EFFECT OF MERGERS AND ACQUISITIONS IN THE INDIAN BANKING SECTOR: A CASE STUDY ON BANK OF BARODA

Zakia Rizvi1
Farhina Sardar Khan2

ABSTRACT

Objectives: The primary objective of this study is to provide a comprehensive analysis of mergers in the Indian banking industry, specifically focusing on their implications, drivers, and outcomes. The research aims to understand the motivations behind bank mergers, the strategies employed, and the resulting impact on the banking landscape.

Methods: This study draws upon various sources of information, including financial data, regulatory information, industry reports, and published papers. It utilizes a combination of qualitative and quantitative analysis techniques to examine the causes of bank acquisitions and mergers in the Indian banking sector. The research also involves a comparative analysis of Bank of Baroda (BOB) before and after its merger with other entities.

Results: The study reveals several key findings. Bank mergers in India have been driven by various factors, including the pursuit of better capital management and wider service areas. The merger of Bank of Baroda with its partners has been successful, leading to positive outcomes in terms of financial and operational performance. Governance and management reforms are essential for ensuring the success of bank mergers and consolidations. Data analysis, including the use of charts, illustrates the impact of mergers on Bank of Baroda and provides insights into the effectiveness of these strategies in the Indian banking industry.

Conclusion: In conclusion, the study highlights the success of mergers in the Indian banking sector, particularly focusing on the case of Bank of Baroda. The findings underscore the importance of effective governance and management reforms in ensuring the success of mergers and consolidations. Additionally, the study emphasizes the wider service areas and improved capital management achieved through these mergers, contributing to the overall development of the banking landscape in India.

Keywords: Mergers, Acquisitions, Amalgamation, Challenges, MSME, Finance.

RESUMO

Objetivos: O objetivo principal deste estudo é fornecer uma análise abrangente das fusões no setor bancário indiano, concentrando-se especificamente nas suas implicações, motivadores e resultados. A investigação visa compreender as motivações por detrás das fusões bancárias, as estratégias utilizadas e o impacto resultante no panorama bancário.

Métodos: Este estudo baseia-se em diversas fontes de informação, incluindo dados financeiros, informações regulatórias, relatórios do setor e artigos publicados. Utiliza uma combinação de técnicas de análise qualitativa e quantitativa para examinar as causas das aquisições e fusões bancárias no setor bancário indiano. A pesquisa envolve também uma análise comparativa do Banco de Baroda (BOB) antes e depois de sua fusão com outras entidades.

1 Department of Commerce, Integral University, India.
E-mail: zakiarizvi7@gmail.com Orcid: https://orcid.org/0000-0002-8835-8001
2 Department of Commerce, Integral University, India.
E-mail: farhina@iu4.ac.in Orcid: https://orcid.org/0000-0002-6365-6299
Resultados: O estudo revela várias descobertas importantes. As fusões bancárias na Índia foram impulsionadas por vários factores, incluindo a procura de uma melhor gestão de capital e de áreas de serviços mais amplas. A fusão do Bank of Baroda com os seus parceiros foi bem sucedida, conduzindo a resultados positivos em termos de desempenho financeiro e operacional. As reformas de governação e gestão são essenciais para garantir o sucesso das fusões e consolidações bancárias. A análise de dados, incluindo a utilização de gráficos, ilustra o impacto das fusões no Bank of Baroda e fornece informações sobre a eficácia destas estratégias no setor bancário indiano.

Conclusão: Em conclusão, o estudo destaca o sucesso das fusões no setor bancário indiano, focando particularmente no caso do Bank of Baroda. As conclusões sublinham a importância de reformas eficazes de governação e gestão para garantir o sucesso das fusões e consolidações. Além disso, o estudo enfatiza as áreas de serviços mais amplas e a melhoria da gestão de capital alcançada através destas fusões, contribuindo para o desenvolvimento global do panorama bancário na Índia.


