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Merger and Acquisition in Indian Banking Sector: A Case Study of Bank of Baroda

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Abstract

Now a days, Mergers and acquisitions in the Banking sector are very important for the growing of Indian Banking Sector. This can be achieved through Cost Reduction and Increasing Revenue. Merger and acquisition emerge as a reality. Bank mergers are one of the strategies for strengthening the Indian Economy by enhancing the banking sector. The Government of India is pursuing the policy of amalgamating public-sector bank. On 1 April 2019, the merger of Vijaya Bank and Dena Bank with the Bank of Baroda came into effect. After the merger, Bank of Baroda became the third largest bank and second largest public sector bank to serving banking and strengthening the Indian Economy

This research paper looks at Mergers and Acquisitions (M&A's) that have happened in Indian banking sector to understand the resulting synergies and the long term implications of the merger. The paper also analyses recent trends in banks regarding the Mergers and Acquisitions.

The study covers the reasons for bank Mergers and Acquisitions in Indian banking sector. It also studies Bank of Baroda and its Associates merger with Vijaya Bank and Dena bank, the timeline of merger and acquisition of BOB, effects of Mega merger on BOB and analyzing the Operational and financial performance of Bank of Baroda through Pre and Post-Merger period with the help of various parameters. The findings suggest that to some extent M&A's has been successful in Indian banking sector. The conclusion of this study that the mergers of BOB would help in better management of capital. Along with merger the focus should be on adequate reforms in governance and management of these banks. Finally the area of service is more widened due to merger. Bank of Baroda has experienced positive impact due to merger. This comparative study includes data was collected from secondary sources such as websites, articles and annual reports and analysis has been shown with the help of charts.

Keywords*: Mergers, Acquisitions, Amalgamation, Bank of Baroda, Vijaya Bank, Dena Bank, Challenges, MSME, Finance.*

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Introduction

The banking system in India has undoubtedly earned numerous outstanding achievements, in a comparatively very short period, for the World's largest and the most diverse democracy. There have been several reforms in the Indian banking sector, as well as quite a few successful mergers and acquisitions, which have helped it, grow manifold.

The Indian Banking Sector: The history of Indian banking can be divided into three main phases:

Phase I (1786- 1969) - Initial phase of banking in India when many small banks were set up.

Phase II (1969- 1991) - Nationalisation, regularisation and growth.

Phase III (1991 onwards) - Liberalisation and its aftermath.

Indian banking histories reveal that Indian banking seeds were sown in the 18th century, when the Central Bank of India and the Bank of Hindustan were established in 1786 and 1790, respectively. Then, banks such as Bank of Bengal, Bank of Mumbai and Bank of Madras were formed by the charter of the British East India Company. In 1921, the three banks brought the Indian Imperial Bank together and established it, which became the Indian State Bank. The Bank of India, Baroda Bank, Corporate Bank, Indian Bank and Central Bank of India was founded between 1906 and 1911, and now they have survived. The banking industry in India is divided into two periods: the time of pre- liberalization and the time after 1991. During the pre- liberalization period of 1969, the Indian government nationalized the 14 largest trading banks. In 1980, a second nationalization dose was taken by six more commercial banks. A more regulated credit provision by the government justified the nationalization. The New Bank of India joined the National Bank of Punjab in 1993 subsequently. This was simply the merging of nationalized banks, which reduced the number of nationalized banks from 20 to 19.

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The banking sector experienced a major shift during the post-liberalization period in early 1991; Narasimha Rao's government initiated its policy of liberalisation. The International Trust Bank, then mixed with Oriental, Axis Bank (formerly UTI Bank), ICICI Bank and HDFC Bank, has been allowed to hold a small number of deposits. This change enhanced the development of Indian banking. In addition to the rapid economic growth of India, followed by growth that all the three banks strongly supported, i.e. Government, private banks and foreign banks. Regulations and structural impacts of globalization on Indian banks have changed a lot. This industry has implemented several different approaches, which are productive and lead the world in the growing climate. In the restructuring process, Merger and acquisition were one such technique.

"The merger is a merger of two or more enterprises via direct procurement by one or another of the net assets of the other company or others. No new enterprise is created during the merger" (Heric L. Kohler). The seller business stays involved in the acquisitions and the acquired company or the intended organization is merged into the purchasing group. Buy is a business activity in which an enterprise acquires all or most of its ownership to control the target company. In other words, an acquisition is made when one company takes charge of or buys another, whereas a merger is a situation where two companies agree to continue to operate and remain one new company. "It is said that a purchase takes place if one company buys an asset or another company’s stock."

An acquisition is similar and therefore the buyer is significantly larger than the seller. A sequence of transactions wherein a company Takeovers (individual, community of persons, companies) or acquires control over a company's properties, either explicitly through the acquisition of possession over those properties or indirectly through the acquisition over control over its management.

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Recent Trends in Banks Regarding the Merger and Acquisition

Name of the acquiring bank	Bank targeted	Year in which the merger took place
Kotak Mahindra Bank	ING Vyasa Bank	2014
ICICI Bank	Bank of Rajasthan Ltd.	2010
HDFC Bank	Centurion Bank of Punjab	2008
Indian Overseas Bank	Bharat Overseas Bank	2007
Federal Bank	Ganesh Bank of Kurandwad	
Industrial Development Bank of India	United Western Bank	
Centurion Bank of Punjab	Lord Krishna Bank	2006
ICICI Bank	Sangli Bank	
Bank of Punjab	Centurion Bank	2005
Industrial Development Bank of India	IDBI Bank Ltd.	
Bank of Baroda	South Gujarat Local Area Bank	2004
Oriental Bank of Commerce	Global Trust Bank	
Punjab National Bank	Nedungadi Bank Ltd.	2003
ICICI Bank	ICICI Ltd.	2002
Bank of Baroda	Banaras State Bank Ltd.	
ICICI Bank	Bank of Madura	2001
HDFC Bank Ltd.	Times Bank Ltd.	2000
Bank of Baroda	Bareilly Co-op Ltd.	1999
Union Bank of India	Sikkim Bank Ltd.	1999
Oriental Bank of Commerce	Bari Doab Bank Ltd.	1997
Oriental Bank of Commerce	Punjab Co-op Ltd.	1996
State Bank of India	Kashinath State Bank	1995
Bank of India	Bank of Karad Ltd.	1994
Punjab National Bank	New Bank of India	1993
Punjab National Bank	Oriental bank of Commerce and United	2021

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	bank of India	
Canara Bank	Syndicate Bank	2020
Union Bank of India	Andhra Bank and Corporation Bank	2020
Indian Bank	Allahabad Bank	2020
Bank of Baroda	Vijaya Bank and Dena Bank	2019

Reasons for Bank Mergers and Acquisitions in Indian banking sector

1) **Merger of weak banks:** Practice of merger of weak banks with strong banks was going on in order to provide stability to weak banks but Narsimhan committee opposed this practice. Mergers can diversify risk management.

