

Synergy Impact of Merger in Banking Industry

-Special Reference to Dena Bank and Vijaya Bank

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ABSTRACT

Merger of banks will facilitate their efficiency in different types of area with their expand knowledge, experience and technology. It gives positive attention on development of economy and this will strength the position of Banks to compete in global field. The Government of India has decided to merge Vijaya Bank and Dena Bank with the Bank of Baroda on 1st April 2019. This paper to identify Reasons, Challenges and Benefits of Merger and to Analysis of financial Performance of Bank of Baroda, Dena bank and Vijaya Bank. The proposed research will be based on secondary data will be used. In order to analyze the impact Merger on public sector bank pre merger period taken 2014 to 2018 taken as pre merger period. Conclusion of this article that Merger of banks may be profitable because of to use resources in a better way of technology which will reduce the cost and increase the income merger of Dena and Vijaya bank in Bank of Baroda.

KEYWORDS: Merger, Knowledge, Challenges, Profitable, Technology

1. INTRODUCTION

The Banking industry is an important Instrument of the Indian economy and plays a significant role in economic development. Indian banks are the dominant financial sector of the Indian economy and have made better progress during the world financial crisis. The main economic rationale of merger and acquisition is that the value of the combined entity is expected to be greater than the sum total of the independent values of the merging entities. Merger of banks will facilitate their efficiency in different types of area with their expand knowledge, experience and technology. It gives positive attention on development of economy and this will strength the position of Banks to compete in global field. The government of India has decided to merge Vijaya Bank and Dena Bank with the bank of Baroda on 1st April 2019.

Definition of Merger and Synergy

Merger: Merger and Acquisition is the process of the consolidation of two or more companies through financial transaction purchase of assets. In this process ownership of one entity transferred to another entity. The purpose of this is to increase the growth of Business. There are the following types of mergers horizontal, vertical, conglomerates, and concentric.

Synergy: means of synergy is that where two companies are merged their combined value is greater than their separate existence value. The object of synergy is to bring effectiveness to our work by sharing their knowledge experience strength. The way of synergy is like a combination of products of two separate organizations, markets, etc in synergy when two or more companies work together they can achieve more together than they can separately combined companies can use their technology to accomplish market targets.

Historical Background of Bank of Baroda, Dena Bank and Vijaya Bank

Dena Bank: was established in 1938, by choonilal devkaran nanjee and pranlal devkaran nanjee. This Bank has its Headquarter in Mumbai (Maharashtra). Dena Bank is nationalized by the Indian government in 1969. Firstly its name is devkaran Anne banking company but after incorporated as a public company in December 1939, it's adopted the new name "Dena Bank". Tagline of Dena Bank is 'your trusted Family Bank'. Dena Bank has been amalgamated with bank of Baroda with effect 1st April 2019.

Vijaya Bank: Altavar Balkrishna shetty founded this Bank in 1931, at Mangalore, Madras. Head Quarter of Vijaya bank is in Bangalore, Karnataka (India). It is fully owned subsidiary company of Bank of Baroda. This is one of the nationalized banks and starts initiative to give financial services in rural area of India. In 2108 Vijaya Bank revenue Rs. 14,190.45, number of branches 2,136 and 2,155 ATMs. Vijaya Bank tagline is 'A Friend you can bank on'

Bank of Baroda: is established by sayajirao Gaekwad III in 1908 at Vadodra (Gujarat) control of this Bank is the ownership of the ministry of finance, the government of India. This bank offers banking and financial services within India and also across India. The tagline of Bank of Baroda is 'India's International Bank'. It is the 3rd highest govt.-owned Bank in India

2. REVIEW OF LITERATURE SURVEY

Kasliwal & Gupta (2021) examined that Indian banking sector needs to improve its corporate governance and strategic management in global sectors through merger of small banks into Big Banks. This study adopted secondary based data .conclusion of this research is through the process of merging. Banks can strength their capital, profitability to increase its activities through the different types of Network.

Adhana and Raghuvanshi (2020) studied that eighteen public sector bank business, deposits and Non-Performing assets (NPA). In their paper they carried out secondary based data. Conclusion of this paper after the merger of selected Bank, the Big Bank would lead focus on international Market and the second middle level banks would focus on the national market. The main object of this paper to know the impact of public sector bank merger and customers are likely to be impacted. Conclusion of this paper after the merger of selected Bank, the Big Bank would lead focus on international Market and the second middle level banks would focus on the national market.

Hinal and Divekar (2020) discussed Merger and Acquisition of Bob, Dena and Vijaya bank. Author described merger and acquisition one of the most valuable instruments for growth. This study shows that the effects of the world economy are therefore difficult for small bank for the survival of weak bank and they need to support and this is the one of the reasons for their Merger.