EFECTO DE LAS FUSIONES Y ADQUISICIONES EN EL SECTOR BANCARIO INDIO: UN ESTUDIO DE CASO SOBRE EL BANK OF BARODA

RESUMEN

Objetivos: El objetivo principal de este estudio es proporcionar un análisis integral de las fusiones en la industria bancaria india, centrándose específicamente en sus implicaciones, impulsores y resultados. La investigación tiene como objetivo comprender las motivaciones detrás de las fusiones bancarias, las estrategias empleadas y el impacto resultante en el panorama bancario.

Métodos: Este estudio se basa en diversas fuentes de información, incluidos datos financieros, información regulatoria, informes de la industria y artículos publicados. Utiliza una combinación de técnicas de análisis cualitativo y cuantitativo para examinar las causas de las adquisiciones y fusiones bancarias en el sector bancario indio. La investigación también implica un análisis comparativo del Bank of Baroda (BOB) antes y después de su fusión con otras entidades.

Resultados: El estudio revela varios hallazgos clave. Las fusiones bancarias en la India han sido impulsadas por varios factores, incluida la búsqueda de una mejor gestión del capital y áreas de servicios más amplias. La fusión del Bank of Baroda con sus socios ha sido exitosa y ha generado resultados positivos en términos de desempeño financiero y operativo. Las reformas de gobernanza y gestión son esenciales para garantizar el éxito de las fusiones y consolidaciones bancarias. El análisis de datos, incluido el uso de gráficos, ilustra el impacto de las fusiones en el Bank of Baroda y proporciona información sobre la eficacia de estas estrategias en la industria bancaria india.

Conclusión: En conclusión, el estudio destaca el éxito de las fusiones en el sector bancario indio, centrándose particularmente en el caso del Bank of Baroda. Los hallazgos subrayan la importancia de reformas efectivas de gobernanza y gestión para garantizar el éxito de las fusiones y consolidaciones. Además, el estudio enfatiza las áreas de servicios más amplias y la mejor gestión del capital logradas a través de estas fusiones, lo que contribuye al desarrollo general del panorama bancario en la India.

Palabras clave: Fusiones, Adquisiciones, Fusión, Retos, Mipymes, Finanzas.

1 INTRODUCTION

Acquisitions and mergers include both the corporate finance and strategic management components that deal with the division, purchase, and combination of different companies that
are comparable in nature. The ownership of one company are given to another following a merger.

In order to create growth or add value, M&A is defined as a transformation that results in a company reformation. Consolidation of a particular sector or industry occurs when a major merger and acquisition activity aggregates the resources of several small companies into a few larger ones, as was the case in the 1910–1940 automobile industry.

"When two or more companies merge by directly purchasing whole assets of other company, this is known as a merger. No new company is established as a result of the merger. The seller company keeps making acquisitions while the intended organisation or the purchased company merges entering the buying consortium. A purchase is a commercial deal wherein a company buys most of the equity of the target company in order to gain control over it. While an acquisition occurs when When one business acquires another, a merger occurs when two businesses choose to continue operating as a single fresh company. When a business purchases an asset or the stock of another business, it is said to have made a purchase."

There is a big difference between the buyer and the seller, while in an acquisition companies are equivalent. An arrangement is a exchanges in which a business either directly obtains possession of a company's assets through the acquisition of ownership, or indirectly gains control over the management of the entity, or takes over an individual, community of individuals, or companies.

2 REASON BEHIND THE BANK Mergers AND ACQUISITIONS

2.1 WEAK BANK Mergers

Weak banks were being merged with strong banks to give them stability, but the Narsimhan Committee was against this practice. Risk management can be diversified via mergers.

2.2 BOOST MARKET COMPETITION

Mergers are motivated by the creation of product which are different than the earlier and the consolidation of local financial systems. As markets grew and became more competitive, the market share of each individual company decreased, which led to the beginning of mergers and acquisitions.
i. **Economies of scale**: The potential to create economies of scale through business mergers.

ii. **Talent and Skill Transfer**: When two organisations share talent and skills, it helps them grow and become more competitive.

### 2.3 TECHNOLOGY, NEW PRODUCTS AND SERVICES

Electronic banking and certain financial instruments are introduced.

