CHAPTER-3

REVIEW OF EXISTING LITERATURE

A few research works and publications have highlighted the various facets of M&As (Merger and Acquisitions) on banks and financial services in India.

The following literature have been obtained from four major sources such as (i) doctoral research study carried out in India, (ii) The institutional research approved by RBI (iii) individual research studies conducted by academic researchers and (iv) Reserve Bank of India's data base, Govt. of India and individual banks annual report . The present study is undertaken to search t the gap existed in the earlier studies of merger of Indian commercial banks, which relate to the performance evaluation, financial reforms and their effect on the banking sector of India and a comparison between the two.

M&As (mergers and acquisitions) are being gradually used all over the world to boost competitiveness of companies through gaining bigger market share, to lengthen the portfolio. This can be achieved by mitigating risk of business, by penetrating into new areas of market and by taking advantage of economies of large scale etc. M&As (merger and acquisition in India have currently turn into a matter of daily episode. This topic has become an interesting subject to business executive, investment bankers, lawyers, regulating authorities as well as researchers, who want to understand this concept better. The above-mentioned parties are keenly feeling interest in this field for finding the prospective merger partners, for managing the M&As issues for advising the client, advising the regulating framework of M&As and for observing the operation of the stock market respectively.

In this study, we have presented the broad appraisal of existing literature for better understanding of present domain of merger & acquisitions (M&As), so that we can have an extensive knowledge into the success and failure stories of M&As. This will help us to articulate the problem for future research in this area. From the existing literature, we found, concisely, the motive of merger empirically tested, performance evaluation of merged entity, experimental investigation of financial characteristic of merged and merging bank.

Literature review is a very important part in any kind of research work whether it is theoretical or empirical because the repetition of study in any form can possible be remove to a great extent and new dimension can be unfolded on the same issue. The literature review will certainly assist researchers to eliminate shortcoming of prevailing work or it may help researchers to elaborate and extend the existing study. Now we are presenting several research work conducted both in India and international arena, which will surely assist us to analyze the several aspect of research gap of merger and acquisitions (M&As) issues undertaken in the present study.

White, Eugene Nelson (1985) suggested that the merger issues in sector like banking and financial services was partially the product of the boom times of the late twenty century, and it replicated noteworthy long run trends in the industry. The rural areas are pervaded by small and medium size banks, which are required to be diminished. Actually, M&As (merger of acquisitions) of institutions whether it is bank or corporate sector, assisted the feeble institution from immense failure. Unfortunately, the expansion of such type of merger was suppressed by complex regulations in most States of the country under the study. Aggressive firms looked for complementarities in the production of diversified services in financial sectors, and other economies of scale combined which formerly distinct commercial banks, trust companies, savings banks and investment banks into new diversified institutions. The merger movement, thus, might have made physically powerful the banking industry before and during its most annoying years.

Bertin, et al. (1989) analyzed the successful banks bidding in FDIC which organize mergers with failed banks by determining the returns to bank shareholders around the acquisition announcement. The research concluded that acquiring banks confirmed noteworthy positive returns of abnormal nature over the period just prior to and including the failure/merger announcement date. In addition, the level of abnormal returns was connected positively to the statewide branching provisions and also it is connected to the proportion of the external members serving to the board of acquiring banks. The potential change in bidding behaviour can be elucidated in view of the rapidly changing bank environment of the 1980s.They recommended that the elimination of some limitations on intra-state and inter-state branching had afforded banks with more expansion alternatives, which reduce the charisma of failed bank acquisitions.

Hearly (1992) investigated the post-merger income performance for fifty largest North American country mergers concluded that post-merger money flows were not earned at the cost of the firms (merging) viability, which are semi-permanent by nature, because the companies taken as sample maintained their cost, analysis and research and development (R&D) rates with respect to the sample industries. The analysis further concluded that the rise in industry-adjusted returns might well be due to a rise in operation margins.

