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Bank Mergers- Are they really a blessing for the Indian Economy

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ABSTRACT

A bank merger occurs when two banks combine their resources so that they can operate as one bank in the future. Banks have been able to implement more effective business strategies, diversify their geographic activities, and scale up their operations due to mergers. In India, bank mergers first took place in the 1960s as a strategy to rescue weaker banks while simultaneously safeguarding the interests of customers. The desire to create an Indian bank that can compete with global giants in the post-liberalization period has existed since 1990. As the pillars of our economy, banks are regularly pushed to combine in order to grow internationally and foster peace, which improves the flow of money in our economy. The Indian banking sector is now thought to be expanding quickly and evolving into a vibrant sector. Through mergers and acquisitions, the industry is given a new dimension that has helped banks rise to the top while providing enormous value to shareholders. The merger, which resulted in the consolidation of 27 public sector banks into 12, had as its main goal the establishment of next-generation banks and the eventual realization of a trillion-dollar economy. It is evaluated in this paper by analysing its impact on the banks' productivity, personnel, and customers.

Keywords: *Mergers, Acquisition, Amalgamation, Licensor, Licensee, Franchise Business, Catalyst, Market Competitiveness, Central Bank, Commercial Bank, Co-Operative Bank, Development Bank, Specialized Bank, Savings Account, Biometric Technology, Market Capitalization, Integration Issues, Customer Discomfort, Portfolio, Stock Holders, MRTP Companies*

OBJECTIVES

The objectives of this study are as follows.

1) To study about the existing banking system in India.
2) To understand different business expansion methods
3) To get an overview of the banking mergers and their essentials
4) To analyze the impact of banking mergers on the banking sector
5) To evaluate the impact of banking mergers on the Indian economy

I. INTRODUCTION

A bank is a financial institution that is officially licensed to receive deposits and make loans. The banking industry includes a range of these financial institutions to provide a variety of services to the public, businesses, and governments. The primary purpose of the banking industry is to facilitate the flow of money in the economy, manage financial transactions, and support economic growth.

There are four main essentials in the banking system- Investments and loan policies, expansion, liquidity and the human factor.

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Investments and loan policies: Banks aim to achieve two milestones-liquidity and profitability. As a result, banks need to have good investment policies in order to achieve these goals. Banks can face losses or liquidity shortages in a case where their investment or loans go wrong, therefore, bankers carefully analyze multiple aspects, such as composition and character, of the loan or investment, in order to maximize earnings without jeopardizing its safety and solvency.
Expansion: Banking services should be present in all sectors of a particular economy and should be readily available and be able to offer funds for productive activities that take place in an economy. Many less developed regions lack sufficient banking services and thus the expansion of banking is vital.
Liquidity: Banks offer different types of deposits to their customers such as time deposits, demand deposits, CASA deposit and NRO. Therefore, banks need to have enough cash on hand to meet the withdrawal requests made by consumers. In a case when they do not, the bank would be considered insolvent. The failure of one bank not only affects them but also affects other banks as consumers lose trust in the banking system and become more reluctant to deposit their funds with a bank. Thus, banks must have adequate liquidity and all times.
The human factor: As banking is a practical affair, the system heavily relies on the quality of people working in it. A person cannot just apply the laws of banking and expect it to be successful. Thus, A good banking system relies more on the banking personnel than on the laws.

II. BUSINESS EXPANSION METHODS

Most businesses strive to expand or grow in order to achieve economies of scale, explore new markets, access new and talented personnel and increase revenue amongst other reasons. Businesses can choose to expand in multiple different ways, each having its own benefits and problems.

- Starting a chain: A business chain, such as Costco, refers to a set of stores operating under the same name, selling the same products, and following the same corporate management and corporate rules. Chains can be local, spread across a region, spread across a nation, or spread across the globe. The largest chains are spread across the globe and each branch has its own managers and employees. Chain owners often strive to create many visual similarities between the different outlets of the chain in order to maximize recognition. By starting a chain, the business owner or owners maintain total operational control of every unit and are entitled to all the profits. However, starting a chain is costly as the owner has to raise the capital in order to fund the venture and it is difficult to manage once it reaches a global or even national level.
- Franchise business: In a franchise business, all the outlets or units are not owned by a single parent company but rather function as separate franchised units. Each of the units have a different owner who has invested in the business. However, all franchised units are legally obliged to follow a set of rules under a business franchise agreement which is created by the parent company. This agreement will stipulate how different aspects of the business must be run. By starting a franchise, businesses can limit their own risk as other individuals or groups invest in order to run the outlets or units. Additionally, these owners are highly motivated to increase revenue thus increasing the franchise royalties received by the parent business. However, franchise ventures are expensive as businesses will have to set up franchise marketing teams, create franchise agreements, handle regulatory issues, and continue to promote the brand identity through marketing campaigns.
- Introduction of new and innovative products: Businesses add new products to their catalog in order to increase variety and provide more options to consumers. Adding new products keeps brands relevant and helps them grow bigger and bigger. A new product line can act as a catalyst and increase the success of a business.
- Acquisition or mergers: An acquisition is when one company buys another company and it controls it. A merger on the other hand, is when two companies combine or integrate and share control of the combined business. Both mergers and acquisitions are common tactics businesses use in order to increase growth and expand as they can help increase market share, expand the workforce, grow revenue, achieve economies of scale and reduce costs due to a greater shared budget. However, there are certain drawbacks to these strategies as it is difficult to maintain a presence in multiple markets, manage multiple product lines and manage a greater number of personnel.
- Licensing: A licensing agreement allows a company to lease or rent a product or service (licensor) to a company that markets a product or service (licensee). Licensing allows companies to meet the demand for their product or service and companies don't have to pay expensive research and development costs, buy an entire company and the company will not suffer large losses if they fail in a particular market area. However, there is always a risk of the development of new technology, making the licensing agreement obsolete.
- Foreign market penetration: Foreign market penetration refers to a business entering and accessing new markets away from their origin country. By penetrating a foreign market, companies gain access to a larger market size, increase their competitiveness, diversify and are able to access new talent and resources. However, entering foreign markets can be an expensive venture and companies will have to learn and abide by different laws depending on the country.