2) **Increase market competition:** Innovation of new financial products and consolidation of regional financial system are the reasons for merger. Markets developed and became more competitive and because of this market share of all individual firm reduced so mergers and acquisition started.

3) **Economies of scale:** Capability of generating economies of scale when firms are merged.

4) **Skill & Talent:** Transfer of skill takes place between two organisation takes place which helps them to improve and become more competitive.

5) **Technology, New services and Products:** Introduction of e- banking and some financial instruments / Derivatives. Removal of entry barrier opened the gate for new banks with high technology and old banks can't compete with them so they decide to merge.

6) **Positive Synergies:** When two firms merge their sole motive is to create a positive effect which is higher than the combined effect of two individual firms working alone. Two aspects of it are cost synergy and revenue synergy.

Few other reasons

- Sick banks survived after merger & Enhanced branch network geographically.
- Larger customer base (rural reach) & Increased market share.
- Attainment of infrastructure & restrict competition and prevent overcrowding of banks & utilize under and unutilized resources so that the banks can compete the foreign banks in global era.

Mergers and acquisitions have definitely shaped the Indian Banking sector. Though there seem to be different opinions on this particular matter, yet there is always hope for an improvement in the current situation after bank mergers.

Objective:

The main objectives of this research paper-

1. To understand the history of Indian banking sector.
2. To study on reasons of bank mergers and acquisition in Indian banking sector
3. To understand Effects of Mega-Merger on Bank of Baroda
4. To study the performance of the Bank of Baroda in the pre and post stages of mergers and Acquisition.

LITERATURE REVIEW

Several studies have been conducted on mergers and Acquisition in Indian Banking Sector.

Anand Manoj & Singh Jagandeep (2008) studied the impact of merger announcements of five banks in the Indian Banking Sector on the share holder bank. These mergers were the Times Bank merged with the HDFC Bank, the Bank of Madurai with the ICICI Bank, the ICICI Ltd with the ICICI Bank, the Global Trust Bank merged with the Oriental Bank of commerce and the Bank of Punjab merged with the centurion Bank. The announcement of merger of Bank had positive and significant impact on share holder's wealth. The effect on both the acquiring and the target banks, the result showed that the agreement with the European and the US Banks Merger and Acquisitions except for the facts the value of share holder of bidder Banks have been destroyed in the US context, the market value of weighted Capital Adequacy Ratio of the combined Bank portfolio as a result of merger announcement is 4.29% in a three day period (-1, 1) window and 9.71 % in a Eleven days period (-5, 5) event window. The event study is used for proving the positive impact of merger on the bidder Banks.

Sinha Pankaj & Gupta Sushant (2011), studied a pre and post analysis of firms and concluded that it had positive effect as their profitability, in most of the cases deteriorated liquidity. After the period of few years of Merger and Acquisitions(M&As) it came to the point that companies may have been able to leverage the synergies arising out of the merger and Acquisition that have not been able to manage their liquidity. Study showed the comparison of pre and post analysis of the firms. It also indicated the positive effects on the basis of some financial parameter like Earnings before Interest and Tax (EBIT), Return on share holder funds, Profit margin, Interest Coverage, Current Ratio and Cost Efficiency etc.

Rhoades (1998) summarized nine case studies, by nine authors, on the efficiency effects of bank mergers. The mergers selected for study were ones that seemed relatively likely to yield efficiency gains. That is, they involved relatively large banks generally with substantial market overlap, and most occurred during the early 1990s when efficiency was getting a lot of attention in banking. All nine of the mergers resulted in significant cost cutting in line with pre-merger projections. Four of the nine mergers were clearly successful in improving cost efficiency but five were not.

In the study conducted by Humphry, Willeson, Bergendahl and Lindblom (2006), it was found, that the industrial consolidation is mainly caused by financial and technological innovation which has changed the optimal productive role of financing companies. The facilitator has been a surge of financial dereglementation that must be used entirely by banks and other financial institutions in the revolutionized back offices, front office delivery systems and payments systems by means of new production processes and technology progress.

Research Methodology

This research paper is based on secondary data. The data is collected from various published sources like E-Journals, newspapers, Magazines, articles, online resources and other references.

A study on the mergers and acquisition of Bank of Baroda

On 20th July 1908, Bank of Baroda was established as a private bank by the Maharaja of Baroda, Maharaja Sayajirao Gaekwad III. Bank of Baroda has headquarter in Gujarat in Vadodara formerly known as Baroda. It has a corporate office in Maharashtra in Mumbai. In the year 1910, the Bank of Baroda opened their branch in the Ahmadabad city. On 19 July 1969, Bank of Baroda was nationalised by the Government of India, along with 13 other major commercial banks of India.

Bank of Baroda is India’s leading public sector bank with a strong domestic presence supported by self- service channels. The Bank’s distribution network includes 8,200+ branches, 10,000+ ATMs, 1,200+ self-service e-lobbies and 20,000 Business Correspondents. The Bank has a significant international presence with a network of 100 branches/offices of subsidiaries, spanning 20 countries. The Bank has wholly owned subsidiaries including BOB Financial Solutions Limited (former BOB Cards Ltd.), BOB Capital Markets and Baroda Asset Management India Ltd. Bank of Baroda also has joint ventures for life insurance viz. India First Life Insurance Company Limited and India Infradebt Ltd., engaged in infrastructure financing. The Bank owns 98.57% in

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The Nainital Bank. The Bank has also sponsored three Regional Rural Banks namely Baroda Uttar Pradesh Gramin Bank, Baroda Rajasthan Gramin Bank and Baroda Gujarat Gramin Bank.