Stephen A. Rhoades (1993) tried to find out find out whether or not banks concerned in horizontal mergers succeed potency enhancements relative to alternative companies. The analysis undertook 898 bank mergers with a time span of 6 years from 1981 to 1986. Effectiveness was measured by varied expense ratios. Using OLS and logit analysis, the analysis suggested that in 1981-1986, horizontal bank mergers failed to end in potency gains. Remarkably, the findings supported the mergers which was believed to be those probably to end in potency gains, i.e., they were horizontal mergers, the companies displayed considerable deposit overlap, and therefore the acquirers were, on a median, a lot of economical than the targets.

Berger and Humphrey (1994) concluded that smaller bank enjoyed scale economies, which indicated that average cost gradually decrease @ of less than 5% as size of the banks increased. However, the larger banks had to bear constant average cost or undergoes minor diseconomies of scale. If several products are served mutually, there are relatively slight economies of scale, which help to reduce cost by 5%. Revenues become perceptible to be unchanged by product mix. It is also evident from the study that ability to manage and control cost is one of the vital important aspects than the scale and scope. Banks may have costs 20% higher than the industry minimum for the same scale and product mix. It can be concluded that on average, mergers had no noteworthy, predictable effect on cost and efficiency. It has been noticed that for small borrowers, more the local market concentration is lower are the deposit rates and at the same time higher are loan rates. The bank's profitability is in no way affected, even of the differences in local market concentration. The proposition is that there is no noteworthy evidence of lowering of cost, if cross border merger and acquisitions (M&As) by European banks are taken place. The study suggested that improvement in X-efficiency, or management of resources in an improved manner, which lead to better cost improvement rather than through superior economies of scale. The effect merger may have resulted potential efficiency gain from revenue side rather than cost side. The competition in local market is boosted up by the expansion of cross-border merger. This will lead to social benefit in the form of favorable price for the customer of financial services.

Robert DeYoung (1997) observed in his study X-inefficiency during pre and post-merger period. As per the study, there was no effect of efficiency gain on acquiring bank over its target bank except in small majority of merger. The results also suggested that the present of experience effect played an important role in gaining efficiency as a result of merger because this has been observed in case of acquiring bank, which went into merger and acquisitions (M&As). The research highlighted taking in to consideration of four Australian major banks that the merger resulted inferior performance in terms of efficiency gain in the merging banks.

Cybo-Ottone, A. and M. Murgia (2000) studied the European banking industry in terms of stock market valuation of M&As, taking the study period from 1998 to 1997. They suggested that performance of both merged and merging bank was statistical significance pertinent to cost effectively. The result is valid only at the time of announcement of merger and if the performance is considered size adjusted. In spite of cross-sectional differences in the sample banks so selected, the complete effect of merger were largely motivated by noteworthy positive returns, product diversification of bank into insurance etc. On the contrary, the analysis suggested that M&As following securities norms and with foreign institution did not gain positive market's expectation. The results are remarkably dissimilar with merger events for US bank.

Huizinga, H.P, Nelissen, J.H.M. and R. Vander Vennet (2001) assessed by taking 52 banks mergers during the study period 1994-1998, immediately before the commencement of EMU, to analyze the efficiency effects and policy related issues of the aforesaid 52 European banks merger. From the analysis of the results, they found the considerable untapped economies of scale and vast X-inefficiencies in European banking industry. They suggested that the cost benefits or efficiency created in the process of merger were clearly transmitted to acquiring bank, which would have a positive impact on profitability of acquiring bank. They also suggested that the acquiring bank did not able to capture the good deposit market during this process. Hence, the M&As (merger and acquisitions) of bank under this study seemed to be socially beneficial.