III. HISTORY OF BANKING

The concept of banking has been around since ancient times when merchants needed a safe place to store their money and valuables. In those days, they utilized temples where they stored money and valuables for people. As time went on, banking became more organized. People began maintaining financial records, using credit and they developed banking as a profession. The Medici family was influential in making banking more modern. As time went on, people continued to develop banking and trade between countries

began to increase. The world's first modern bank was founded in Amsterdam, Amsterdam Wissel bank, and introduced banknotes. Merchant banks also rose into power such as JPMorgan which rose to significant heights and gained tremendous power. These banks did not loan to consumers but rather to industries and companies meaning that it was extremely hard for consumers to get loans. As a result of the amount of power Morgan had, the U.S government formed the Federal Reserve Bank (the Fed) in order to ensure no banker would ever have that much power. As time progressed, governments introduced rules to make banking safer and digital banking became popular. Today, banking faces new challenges and opportunities and improvements in technology, such as cryptocurrencies and blockchain, continues to change how we do banking.

In India, the first bank, the Bank of Hindustan, was established in 1770 and was first under European management. Slowly, more banks started to be founded such as the Bank of Calcutta and Bank of Bombay. As many as 600 banks formed during this time and the first bank merger happened in India and the Imperial bank of India was formed. After India gained its independence, the government of India nationalized the Reserve Bank of India (RBI) which was given the authority to oversee all banks in India. Post-independence all of India's banks were privately run and owned causing great concerns amongst people so the government decided to nationalize the banks to solve the issue. In modern times, India has developed and is making use of various innovative technologies such as online banking and continues to develop and become stronger.

Banking structure in India

- Central bank: A central bank is a financial institution that controls the money supply of a country and handles the currency of a country or group of countries. The main goal of most central banks is price stability. The Reserve Bank of India is a central bank.
- Commercial bank: A commercial bank is a financial institution that's function is to accept deposits from people and provide loans to other facilities. Commercial banks function to provide banking services to customers and small to medium sized businesses. HDFC bank is a commercial bank in India.
- Co-operative bank: A cooperative bank is a financial institution that is owned by its customers and provides services to both members and non-members. Saraswat Co-operative bank is an example in India.
- Development bank: A development bank is one that provides capital, both medium and long term, for productive investment in developing countries. One of the main goals of development banks are the recognition and promotion of private investment opportunities. IDBI (Industrial Development Bank of India) is one example.
- Specialized bank: Specialized banks are financial institutions whose primary goal is to finance specialized economic and social activities. Example is EXIM bank in India.

Banking sector in India

- As the economy in India continues to grow, the banking sector is also growing at a steady pace. As banks are the heart of an economy, when an economy grows so does the banking industry. The banking sector in India turned a net loss of Rs 23,397 crore in the year 2018-19 but turned a net profit of Rs 1.82 lakh crore in the year 2021-22 depicting the gigantic growth in the sector. As of 2022, bank credit growth reached a highest of 17.5%, which is the highest it has been in 11 years. Additionally, the bank deposit growth is growing year on year by 9.4%.
- As the economy of India continues to grow, the demand for bank credit or loans is at a three year high as consumer confidence has increased and people are encouraged to loan money for their various economic activities. However, the growth in deposits banks are receiving is much slower than that of the demand for loans as a result of high inflation, causing banks to scurry in search of funds.
- Banks offer consumers a variety of products and services such as a checking account, savings account, money market account, certificate of deposit, debit cards and credit cards. A checking account allows consumers to store and manage money they use for everyday use. Once this is set up, a consumer can use a debit or credit card to directly pay for their expenses or take cash out of their account from an ATM. A savings account separates money for expenditure from money that needs to be saved. Every month, a certain amount of money can automatically be moved from a checking account to a savings account so that a consumer does not have to do it themselves. A money market account is a type of savings account that offers higher interest rates so the greater the amount deposited the greater the earnings. However, there may be a limit to how much a consumer can withdraw each month. A certificate of deposit is a bank account where a consumer agrees to keep their money for a specific amount of time, for example 2 years. The longer someone saves the greater the return. However, there is a penalty for withdrawal before the end of the time period. Debit cards allow consumers to pay for everyday items by just swiping the card and entering a secure pin. No cash is involved and the money used comes straight from a consumer's checking account. On the other hand, credit cards allow consumers to pay for items using a line of credit. This means that consumers use money that is not there and then pay the amount of money they have used back to the bank at the end of the month. However, if a consumer is unable to pay the full amount at the end of the month, banks then charge interest rates on the unpaid money requiring the consumer to pay more than they actually used.
- With advances in technology, banks are also aiming to utilize newer and better methods to improve the banking sector as a whole. Blockchain technology is being explored by some banks as a means to improve security and efficiency of financial transactions. This technology allows banks to verify the movement of money between accounts. Banks are also using AI to improve customer service and support. AI chatbots answer questions in seconds compared to the longer time taken by a human team. To increase security, banks have also started to use biometric technology which is a more secure way of logging on to bank accounts.

