Influence of Merger on Performance of Indian Banks: A Case Study

Gopal Chandra Mondal
Research Scholar, Dept. of Economics, Vidyasagar University, India&
Chief Financial Officer,IDFC Foundation,New Delhi, India

Dr Mihir Kumar Pal
Professor,Dept. Of Economics, Vidyasagar University, India

Dr Sarbapriya Ray*
Assistant Professor, Dept. of Commerce, Vivekananda College, Under University of Calcutta, Kolkata,India

Abstract
The study attempts to critically analyze and evaluate the impact of merger of Nedungadi bank and Punjab National Bank on their operating performance in terms of different financial parameters. Most of the financial indicators of Nedungadi bank and Punjab National Bank display significant improvement in their operational performance during post merger period. Therefore, the results of the study reveal that average financial ratios of sampled banks in Indian banking sector showed a remarkable and significant improvement in terms of liquidity, profitability, and stakeolders wealth.
Keywords: Merger, India, Nedungadi bank, Punjab National Bank.

1. Introduction:
Concept of merger and acquisition has become very trendy in present day situation, especially, after liberalization initiated in India since 1991. The emergent tendency towards mergers and acquisitions (M&As) world-wide, has been ignited by intensifying competition. Mergers and acquisitions have been taking place in corporate as well as banking sector to abolish financial, operation and managerial weakness as well as to augment growth and expansion , to create shareholders value, stimulate health of the organization with a view to confront challenges in the face of stiff competitive in globalized environment. The key driving force for merger activity is severe competition among firms of the same industry which puts focus on economies of scale, cost efficiency, and profitability. The other factor behind bank mergers is the “too big to fail” principle followed by the authorities. There is a need to reduce costs, reach global size, take benefit of economies of scale, increase investment in technology for strategic gains, desire to expand business into new areas and improve shareholder value. M&As are not new in the Indian economy. In the past also, companies have used M&As to grow and now, Indian corporate enterprises are refocusing in the lines of core competence, market share, global competitiveness and consolidation. The reforms process initiated by the Government since 1991, has influenced the functioning and governance of Indian enterprises which has resulted in adoption of different growth and expansion strategies by the corporate enterprises. Mergers and Acquisitions (M&A) are the overriding corporate strategies followed by business looking for enhanced value creation.

Previously, merging of one bank with another executed by regulator was aimed at protecting the interest of investors of fragile banks. Many small and weak banks have been merged with other banks mainly to protect the interests of depositors. These may be classified as forced mergers. When a specific bank shows severe symptoms of sickness such as huge NPAs, erosion in net worth or substantial decline in capital adequacy ratio, RBI imposes moratorium under Section 45(1) of Banking Regulation Act, 1949 for a specific period on the activities of the sick bank. In this moratorium period, RBI identifies a strong bank and asks that bank to prepare a scheme of merger. Presently, market led mergers has gained momentum. Mergers and acquisitions activity has gained importance caused by intensifying competition, liberalization, globalization, and integration of national and international markets. One of the strategies to face the intense competition could be, to consolidate through the process of mergers and acquisitions in case of Indian financial sector organizations. India is gradually but steadily moving from a regime of 'large number of small banks' to 'small number of large banks' and ‘larger the bank, higher its competitiveness and better prospects of survival’ appears to be the tune for success.

The Government initiated policy initiatives which were aimed at deregulation and encouragement of mergers with a view to increasing the size, profitability, and financial strength of Indian Banks thereby enhancing their capability to compete globally. This climate of relaxed merger regulations fostered an increase in the number of merger deals among Indian firms. The economic reforms brought about a comprehensive change in the competitive landscape of the Indian Banking System forcing many of the incumbent banks to accept mergers and acquisitions with the objective of restructuring themselves in order to augment their efficiency, profitability, and competitive strength.

There is slight published empirical literature on the impact of M&As on banks in India. This study is a preliminary attempt to fill this research gap .Therefore, the objective of the study is to critically analyze and evaluate the impact of merger of Nedungadi bank with Punjab National Bank on their operating performance in terms of different financial parameters. The results have been obtained analyzing the data five years before and after the merger took place. The study has further attempted to investigate and test whether there exist any significant deviations in the results achieved by the banks after merger.