In history of Bank of Baroda, this is not the first time when other banks are merged with Bank of Baroda.

The timeline of merger are given below.

1961: New Citizen Bank of India merged in Bank of Baroda.

1963: Bank of Baroda acquired Surat Banking Corporation.

1969: The Government of India nationalised 14 top banks including Bank of Baroda.

1988: Bank of Baroda acquired Traders Bank, which had 34-branch network in Delhi.

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.

2019: On 2nd January 2019, the merger was approved by the Union Cabinet and the boards of the banks.

2019: On 1st April, the merger came into effect.

From April 1, 2019, things have become much bigger for the public sector Bank of Baroda (BoB). The merger of Vijaya Bank and Dena Bank with BoB, has catapulted BoB to becoming the second largest lender in the public sector after the State Bank of India and the third largest overall after SBI and HDFC Bank. In the public sector, Punjab National Bank was so far the second largest bank. The merger was announced by the government in September 2018.

This is the second big merger of public sector banks after the merger of five associated banks of SBI in April 2017. While the branches of Dena Bank and Vijaya Bank will continue to don their old signage as of now, very soon, they will all change to the BoB brand. The government has been favouring consolidation of PSU banks for operational efficiency as well as economies of scale. This merger could pave the way for more such mergers in the banking sector.

Dena Bank was one of five banks kept under the Prompt Corrective Action (PCA) by the RBI for mounting losses and NPAs. But while BoB gets scale and size, its profitability will take a blow because of the Non-Performing Assets of the two merging banks particularly Dena Bank. In order to boost BoB’s balance sheet and take care of its credit requirements, the government will provide Rs 5,000 crore to BoB through preferential allotment of equity shares.

According to a BoB statement, the complementary branch presence will add to the network in western and southern states – Maharashtra, Gujarat, Kerala, Tamil Nadu, Karnataka and Andhra

Pradesh. The bank will have a 22 per cent market share in Gujarat and an 8-10 per cent market share in Maharashtra, Karnataka, Rajasthan and Uttar Pradesh. It said that the diverse bouquet of products from the three banks, substantial investments made in technology, will help in benefiting a wider customer base.

The newly-merged entity is expected to become globally competitive with the synergies of the three banks as well as the advantage of low-cost deposits. BoB has a lower lending rate which will now benefit the other two entities as well and boost their portfolios. It will also have a wider customer base and reach, and with the help of the advantages of the merger, be able to provide a wider set of offerings to customers.

The merger will also help many corporate customers of Dena Bank who were facing restrictions in borrowings from the bank because of the limitations imposed by the RBI under PCA. BoB has also stated that the new branches, inherited by BoB as a result of the merger, will get the advantage of artificial intelligence and other technological benefits from the main bank to enable them to sell their products.

BoB will also inherit many unique projects from the other two banks. Vijaya Bank, for instance, had plantation financing in some states which will be extended to the other two banks in the same states. The bank also has small road transport operator schemes which will come in handy with the other banks.

The networks of Dena Bank and Vijaya will also help BoB penetrate deeper into the micro markets and increase its coverage of the rural and remote areas. With products designed for these markets BoB could have a better grip in these markets as compared to before.

While the merger will bring in a lot of synergies and benefits for BoB, the merged bank will have to walk a tightrope when it comes to managing loans and NPAs which will now become one of its main concerns. How it manages this and maintains its leadership position in the market will be clear in the next few months.

Effects of Mega-Merger on Bank of Baroda

Bank of Baroda had become the second largest public sector bank after merging with Vijaya Bank and Dena Bank. The consolidated Bank of Baroda has started its operation with a business mix of over Rs 15 lakh crore of balance sheets. As per the bank official said, the Bank of Baroda would have a 22 % market share in Gujarat and 8-10 % market share in Maharashtra, Karnataka, Rajasthan

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and Uttar Pradesh after the merger. The merged entity is the third-largest lender in India, after State Bank of India (SBI) and HDFC Bank. This is also India's first-ever three-way consolidation of banks in India, with the amalgamated entity emerging as the country's second largest public sector bank.

Effects on account holders

There will be changes in account information for the account holders of Vijaya Bank and Dena Bank, but as of now, the respective banks have decided not to bring in the changes. As per a Bank of Baroda statement, "The existing account number (of Vijaya Bank and Dena Bank), IFSC code, MICR code, existing ATM card and cheque books, and other identifiers of account and branch will continue, till a change is notified and announced."

Even the users of digital banking channels such as mobile banking or net banking or UPI or BHIM will not see any change as of now. Also, as per BoB, "Should we decide to merge the branches located close by, customers will be allocated lockers in the new branch,"

However, going forward, as and when the banks communicate, the account holders may have to undergo these changes – New account number, new cheque book and ATM cards along with new user name for accessing the website of the amalgamated entity. Importantly, if you have provided ECS mandate or given Standing Instructions for debiting the account for services like an insurance premium, mutual fund SIP etc, they may have to be updated if asked by the banks.

"New account numbers, customer IDs, and IFSC codes mean that you would have to update these details with various third-party entities including the Income-tax department for tax refunds, insurers to get maturity proceeds, mutual funds to get the redemption amounts, etc. You will have to submit fresh SIP registration-cum-mandate forms in case of auto-debits for systematic investment plans (SIP) and for loan EMIs," says Adhil Shetty, CEO, Bankbazaar.com.

Effects on depositors

If you have a fixed deposit in Vijaya Bank or Dena Bank, you need not to worry as of now. They will run till its original maturity date. "In case of deposits, this happens only on maturity. FDs are contract, and it is not possible for banks to change the rate mid-way. If you are locked into an FD, you can continue till maturity on the same interest rate even if the deposit rates of the merged entity are higher or lower. However, exceptions may be made in case of high-value deposits.