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Latest bank mergers in India

- Punjab National bank amalgamated with United bank of India and Oriental bank of Commerce: On 1st April 2020, Punjab national bank, United bank of India and the Oriental bank of Commerce merger came into effect. All branches of Oriental bank of Commerce and the United bank of India would operate under the name of Punjab National Bank. The combined banks have 11,000 branches, 13,000 ATM's, 1 lakh employees and a business mix of Rs 1 lakh crores.
- Union bank of India amalgamated with Corporation bank and Andhra bank: As a result of its merger with Corporation Bank and Andhra Bank, the Union Bank of India rose to the position of fifth-largest public sector lender in India. The combined banks now have a total of 120 million customers, 9,500 branches and 13,500 ATM's.
- HDFC bank and HDFC Ltd merger: On July 1st 2023, HDFC bank and HDFC Ltd completed a 40 billion dollar deal merger and became the 7th most valuable bank in the world. The merger saw the bank's market capitalization go to $154 billion.
- SBI merger: In 2017, SBI merged with 6 banks- State bank of Bikaner and Jaipur, State bank of Mysore, State bank of Travancore, State bank of Patiala, State bank of Hyderabad and BMB. The combined banks have approximately 50 crore customers, 22,500 branches, 58,000 ATM's and an asset base of Rs 37 trillion.
- Bank of Baroda amalgamated with Dena bank and Vijaya bank: The combined bank now has 8248 branches, , 10318 ATMs across India and approximately 5 crore customers.

Rationale behind bank mergers

- Bank mergers are happening more and more frequently as banks are looking to expand and reduce their competition. By merging, a bank gains access to a large number of new customers, more branches and more employees. A larger bank has a better grasp and can easily handle short and long term liquidity. Additionally, merged banks also gain a greater market share and can share technology allowing them to become more efficient.

Advantages and disadvantages of bank mergers on the banking sector

Advantages of a merger on the banking sector

- Expansion: Mergers allow banks to expand to newer areas or regions as a result of a higher combined revenue and budget
- Increase in efficiency: Banks can achieve economies of scale through a merger or acquisition thus increasing its efficiency in the process.
- Cost savings: By achieving economies of scale, banks are able to reduce their operation costs.
- Product innovation: Due to economies of scale, banks can develop better products for customers.

Disadvantages of mergers on the banking sector

- Integration issues: Due to laws and multiple processes, mergers are very complex and time consuming, which can lead to difficulties and problems with functioning the bank until the merger goes through.
- Loss of employees: When banks merge, key employees may leave the bank for multiple reasons, leading to loss in expertise.
- Customer discomfort: When banks combine their systems, customers may not like it or may not be used to it leading to a decrease in customer satisfaction. This may cause some consumers to lose confidence in the banking system thus causing a negative impact on the banking sector.

Impact on the Indian economy

Advantages:

- Mergers of banks makes them stronger and less susceptible to fluctuations, creating stronger pillars for the economy.
- Mergers will allow Indian banks to compete and be on par with global giants such as JPMorgan Chase
- When there are a great number of banks in the economy, there may be inefficiency due to duplicity of both physical and work capital. Mergers may eliminate this issue as they are able to achieve economies of scale.
- If a bank has many non-performing assets due to any reason, their capability to give out loans reduces. However, bank mergers lead to the creation of bigger banks that can better handle non-performing assets and may still be able to give loans

Disadvantages:

- If a large, merged bank fails, it has the potential to cause a severe blow to the country's economy.
- In India, many consumers may have been utilizing a specific bank, a big or small one, for their entire life and may have an emotional attachment to it. In the case of a merger, people may lose trust or feel wronged leading to a loss in business for banks.
- Bank mergers do not guarantee that banks can compete with global giants.
- Synergy is extremely important when it comes to bank mergers but in some cases, there are problems with synchronization. For example, if a bank acquires another but does not share all the benefits they offer to their employees to new employees, a synchronization issue is created. In this case, employees may feel discouraged or upset and leave their jobs.

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IV. REVIEW OF LITERATURE

1. **"Merger and Acquisition in Indian Banking Sector: A Case Study of Bank of Baroda"- Dr Chetan Kashyap, Assistant Professor of Commerce, Landmark Institute of Management and Technology, Amroha (Uttar Pradesh).** In this study the researcher has concluded that one of the main reasons that smaller banks merge with larger banks, or with smaller banks to form a larger bank, is for support and survival. Mergers and acquisitions have been useful in India to help the survival of smaller banks. In the specific case of the Bank of Baroda merger, the researcher concluded that the merger has been beneficial for the bank and additionally states that the area of service widens as a result of mergers.