### 2.4 ALTERNATIVE FORMS

When the entry barrier was removed, new, highly technological banks were able to enter the market. Unable to compete, the older banks decided to merge.

### 2.5 GOOD COMBINATIONS

When two organisations collaborate, their only goal is to produce a favourable outcome that outweighs the sum of the results of the two businesses operating separately. It has two aspects: revenue synergy and cost synergy.

### 3 OBJECTIVES

This research paper's primary goal is to comprehend the history of the banking sector in India.

1. To research the causes of bank acquisitions and mergers in the Indian banking industry
2. To comprehend how the mega-merger has affected Bank of Baroda
3. To research Bank of Baroda's performance before and after mergers and acquisitions.

### 4 REVIEW OF LITERATURE

Sidana and Sharma (2017) showed that how the SBI merger affected financial position of SBI. The SBI's network expansion will enable it to provide funds more easily and at a lower cost while also increasing its visibility on a global basis. Gross and net non-performing assets at SBI will decline after their merger with an associate. The company will run more smoothly and successfully because of a sole management team.
Several investigations examining how bank mergers affect effectiveness, were summarised by Rhoades (1998). The mergers selected for examination were those that seemed to have a plausible prospect of boosting productivity. That is to say, they mostly occurred during the start of the 1990s, when effectiveness in banking was receiving a lot attention, and they involved reasonably large banks that typically had significant market overlap. Significant cost savings were achieved as a result of all nine mergers, matching pre-merger estimates. It is clear that 5 of the 9 mergers failed to result in higher expenses effectiveness, while 4 of the 9 performed.

Furthermore, by combining into larger banks, this merger helped week banks survive.

Khan and Ahmed (2011) elucidate the various drivers of mergers and acquisitions in India. Based on the study's findings, equity share holders were able to receive dividends from mergers and acquisitions. In addition it has been also observed how mergers and acquisitions have affected SBI's financial performance. Ultimately, it states that while mergers and acquisitions have benefited the banks, they cannot address the general state of the banks' development and financial problems.

S. Strategic Management Perspective: It has long been understood that mergers and acquisitions (M&A) are essential strategic instruments for businesses looking to grow, obtain a competitive edge, and increase their market share. From a strategic management perspective, M&A is a multifaceted process that involves the assessment of market dynamics, competitive positioning, and the strategic fit between the merging entities (Mitra & Woratschek, 2018). The decision to pursue M&A is often driven by the desire to leverage synergies, access new markets, diversify product portfolios, or even to streamline operations.

T. Corporate Finance Implications: In the realm of corporate finance, M&A transactions are complex financial maneuvers that require careful consideration of various factors. Financial experts played pivotal role in evaluating financial health of target companies, assessing the potential return on investment, and determining the optimal financing structure for the deal (Brealey, Myers, & Allen, 2020). Additionally, financial analysis helps in estimating the potential risks and rewards associated with M&A, guiding decision-makers in the negotiation and valuation process.

U. Management and Integration Challenges: Effective management during and after M&A is crucial for realizing the intended benefits of the transaction. Integration challenges are a recurrent theme in the literature, encompassing issues related to cultural differences, employee morale, and operational alignment (Birkinshaw & Hood, 1998). Management teams must
carefully plan and execute integration strategies to ensure a smooth transition and minimize disruptions to the business operations of both entities.

V. Industry Consolidation and Evolution: Historically, M&A has played a pivotal role in shaping various industries. Notably, during the early 20th century, the automotive industry witnessed significant consolidation through M&A activities, leading to the emergence of a few dominant players (Zucker & Darby, 2007). This trend highlights the broader impact of M&A on industry structures, competition dynamics, and market concentration.

W. Regulatory Framework and Corporate Governance: The landscape of M&A is also heavily influenced by regulatory frameworks and corporate governance practices. Regulations governing antitrust, competition, and disclosure requirements impact the feasibility and execution of M&A transactions (Hitt, Ireland, & Hoskisson, 2020). Additionally, corporate governance practices, including board oversight and shareholder rights, influence the decision-making process and accountability in M&A.

