canara Bank is riskier and tends to deviate more from its mean. The mean of these two bank shares is negative that indicates that the return on share is also negative.

1. INDIAN BANK AND ALLAHABAD BANK

The following table represents the Monthly Return on the shares of Indian Bank and Allahabad Bank from April 2019 to March 2020. It represents the share performances after and before the merger announcement in August, 2019.

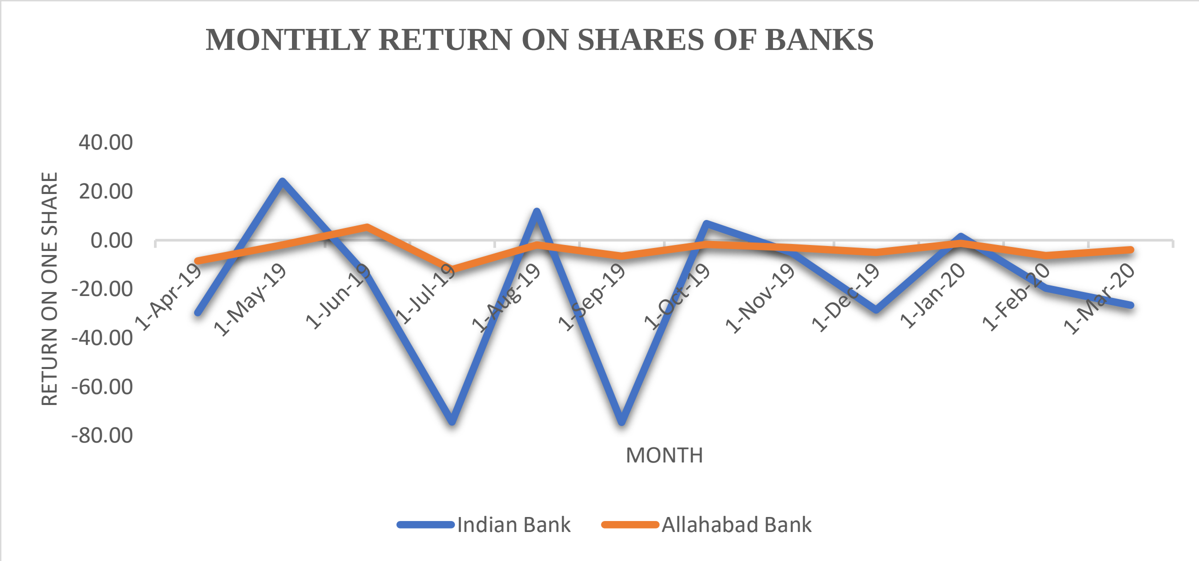
MONTHLY RETURN ON THE SHARES OF INDIAN BANK AND ALLAHABAD BANK

DATE	Indian Bank	Allahabad Bank

01-Mar-20	-26.55	-3.85
01-Feb-20	-19.60	-6.25
01-Jan-20	1.55	-1.25
01-Dec-19	-28.65	-5.05
01-Nov-19	-4.90	-2.95
01-Oct-19	6.90	-1.80
01-Sep-19	-74.60	-6.60
01-Aug-19	11.90	-1.90
01-Jul-19	-74.40	-12.00
01-Jun-19	-14.70	5.35
01-May-19	24.15	-2.00
01-Apr-19	-29.70	-8.55

Table No. : 17

GRAPHICAL REPRESENTATION OF MONTHLY RETURN ON THE SHARES OF INDIAN BANK AND ALLAHABAD BANK



Graph No. : 12

INTERPRETATION:

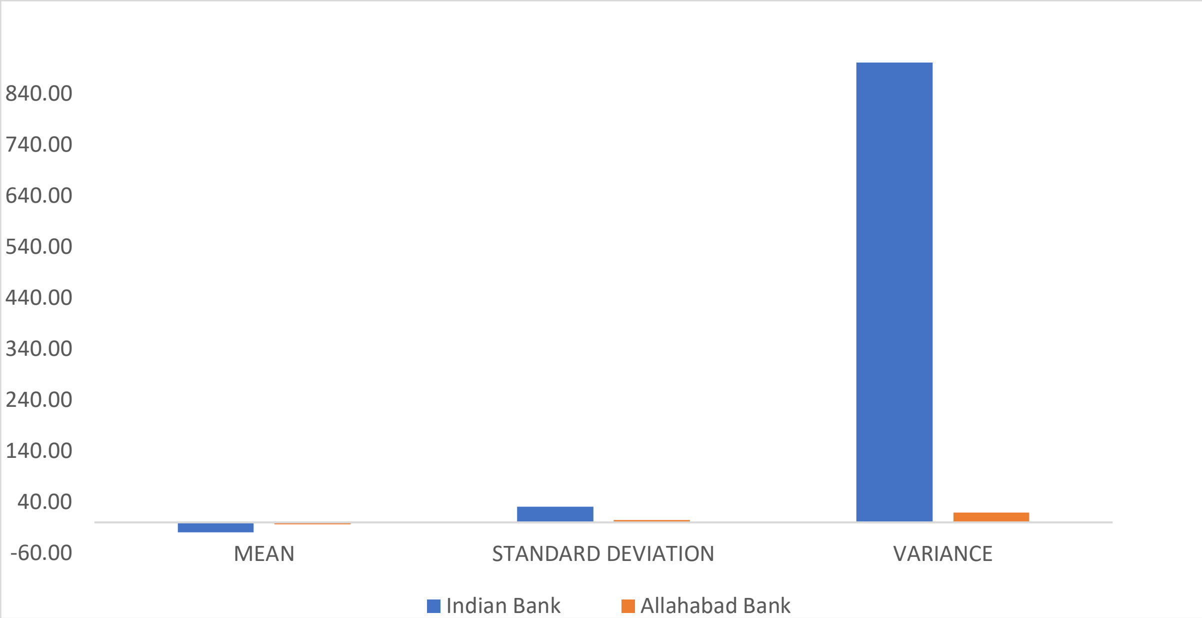
From the above line chart, it is clear that there are more fluctuations in the shares of Indian Bank when compared to the shares of Allahabad Bank. From December 2019 to March 2020 the shares of Indian Bank have only possessed the negative returns to the investors while the returns on the shares of Allahabad Bank either have been constant or negative. After the announcement of share swaps ratio in March 2020, that Indian Bank will issue 115 shares for every 1,000 shares of Allahabad bank, the shares of Indian Bank dropped by 3% while those of Allahabad Bank plunged over 17%. The trading of Allahabad bank shares was suspended on 19 March, 2020 and the last opening and closing price of it has been the same i.e. 7.6 in NSE.

STATISTICAL SUMMARY OF RETURNS ON THE SHARES OF INDIAN BANK AND ALLAHABAD BANK

BANK	MEAN	STANDARD DEVIATION	VARIANCE
Indian Bank	-19.05	30.97	959.33
Allahabad Bank	-3.90	4.34	18.81

Table No. : 18

GRAPHICAL REPRESENTATION OF STATISTICAL SUMMARY OF INDIAN BANK AND ALLAHABAD BANK



Graph No.: 13

INTERPRETATION:

The Mean, Standard deviation and Variance calculated represents the average Return, Risk, and how much a stock tends to deviate from its mean respectively. Higher the variance, the riskier the stock. From the graph it is clear that, the Standard deviation and of the two banks is positive that means risk can be treated has an opportunity and Variance of Indian Bank is more than Allahabad Bank that means the stocks of Indian Bank is riskier and tends to deviate more from its mean. The mean of these two bank shares is negative that indicates that the return on share is also negative and further from the graph we can say that Indian bank is possessing more negative compared to Allahabad bank.

FINDINGS

- The PSBs mega merger announced in August 2019 is aimed at having fewer but stronger banks.
- The merger is being done so that people have more funds available for credit. It is the part of government's '4R' (Resolve, Recover, Recapitalize Reforms) strategy to resolve NPA crisis.
- The NPAs has been declined by more than Rs. 1,00,000 crores after the implementation of this strategy.