2. **"Why Do Banks Merge?"- Dario Focarelli, Fabio Panetta and Carmelo Salle, Journal of Money, Credit and Banking , Nov., 2002, Vol. 34, No. 4 (Nov., 2002), pp. 1047-1066.** In this study, the authors separately analyzed mergers and acquisitions and proved their initial hypothesis that increasing financial services income is a strategic goal for mergers, whereas the primary focus of acquisitions is on strengthening the loan portfolio. When it comes to increasing the services sold, a merger is required, i.e. a full acquisition, as with only a controlling stake, the separate branch managers of the smaller bank may lack the enthusiasm to market and sell the new owners products. In the case where the acquiring bank's main objective is the control of the loan portfolio, an acquisition is sufficient and helps avoid the costs of a complete integration. The authors have also found that mergers are difficult to implement in Europe due to the strict labor laws and importance of local stakeholders, but they are successful in the United States.

3. **"The Effect of Bank Mergers on Loan Prices: Evidence from the United States"- Isil Erel, The Review of Financial Studies, April 2011, Vol. 24, No. 4, The Value of Bank Capital and the Structure of the Banking Industry (April 2011), pp. 1068-1101.** In the article, the author concludes that small businesses benefit from bank mergers through lower interest rates. The author concludes that smaller scale borrowers pay lower interest rates to banks that have recently expanded via mergers as compared to other banks. This happens because after a merger there is an increase in efficiency primarily caused by factors such as sharing and lending of technology and diversification risks. In general, loaning to startups or smaller businesses tends to be risky and banks charge high interest rates on the loans. However, in the case of a merger, the merged banks tend to charge lower rates thus increasing the benefits and making mergers more favorable for borrowers.

4. **"How Do Mergers Create Value? A Comparison of Taxes, Market Power, and Efficiency Improvements as Explanations for Synergies"- Erik Devos, Palani-Rajan Kadapakkam and Srinivasan Krishnamurthy, The Review of Financial Studies, Mar. 2009, Vol. 22, No. 3 (Mar. 2009), pp. 1179-1211.** In this study, the authors argue that corporate mergers are beneficial to stockholders as a result of productive efficiencies, tax savings and a higher product market share. While high productive efficiencies are economically advantages in general, stockholder profits come at the expense of the government and other stakeholders such as customers and suppliers due to tax breaks and an increased market control. The authors analyzed Value Line forecasts of cash flow to the acquiring firms, target firms and combined firms through a total sample size of 264 big mergers between 1980 and 2004 and discovered that the forecasts were accurate based on released cash flow and documents: the authors found a 10.03% average gain due to mergers for stockholders. Additionally, the authors found that the tax savings from mergers was only 1.64%, thus concluding that tax considerations do not play as big of a role in merger decisions. Operational synergies are higher in focused mergers as compared to diversifying mergers, and average out at 8.38%, however the authors discovered the gains made were due to a reduce in investment expenditure rather than an increase in operating profits. The claim that merger gains represent a wealth transfer because of enhanced market strength is refuted by the modest size of synergies contributing to higher profitability. Instead, it is in line with the idea that antitrust laws forbid mergers that are largely driven by an increase in market dominance. The findings presented here imply that more effective use of economic resources leads to the emergence of merger synergies in completed mergers.

5. **"A Response to Regulatory Shocks"- Manish Agarwal and Aditya Bhattacharjea, Emerging Markets Finance & Trade , May - Jun., 2006, Vol. 42, No. 3 (May - Jun., 2006), pp. 46-65.** In this study, the authors identify 3 distinct merger periods in India, using a database spanning from 1973 to 2004, and have discovered that the above periods were also periods of consolidation in the respective industries where merging occurred, coming to the conclusion that mergers could be responses to industry shocks. Additionally, due to the changes in the MRTP act in India in 1991, MRTP companies were able to merge with companies in the same business/industry, thus allowing a concentration of power and market control. However, the government implemented the new Indian competition act in 2002 as a means to regulate and check anticompetitive mergers.

6. **"Why Do Firms Merge and Then Divest? A Theory of Financial Synergy"- Zsuzsanna Fluck and Anthony W. Lynch, The Journal of Business , Vol. 72, No. 3 (July 1999), pp. 319-346.** In this study, the authors develop a theory that merging firms merge due to the fact that they are unable to finance marginally profitable, possibly short term projects, as a single entity due to problems such as issues amongst managers and claim holders. On the other hand, a conglomerate could be viewed as a type of technology that allows these types of projects to gain financing (these projects would traditionally be rejected by investors). When profitability improves, the financing synergy stops, and the acquirer sells

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assets to reduce coordination costs. The author's theory also follows two empirical(and contradictory) long term findings: Mergers increase and combined value of the acquirer and target and diversified firms are less valuable than more focused standalone entities.

7. **“Performance Changes around Bank Mergers: Revenue Enhancements versus Cost Reductions”- Marcia Millon Cornett, Jamie John McNutt and Hassan Tehranian, Journal of Money, Credit and Banking , Jun., 2006, Vol. 38, No. 4 (Jun., 2006), pp. 1013-1050.** In this study, the authors examine the long term performance of banks after a merger and discover that the industry- adjusted operating performance increases drastically for merged banks after a merger. Additionally, the authors discovered that large banks mergers have greater performance gains as compared to small bank mergers, activity focusing mergers outperform activity diversifying mergers, geographically focusing mergers outperform geographically diversifying mergers, and performance gains are greater after the Riegle-Neal Act's implementation of full nationwide banking in 1997. Furthermore, we discover that higher performance is the outcome of both revenue growth and cost-cutting initiatives. Moreover, the revenue enhancement opportunities appear to be more profitable in mergers that provide the greatest cost cutting opportunities. The results of this paper lead to the conclusion that eliminating these limits through the implementation of intrastate and interstate banking regulations has enhanced bank efficiency.