Ping-wen Lin (2002) statistically found that there was adverse correlation between cost inefficiency index and bank mergers, which point out that those banks engaged in mergers, tend to improve cost efficiency. However, the experiential results based on DEA (Data Envelopment Analysis) approach revealed that merger of said banks did not show any improvement in efficiency in cost of banks. He further studied the technical efficiency, allocative efficiency and cost efficiency in the process of banks merger. He noticed the decline mode of allocative efficiency and cost efficiency a year after the end of merger process. He concluded that there was significant impact on technical efficiency and allocative efficiency in the process of bank mergers but at the same, the impact of cost efficiency improvement on the merger process was insignificant.

Paul (2003) investigated the M&As (merger and acquisitions) two Indian commercial banks i.e. the Bank of Madura (BOM) and ICICI Bank. The study analyzed the share price fluctuation of bank before announcement of decision regarding merger, declaration of SWAP ratio and its evaluation and also analyzed the effect of merger decision on stock price. The study concluded that synergies emerged because of merger comprised of increase in financial capability, network of branches, better technologies, rural reach and customer base. The study further suggested that it was challenge for acquiring bank for integrating human resources and rural branches because of diversified work culture in two banks.

DeLong (2003) studied numerous aspect of diversification taking into account 54 cases of bank mergers within a period ranging from 1991 to 1995. The study suggested that on proclamation of merger that merger of partners focusing geography activities and earning steam was rewarded by the market. Simply of these aspects, focusing earning streams augments long-term performance.

George E Halkos & Dimitrios (2004) analyzed the efficiency of Greek banks for the time period ranging from 1997 to 1999. The study used non-parametric technique like DEA (Data Envelopment Analysis) to judge the efficiency of Greek banks. The planned model is compared to the predictably used input–output analysis and some simple ratio analysis. It has been found from the study that DEA (Data Envelopment Analysis) can be utilized as substitute to ratio analysis for judging an bank's performance. In the study, the causes of failure has often been superficial and the measures of success is very feeble. The research revealed that there was large variation in performance and showed that the increase in efficiency of bank, there was a reduction in number of small banks as a result of mergers and acquisitions (M&As). Lastly, from the efficiency results, it appeared that transfer of ownership and last period's performance were non-systematically related

Shanmugam & Nair (2004) recognized and analyzed the impact of merger and acquisitions (M&As) of Malaysian banking system. The study found various important factors influencing the merger and acquisitions (M&As) of banks in Malaysia. The globalization, liberalization and information technology (IT) developments are among such factors, which have or proposed to have added significant influence on Malaysian banks to be more competitive, flexible and robust financial systems. This article has investigated the various reasons behind the mergers and acquisitions (M&As) of banks and their future implications in the Malaysian banking system.

Suchismita Mishra S. et.al (2005): The study talked about the concept of non-conglomerate types of bank mergers and unsystematic risk. The study perceived the influence of the acquired banks in merger of non-conglomerate types of mergers (i.e., banks with banks), and witnessed extremely statistically significant proof that merger of non-conglomerate nature absolutely diminish the unsystematic risk (the risk may be eliminated by diversification) and also the total risk. It was also further noticed that there was no statistically significant consequence on systematic risk.

Morris. K. et. al (2006) witnessed the propensity of auto correlation in the profitability of bank holding company, try to discover noteworthy proof of deterioration to the industry average in profitability. The article considered the effect of mean deterioration on the appraisal of post-merger show of bank parent companies. The analysis confirmed that while making an adjustment for average deterioration, post-merger results considerably exceeds those of the industry in the first 5 years after the merger took place.

Ottaviani, M. and F. Squintani (2006) studied the nature of rivalry and mergers among risk avoiding banks. The study perceived that there exist strategic inter-dependent between the demand for loans and supply of deposits. As a motivation for bank mergers, the function of diversification has been considered in the study as well as influence of merger on loan and deposit rates has been judged. The result suggested that merger produced a boost in well-being of depositors and loan takers, if the value of diversification was adequately strong. On the other hand, the effect of bank merger are comparatively inferior for depositors than borrowers, if depositors are having enough correlated shock over borrowers.