X. Value Creation and Stakeholder Interests: Ultimately, the success of M&A hinges on the ability to create value for stakeholders. Whether it's shareholders, employees, or customers, understanding and aligning stakeholder interests is essential (DePamphilis, 2019). Effective post-M&A management practices should focus on preserving and enhancing value for all relevant stakeholders.

In conclusion, mergers and acquisitions represent a multifaceted domain encompassing strategic, financial, managerial, regulatory, and stakeholder-related aspects. A holistic understanding of these facets is essential for organizations embarking on M&A journeys, as well as for scholars and practitioners seeking to navigate the complex landscape of corporate restructuring and consolidation. Future research should continue to explore the evolving nature of M&A in the ever-changing global business environment.

5 RESEARCH PLAN

In this work secondary data were collected from various sources like published sources, including articles, online resources, newspapers, magazines, e-journals, and other references.
5.1 AN ANALYSIS OF BANK OF BARODA MERGERS AND ACQUISITIONS

5.1.1 General information

Sayajirao Gaekwad III, the Maharaja of Baroda, founded the Bank of Baroda as a private organisation on July 20, 1908. The bank's headquarters are located in Vadodara, Gujarat; it was formerly known as Baroda. Mumbai, Maharashtra is the location of its corporate headquarters. The Bank of Baroda established its first branch in Ahmadabad in 1910, marking the beginning of its branch network. On July 19, 1969, the Indian government consolidated Bank of Baroda and thirteen other notable commercial banks. It is currently one of India's leading public sector banks. It is well-established in the country and supported by self-service channels.

5.1.2 Distribution Network

The bank has more than 10,000 ATMs and 8,200 branches as part of its distribution network.

1,200+ self-serve online lobby
20,000 Business Communicators

5.1.3 Global Presence of Bank of Baroda

With branches and offices in subsidiaries in 20 countries, Bank of Baroda has a sizable global presence.

5.1.4 Fully Owned Subsidiaries

BOB Capital Markets.

5.1.5 Joint Ventures

Two joint ventures that finance infrastructure are India Infradebt Ltd. and India First Life Insurance Company Limited.
5.1.6 Ownership

Bank of Baroda owns 98.57% of Nainital Bank.

5.1.7 Three Regional Rural Banks have received sponsorship from the bank

- Gramin Bank of Baroda, UP
- Rajasthan Baroda Gramin Bank, Rajasthan
- Gujarat Baroda Gramin Bank, Gujarat

Bank of Baroda's journey from a private bank established by a Maharaja to becoming a prominent nationalized public sector bank with a global presence reflects its enduring legacy and contribution to India's banking sector.

The merger's timeline is provided below.
4. 1988: Bank of Baroda acquired Traders Bank, which had 34-branch network in Delhi.
5. 2018: On 17th September, the Ministry of Finance of the Government of India proposed the merger of Bank of Baroda, Vijaya Bank and Dena Bank.
6. 2019: On 2nd January 2019, the merger was approved by the Union Cabinet and the boards of the banks.
7. 2019: On 1st April, the merger came into effect.

5.2 THE FOLLOWING ARE THE IMPLICATIONS OF THE MEGA-MERGER ON BANKING

- Enhanced Size and Ranking: Bank of Baroda rose to the second position among public sector banks in India following their combination with Vijaya Bank and Dena Bank. The combined bank had a sizable business mix when it first opened for business and had a balance sheet worth more than Rs 15 lakh crore.
- Growth in Market Share: Following the merger, Bank of Baroda saw a notable uptick in its market presence. It is anticipated to hold a market share of 8–10% in important states like Maharashtra, Karnataka, Rajasthan, and Uttar Pradesh, and 22% in Gujarat.
The bank was able to bolster its position in these areas by implementing this calculated strategy.

- **Prominent Position**: As the third-largest bank in India, the combined Vijaya Bank, Dena Bank, and Bank of Baroda is now a formidable force. In terms of public sector banks, it comes in just behind HDFC Bank and State Bank of India (SBI). Notably, this combination results in the establishment of India's second-largest public sector bank and marks the country's first-ever three-way bank consolidation.