Ashok Botta (2019) explained s the competitive advantage of mergers in banking sector with respect to Bank of Baroda, Vijaya bank and Dena bank. Merger and acquisition in general term as a strategic tool for the participants in merger activity for gaining certain synergies. The study focused on who have participated in mergers for different reasons.

Jenifer piesz et. al (2013) analyzed that merger and acquisition is a useful organization strategy, used by corporate to achieve various object, and also acts as a mechanism for market discipline. This paper analysis on merger motives, budgeting and payment methods, wealth increment, and distribution between bidders' and target shareholders and the impact of takeovers on the competitors of predator and target organization.

Ali-Yrkko and Jyrki (2002) purposed of this paper is to compare the merger activity of Finland country with other countries and set to benchmark or to set benchmarks in comparison to other countries. The authors explained most of the cross-sectional and time-series variation of the merger and acquisition activity in different countries can be explicated by using Gross domestic Product, market capitalization, and the number of listed firms. In this paper, they adopt an eclectic model of the causes of merger and acquisition and suggest that macro industrial and firm-level factors affect merger and acquisition.

3. RESEARCH METHODOLOGY

Collection of Data: The proposed research will be based on secondary data will be used. Data will be collected through secondary sources. Secondary Data: secondary data will be collected. From government official data (BOB), Article, Magazine, Textbook, Journals,, reports, RBI reports, E-journals, newspapers and research papers will also be reviewed time to time.

Period of Data: In order to analyze the impact Merger on public sector bank pre merger period taken 2014 to 2018 taken as pre merger period

Sample Collection

The public sector banks consist of three banks. For the present study covers three important banks one is Bank of Baroda (BOB) second is Dena Bank and last one Vijaya Bank.

Scope of the study

- ❖ The research paper covers three important public sector banks, Bank of Baroda, Dena Bank and Vijaya Bank only.
- ❖ This study limited the pre merger five year's financial data. Merger the affected bank performance may improve after some years.
- ❖ This study is limited to the net profit, Earning per share and Total Assets.

Objective of the Proposed Study

- To identify Reasons, Challenges and Benefits of Merger
- To Analysis of financial Performance of Bank of Baroda, Dena bank and Vijaya Bank

Hypothesis

- H0: There is no significant difference of financial Performance of Bank of Baroda, Dena Bank and Vijaya Bank

4. DATA ANALYSIS AND INTERPRETATION

Reasons behind the Merger:

- To improve the efficiency and lending capacity of Dena and Vijaya bank they require support of a big bank.
- To restructure the financial position of Dena and Vijaya bank
- With the use of technology Bank of Baroda may use resources in a better way and and it will reduce cost of Banks.
- To compete and to stand in global field economy of a country requires a strong and a good performing banking system.
- Dena, Vijaya and Bank of Baroda used some software 'finacle' for their Banking system which makes easy for their operations even after merger.
- Merger will lead to increase the capital banks which may earn more profits on their investments.
- Bank of Baroda with the merge of Dena and Vijaya bank can provide may financial & other services in different geographical area.

Benefits of Merger

- The merging of Dena and Vijaya Bank into Bank of Baroda makes entities strong to face the challenges in a global field
- Technology, Facility experience & Knowledge of Dena and Vijaya bank may increase profitability of Bank of Baroda
- Financial Risk may reduce through merging of Dena and Vijaya Bank in Bank of Baroda with their effective risk management

- Merging of Dena and Vijaya Bank in Bank of Baroda will cover a wide range of public area, so government may give their closer attention on it.
- Bank of Baroda after merger can increase their capital & Profits to expand their area of work in different fields.
- After merging Dena and Vijaya Bank in Bank of Baroda, it becomes larger bank so efficiency in operations bank of Baroda may strengthen the economy of a country through investing & lending.
- A wide range of customers of Dena and Vijaya bank may connect with Bank of Baroda after merging.
- Financial risk may reduce through the merging of banks with their affective risk management.