2. Indian Banking Scenario and mergers of Indian banks:

The history of Indian Banking shows that banking system in India was commenced in the 18th century when efforts were made to establish the General Bank of India and Bank of Hindustan in 1786 and 1790 respectively. . Later on, some more banks like the Bank of Bombay (1840), the Bank of Madras (1843) and the Bank of Calcutta (1840) were established under the charter of British East India Company. These Banks were merged in 1921 and took the form of a new bank known as the Imperial Bank of India. For the development of banking facilities in the rural areas the Imperial Bank of India partially nationalized on 1 July 1955, and named as the State Bank of India along with its 8 associate banks (at present 7). Later on, the State Bank of Bikaner and the State Bank of Jaipur merged and formed the State Bank of Bikaner and Jaipur.The period between 1906 and 1911 witnessed the establishment of banks such as Bank of India, Bank of Baroda, Canara Bank, Corporation Bank, Indian Bank and Central Bank of India; these banks have survived to the present.

The Indian banking sector can be fragmented into two eras, the pre liberalization era and the post liberalization era. In pre liberalization era, government of India nationalized 14 Banks on 19 July 1969 and later on 6 more commercial Banks were nationalized on 15 April 1980. In the year 1993, government merged The New Bank of India and The Punjab National Bank and this was the only merger between nationalized Banks, after that the numbers of nationalized Banks reduced from 20 to 19. In post liberalization regime, government had initiated the policy of liberalization and licenses were issued to the private banks which lead to the growth of Indian Banking sector. Licences were granted to small number of private banks like Global Trust Bank, which later amalgamated with Oriental Bank of Commerce, Axis Bank (earlier UTI Bank), ICICI Bank and HDFC Bank. This progress had augmented the growth in Indian Banking along with the rapid growth in the economy of India, followed by the growth with strong contribution from all the three sectors of banks, *viz.* government banks, private banks and foreign banks. The Indian Banking Industry displays a sign of revival and improvement in performance and efficiency after the global crisis appeared in 2008-09. The Indian Banking Industry is having far better position than it was at the time of crisis. Government has taken a variety of initiatives to strengthen the financial system. The economic recovery gained strength on the back of a variety of monetary policy initiatives taken by the Reserve Bank of India.

Table:1: Chronological List of mergers of Indian banks

S.NO.	TARGET BANK	ACQUIRER BANK	Date of Merger
1.	Bank of Bihar Ltd	. State Bank of India	November 8, 1969
2.	National Bank of Lahore Ltd.	State Bank of India	February 20, 1970
3.	Miraj State Bank Ltd.	Union Bank of India	July 29, 1985
4.	Lakshmi Commercial Bank Ltd.	Canara Bank	August 24, 1985
5.	Bank of Cochin Ltd.	State Bank of India	August 26, 1985
6.	Hindustan Commercial Bank Ltd.	Punjab National Bank	December 19, 1986
7.	Traders Bank Ltd.	Bank of Baroda	May 13, 1988
8.	United Industrial Bank Ltd	. Allahabad Bank	October 31, 1989
9.	Bank of Tamilnadu Ltd.	Indian Overseas Bank	February 20, 1990
10.	Bank of Thanjavur Ltd.	Indian Bank	February 20, 1990
11.	Parur Central Bank Ltd.	Bank of India	February 20, 1990
12.	Purbanchal Bank Ltd.	Central Bank of India	August 29, 1990
13.	New Bank of India	Punjab National Bank	September 4, 1993
14.	Bank of karad Ltd	Bank of India	1993-1994
15.	Kashi Nath Seth Bank Ltd.	State Bank of India	January 1, 1996
16.	Bari Doab Bank Ltd	Oriental Bank of Commerce	April 8, 1997
17.	Punjab Co-operative Bank Ltd.	Oriental Bank of Commerce	April 8, 1997
18.	Bareilly Corporation Bank Ltd	Bank of Baroda	June 3, 1999
19	Sikkim Bank Ltd	Union Bank of India	December 22, 1999
20	Times Bank Ltd.	HDFC Bank Ltd	February 26, 2000
21	Bank of Madura Ltd.	ICICI Bank Ltd.	March 10, 2001
22	ICICI Ltd	ICICI Bank Ltd	May 3, 2002
23	Benares State Bank Ltd	Bank of Baroda	June 20, 2002
24	Nedungadi Bank Ltd.	Punjab National Bank	February 1, 2003
25	South Gujarat Local Area Bank Ltd.	Bank of Baroda	June 25, 2004
26	Global Trust Bank Ltd.	Oriental Bank of Commerce	August 14, 2004
27	IDBI Bank Ltd.	IDBI Ltd	April 2, 2005
28	Bank of Punjab Ltd.	Centurion Bank Ltd	October 1, 2005
29	Ganesh Bank of Kurundwad Ltd	Federal Bank Ltd	September 2, 2006
30	United Western Bank Ltd.	IDBI Ltd	October 3, 2006
31	Bharat Overseas Bank Ltd	Indian Overseas Bank	. March 31, 2007
32	Sangli Bank Ltd..	ICICI Bank Ltd	April 19, 2007
33	Lord Krishna Bank Ltd.	Centurion Bank of Punjab Ltd.	August 29, 2007
34	Centurion Bank of Punjab Ltd.	HDFC Bank Ltd	May 23, 2008
35	The Bank of Rajasthan	ICICI Bank Ltd	August 13, 2010