Murthy (2007) analyzed the situation for consolidation of five kind of Indian commercial banks. The selection of was in combination of Public and Private sectors banks such as (a) Punjab National Bank vs. New Bank of India, (b) ICICI Bank vs. Bank of Madura, (c) ICICI Ltd. vs. ICICI Bank, (d) Global Trust Bank vs. Oriental Bank of Commerce and (e) Centurion Bank vs. Bank of Punjab. The study suggested for various financial and non-financial reasons for merger of the said banks. The study further suggested the important reasons such as (i) owing to robust economic and functioning structure, (ii) higher size of assets (iii) broader branch network in different geographical areas, (iv) increasing customer base, (v) technological innovation; (vi) focus on priority sector lending, and (vii) entering into new rural market etc. Additionally, some issues and challenges in previously mentioned mergers were recognized as managing human resources, managing the client base, acculturation, and stress of bank employees

A. Dewan (2007) examined economic performance of the acquirer companies in India during post-merger period. The article also examined the financial performance of firms entering into M&As (merger and acquisitions) in industrial scenario in India. The study took into consideration all merger cases, which happened during the year 2003. For the purpose of analysis, data for the period from 2000 to 2006 had been considered. The pair sample t test as statistical tools had been used to interpret financial ratios of pre and post-merger period. The study disclosed that pre and post-merger period showed differences in terms of financial performance of sampled companies. Furthermore, it had been found that operating performance of acquiring firms during post-merger period showed differences due to the presence of diversified firms within the Industries.

Pramod Mantravadi, A.Vidyadhar Reddy (2007) paid attention on the influence of merger upon the relative size as well as acquiring firms operating performance. For establishing their results, different financial ratios during before and after merger period have been collected from the sample firms selected from public limited and traded companies in India, which had gone into merger within 1991-2003. The study employed the following financial ratios: operating profit margin, gross profit margin, return on capital employed (ROC), return on net worth (RONW), net profit margin and debt-equity ratio. The analysis concluded with the note that there was a slight change in view if the effect on operating performance after merger took place.

Saraswathi (2007) observed that it envisaged the need for the diverse cultures to reach an understanding and to work hand in hand, when she under took the study on the effect of merger of global trust bank with oriental bank of commerce. Apart from the integration of diverse cultures, a way to take over the advanced processes and proficiency of the staff in a phased and methodical manner should be cemented. It is also uniformly significant and challenging for the transferee bank in treating maintenance of the services of employees, who were employed in transferor bank and their career planning.

Xiao Weiguo & Li Ming (2008) applied DEA (Data Envelopment Analysis approach for analyzing commercial banks' efficiency, top five American banks and four Chinese banks and observed that the competency of Chinese banks was more superior than American banks after merger took place.

Anand et.al. and Singh (2008) investigated the consequence of five cases of banks merger in India on shareholders' wealth. The cases of merger includes the consolidation of (i) Bank of Madura vs. ICICI bank; (ii) Time bank vs. HDFC bank, (iii) Bank of Madura vs. the ICICI bank, (iv) Global Trust Bank vs. Oriental Bank of Commerce, (v) ICICI Ltd vs. ICICI bank; (vi) Global Trust Bank vs. Oriental Bank of Commerce and (vii) Bank of Punjab vs. Centurion bank. The proclamation of merger in the said banks had optimistic and noteworthy influence on shareholder wealth for bidder as well as target banks. After proclamation of merger of the said banks, weighted Capital Adequacy Ratios of the combined portfolio of banks was 4.29% in a three day period (-1,1) window and 9.71 percent in a 11 day period (-5,5) event window. The concluding observation of the article was in conformity with mergers of US Bank. However, there was only one exception that in US perspective, shareholders value of bidder's bank had been eroded.

Annalisa C. et.al. (2008) analyzed an event study upon Italian market during the period commencing from 1994 to 2003 keeping in mind the market sensitivity to the M&As process of banking industries along with the bigger role of critical corporate governance issues. It had two main objectives first they talked about the increasing value creation for shareholders of banks, and secondly investigated the determinants of their results keeping in mind the regulatory aspect of banks, the role of small shareholders of the Bank of Italy.