8. **“Mergers and Acquisitions of Banks in Post-Reform India”- T R BISHNOI and SOFIA DEVI, Economic and Political Weekly, Vol. 50, No. 37 (SEPTEMBER 12, 2015), pp. 50-58.** In the above study, the authors utilize multiple different indicators to display statistical changes in the statistics of 18 different cases of bank mergers in India. These indicators are ROA, ROE, CAR, Spread, OC/TA, Profit per Employee, Asset Growth. ROA was found statistically significant in one case with Bank of Baroda and two mergers with the ICICI bank. ROE was found to be statistically significant in two cases with Bank of Baroda and one case with ICICI bank. CAR, profit per employee and asset growth indicators showed statistical significance in three cases- ICICI bank, Bank of Baroda and Punjab national bank. Each of these indicators have different statistical significance for each of the merged banks. Spread shows the maximum number of statistical differences covering four out of the nine banks. The authors find that generally there is not much improvement right after mergers as the objective of most mergers focus on long term gains rather than short term. The authors also found that there are no significant differences between cases of voluntary or compulsory mergers indicating that in the Indian sector, one of the banks (out of the two) that is involved in the merger is of relatively small size thus not having a significant impact. Therefore, mergers and acquisitions as a means of consolidating the banks citing efficiency as the reason is concluded to be doubtful.

9. **“The Managerial, Regulatory, and Financial Determinants of Bank Merger Premiums”- Darius Palia, The Journal of Industrial Economics , Mar., 1993, Vol. 41, No. 1 (Mar., 1993), pp. 91-102.** In this study, the author predicts the rapid increase of bank mergers due to lack and removal of regulation. According to the findings of this study, bank merger premiums are connected to the characteristics of both the acquirer and target institutions, as well as their regulatory frameworks. Method of payment (whether the medium of exchange was cash or stock or a combination of both), management turnover (whether premiums are higher in takeovers that involve the removal of a target's chief executive officer), and the contagion effects between the merger premiums of two consecutive bank mergers are some of the other factors that may be considered for future research.

10. **“Concentration in Commercial Banking: The Effects of Mergers and Acquisitions”- Audrey E. Clarke, Yearbook of the Association of Pacific Coast Geographers , 1999, Vol. 61 (1999), pp. 108-128.** In this study, the authors come to the conclusion that there has been a consolidation of banking activity in the USA due to both mergers and acquisitions and decline of new banks. Additionally, the authors conclude that the USA is at the beginning of a new age of banking similar to Japan or Canada. Another conclusion through this study refers to single location unit banks becoming a “relic” of the past as they are not able to compete with multi-locational branching banks associated with non-locally based bank holding companies.

V. RESEARCH METHODOLOGY

Research methodology are specific procedures used to collect and process data. There are different types of research methodology such as qualitative, descriptive, quantitative, and analytical.

Types of Research Methodology

Qualitative- This data is usually in the form of spoken or written information, such as images, videos, and interviews. To accomplish the goals and objectives of the research, qualitative data analysis requires spotting common patterns in participant replies and critically assessing them.

Descriptive- Involves describing the characteristics of a population or phenomenon that is being studied.

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Quantitative- By using logic and critical thinking, quantitative data analysis transforms statistics into information that is useful. Researchers employ analytical software to aid in the study of quantitative data. The first stage in analyzing quantitative data is validating, editing and coding the data. Once completed, the data is ready for analysis.

Analytical- Gathering, analyzing, and interpreting data to draw findings and draw inferences is the process of analytical research.

Statistical tools adopted:

The collected data was processed, analyzed and presented using diagrammatic representations.

Sampling technique:
This research paper used a questionnaire consisting of 12 simple basic questions about bank mergers in India.

Hypothesis
The hypothesis proposed here is as mentioned below.

H0- Bank mergers are not required as they are not beneficial to the Indian economy.

H1- Bank mergers are required for the Indian economy because of the various benefits they offer to society.

Data type and sources:
There are many different types of data that researchers use to make conclusions and present arguments. These include primary data, secondary data, structured data, unstructured data, and big data. There are a wide variety of sources that data can be accumulated from such as internally (by your own organization), from a third party or through open data (accessible and free for everyone) for example.

Primary data:
Primary data is firsthand data, collecting by the researcher. It is original and more reliable and is collected for the first time.

Secondary data:
Secondary data is secondhand information. It is not originally collected, but rather obtained from already published or unpublished sources.

Population:
Population refers to the maximum number of people possessing knowledge on bank mergers.

Sampling frame:
Sampling frame refers to a random list of diverse people from the selected area who are from different professions.

Sample size:

For the effectiveness of the study, a sample size of 119 people was selected.

Study area:

The entire city of Mumbai was considered for the purpose of this research. Mumbai being the Finance capital of India, its residents are expected to have knowledge about the banking system and bank mergers, to an extent.