Effects on borrowers

Borrowers, however, may have to get ready for an early change as per their agreement with the bank. For loans linked to the bank's MCLR, the home loan is reset after every 12 months. Home loan borrowers of Vijaya Bank and Dena Bank on their reset date may have to follow BoB MCLR and the mark-up and hence, accordingly, there may be a change in their EMIs.

BoB has informed that "There will be no immediate changes in any terms and conditions of existing credit facilities. However, the facilities are to be governed by the guidelines and policies of Bank of Baroda, post amalgamation. Any changes in the terms and conditions shall be informed in advance and consent shall be obtained prior to effecting the changed terms & conditions."

Here are 10 things to know about Bank of Baroda merger:

1) In terms of the number of branches, Bank of Baroda ranks second in India across all banks. The merged entity has nearly 9,500 branches as Dena Bank and Vijaya Bank will help BoB increase its reach in the western, southern and north-eastern regions. However, to achieve economies of scale and remove overlapping, it is expected that some branches of either of the banks will be shut down.

2) The new merged Bank of Baroda has an advances and deposits market share of 6.9% and 7.4%, respectively, according to a Motilal Oswal report. The retail book of the merged entity will increase to about 20% of total loans due to a higher retail book of Vijaya Bank. The combined entity will have a CASA mix of 33.6%, with a CD ratio of 70.7%, according to the report.

3) After the merger, the number of public sector banks (PSBs) has reduced to 19 from 21. As the second largest PSB, Bank of Baroda is smaller in size than SBI but bigger than all other state-owned entities. Debt-ridden Punjab National Bank (PNB) was so far the second largest PSB.

4) The merger has also brought down the number of banks kept under the Prompt Corrective Action (PCA) framework by the Reserve Bank of India (RBI) to four. Dena Bank is among the five PSU banks kept under PCA watch over burgeoning losses and NPAs.

5) Based on the third quarter results of Dena Bank and Vijaya Bank, key credit metrics of the merged entity, with the exception of profitability, will be broadly similar to that of Bank of Baroda, according to a Moody's report. It also predicts that BoB's profitability will be dragged down by the NPAs of the other two banks.

6) Brokerage firm Prabhudas Lilladher doesn't see any major integration issues dragging the performance of the bank and has predicted that the merger is likely to be a smooth process. It has, however, cautioned that branch profitability analysis remains a focus area.

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7) To strengthen the balance sheet of the merged entity and meet its credit and contingency needs, the government has decided to infuse ₹5,042 crore into Bank of Baroda by way of preferential allotment of equity shares.

8) According to the share swap ratio, shareholders will receive 402 equity shares of Bank of Baroda for every 1,000 equity shares held of Vijaya Bank. For every 1,000 shares of Dena Bank held, investors will receive 110 equity shares of Bank of Baroda. On the basis of this share swap ratio, the government's shareholding in the merged entity will rise from 63.7% to 65.7%.

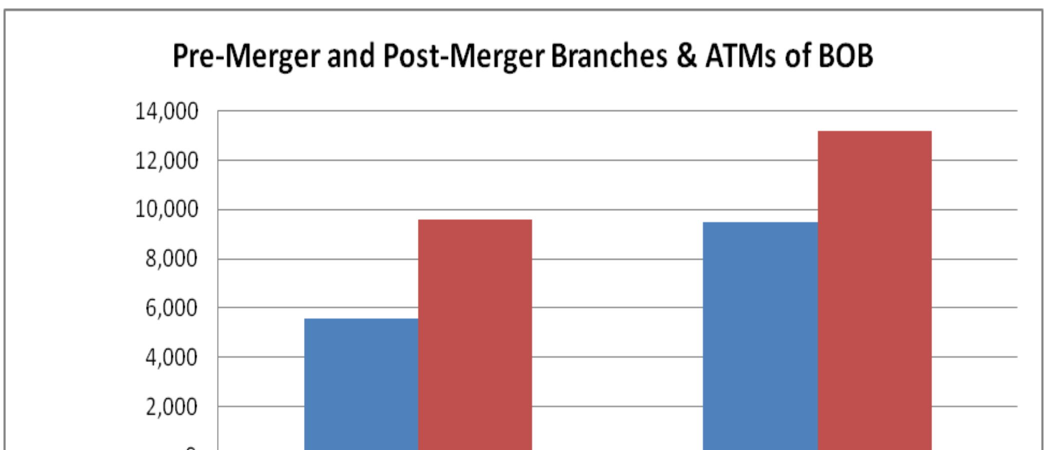
9) According to market reports, cultural integration of the three banks is likely to remain an overhang on the bank's near-term performance. The back-end technology integration would, however, be relatively smooth as all the three banks operate on the Finacle CBS platform.

10) The new Bank of Baroda is expected to create a globally competitive Bank by taking the advantages of economies of scale, synergies for the network, low-cost deposits and subsidiaries. It is also expected to improve customer base, market reach, operational efficiency and the capability to offer a wider bouquet of products and services for customers.

Study on the financial performance of BOB, Dena and Vijaya pre-merger and post-merger:

Operation Analysis of Merger

The operational performances of Bank of Baroda after the merger are analyzed as follow:



	31-03-19	31-03-20
No. of Branches	5,553	9,482
No. of ATMs	9,572	13,193

Source: Bank of Baroda Annual Reports

The standalone branches of Bank of Baroda were 5,553 before merger i.e. on 31st March 2019. Vijaya Bank and Dena Bank had 2,119 branches and 1,775 branches respectively. Hence the