Egl D. and R. Tamosiunien (2009) portrayed that merger and acquisitions (M&As) is one of the important technique for corporate re-structuring process. The article suggested that the main causes behind such merger are synergy, diversification, horizontal as well as vertical integration and growth. These motives are meant for achieving competitive advantages within the industries. Out of this motive, a few motives influence a major number of industries more than others.

Ahmad I. et.al. (2009) explored operating performance during post-merger period of European banks. It has been observed that the results that the average cash flow return (industry-adjusted) had not been altered significantly, after merger took place. Rather, it remained positive. The analysis depicted that conventional credit policies, better cost efficiency and lower level of profitability are the most crucial factors of mean cash flow return (Industry adjusted). These factors offer the source for enhancing post-merger return. The study depicted that total factor productivity for banks, which were going into merger provide a boost in technical inefficiency and the vanishing scale economies. At the same time, technical change will remain unaltered in comparison with the level at pre-merger period.

Akhil Bhan. P (2009) has studied the objectives and advantages of merger in banking scenario of India. The study has undertaken 8 pairs of bank mergers during the period commencing from 1992 to 2006. The study applied economic value added (EVA) concept p-test in order to understand the efficiencies and advantages derived from merger, this study of merger has been appraised. The study ended with the conclusion that post reform period witnessed substantial gains arising out of merger, which had been warranted by the economic value added of the sample banks. The analysis suggested that deal of bank merger has been proficient for the banks, which are going into the merger because those banks have generated values on behalf of acquiring bank.

Jianyu Ma et al (2009) explored unusual returns to shareholders for firms, which are called as bidder firms on the announcement date of M&As (merger and acquisitions). The study has been conducted for several Asian market (specially emerging market) namely: China, Singapore, India, Taiwan, Hong Kong, Malaysia, Philippines, Thailand, South Korea and Indonesia. They applied a sample of 1,477 M&A deals in the ten emerging Asian markets. The analysis revealed that stock markets had expected positive cumulative abnormal returns in three different event windows: a two-day (0, 1) window, a three-day (-1, +1) window, and a five-day (-2, +2) window. The effects of valuation of leakage of information about M&As deals were statistically significant. The result suggested that as investors garner the financial benefits associated with M&A deals, external growth through M&A activity might be exceedingly recommended to managers.

J. R. Raiyani (2010) analyzed the degree of efficiency relating to merger. The Economic show of the bank has been scrutinized by evaluating data relevant to the select indicators for five years before the merger as well as after the merger. This has been revealed from the study that merged bank in the private sector had been governing over the merged banks in the public sector in term of liquidity as well as profitability. However, regarding capital adequacy the results are divergent.

Mathieu Luypaert & Nancy Huyghebaret (2010) empirically examined the industry related factors, which are lying behind shareholders value creation. The study had been conducted taking horizontal merger and acquisitions (M&As) cases in European countries during 1997–2006. The analysis revealed that bidder size, operating performance at industry level, concentration of industry have significantly negative relation with the value creation in merger and acquisitions (M&As) deal. The association between growth of sales in industry and value creation was U-shaped. The results of suggested that value creation in deal of merger and acquisitions (M&As) was significantly higher in recently deregulated industries. Finally, the data disclosed that the distribution of M&A value between target and bidder investors was determined by firm-level variables rather than by industry characteristics.

N. Sinha et al (2010) considered the influence of M&As (mergers and acquisitions) on the economic competent of the preferred financial institutions of India. The analysis consist of two phases. At First, the research investigated the fluctuation in the position of the company using 2000-2008. This has been carried out by ratio analysis approach. Secondly, the study observed the fluctuation in the competent of the companies during two periods – pre and post-merger. This part has been carried out by non-parametric approach (Wilcoxon signed rank test). The result exposed a noteworthy fluctuation in the shareholders' earnings. There is no significant fluctuation in the liquidity position of the sample firms within the industry. The upshot of the study pointed out that there exists significant positive association between economic performance and deal of M&As in India in the long term. It has been also noticed that acquiring firm within the industry had been capable of generating value.