Limitations:
1. Physical collection of data was difficult and only restricted to people known to the researcher (me). Additionally, the selection of people may not represent the broader population.
2. Respondents may provide answers they think people may want to hear, and not the true answers. Additionally, respondents may use aid from others or online sources.
3. Primary data was not collected in person, but through an online survey.
4. Researchers own bias can affect the interpretation of data

Data Analysis and Presentation

We performed the survey using the questionnaire method, and the results were as follows: we received 53 answers to the obligated questions below:

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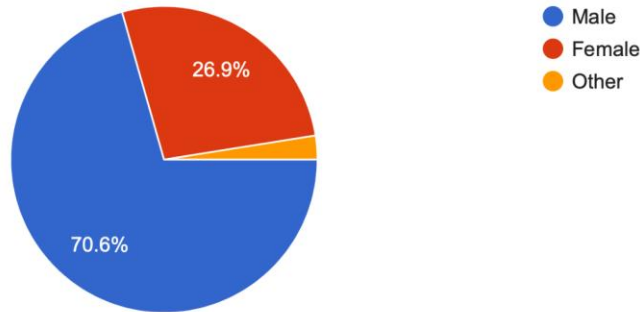
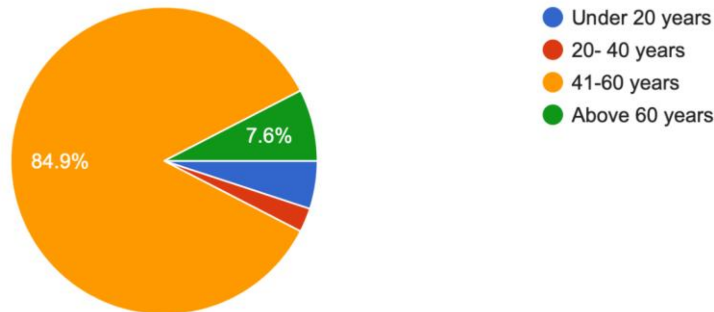
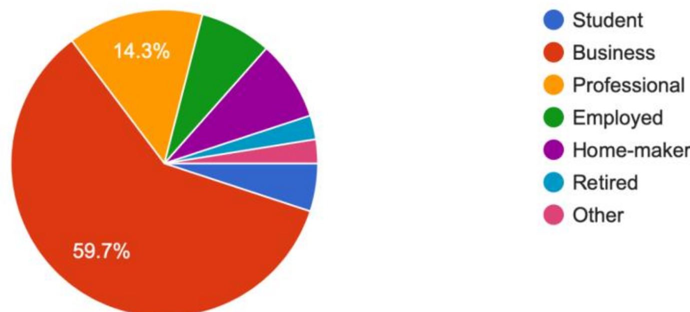


From the above chart we can see the majority of respondents are male.



Most of the respondents are between 41-60 years



59.7% of the respondents are working in business. There are also people working as professionals making up 14.3% of the respondents.

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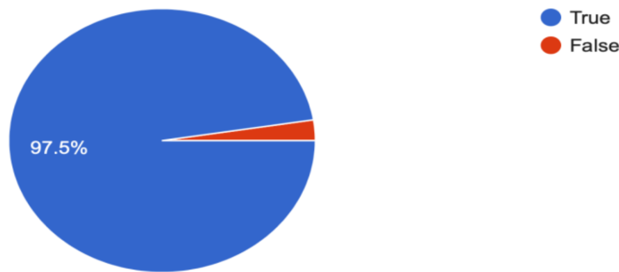
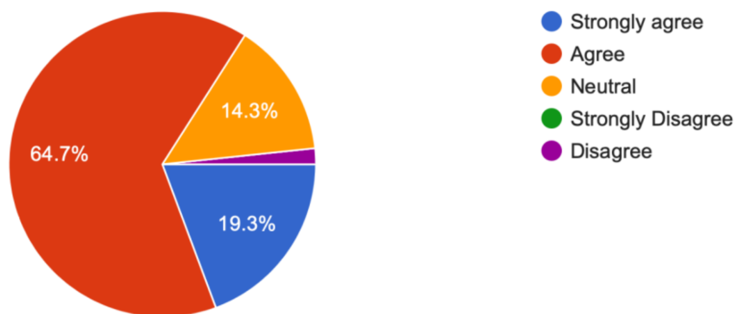
A merger is one of the techniques of business expansion
119 responses



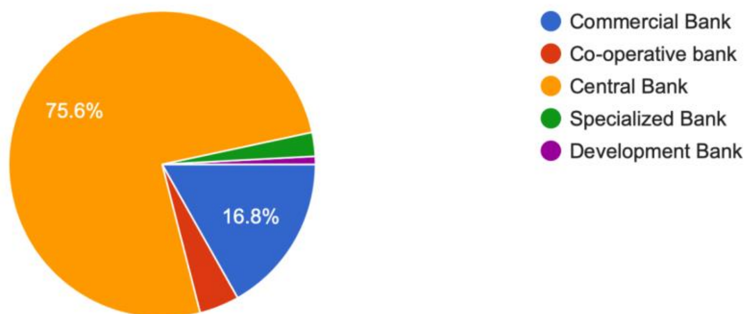
Most of the respondents are aware that mergers are a technique of business expansion

There exists different types of mergers like horizontal merger, vertical merger, conglomerate merger, product extension merger and market extension merger.
119 responses



It can be inferred that a majority of the respondents are aware that there are different types of mergers.