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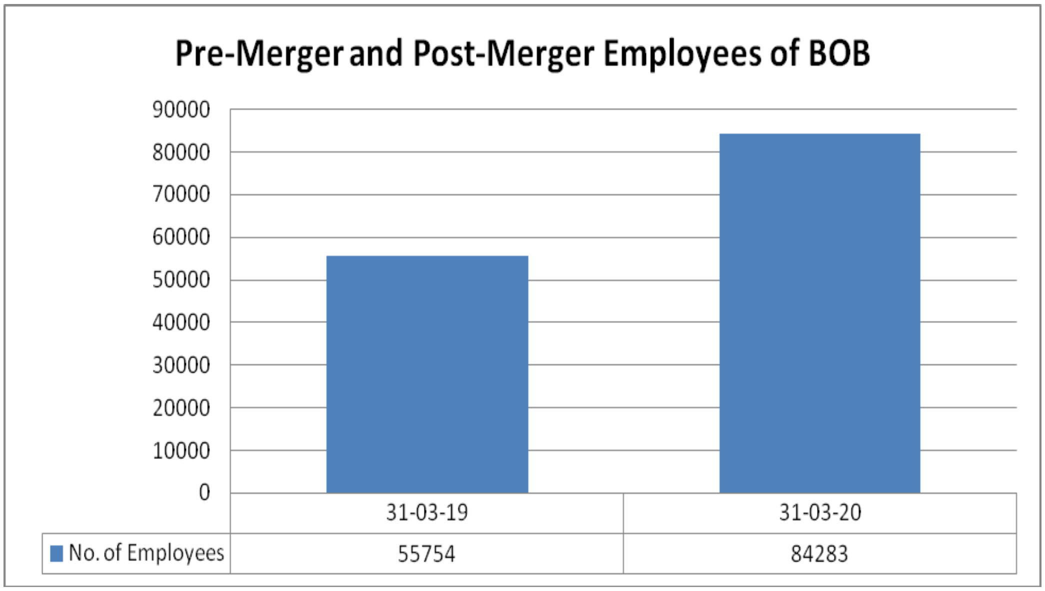
number of branches of Bank of Baroda is reached to 9,447 after merger on 1st April 2019. After one year of Merger, the number of branches is increased to 9,482 at the end of 31st March 2020. The standalone ATMs of Bank of Baroda were 9,572 before merger i.e. on 31st March 2019. Vijaya Bank had 2,163 ATMs and Dena Bank had 1,513 ATMs. Hence the number of ATMs of Bank of Baroda is reached to 13,248 after merger on 1st April 2019. At the end of first year of Merger, ATMs are reached to 13,193. After the end of First year of Merger 3929 branches and 3621 ATMs of Bank of Baroda are increased i.e. 70.75% branches and 37.83 % ATMs respectively.



Source: Bank of Baroda Annual Reports

The numbers of employees of Bank of Baroda, Vijaya Bank, and Dena Bank as on March 31, 2019 were 55,754, 15,882 and 13,334 respectively. As on March 31, 2019, the total number of employees of all three banks was 84,970. But due to retirement and VRS scheme the total numbers of employees on 31st March 2020 were 84,283 after merger. The total numbers of employees are increased by 28,529 in number and 51.17% in percentage. Government officials said that there is no retrenchment due to merger.

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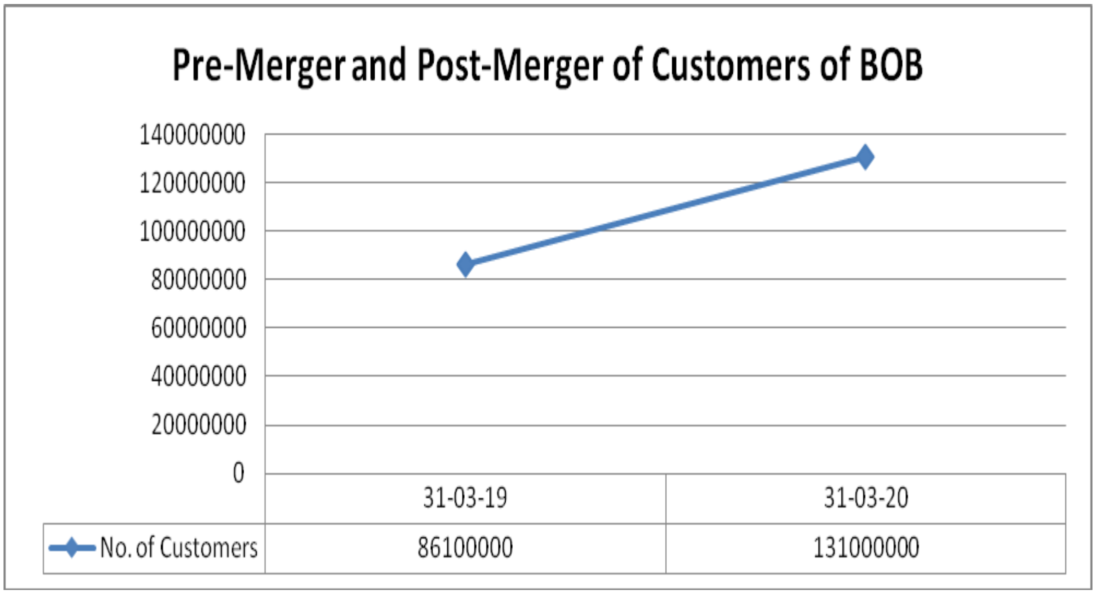
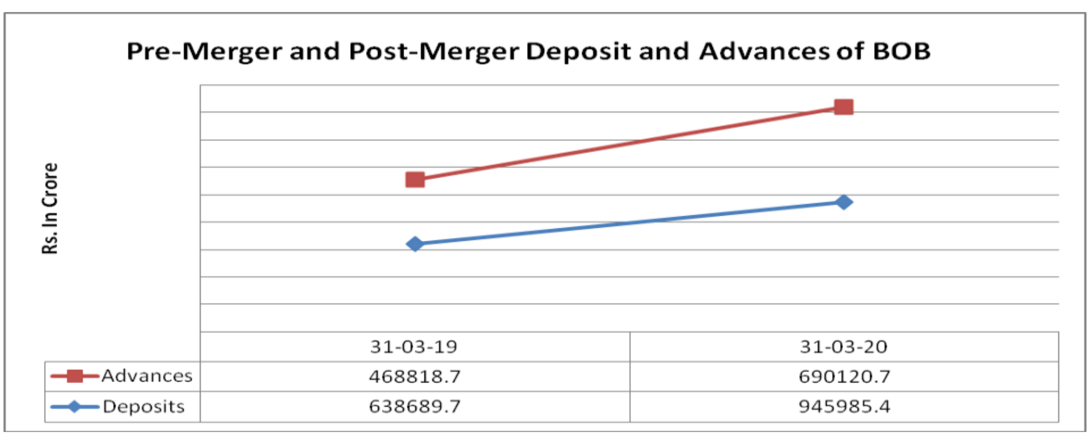