Panayiotis L. et al (2011) investigated the influence of merger and acquisitions on the performance of Greek banking industry for the period 1996-2009. They study applied event study method. This study did take into consideration the Efficient Market Hypothesis (EMH) [specially "semi strong form"] of Athens Stock Exchange. The overall results pointed out that there is no impact of mergers and acquisitions (M&As) no performance of Greek banks and did not generate wealth. They also inspected working performance of the Greek Banking industry, which took into consideration several financial ratios. The results suggested that the working performance of Greek banks did not progress as a result of merger and acquisitions (M&As). The controversial results were also found when it is compared the merged banks with non-merged banks.

Rehana K. et al (2011) identified the influence of merger and acquisitions (M&As) upon the profitability position of the bank. The study had chosen 10 commercial banks that confronted M&As (merger and acquisitions) during 1999 to 2010. The sample banks had been carefully chosen from the Karachi Stock Exchange (KSE). To find out the results, six specific financial ratios (such as profitability ratios, return on net worth, capital adequacy ratio and debt to equity ratios etc.) had been used for inference. Investigation was made by using paired t-test. The results advocated that operating financial performance of all commercial bank's M&A included in the sample from banking industry had turned down later. The results suggested that a turn down in all financial parameters undertaken into the study had been noticed.

Bashir *et al (*2011) examined the performance of forty-five cases of M&As (mergers and acquisitions), which happened during 2004 to 2010 in several corporate sectors of Pakistan. The utilized even study method. The results suggested that during eleven-day window period, target or acquirer firm did not produce or damage shareholders' value. The shareholders' wealth for target and bidder firms had been observed by assessing the unnatural cumulative returns for a period of 11 days immediately after the merger announced. The analysis indicated that during the 11 days period acquirers took pleasure in enhancement of value, which was insignificant statistically. Their result were not consistent to majority of studies in this area.

Pankaj S. and Gupta S. (2011) analyzed the M&As (mergers & acquisitions) situation in the sector of financial services in India. The information for 8 cases of M&As commencing from March 1993-February, 2010 had been gathered for a set of ten financial parameters representing various characteristics of a firm. All the cases had been analyzed independently and jointly to conclude the overall effects of merger and acquisitions in the said sector. The result pointed out that profit after tax (PAT) as well as profit before depreciation interest and tax (PBDITA) had been favorably influence after M&As took place. Nevertheless, the liquidity position, which had been indicated by current ratio (CA), had declined. In addition, cost efficiency and interest coverage had been enhanced and worsen in equal number of cases. Interest coverage was treated as a significant contributor in ascertaining the shareholders' return during before and after merger period. While dealt with the effects of diversification on merger events, it had been found that a decline in total as well as systematic risk had been found in two cases out of three cases.

Antony Akhil (2011) inspected the influence of merger on Indian bank during 1999 to 2011. Within this period, about 18 cases of mergers happened in banking sector in India. The study had undertaken into consideration 3 banks in public sector and 3 banks in private sector. The study applied paired t-test as statistical tool. The study pointed out that noteworthy variance had been noticed in several ratios parameters like growth of total assets, growth of net profit, return on assets, return on equity (ROE) and net interest margin ratio.

Panwar (2011) considered ongoing trends in banking sector in India. The study has been conducted from two stakeholder's viewpoints: (a) stockholders and (b) Managers. The result suggested that behind consolidation of Indian banks, two factors were essentially responsible: (a) for restructuring weak banks and (b) for harmonizing banks and financial institution. Very small evidence was found on voluntary mergers that could represent the market dynamics. . The findings revealed that several type of risk, which might originate from operation in host as well as international market, could be absorbed by establishing giant banks in financial system of India.