In India which is the apex bank and called Banker's Bank?
119 responses



It can be inferred that a majority of respondents are aware that the central bank is called the Bankers Bank.

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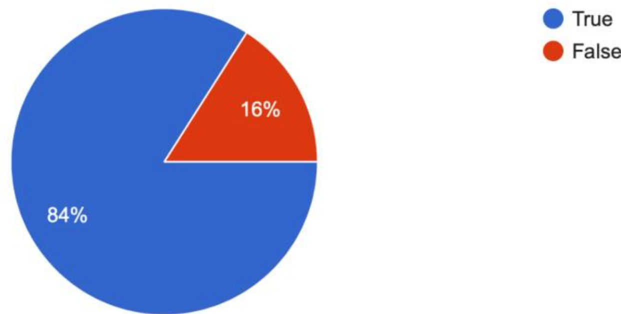
Bank mergers and acquisitions are often talked about together but are actually different

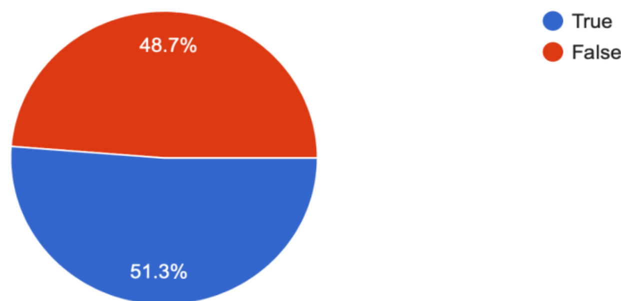
119 responses



It can be inferred that a majority of respondents are aware that mergers and acquisitions are different from each other

Under the Indian Banking system only private banks are allowed to merge with private banks and only public sector (nationalised) banks are allowed...llowed to merge with private or corporative banks.

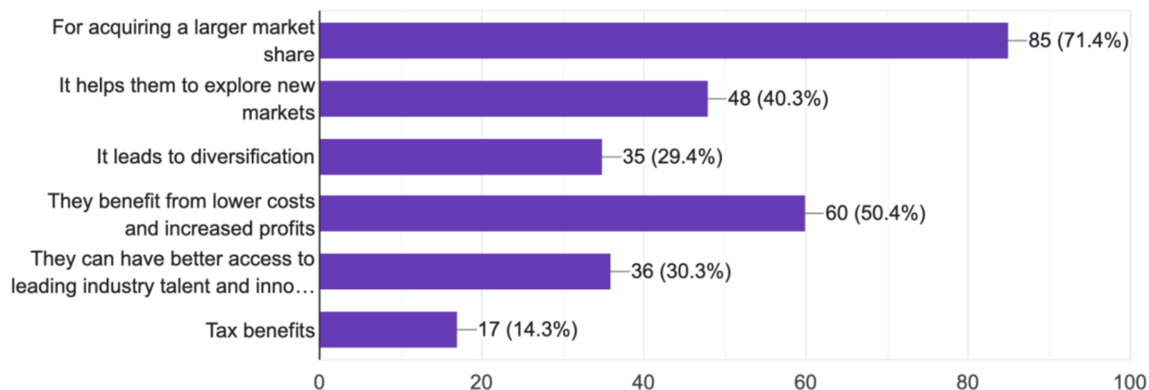
119 responses



Approximately only half the respondents agree that only private banks can merge with private banks and only public sector banks are allowed to merge with public sector banks.

Why do banks merge in India?

119 responses



Majority of respondents agree that banks merge in order to acquire a larger market share

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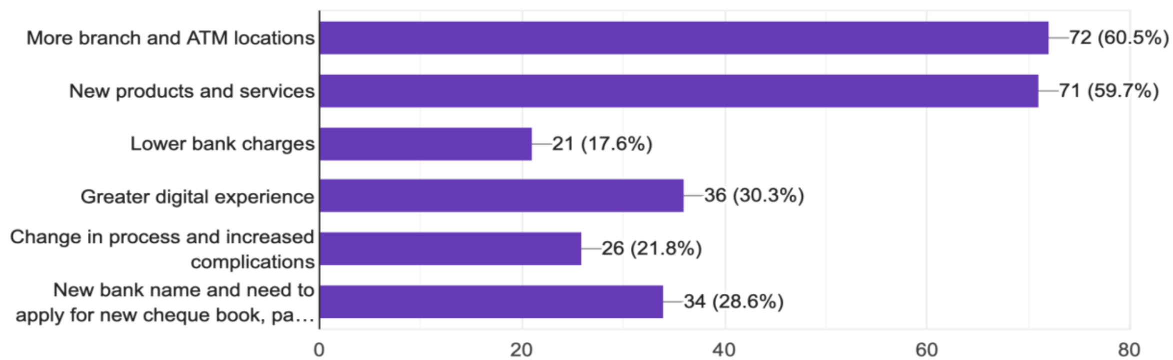
Disadvantages of Bank mergers are
119 responses

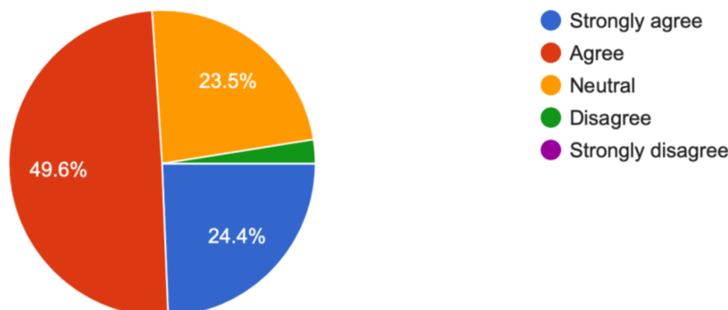
41.2% of respondents think that all the options are disadvantages of bank mergers. 29.4% of respondents believe that the main disadvantage is that stronger banks have to bear the burden of weaker ones.

