

**Performance of Merged Public Sector Banks-A Case Study**

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**Objective of the Case Study:** To evaluate the effectiveness of mergers and acquisitions of the selected merged banks on the basis of selected variables prior and after mergers and acquisitions.

**Sample Selection:** The present study concentrates on the M&A in public sector banks. Public sector banks have been taken for the study because of the fact that majority of the banking operations are undertaken by these banks, they are large in size and their area of operation is also very wide. The selection of M&A cases has been made on the basis of availability and uniformity of data. These cases are as under:

S.No.	Name of Bank Merged	Merged/ Amalgamated With	Date/year of Merger	Category*
1.	New Bank of India (NBI)	Punjab National Bank (PNB)	04.09.1993	P-P
2.	Bank of Karad Ltd. (BOK)	Bank of India (BOI)	20.07.1994	OP-P
3.	Benaras State Bank Ltd. (BSB)	Bank of Baroda (BOB)	20.06.2002	OP-P
4.	Nedungadi Bank Ltd. (NBL)	Punjab National Bank (PNB)	01.02.2003	OP-P
5.	Global Trust Bank Ltd. (GTB)	Oriental Bank of Commerce (OBC)	14.08.2004	NP-P

\*Category:

P -Public Sector Bank

OP -Old Private Sector Bank

NP -New Private Sector Bank

**Period of Study:** The mergers of the selected banks have taken place on different dates during post reform period. In order to make a comparison of the performance of the merged banks, data for four years prior to merger and data for four years after the merger have been analyzed. Thus, a period of nine years has been analyzed.

**Data Used:** The present study is based on secondary data published by the Reserve Bank of India, Annual Report of Public Sector Banks, Trend and Progress of Banking in India, Study Reports of various Committees setup by Government of India etc.

**Analysis of Data:** the mean, standard deviation, growth rate and 't' values of different variables have been calculated and presented, before merger and after merger, to examine the impact of M&A on different variables. For the processing of the data, Excel and SPSS-10 package in computer have been used. In order to ensure the significance of change in mean values before and after merger 't' test has been used.

**Hypothesis:** The present work is essentially based on secondary sources; hence hypothesis is being tested by using published materials. For the purpose of study Null Hypothesis is that there is no difference in mean value of selected variables before merger and after merger and Alternate Hypothesis is that there is difference in mean value of selected variables before merger and after merger.

**A. Changes of Capital of merged banks:** Table 1 shows the mean value of capital before and after merger and its variability, growth rate of average capital before and after merger and 't' values. The result presented in Table shows that all the banks except Bank of Baroda and Oriental Bank of Commerce have upward growth of capital after merger, however, the growth rate of Bank of India is very high than others. The result of 't' test revealed that Punjab National Bank-1993 and Bank of India have shown significant change in the average capital after merger.

The mean growth rate of capital clearly shows the fact that Bank of India achieved highest growth (150%) followed by Punjab National Bank-1993 (104%), Punjab National Bank-2003 (33%), Oriental Bank of Commerce (-12%). and Bank of Baroda (-9%). The growth of mean value of capital of Bank of Baroda and Oriental Bank of Commerce has found negative.

S. No	Name of the Bank	Mean		t Value	Growth Rate
		Before	After		
1	Punjab National Bank (1993)	178.26 (95.33)	393.04 (152.3)	2.87	104%
2	Punjab National Bank (2003)	222.44 (82.25)	295.3 (98.87)	0.61*	33%
3	Bank of Baroda (2002)	356.06 (142)	322.78 (137)	1.68*	-9%
4	Oriental Bank of Commerce (2004)	313.89 (131)	275.88 (105)	1.61*	-12%
5	Bank of India (1994)	389.21 (148.93)	974.71 (616.3)	3.01	150%

@Figures in bracket are Standard Deviation. \*insignificant

**B. Changes in Growth of Deposits of Merged Banks:** Table 2 exhibits changes in average growth of deposits and its variability of sample merged banks. It is clear that all merged banks have shown a significant growth of deposits during post-merger period than the average deposits received during pre-merger period. The application of t test showed that all merged banks have shown significant change in the average deposits after merger. The mean growth rate of deposits clearly shows the fact that Punjab National Bank-2003 achieved highest (96%) followed by Oriental Bank of Commerce (70%), Punjab National Bank-1993 (61%), Bank of India (61%) and Bank of Baroda (56%).