Source: Bank of Baroda Annual Reports

On March 31, 2019 the number of customers of Bank of Baroda, Vijaya Bank, Dena Bank as were 8.61 crore, 2.50 crore and 1.72 crore respectively. As on March 31, 2019, the total numbers of customers of all three banks were 12.83 crore. On 1st April 2019 after merger, the total number of customers banks was 12.53 crore because nearly 30 lakh customers had account in more than one bank. On 31st March 2020 the number of customers are increased to 13.10 crore. The total numbers of customers are increased by 4.49 crore from 1st April to 31st March 2020 i.e. 52.15 % in percentage.

Financial Analysis of Merger

The pre-merger and post-merger financial performance and financial position of Bank of Baroda is analysed as follow:



Source: Bank of Baroda Annual Reports

On March 31, 2019 the Deposits of Bank of Baroda were Rs. 6,38,689.7 Crore, Deposits of Vijaya Bank were Rs. 1,75,817 crore and Deposits of Dena Bank were Rs. 100,652 Crore. In which the

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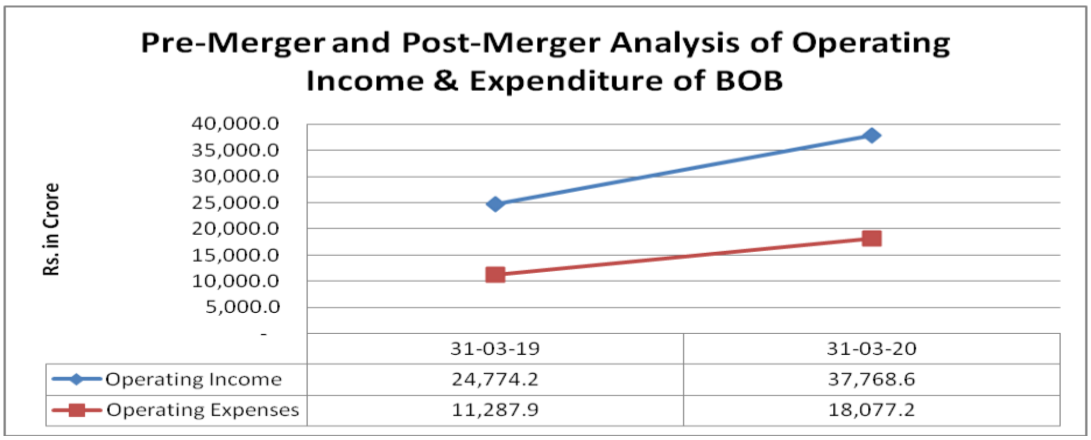
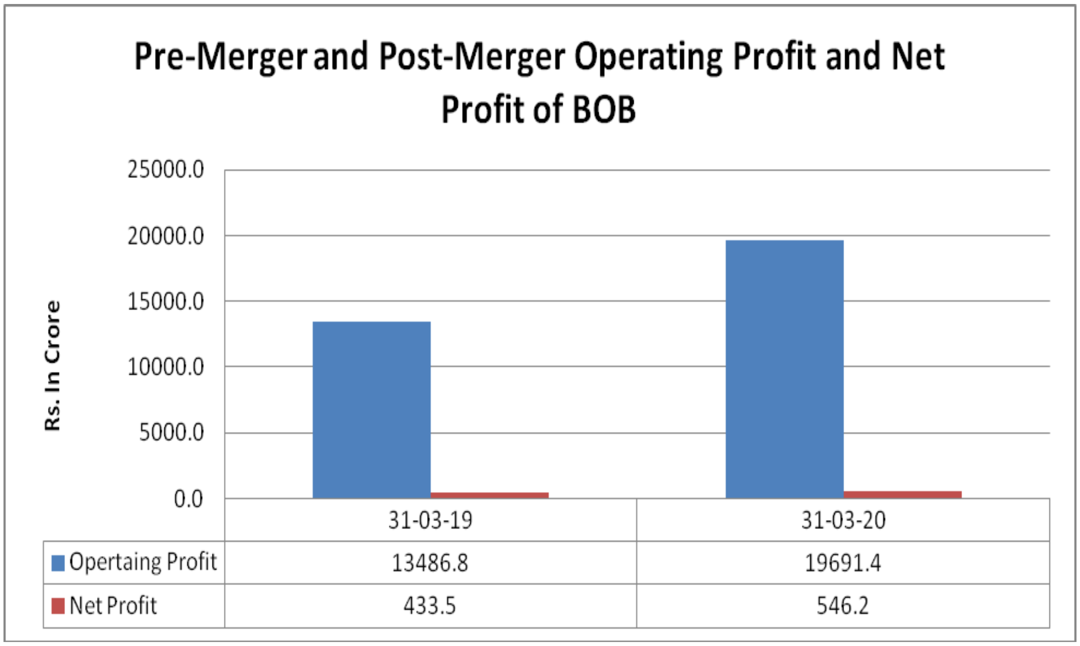
Bank of Baroda's share was 69.79%. On 1st April 2019 after merger, the total consolidated Deposits of Bank of Baroda was Rs.9,15,159 crore. But at the end of one year of Merger, Deposits are increased to Rs. 945985.4 Crore. If pre-merger and post-merger Deposits ate compared then it is found that Deposits are increased by Rs. 307295.7crore i.e. by 48.11%. The Advances of Bank of Baroda were Rs. 4,68,818.7 Crore, Advances of Vijaya Bank were Rs. 1,30,606 Crore and Advances of Dena Bank were Rs. 51,959 Crore on March 31, 2019. In which the Bank of Baroda's share was 71.97%. On 1st April 2019 after merger, the total consolidated Advances of Bank of Baroda was Rs.6,90,121 Crore. On 31st March 2020, Advances are increased to Rs.6,33,181 Crore. If Advances are compared pre-merger and post-merger then it is found that Advances are increased by Rs. 2,21,302 Crore i.e. 47.20% only.