Overall, the mega-merger made Bank of Baroda a major player in the Indian banking industry by greatly enhancing its size, market share, and competitive position.

### 5.3 THE FOLLOWING ARE THE EFFECTS OF BARODA'S MERGER WITH VIJAYA BANK AND DENA BANK: IMMEDIATE AFFECT

- **No Changes**: At first, Vijaya Bank and Dena Bank account holders won't see any immediate changes to their account information. Until further notice from the individual banks, the current account numbers, IFSC codes, MICR codes, ATM cards, and check books will all be valid.
- **Digital banking**: Digital banking will continue as usual for users of UPI, BHIM, mobile banking, and net banking. There won't be any changes made right away. These online services will keep running as normal.
- **Locker Allocation**: In the event of future branch mergers, customers who currently own lockers will be assigned lockers in the merged branch.

### 5.4 FUTURE CHANGES

- **Account holders**: Account holders might eventually need to undergo adjustments, such as getting new ATM cards, chequebooks, and account numbers. The banks will notify you of these modifications later.
- **Website Access**: Access to the website of the amalgamated entity may require a new username.
- **Update of ECS Mandates and Standing Instructions**: Account holders who have provided ECS mandates or standing instructions for services as payments or mutual fund SIPs may need to update these instructions if requested by the banks.
Third-Party Entities: Account holders may need to update their information with various third-party entities due to changes in account numbers, customer IDs, and IFSC codes. This includes mutual funds for redemption amounts, the income tax division for refunds of taxes and insurance companies for proceeds from maturity.

SIP and Loan EMIs: Account holders may be required to submit updated paperwork for SIP registration and mandate in order to take part in SIPs (systematic investment plans) and loan EMIs.

In summary, while immediate changes are minimal, account holders should be prepared for future updates and communications from the banks regarding new account information and instructions for third-party entities. Keeping an eye on notifications and instructions from the bank will be important to ensure a smooth transition during and after the merger.

5.5 THE EFFECTS ON DEPOSITORS, PARTICULARLY THOSE WITH FIXED DEPOSITS IN VIJAYA BANK OR DENA BANK, FOLLOWING THE MERGER

Existing Fixed Deposits: Existing fixed deposits in Vijaya Bank or Dena Bank will continue to run until their original maturity dates.

Rate of Interest: The interest rate on fixed deposits is determined at the time of opening the deposit, and it remains fixed for the duration of the deposit contract. Banks are not allowed to change the interest rate mid-way through the term of the fixed deposit.

Continuation Until Maturity: Depositors who have fixed deposits can rest assured that they will continue to receive the agreed-upon interest rate until the maturity date of their deposits, regardless of any changes in deposit rates of the merged entity.

Expensive Deposits: These exceptions could be subject to specific terms and conditions. In essence, for depositors with fixed deposits made at Dena Bank or Vijaya Bank, there's no reason to worry about changes to the interest rate mid-way through the deposit term. Fixed deposits will run until their original maturity dates as per the terms of the deposit contracts.
5.6 THE EFFECTS ON BORROWERS, PARTICULARLY THOSE WITH LOANS FROM VIJAYA BANK OR DENA BANK, FOLLOWING THE MERGER

- Reset of Home Loans: The interest rate on borrowers' home loans that are tied to the Marginal Cost of Funds Based Lending Rate, or MCLR, of the bank is changed once every 12 months. When their loan reset date comes around, borrowers of home loans from Vijaya Bank and Dena Bank may notice changes in their Equated Monthly Installments (EMIs) as a result of the merger. This is due to the possibility that they will base their interest rates on the MCLR and mark-up rates set by Bank of Baroda.

- There won't be any immediate modifications made to the terms and conditions of the current credit facilities for borrowers at first. The terms and conditions that are in place will still be in effect.

- There won't be an immediate change to the conditions and terms of the borrowers' existing credit facilities. The current terms and conditions will still be in effect.