Source: Report on Trend and Progress, RBI, Various Issues, VIII competition and consolidation, 04 Sep 2008(Modified and updated by authors from history of banks' merger)

3. Methodology

3.1. Collection of data

The financial and accounting data of banks has been mainly collected from banks' Annual Report of several years to evaluate the impact of M&As on the performance of said banks. Financial data has also been collected from *www.moneycontrol.com* for the study.

3.2. Method of Analysis:

For attaining the result, pre and post merger performance have been compared. The pre and post merger financial performance have been achieved in terms of Investment- Deposit Ratio, Priority sector advance as % to total advance, Deposit per employee, Advance per employee, Interest income as a % of total income, Non-interest income as a % of total income, Interest expenses as a % of total expenses, Establishment expenses as a % of total expenses, Other operating expenses as a % of total expenses, Spread as a % to Assets, Interest Income as % to average working funds, Non-interest Income as % to average working funds, Operating profit as % to average working funds, Return on Asset, Net NPA as % to net advances, Capita Adequacy Ratio [CAR(%) etc.

The pre-merger (two years before) and post -merger (after two years) of the financial ratios have been compared. The year of merger is considered as base year and denoted as 0 which has been excluded from the analysis. Keeping in mind the objective of the study, we have taken into consideration the mean difference, standard deviation, independent t-test as tools of statistical evaluation of our study. In order to test the null hypothesis, paired t- test is used. This test is a parametric statistical hypothesis test for the case of two related samples on a single sample.

3.3Financial ratio used:
(i) Credit -Deposit Ratio=Total Advance/Total Deposit X 100
(ii) Investment- Deposit Ratio: Total Investment / Total Deposit X 100
(iii) Priority sector advance as % to total advance: Priority sector advance / Total Advance X 100
(iv) Deposit per employee: Total Deposit / no of employees X 100
(v) Advance per employee: Total Advance / no of employee X 100
(vi) Interest income as a % of total income: Interest earned / Total income X 100
(vii) Non-interest income as a % of total income: Non-interest earned / Total income X 100
(viii) Interest expenses as a % of total expenses= Total interest expended / Total expenditure
(ix) Establishment expenses as a % of total expenses = Establishment expense / Total expenditure
(x) Other operating expenses as a % of total expenses = Other operating expenses / Total expenditure
(xi) Spread as a % to Assets =spread (i.e.interest income minus interest expenses)/ Total assets
(xii) Interest Income as % to average working funds =Interest earned/Average working fund(AWF)
(xiii) Non-interest Income as % to average working funds=Non-interest earned/ Average working fund(AWF)
(xiv) Operating profit as % to average working funds= Operating profit/ Average working fund(AWF)
(xv) Return on Asset(ROA)= Net profit/ Average assets
(xvi) Net NPA as % to net advances= Net NPA/ Net advances
(xvii) CAR(%)=Tier-I Capital(%)+Tier-II Capital(%)

3.4. Hypotheses
Hypotheses have been formulated for testing the significant difference between Pre and Post merger financial indicators which have been depicted below:
H_0 (Null Hypothesis): There is no significance difference between the pre and post merger financial indicators like Investment- Deposit Ratio, Priority sector advance as % to total advance, Deposit per employee, Advance per employee, Interest income as a % of total income, Non-interest income as a % of total income, Interest expenses as a % of total expenses, Establishment expenses as a % of total expenses, Other operating expenses as a % of total expenses, Spread as a % to Assets, Interest Income as % to average working funds, Non-interest Income as % to average working funds, Operating profit as % to average working funds, Return on Asset, Net NPA as % to net advances, Capita Adequacy Ratio [CAR(%) etc.
H_1 (Alternative Hypothesis): There is significance difference between the pre and post merger financial indicators like Investment- Deposit Ratio, Priority sector advance as % to total advance, Deposit per employee, Advance per employee, Interest income as a % of total income, Non-interest income as a % of total income, Interest expenses as a % of total expenses, Establishment expenses as a % of total expenses, Other operating expenses as a % of total expenses, Spread as a % to Assets, Interest Income as % to average working funds, Non-interest Income as % to average working funds, Operating profit as % to average working funds, Return on Asset, Net NPA as % to net advances, Capita Adequacy Ratio [CAR(%) etc.