Julie L. Z. (2011) identified an innovative procedure for value creation of shareholders for appraising the competence of acquiring firm to ensure efficient utilization of capital during pre-merger period. The study associated this measure to acquirers' post-acquisition performance. The measure undertaken before the M&As transaction envisaged both the operating and long run abnormal stock performance of merged firms after the acquisitions and hedge portfolios on the basis of this method generated substantial abnormal returns. Generally, the results suggested that investors did not completely identify how efficient acquirers had been in using capital in pre-merger period and that incorporating the new value creation measure into the decision process of large-scale M&As could assist shield shareholder wealth.

Shobhana, V. K. and N. Deepa (2011) explored the motives of merger and the way to fulfill the motives, which had been promised in the merger announcement. The research applied Wilcoxon Matched Paired Signed Rank Test and paired‘t’ test for the purpose of arriving into a conclusion. The study also undertook 9 cases of merger of Indian commercial banks. The results suggested taking into consideration five before and after merger periods that there had been only partial fulfilment of the motives as visualized in the merger deals.

P. Natarajan and k. Kalaichelvan (2011) utilized financial statements and share price information simultaneously of 8 public as well as private sectors banks. During the period1995-2004, the objectives of the study was to considered M&As (merger and acquisitions) as a business strategy and to identify the significant of merger on business performance and increased Shareholders wealth. The study showed that recurrent merger deal directly or indirectly affects the feeling of shareholders and enhance market share (i.e.) mergers enhances performance and resource of businesses and shareholders.

Joshi N.A and Desai. J. M (2012) calculated value for shareholders and appraised operating performance of merged companies. The study compared before and merger performance in terms of said parameters. The study deliberately utilized Net Profit ratio, Operating Profit Margin, ROCE, Gross Operating Margin, RONW, Debt-Equity Ratio, and EPS P/E for studying the impact. The result suggests that that as in previous studies, mergers do not get better performance at least in the instantaneous short term.

Mehroz Nida Dilshad (2012) considered the competence of market regarding M&As (mergers and acquisitions) announcement. The study applied the event study method. The study stipulated the influence of merger of banks and its associated announcement upon the stock price in European countries. The results suggested that temporary cumulative unnatural return were noticed. On termination of event window are natural commutative returns became zero. The study also detected surplus return after merger announcement took place. There was also information leakage, which resulted in ascent of stock price before the merger deal announcement. Simultaneously, cumulative unnatural returns resulted that target banks ware in favorable position on the day of merger announcement to earn unnatural return.

Dutta et al (2012) looked into the growth of total assets, deposits, profits, strength of human resource and revenue while evaluating the performance of merged banks. The performance evaluation had been done taking into consideration 4 years period each before and after merger. The study findings out the post-merger phase had been thriving and showed a noteworthy increase in the strength of human resource, revenue, deposits, total assets and profits of the acquiring firms of the banking industry in India.

V. R. N. Sai et al (2013) appraise the performance of two banks taken into the sample. The analysis had considered several financial ratios as parameters during before and after merger period. In arriving at a conclusion, paired t test had been used for judging several financial ratios during before and after merger period. It had been inferred based on the result that there were noteworthy variation in Debt/Equity ratio, ROCE, ROE, Net Profit Margin but there was no noticeable variation in GP margin.

Suresh Kumar (2013) studied the effect of consolidation on several indicators of banks like efficiency and profitability. In the study, effort was made to evaluate the performance for Bharat Overseas bank vs. Indian Overseas bank in order to do so; the study compared several indicators of efficiency such as profit per employee, interest income, business per employee, ROA, NPAs, investment and advances. The analysis suggested that there had been a significant progress in all indicators of bank during post-merger period as compared to pre-merger period.