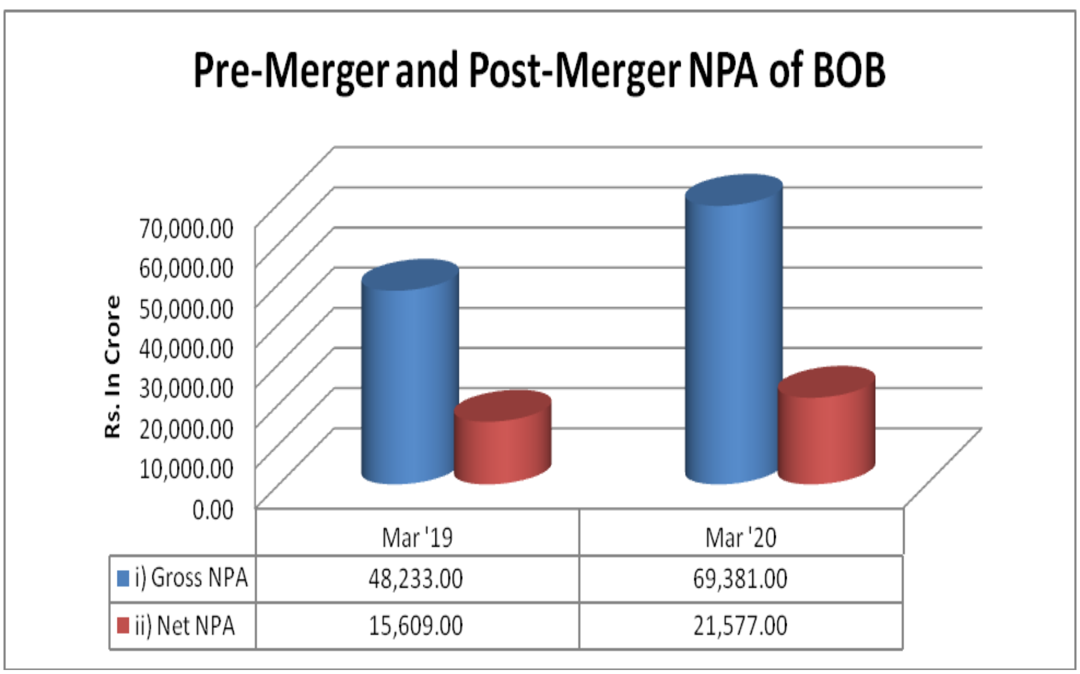
Source: Bank of Baroda Annual Reports

On 31st March 2019, the consolidated Operating Income of Bank of Baroda was Rs. 24,774.2 Crore and Operating Expense was Rs. 11,287.9 Crore. After the end of one year of Merger, Operating Income and Operating Expenses are increased upto Rs. 37,768.6 Crore and Rs. 18,077.2 Crore respectively. If post-merger performance is analysed then Operating Income is increased by Rs. 12,994.4 Crore i.e. 52.45% and Operating Expenses is increased by Rs 6,789.3 Crore i.e. 60.15%.



Source: Bank of Baroda Annual Reports

On 31st March, 2019, before merger the standalone operating profit was Rs. 13,486.8 Crore and after the merger of one year, the Operating Profit of Bank of Baroda was Rs. 19,691.4 Crore. Bank occurs the Pre-Merger Net Profit of Rs.433.5 Crore. Post-Merger Net Profit of Bank is Rs. 546.2 Crore. If post-merger performance is analysed then Operating Profit is increased by Rs. 6,204.6 Crore i.e. 46% and Net Profit is increased by Rs. 112.70 Crore i.e. 26%.



Source: Bank of Baroda Annual Reports

Non-Performing Assets (NPA) of Bank of Baroda is increased after Post-Merger, it is found that Gross NPA is increased from Rs. 48,233 Crore to Rs. 69,381 Crore. Net NPA is increased from Rs. 15,609 Crore to Rs. 21,577 Crore at the end of first year of Merger. Gross NPA and Net NPA are