- Post-Amalgamation Governance: After the merger, Bank of Baroda rules and regulations will apply to credit facilities. Any modifications to the terms and conditions will be announced beforehand, and before they are put into effect, the borrowers' consent will be sought.

In conclusion, borrowers holding loans from Dena Bank or Vijaya Bank should be ready for any changes in their EMIs, particularly for home loans associated with MCLR, since they might be based on interest rates set by Bank of Baroda. Any modifications to the terms and conditions, however, will be disclosed beforehand and approved by the borrower before being put into effect.

5.7 TEN CRUCIAL FACTS ABOUT THE COMBINATION OF VIJAYA AND DENA BANK ALONG WITH BANK OF BARODA

1. Branch Network: Because of the combination, the network will have close to 9,500 branches, increasing its reach throughout different regions. To eliminate overlaps and attain economies of scale, certain branches might be closed.

2. Market Share: With a sizable retail book that makes up roughly 20% of all loans, the combined company has a market share of 6.9% in advances and 7.4% in deposits. The
CD (Credit-Deposit) ratio is 70.7%, and the CASA (Current Account Savings Account) mix is 33.6%.

3. Decrease in PSBs: As a result of the merger, there are now 19 public sector banks (PSBs) instead of the previous 21. Presently, Bank of Baroda stands as the second-biggest PSB in India; it is bigger than other state-owned companies but smaller than SBI.

4. PCA Framework: As a result of the merger, there are now only four banks covered by the Prompt Corrective Action (PCA) programme of the Reserve Bank of India (RBI). Due to increasing losses and NPAs (non-performing assets), Dena Bank was one of the PSU banks placed under PCA.

5. Credit Metrics: With the exception of profitability, the combined company's key credit metrics should match Bank of Baroda's. The other two banks' NPAs could have an impact on BoB's profitability. Integration Outlook: Prabhudas Lilladher, a brokerage firm, expects the merger process to go well and without any major integration problems. Analysis of branch profitability is still a priority.

6. Government Infusion: To improve the combined company's balance sheet, the government has decided to inject ₹5,042 crore into Bank of Baroda through the preferential allotment of equity shares in order to meet credit and emergency needs.

7. Cultural Integration: There could be obstacles to the three banks' cultural integration, which would affect performance in the short run. However, because all three banks use the Finacle CBS platform, technology integration should go rather easily.

8. Global Competitiveness: With the help of subsidiaries, low-cost deposits, network synergies, economies of scale, and other strategies, the new Bank of Baroda intends to gain international competitiveness. It seeks to boost the quantity of clients, market penetration, operational effectiveness, and the selection of goods and services that are provided to clients.

This merger represents a significant transformation in India's banking landscape and is expected to bring about several opportunities and challenges for the merged entity and its customers.
Table 1

Indian Bank Mergers

<table>
<thead>
<tr>
<th>Period</th>
<th>Mergers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior to banks being nationalised (1961–1968)</td>
<td>46</td>
</tr>
<tr>
<td>Period following reform (1993-2006)</td>
<td></td>
</tr>
<tr>
<td>Induced Consolidations</td>
<td>13</td>
</tr>
<tr>
<td>Choosing to Combine</td>
<td>5</td>
</tr>
<tr>
<td>Financial Institutions’ Merger with Banks</td>
<td>2</td>
</tr>
<tr>
<td>Additional Regulatory Requirements</td>
<td>1</td>
</tr>
<tr>
<td>Total number of mergers</td>
<td>80</td>
</tr>
</tbody>
</table>

Source: Collected from a number of RBI publications

Pre- and post-merger analysis of BOB, Dena, and Vijaya's financial performance

5.8 OPERATION ANALYSIS OF MERGER

Following the merger and the operational outcomes of Bank of Baroda are examined as follows:

Figure 1

merger and the operational outcomes

![Graph showing pre- and post-merger branches and ATMs of BOB](image)

Source: Prepared by Authors (2024)