Monika (2014) appraised that value mixed motives had been found because of merger. In order to arrive at decision, the study applied behavioral theories to validate the rationale behind the background of the decision. The study also examine the perspective, procedure and effect of merger of banks in India. The objectives of the analysis was to evaluate in general economic performance and significant of fresh M&As (merger and acquisitions) in banking system of India. As because M&As had been appeared as an accepted procedure for restructuring of business all over the universe, restructuring by M&As (merger and acquisitions) reminded a variety of public interest and perhaps represent the most dynamic facet of corporate strategy.

P. Chellasamy et al (2014) investigated a variety of factors of M&As (merger and acquisitions) activities in Indian banking industry. The study made a comparison of economic performance of banks, which were going into merger during the before and after merger period. The analysis utilized several economic parameters like ROA, ROE, Profit on working capital, net profit on income, which represented profitability analysis, current ratio and liquidity ratio. The study comprised of a period from 1999-2000 to 2010-2011 in judging the performance evaluation of M&As (merger and acquisitions) of banking sector of India. The paired t-test had been applied to search out the noticeable association between profitability and liquidity positions during pre-merger as well as post-Merger period of select Indian commercial banks. The analysis had come to an inference that no noticeable variation were observed when these parameters were compared with before and after merger period.

Komal Gupta (2015) estimated the influence of M&As on economic performance some chosen banks in India. Some variable had been selected in the study to make meaningful comparison between before and after merger performance of selected banks. In the study, priority had been given in selecting the sample where two merger deals of the bank had been chosen on the basis of random sample, namely (a) ICICI bank vs. Bank of Rajasthan, (b) HDFC bank vs. Centurion Bank of Punjab. The analysis suggested that there was a significant favorable effect of merger on economic performance of banks so selected.

Gurbaksh Singh, Sunil Gupta (2015) observed the performance, strengths and weakness of the sample two banks. The study undertook several financial parameters of one public sector and another private sector bank into consideration during before and after merger. The study cover a period of 10 years ranging from 2004-05 to 2014-15, by taking into consideration several statistical technique like t-test, arithmetic mean, p-value and standard deviation during before and after merger period. Several ratios were used to make a useful comparison and evaluation of before and after merger economic performance. The analysis of results suggested that ROCE, RONW, Net Profit Margin, Interest coverage ratio, operating profit ratio, CDR, DPE ratios are significantly different when compared pre-merger period with post-merger period. There did not exit any significant variation regarding gross profit ratio, quick ratio, EPS, current ratio business per branch. The analysis confirmed that post-merger period had shown favorable influence of merger as compared with pre-merger period.

Research Gap:

In all the above review of literature, researchers have made various reviews on different facets of merger. However, we have made performance evaluation after taking into consideration of 5 M&As of Indian public and private sector banks. The earlier studies are different from each other in the selection of study period, selection of number of sample banks, selection of date, selection of indicators and selection of statistical tools & techniques.

In contrast, the present study focuses its attention on the effect of performance evaluation M&As (merger and acquisitions) on selected Indian commercial banks during 2000-01 to 2014-15 based on both primary and secondary data.

The period therefore starts from the year 2000-01 up to 2014-15 fifteen-years period for which data are available. Apart from quantitative aspects, this study has taken qualitative aspect, i.e. executives/managers perceptions on the motives of mergers of selected public and private sector banks as an ancillary to the main study. This chapter has exhibited the studies conducted and review of literature accessible on the theme of research. After this review of literature, it is found that, though there are several studies conducted on the subject, the studies are conducted on performance appraisal or impact studies of economic reforms and its effect on individual banks. There are very few studies, which have been conducted on the effect of M&As (merger and acquisitions) on the performance of buying or acquiring banks whether it is private or public sector bank. Thus, there was a gap of the study on the subject. Therefore, after finding the gap of research, the assignment has been undertaken on the above-mentioned subject. After the careful examination of literature, we will study the performance evaluation effect of merger taken place in the before and after merger period in respective public and private sector banks.