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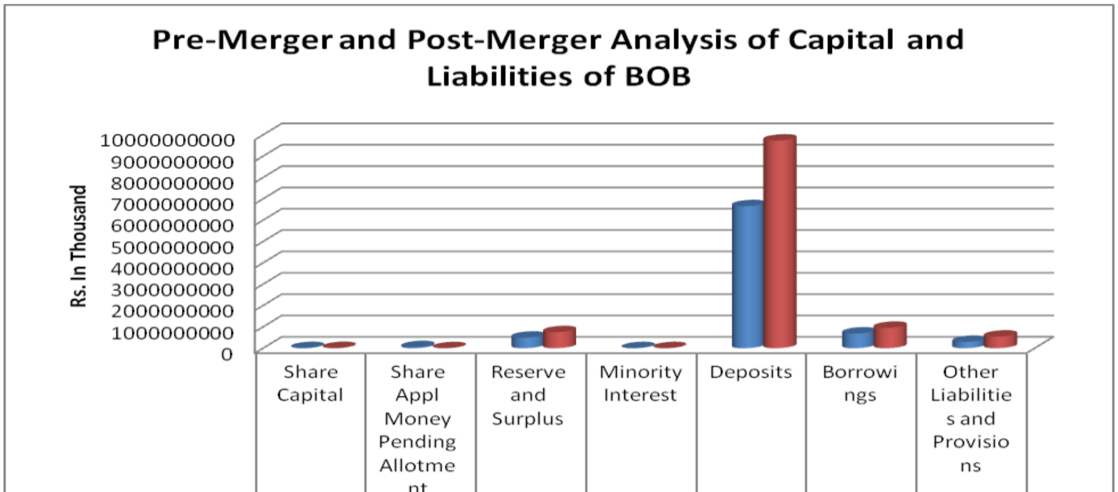
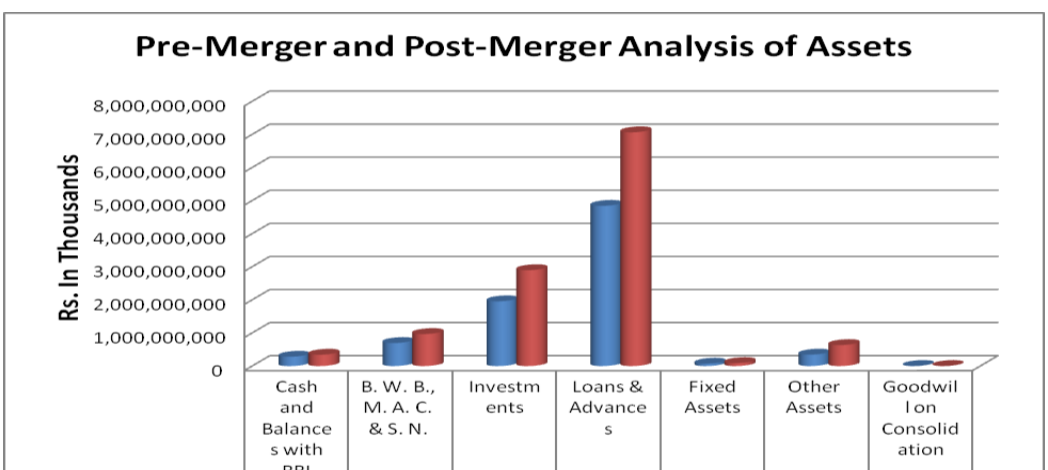
enhanced by Rs. 21,148 Crore and Rs. 5,968 Crore i.e. 43.85% and 38.23% respectively.



	Share Capital	Share Appl Money Pending Allotment	Reserve and Surplus	Minority Interest	Deposits	Borrowings	Other Liabilities and Provisions
Mar '19	5303644	50420000	494237556	3413648	6655886856	688675317	298782427
Mar '20	9253745	0	751789234	3861746	9732281494	957526987	544708156

Source: Bank of Baroda Annual Reports

Share Capital of Bank of Baroda are increased by Rs. 3,950,101 Thousand from Pre-Merger to Post-Merger Period. Reserve and Surplus is increased by Rs. 257,551,678 Thousand i.e. 52.11%. Deposits are increased by Rs. 3,076,394,638 Thousand in Post-Merger Period. Borrowings and Other Liabilities and Provisions are increased by Rs.268,851,670 Thousand and Rs. 245,925,729 Thousand after Pre-Merger Period. That is Share Capital, Reserve and Surplus, Deposits, Borrowings and Other Liabilities & Provisions are increased by 74.48%, 52.11%., 46.22%, 39.04% and 82.31% respectively. Ultimately, Total Capital and Liabilities are increased by Rs. 3,802,701,914 Thousand i.e. by 46.39%.



	Cash and Balances with RBI	B. W. B., M. A. C. & S. N.	Investments	Loans & Advances	Fixed Assets	Other Assets	Goodwill on Consolidation
31-03-19	282,253,4	696,594,9	1,957,162	4,842,148	71,437,07	344,884,3	2239076
31-03-20	342,447,8	967,602,9	2,897,267	7,065,397	90,437,84	634,029,1	2239076

Source: Bank of Baroda Annual Reports (Where, B. W. B., M. A. C. & S. N. means „Balance with other bank, Money at Call & Short Notice)

Cash and Balances with Reserve Bank of India is increased by Rs. 60,194,356 Thousand in

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percentage 21.33% due to Merger. An investment is increased by Rs. 940,104,826 Thousand i.e. by 48.03%. Loans & Advances given is increased by value Rs. 2,223,249,179 Thousand and volume by 45.91%. Fixed Assets is increased by Rs. 19,000,771 Thousand i.e. by 26.60%.. Other Assets is increased by Rs. 289,144,808 Thousand i.e. by 83.84%.. But Balance with other bank, Money at Call & Short Notice is increased by Rs. 271,007,974 Thousand i.e. by 38.90%. Overall, Assets are enhanced by Rs. 3,802,701,914 i.e. 46.39%.

Conclusion

In the emerging economies like India, the banking industry is one of the fastest rising industries. In India, the post- liberalization period has seen rapid development, one of which is banking. M&A in the banking sector has demonstrated that this is the useful tool of merging into a larger Bank for the survival of weak banks. Our study shows that the effects of the global economy are therefore difficult for small and local banks, and that they need support and this is one of the reasons for their Merger. After this three-way Merger, Bank of Baroda is become third largest bank to serving at every part of nation and strengthening the Indian Economy. Now it is concluded on the basis of Annual Report whether merged entity is navigating towards predefined goal. The following conclusions are formed up on the analysis of Annual Report of Bank of Baroda for pre- merger and post-merger period.

At the end of first year of the post-merger period, the market size and customer base of the Bank of Baroda are increased from 8.61 Crore to 13.10 Crore i.e. 52.15 %. The numbers of Branches, regional and zonal offices, ATMs are increased. Bank of Baroda had either close or rationalise branches to increase operational efficiency and reduce duplication due post-merger. Liabilities and Assets are enhanced by 46.39% due to Merger. Deposits and Borrowings are increased by 46.22% and 39.04%. Investment and Loans & Advances are increased by 48.03% and 45.91%.

Operating Income is increased by 52.45% and Operating Expenses is increased by 60.15%. Then Operating Profit is increased by 46% and Net Profit is increased by Rs. 112.70 crore i.e. 26%. But The Gross NPA and Net NPA are also increased in Post-Merger period. This is a challenging job for Bank of Baroda to reduce NPA.

The signs of Merger is expressing through Financial Analysis. Overall, the mergers would help in better management of capital. Along with merger the focus should be on adequate reforms in

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governance and management of these banks. Finally the area of service is more widened due to merger. Bank of Baroda has experienced positive impact due to merger.

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