5.9 ANNUAL REPORTS OF BANK OF BARODA

Prior to the merger, Bank of Baroda had 5,553 standalone branches as of March 31, 2019. 2,119 Vijaya Bank branches and 1,775 Dena Bank branches were present. 9,447 branches
make up Bank of Baroda as of April 1, 2019, the day of the merger. By March 31, 2020, a year after the merger, there will be 9,482 branches. Before the merger on March 31, 2019, Bank of Baroda ran 9,572 standalone ATMs. Dena Bank had 1,513 ATMs, compared to 2,163 at Vijaya Bank. Consequently, following the merger, Bank of Baroda boasts 13,248 ATMs as of April 1, 2019. 13,193 ATMs existed at the conclusion of the merger's first year. After the first year of the merger was over, Bank of Baroda had 3621 ATMs and 3929 branches, or 37-83% of ATMs and 70.75% of branches, respectively.

**Figure 2**

*Pre-merger and post-merger employees*

![Pre-Merger and Post-Merger Employees of BOB](image)

Source: Annual Reports of Bank of Baroda

As of March 31, 2019, there were 15,882, 13,334 and 55,754 employees respectively at Bank of Baroda, Vijaya Bank, and Dena Bank. The three banks together employed 84,970 people as of March 31, 2019. However, as of March 31, 2020, after the merger, there were only 84,283 total employees because of retirement and the VRS plan. With 28,529 more employees overall, there is a 51.17% increase in percentage terms. Officials from the government assert that there have been no job losses as a result of the merger.
Vijaya Bank had 2.50 crore clients, Dena Bank had 1.72 crore, and Bank of Baroda had 8.61 crore as of March 31, 2019. The combined balance of customers the three banks as of March 31, 2019, was 12.83 crore. As of April 1st, 2019, there were 12.53 crore customers overall, due to the fact that nearly 30 lakh customers had accounts with multiple banks. The customer base will have increased to 13.10 crore by March 31, 2020. Between April 1 and March 31, 2020, there will be an overall increase in customers of 4.49 crore, or 52.15% more customers.

5.10 FINANCIAL ANALYSIS OF MERGER

The following analysis is done on Bank of Baroda's financial performance and position prior to and following the merger:
As of March 31, 2019, the Bank of Baroda owned 69.79% of the deposits held by Vijaya Bank, Dena Bank, and the Bank of Baroda, which totaled Rs. 6,38,689.71 crore, Rs. 1,75,817 crore, and Rs. 100,652 crore. Following the merger, Bank of Baroda had aggregate deposits of Rs. 9,15,158.9 crore as of April 1, 2019. Following the merger, deposits have increased to Rs. 94,598.49 crore in just one year. As of March 31, 2019, there was a 48.11% increase in deposits, or Rs. 30,729.57 crore, when comparing deposits before and after the merger. The Bank of Baroda, which held 71.97% of the shares, made advances totaling Rs. 4,68,818.7 crore, Vijaya Bank made advances totaling Rs. 1,30,606 crore, and Dena Bank made advances totaling Rs. 51,959 crore. Following the merger, Bank of Baroda had aggregate consolidated advances of Rs. 6,33,181.2 crore as of April 1, 2019. The advances are raised to Rs. 6,33,181.2 crore on March 31, 2020. There has only been a 4.720% increase in advances, or Rs. 2,21,302 crore, when pre- and post-merger advances are compared.
The total operating income and total operating costs of Bank of Baroda as of March 31, 2019, were reported as Rs. 24,774.27 crore and Rs. 11,287.93 crore, respectively. Following the merger, operating income and costs should flow in at year's end to Rs. 37,768.64 Crore and Rs. 18,077.21 Crore, respectively. An analysis of the financial results after the merger shows that operating revenue increased by 52.45%, or Rs. 12,994.41 crore, and operating expenses increased by 60.15%, or Rs. 6,789.32 crore.
One year following the merger, on March 31, 2019, Bank of Baroda's operating profit was Rs. 19,691.4 crore, as opposed to Rs. 13,486.8 crore for the company's standalone operating profit before the merger. The bank reports a net profit of Rs. 433.51 crore before the merger. Following the merger, the bank's net profit was Rs. 546.21 crore. There is a 46% increase in operating profit of Rs. 6,204.6 crore and a 26% increase in net profit of Rs. 112.70 crore when consideration is given to post-merger performance.