4. Analysis of results:
Table-2 simply presents premerger financial performance for only two years 2001-02 and 2002-03 on the basis of some financial indicators depicted below. The premerger results have been presented for only two years due to paucity of data as well as difficulty in retrieving annual report of Nedungadi Bank for earlier periods. However, simple ratio shows ups and downs in operating performance of two banks. Of course, post merger financial parameters for 5 year period in table -3 do not indicate merely steady upward performance ,rather, some ratios show dismal downward trend.

Table:2: Pre-Merger financial performance of Punjab National Bank and Nedungadi Bank(Two years prior) (in percentage)[Merged on 01.02.2003]

Serial no.	Ratios	**Punjab National Bank** (Bidder Bank)		**Nedungadi Bank** (Target Bank)	
		As on 31-03-2001	As on 31-03-2002	As on 31-03-2001	As on 31-03-2002
1.	Credit -Deposit Ratio	49.96	53.60	48.51	53.54
2.	Investment- Deposit Ratio	44.77	43.99	40.33	36.71
3.	Priority sector advance as % to total advance	38.71	39.11	32.43	33.15
4.	Deposit per employee	382.94	426.21	98.17	81.66
5.	Advance per employee	191.32	228.44	47.62	43.72
6.	Interest income as a % of total income	88.28	87.18	85.96	68.92
7.	Non-interest income as a % of total income	11.72	12.82	14.04	31.08
8.	Interest expenses as a % of total expenses	61.91	61.62	57.47	64.85
9.	Establishment expenses as a % of total expenses	23.62	18.64	11.63	13.42
10.	Other operating expenses as a % of total expenses	6.68	6.84	5.91	6.83
11.	Spread as a % to Assets	3.08	3.02	0.99	0.61
12.	Interest Income as % to average working funds	9.84	9.36	9.80	9.09
13.	Non-interest Income as % to average working funds	1.31	1.50	1.60	4.10
14.	Operating profit as % to average working funds	1.59	2.36	0.04	2.03
15.	Return on Asset	0.73	0.79	3.57	0.08
16.	Net NPA as % to net advances	6.74	5.32	21.04	31.05
17.	Capita Adequacy Ratio [CAR(%)]	10.24	10.70	1.93	1.99

Source: Author's own estimate from data collected from Annual report(several years) and www.moneycontrol.com.

Table3:- Post-merger financial performance of Punjab National Bank (Five years after) (in percentage)

Serial no.	Ratios	**Punjab National Bank** (Bidder Bank)				
		As on 31-03-2003	As on 31-03-2004	As on 31-03-2005	As on 31-03-2006	As on 31-03-2007
1.	Credit -Deposit Ratio	53.06	53.72	58.56	62.35	69.07
2.	Investment- Deposit Ratio	44.89	47.92	49.12	34.30	32.31
3.	Priority sector advance as % to total advance	39.86	43.91	46.79	45.68	37.81
4.	Deposit per employee	128.54	149.42	176.87	206.19	244.02
5.	Advance per employee	68.21	80.26	103.57	128.56	168.53
6.	Interest income as a % of total income	85.69	80.65	83.47	88.62	86.65
7.	Non-interest income as a % of total income	14.31	19.35	16.53	11.38	13.35
8.	Interest expenses as a % of total expenses	55.25	48.67	51.04	52.45	52.71
9.	Establishment expenses as a % of total expenses	18.70	19.37	27.78	22.56	20.59
10.	Other operating expenses as a % of total expenses	7.36	8.39	9.79	9.69	8.52
11.	Spread as a % to Assets	3.62	3.54	3.17	3.21	3.21
12.	Interest Income as % to average working funds	9.23	8.25	7.40	7.06	8.43
13.	Non-interest Income as % to average working funds	1.64	2.13	1.61	0.98	1.20
14.	Operating profit as % to average working funds	3.28	3.81	2.51	2.51	2.68
15.	Return on Asset	1.04	1.18	1.23	1.06	1.00
16.	Net NPA as % to net advances	3.86	0.98	0.20	0.29	0.76
17.	Capita Adequacy Ratio [CAR(%)]	12.02	13.10	14.78	11.95	12.29

Source: Author's own estimate from data collected from Annual report (several years) and www.moneycontrol.com.