Bank mergers to customers would mean
119 responses



Majority of respondents believe that in the perspective of customers bank mergers mainly mean more branch and ATM locations and new products and services

Bank mergers are really beneficial for Indian economy as it is easier for government to keep a check over enlarged institution and profitable for the ...meet consumer demand leading to economic growth.
119 responses



74% of respondents agree with the benefits that bank mergers offers to the Indian Economy while only a slight percentage disagree and there are some who are yet neutral.

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VI. CONCLUSION AND SUGGESTIONS

Conclusion

When two or more banks combine their assets and liabilities to become one bank, this process is referred to as a merger or consolidation of banks. There is an anchor bank present in this scenario, along with one or more amalgamating banks, which combine with the anchor bank. At least five bank mergers involving different PSU banks have taken place in India in recent years. Following the most recent mega-merger effort, just 12 public sector banks are now operating in India. Because they are crucial for consolidation and growth, even many private sector banks nowadays are truly interested in mergers and acquisitions.

The study's findings show that, on average, banking mergers in India have been good for the industry since they increase acquirers' financial performance and efficiency. In general, the short-term effects of bank consolidation have not been positive for companies looking to buy banks. However, in the long run, it has proven advantageous because it boosts the economy and corporate operations as a whole. Even though the integration procedure is quite time-consuming and demanding, best practices, a rise in the number of clients, the services provided to them, and numerous other banking operations have all improved.

Suggestions

Although bank mergers are good for consumers and the economy as a whole,, it can result in a number of issues that can be quite damaging if handled improperly. Different banks could be viewed as asymmetrical organizations with varying technology capabilities and geographic reach. Therefore, it is crucial to choose the merger partners above everything else based on their IT compatibility. Additionally, each bank has a certain amount of customisation based on their requirements. As a result, integrating the technological platforms of the various partners takes a very long time. Only on paper, the banks have combined; their personnel and cultures have not. All partner bank employees frequently experience changes to standards, directives, and positions, and occasionally they are moved. In addition to job security, wage structures, working styles, stress levels, career-related difficulties relating to advancement, and internal transfers must all be coordinated.

Because the risk-taking styles and worldviews of the two banks are different, compliance is required in every choice when they join, which may not be advantageous. If not handled properly, this might cause conflict and rifts that could ultimately lead to the collapse of the organization as a whole. There should be clarity on the allocation of decision-making authority at the time of the merger. Bailouts for underperforming banks are one of the goals of bank mergers. The anchor banks must set aside crores for loans in order to balance the bad loan accounts of the merging banks and for any following provisions. Avoiding a difficult merger with an under-capitalized PSB can prevent the bank from recovering and could make the combined business weaker as well.

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Appendix:

Questionnaire

1. What is your gender? *
   - Male
   - Female
   - Other

2. What is your age? *
   - Under 20 years
   - 20-40 years
   - 41-60 years
   - Above 60 years

3. What is your profession? *
   - Student
   - Business
   - Professional
   - Employed
   - Home-maker
   - Retired

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- Other

4. A merger is one of the techniques of business expansion*
- True
- False

5. There exists different types of mergers like horizontal merger, vertical merger, conglomerate merger, product extension merger and market extension merger. *
- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

6. In India which is the apex bank and called Banker's Bank? *
- Commercial bank
- Co-operative bank
- Central bank
- Specialized bank
- Development bank

7.Bank mergers and acquisitions are often talked about together but are actually different*
- True
- False

8.Under the Indian Banking system only private banks are allowed to merge with private banks and only public sector (nationalised) banks are allowed to merge with each other. No nationalised banks are allowed to merge with private or corporative banks. *
- True
- False

9.Why do banks merge in India? *
- For acquiring a larger market share
- It helps them to explore new markets
- It leads to diversification
- They benefit from lower costs and increased profits
- They can have better access to leading industry talent and innovation
- Tax benefits

10.Disadvantages of Bank mergers are*
- Big banks are prone to economic crisis in future
- It is difficult to manage customers of different bank cultures
- Strict assessment and chances of complications
- Risk of fraud and public debt
- Stronger bank might have to bear the burden of weaker banks
- All of the above

11.Bank mergers to customers would mean*
- More branch and ATM locations
- New products and service
- Lower bank charges
- Greater digital experience
- Change in process and increased complications
- New bank name and need to apply for new cheque book, pass book, etc

12.Bank mergers are really beneficial for Indian economy as it is easier for government to keep a check over enlarged institution and profitable for the banks as with increased capacities they can better meet consumer demand leading to economic growth. *
- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

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