Challenges in the Way of Process of Merging

- Bank of Baroda, Dena and Vijaya Bank have their different types of technology for their operations after merging it will create problem for management.
- Merging process is happening on the papers but in real it will create some problems for prior customers for their works.
- Policies, Rules & Regulation and decision making process are not same for Selected Banks.
- New role after the merger of Dena Bank and Vijay Bank with Bank of Baroda, new methods or work may lead to loss or crackdown in the motivation of the employees.
- It is hard for the bank to retain their prior customers even after merging.
- To reform non-performing assets of Dena and Vijaya Bank is a big challenge for Bank of Baroda after Merger

Financial Performance and Analysis of Bank of Baroda, Dena bank and Vijaya Bank

years	Bank of Baroda			Dena Bank			Vijaya Bank		
	Net Profit	EPS	Total assets	Net Profit	EPS	Total assets	Net Profit	EPS	Total assets
2018	2431.81	9.71	719999.8	1923.15	18.06	120859.80	727.02	6.83	177632.05
2017	1383.14	6	694875.4	863.62	11.89	129530.51	750.49	7.57	154881.58
2016	5395.54	23.89	671376.48	935.32	15.5	133441.64	381.8	4.44	145408.74
2015	3398.44	15.83	714988.55	265.48	4.94	129920.55	439.41	5.11	142643.09
2014	4541.08	107.38	659504.53	551.66	14.4	124863.49	415.91	7.64	137358.61

(Rs. In crore)

In the above table the net profit of Bank of Baroda is high in 2014 later it increased to 3398.44 in 2015 later it is decreased to -5395.54 in 2106 again it slightly increased to 1383.14 in 2017 and then decreased to -2431.81 in 2018, net profit of Dena bank is high in 2014 later it decreased to -935.32 in 2106 again it slightly decreased to -863.62 in 2017 and then decreased to -1923.15 in 2018 and the net profit of Vijaya bank is high in 2014 later it increased to 439.41 in 2015 later it is decreased to 4.44 in 2016 again it slightly increased to 750.49 in 2017 and then decreased to 727.02 in 2018. Impact on net profit in Vijaya Bank it increase in first 2 year than decrease in 2016 then increase 2017 later on it is slightly decrease. In Bank of Baroda net profit increase in first 2 year then decrease in continues. In Dena Bank Net profit increase in first 2 year then decrease continuous.

Earning Per Share is high on Bank of Baroda in 2014 again it slightly increased to 15.83 in 2015 and again it slightly decreased to -23.89 in 2106 later it is increased to 6.00 in 2017 and later it is decreased to -9.71 in 2018, Earning Per Share is high on Dena bank in 2014 again it slightly decreased to 4.94 in 2015 and again it slightly decreased to -15.5 in 2016 later it is decreased to -11.89 in 2017 and later it is decreased to -18.06 in 2018 and Earning Per Share is high on vijaya bank in 2014 again it slightly decreased to 5.11 in 2015 and again it slightly decreased to 4.44 in 2016 later it is increased to 7.57 in 2017 and later it is decreased to 6.83 in 2018. Impact on EPS as comparison above table among Vijaya Bank, Dena Bank and Bank of Baroda in BOB earning per share increase in first financial year later on it is decrease in 2016 then increase and decrease later in Dena Bank Earning per share increment in first financial year later on it is continuously decrease. In Vijaya Bank earning per share decrease in 3 financial year then increase in 2017

Total Assets of Bank of Baroda in 2014 is 719999.8 later it is decreased in 2015 to 694875.4, later them another decrement in 2016 to 671376.48. it is increased in 2017 to 714988.55 and later than it is decreased to

659504.53. Total Assets of Dena Bank in 2014 124863.49 it is increased to 12992055 in 2015, later then another increment in 2016 to 133441.6 after this it is decreased to 129530.51 in 2017 and later then decrease in 2018 to 120859.80. As we compare total assets of Vijaya bank in 2014 is 137358.61 later increased in 2015 to 142643.09 it is slightly increased in 2016 to 145408.74, another increment in 2017 to 154881.58 and it is increased in 2018 to 177632.05. Impact on total assets in the above table among Dena bank, Vijaya bank and Bank of Baroda it shows that Vijaya Bank has continues increment, total assets of Bank of Baroda decrease in first 3 year then increase and later decrease in last 2 years.

5. Conclusion

It is well known that Bank plays a vital Role in any economy for performance of weak bank decrease the level of economy, so to strengthen and to compete in global field weak banks require merger in big strong banks to compete in global field weak banks require merger in big strong banks to reform them. Merger of banks may be profitable because of to use resources in a better way of technology which will reduce the cost and increase the income merger of Dena and Vijaya bank in Bank of Baroda may be an opportunity for Bank of Baroda to connect the customers of Dena and Vijaya bank in vast geographical area when banks use common software for their Banking operating system so it is beneficial even after merger like Dena, Vijaya & Bank of Baroda use 'fiscle' of merger of banks will increase capital lending, capacity & investments. So it is concluded that Dena Bank Vijaya Bank should be merged with Bank of Baroda to reform their bad loans, poor performance and Non-Performing Assets.

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