Table 4 presents combined financial picture of Nadungadi Bank and Punjab National Bank during pre merger period if they could have been taken together during 2000-01 and 2001-02.Result shows similar upward and downward picture of both banks in terms of selected financial parameters.

Table 4:- Combined average Profile of Nadungadi Bank and Punjab National Bank for the last two financial years before the merger (in Percentage)

Serial no.	Ratios	**Nedungadi Bank and Punjab National Bank**	
		As on 31-03-2001	As on 31-03-2002
1.	Credit -Deposit Ratio	49.24	53.57
2.	Investment- Deposit Ratio	42.55	40.35
3.	Priority sector advance as % to total advance	35.57	36.13
4.	Deposit per employee	240.56	253.94
5.	Advance per employee	119.47	136.08
6.	Interest income as a % of total income	87.12	78.05
7.	Non-interest income as a % of total income	12.88	21.95
8.	Interest expenses as a % of total expenses	59.69	63.24
9.	Establishment expenses as a % of total expenses	17.63	16.03
10.	Other operating expenses as a % of total expenses	6.30	6.84
11.	Spread as a % to Assets	2.04	1.82
12.	Interest Income as % to average working funds	9.82	9.23
13.	Non-interest Income as % to average working funds	1.46	2.80
14.	Operating profit as % to average working funds	0.82	2.20
15.	Return on Asset	2.15	0.44
16.	Net NPA as % to net advances	13.89	18.19
17.	Capita Adequacy Ratio [CAR(%)]	6.09	6.35

Source: Author's own estimate.

In case of merger between Nedungadi Bank Ltd and Punjab national bank, we have found, while comparing between pre and post merger financial performance ,that mean value of Credit -Deposit Ratio

(51.40% vs 53.39%) has increased showing a mean difference of 1.988% which shows significant appreciation in Credit -Deposit Ratio.Investment- Deposit Ratio and Priority sector advance as % to total advance have also increased drastically during post merger period as compared to pre-merger period indicating significant upward trend in the performance of banks' Investment- Deposit Ratio (mean value 41.45vs 46.405,mean diff. 4.955)as well as Priority sector advance as % to total advance (mean value 35.85 vs 41.885,mean diff. 6.035)**.**Interest income as a % of total income (mean value 82.59vs 83.17,mean diff. 0.585)and Operating profit as % to average working funds(mean value 1.51vs 3.545,mean diff. 2.040) during post merger period shows significant improvement indicating that favourable changes have taken place in term of interest income and operating profit margin in post merger scenario.Capital adequacy is only one of the factors which limit bank's lending capabilities. CAR determines the bank's capacity to meet the time liabilities and other risks such as credit risk, operational risk etc. This ratio is used to protect depositors and promote the stability and efficiency of financial systems around the world. In the most simple formulation, a bank's capital is the "cushion" for potential losses, and protects the bank's depositors and other lenders.Capita Adequacy Ratio (mean value 6.22vs 12.56,mean diff. 6.345)have improved in post-merger period significantly.Establishment expenses as a % of total expenses (mean value 16.83 vs19.035, mean diff. 2.208) ,Other operating expenses as a % of total expenses(mean value 6.57vs7.875, mean diff. 1.310) show significant increase indicating that due to expansion of number of branches via merger ,establishment expenses and operating expenses may have probably been increased. Non-interest income as a % of total income, Interest Income as % to average working funds, Non-interest Income as % to average working funds, Return on Asset, Deposit per employee, Advance per employee, Interest expenses as a % of total expenses ,have declined during post merger period which is beyond expectation. But, Net NPA as % to net advances (mean value 16.04vs2.42, mean diff. 13.618) significantly declined during post reform period indicating a decline in NPA of merged entity. Increase in Spread as a % to Assets during post merger period signifies that gap between interest income and interest expenses increases during this period which is good sign for the merged entity of the bank.Therefore, it can be inferred that out of 17 performance indicators of the two banks, 9 financial indicators of Nedungadi Bank Ltd and Punjab national bank display significant improvement in their operational performance during post merger period and 8 financial indicators show decline in their operational performance.