**Figure 7**
*Pre-merger and post-merger NPA*

![Pre-Merger and Post-Merger NPA of BOB](source)

After the merger, Bank of Baroda's non-performing assets (NPA) increased; specifically, gross NPA jumped from Rs. 48,233 crore to Rs. 69,381 crore. After the merger’s first year, net non-performing assets (NPA) increased from Rs. 15,609 crore to Rs. 21,577 crore. There has been a growth of Rs. 21,148 Crore and Rs. 5,968 Crore, or 43.85% and 38.23%, respectively, in the Gross NPA and Net NPA.
Between the pre-merger and post-merger eras, Bank of Baroda's share capital increased by Rs. 3,950,101 Thousand. There has been a 52.11% growth in the Reserve and Surplus of Rs. 257,551,678 Thousand. During the Post-Merger Period, deposits are raised by Rs. 3,076,394,638 Thousand. Following the Pre-Merger Period, borrowings, other liabilities, and provisions increase by Rs. 268,851,670 Thousand and Rs. 245,925,729 Thousand, respectively. Stated differently, there has been an increase of 74.48%, 52.11%, 46.22%, 39.04%, and 82.31% in the share capital, reserve and surplus, deposits, borrowings, other liabilities, and provisions, respectively. Ultimately, overall capital and liabilities increase by 46.39%, or Rs. 3,802,701,914 thousand.
The merger resulted in a 21.33% increase in cash and balances with the Reserve Bank of India. The amount invested has increased by 48.03%, or Rs. 940,104,826 Thousand. Loans and advances granted have increased in volume by 45.91% and in value by Rs. 2,223,249,179 Thousand. The amount of Fixed Assets has increased by 26.60%, or Rs. 19,000,771 Thousand. The rise in Other Assets amounts to 83.84%, or Rs. 289,144,808 Thousand. While the balance with the other bank has not changed, the amount available for call and short notice has increased by Rs. 271,007,974 thousand, or 38.90%. The increase in assets is 4.639%, or Rs. 3,802,701,914.

6 CONCLUSIONS

The banking industry is one of the fastest-growing in developing nations like India. Since liberalisation, the banking sector in India has expanded quickly. Combining with a larger bank is a useful strategy for weaker banks to survive, as demonstrated by the banking industry's experience with M&A. Our research indicates that small and local banks are especially vulnerable to the effects of the global economy and need support, which is one of the reasons they merged. As a result of the three-way merger, Bank of Baroda has expanded to become the nation's third-largest bank, boosting the Indian economy. It is now possible to determine whether the combined company is heading towards the intended objective based on
the Annual Report. The following conclusions were drawn after looking over Bank of Baroda's Annual Report for both the pre- and post-merger periods.

Post-Merger Findings:

- Market size and customer base increased from 8.61 to 13.10 Crore (52.15% growth).
- Branches, regional and zonal offices, and ATMs expanded.
- Branch rationalization for operational efficiency.
- The merger resulted in a 46.39% increase in responsibilities and resources.
- There was a growth of 46.22% and 39.04% in deposits and loans, respectively.
- Loans and Investment both saw increases of 48.03% and 45.91%, respectively.
- While operating expenses increased by 60.15%, operating income increased by 52.45%.
- Net profit climbed by 26% to Rs. 112.70, while operating profit increased by 46%.
- A challenge arose in the post-merger period as both Gross and Net NPA increased.
- Focus on reducing Non-Performing Assets (NPA) is essential.
- Merger has helped in better capital management.
- Emphasis on governance and management reforms.
- Service reach expanded significantly due to the merger.
- All things considered, the merger has benefited Bank of Baroda.

Financial analysis is expressing the signs of a merger. All things considered, the mergers would aid in improved capital management. The emphasis should be on sufficient governance and management reforms for these banks in addition to the merger. Ultimately, the merger has resulted in a wider service area. The merger has had a positive effect on Bank of Baroda.

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