- India has 18 PSBs in 2019 compared with 27 in 2017, Post this mega merger, the number will come down to 12. There will be six independent and six merged public sector banks.
- Previously, in the year 2018, Dena bank and Vijaya bank were merged with Bank of Baroda.
- This historic decision is taken after analysing the outcome Bank of Baroda's amalgamation which become the country's third largest bank after the merger in 2018.
- This mega merger is believed to make lenders stronger, more competitive, improve their risk-taking appetite and will lead to economic of scale.
- This is aimed to increase access to banking services by about 3,000 branches or more along with existing customers of all the amalgamating banks.
- In addition to this, the customers will benefit through investment in technology-enabled smart banking, such as paperless tab-banking, faster loan processing, banking from home, and customer-need driven credit offers.
- The merger of PNB, OBC and United Bank of India to form the second largest public sector bank, Canara Bank and Syndicate Bank will merge to become the fourth largest PSB, merger of Union of bank of India, Andhra Bank and Corporation Bank to build India's fifth-largest lender, Indian Bank will merge with Allahabad Bank to make India's seventh largest public sector bank.
- Coming the performances of the shares, the shares of this banks underperformed after the announcement of the merger in August,2019.
- The shares of the banks fell drastically after the cabinet approval and it declined even more after the announcement of share swaps ratio.
- In terms of decline of share prices, the pattern of fall in share prices is quite similar to pervious public sector bank merger i.e. Bank of Baroda, Vijaya Bank, Dena Bank, between the merger announcement and the listing of merged shares , the share of these three banks underperformed the PSU-bank Index, and SBI fared better.
- But on the last day of trading that is on 19 March, 2020 and 20 March, 2020 the banks to be merged performed moderately well and volume of shares traded have increased than before.

- Customers, including depositors of merging banks will be treated as customers of the banks in which these banks have been merged with effect from 1 April ,2020. All the merging banks will be operating the branches of the anchor banks from 1 April, 2020.
- Talking about assets and liabilities of the public sector banks, for every 2 out of 3 banks the assets and liabilities have increased over last 3 years balancing the cash flows.
- This merging plan might help the banking sector but it came as a shock to many people working in those merging banks and also to the customers who hold an account in these banks.
- The two big bank unions in the banking sector, All India Bank Employees Association (AIBEA) and All India Bank Officers Association (AIBOA) announced to go on strike opposing the Union Cabinet approval to mega merger of banks.
- This decision has created panic among the long-term customers mostly senior citizens. Their fear is the closure of the next-door branch and having to deal with a new bank with new systems following the mega-mergers.
- Their fear is evident because between June 2018 and 2019, SBI shut down 420 branches and 768 ATMs in India, while the combined entity of Bank of Baroda, Vijaya Bank and Dena Bank shut 40 Branches and 274 ATMs. More or less all the banks involved in this mega merger might also close its some of the branches and ATMs.
- But fact to be said, though this plan of mega merger might bring effective result not soon but in next two years, but it lowers the morale of banking employees because of the cultural difference of banks and difference in values and the strongly build customer relationship would get affected.
- For example; smaller banks like Vijaya Bank, Syndicate Bank and Canara Bank, their base is farmers and poorer who earn Rs 130-150 a day and senior citizens to who operate the account for the purpose of pensions and they have catered to their needs for years. But for a big bank, only high-value customers would matter, volumes would matter and things would get impersonal.
- It also creates the burden of NPAs of merging banks on anchor banks.

Recommendations:

- The implementation of merger and acquisition technique itself aims at reducing the cost of operation and improve the professional standard, risk management resulting in substantial financial savings.
- But besides all this it also creates problems, it becomes difficult to manage the people and the culture of the different banks, staff's disappointment leading to employees' issues and conflicts, customers emotional response and trust issues.
- So, it would be better for the banks to slowly implement and change banking system after the merger because a sudden change might bring down the effective performance of the staff. Often after the merger the services could get disrupted and the bank staff will be tied up with the logistics and procedural aspects of bank mergers for nearly one-year, regular banking like business growth, servicing senior citizens will suffer.
- To minimize such problems, the Banks should drop the idea of closing the regional banks because it creates a lot of disturbance between the local and middle-class low earning people who occupy the more than 75% of population in India.
- Also, RBI and the acquiring bank should work hand in hand to avoid and minimize the burden of handling the weaker banks.

CONCLUSION

Mergers are important for the consolidation and expansion purposes. Though the mergers between the public sector banks is less and rarely seen but the mergers in past have given great results in terms of saving weak banks which have failed to meet the expectations; hence they are crucial for the economy of the country. Success and desired results from this mega merger can only be acquired by carrying out it with the utmost care and executed in a manner which leads to an environment of trust and agreement between the merging banks. If these things are taken care properly, it can create a win-win situation for the banks and also helps to improve the Public Sector Banking in India.

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