Table 5:- Mean and Standard Deviation of Pre-merger and Post-merger Ratios of combined (Nedungadi Bank Ltd and Punjab national bank) **and Acquiring Bank** (Punjab national bank)**[considering two year pre and post]**

		Mean	Mean Difference	Change in ratios	Std.Deviation
Credit -Deposit Ratio	Pre-merger	51.40	1.988	I*	3.065
	Post-merger	53.39			0.467
Investment- Deposit Ratio		41.45	4.955	I*	1.556
		46.405			2.143
Priority sector advance as % to total advance		35.85	6.035	I*	0.396
		41.885			2.864
Deposit per employee		247.25	108.26	D**	9.461
		138.98			14.764
Advance per employee		127.78	53.54	D**	11.745
		74.235			8.521
Interest income as a % of total income		82.59	0.585	I*	6.413
		83.17			3.564
Non-interest income as a % of total income		17.42	0.585	D**	6.413
		16.83			3.564
Interest expenses as a % of total expenses	Pre-merger	61.46	9.503	D**	2.507
	Post-merger	51.96			4.653
Establishment expenses as a % of total expenses	Pre-merger	16.83	2.208	I*	1.128
	Post-merger	19.035			0.474
Other operating expenses as a % of total expenses	Pre-merger	6.57	1.310		0.382
	Post-merger	7.875		I*	0.728
Spread as a % to Assets	Pre-merger	1.93	1.655		0.156
	Post-merger	3.58		I*	0.057
Interest Income as % to average working funds	Pre-merger	9.52	0.783		0.421
	Post-merger	8.74		D**	0.693
Non-interest Income as % to average working funds	Pre-merger	2.13	0.243		0.951
	Post-merger	1.885		D**	0.346
Operating profit as % to average working funds	Pre-merger	1.51	2.040		0.976
	Post-merger	3.545		I*	0.375
Return on Asset	Pre-merger	1.29	0.183	D**	1.213
	Post-merger	1.11			0.099
Net NPA as % to net advances	Pre-merger	16.04	13.618	D**	3.037
	Post-merger	2.42			2.036
Capita Adequacy Ratio [CAR(%)]	Pre-merger	6.22	6.345	I*	0.184
	Post-merger	12.56			0.764

***I stands for Increase **D stands for Decrease**
Source: Author's own estimate using e.views 5.

While considering the case of Nadungadi Bank and Punjab National Bank merger, regarding Credit -Deposit Ratio, Investment- Deposit Ratio, Priority sector advance as % to total advance, Interest income as a % of total income, Operating profit as % to average working funds, Capita Adequacy Ratio , Establishment expenses as a % of total expenses, Other operating expenses as a % of total expenses, Spread as a % to Assets , null hypotheses are rejected which lead us to conclude that there are significant differences between pre and post merger above mentioned financial indicators.

Regarding Non-interest income as a % of total income, Interest Income as % to average working funds, Non-interest Income as % to average working funds, Return on Asset, Deposit per employee, Advance per employee, Interest expenses as a % of total expenses, Net NPA as % to net advances, null hypotheses are rejected signifying that there are significant differences between pre and post merger above mentioned financial indicators.

The results suggest that the performance of banks has been improved in terms of Credit -Deposit Ratio, Investment- Deposit Ratio, Priority sector advance as % to total advance, Interest income as a % of total income, Operating profit as % to average working funds, Capita Adequacy Ratio , Establishment expenses as a % of total expenses, Other operating expenses as a % of total expenses but Regarding Non-interest income as a % of total income, Interest Income as % to average working funds, Non-interest Income as % to average working funds, Return on Asset, Deposit per employee, Advance per employee, Interest expenses as a % of total expenses, Net NPA as % to net advances ,these ratios show negative trend in post merger period.

5. Summary and conclusion:

Merger in banking sector in India has provided substantiation that it is the constructive tool for survival of feeble banks by merging into larger bank. Mergers help banks to strengthen their financial base and access tax benefits and direct access to cash resources. Results suggest that after the merger the efficiency and performance of banks have increased in terms of different financial parameters and the success of merger is reliant upon synergy gains created after the merger and overall performance of bank.

Majority of the financial indicators of Nedungadi Bank Ltd and Punjab national bank display significant improvement in their operational performance during post merger period. Therefore, the results of the study reveal that average financial ratios of sampled banks in Indian banking sector showed a remarkable and significant improvement in terms of liquidity and leverage parameters, profitability, and shareholders wealth.

While dealing with mergers and acquisitions, synergy can be generated in long run with the cautious usage of the resources, exact valuation of the target and estimating the future prospects. The triumph of mergers and acquisition deals depends on post merger integration process, timely action and to keep check on the costs of integration process. Policies regarding mergers should be made in such a way so that it controls monopoly and anti-competitive practices in banking sector of India.

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