S. No	Name of the Bank	Mean		t-Value	Growth Rate
		Before	After		
1	Punjab National Bank (1993)	15526.85 (6902.61)	25035.42 (3068.65)	2.73	61%
2	Punjab National Bank (2003)	53618.37 (10285.87)	105288.31 (19004.54)	3.98	96%
3	Bank of Baroda (2002)	48108.84 (6850.15)	75226.54 (12658.26)	3.83	56%
4	Oriental Bank of Commerce (2004)	33092.54 (5113.95)	56394.11 (1659.58)	3.65	70%
5	Bank of India (1994)	17989.91 (2779.03)	28946.85 (4952.94)	3.10	61%

**C. Changes in Growth of Investment of Merged Banks:** Table 3 portrays changes in average growth of investments and its variability of sample merged banks. It is significant to note that all the merged banks taken for this study have shown a positive growth in investments during post-merger period compared to the investments made during pre merger period. The application of t test showed that all merged banks have shown significant change in the average investments after merger except Oriental Bank of Commerce. It is clearly understood from the mean growth rate of investment that Bank of India got high rate (105%) among sample banks. The low growth rate was achieved by Oriental Bank of Commerce (21%).

S. No	Name of the Bank	Mean		t Value	Growth Rate
		Before	After		
1	Punjab National Bank (1993)	6244.34 (3175.18)	11176.95 (1369.63)	2.94	79%
2	Punjab National Bank (2003)	24067.01 (4166.93)	42614.67 (6822.67)	4.48	77%
3	Bank of Baroda (2002)	17385.36 (3005.51)	32849.03 (5878.80)	4.74	89%
4	Oriental Bank of Commerce (2004)	16138.12 (1614.68)	19566.11 (1077.63)	0.70*	21%
5	Bank of India (1994)	4826.48 (859.52)	9915.19 (2008.67)	3.82	105%

**D. Changes in Growth of Advances of Merged Banks:** Table 4 shows changes in average growth of total advances and its variability in sample merged banks. It is clear that all sample- merged banks have shown upward growth in total advances after merger. As stated earlier, the t- test was used to test the significance of average change in total advances of merged bank after merger. The application of t test showed that all merged banks have shown significant change in the average advances after merger. The analysis of growth rate (mean value) of total advances of sample banks clearly showed that Punjab National

S. No	Name of the Bank	Mean		t Value	Growth Rate
		Before	After		
1	Punjab National Bank (1993)	8066.42 (1557.60)	11847.21 (1174.55)	3.87	47%
2	Punjab National Bank (2003)	26768.64 (6737.30)	63817.87 (15183.65)	3.47	138%
3	Bank of Baroda (2002)	23405.64 (3425.83)	41584.79 (10916.05)	3.17	78%
4	Oriental Bank of Commerce (2004)	15964.13 (3579.32)	35901.05 (5853.43)	3.55	125%
5	Bank of India (1994)	11399.01 (1750.46)	15816.60 (3148.56)	2.75	39%

Bank-2003 achieved high rate of growth (138%) followed by Oriental Bank of Commerce (125%), Bank of Baroda (78%), Punjab National Bank-1993 (47%) and Bank of India (39%) .

**E. Changes in Growth of Total Income of Merged Banks:** Table 5 shows changes in average total income and its variability of sample merged banks. It is clear that all sample- merged banks have shown upward growth in total income after merger. As stated earlier, the t- test was used to test the significance of average change in total income of merged bank after merger. The application of t test showed that all merged banks have shown significant change in the average total income after merger except Oriental Bank of Commerce. The analysis of growth rate (mean value) of total income of sample banks clearly showed that Punjab National Bank-1993 achieved high rate of growth (80%), followed by Bank of India (59%), Punjab National Bank-2003 (60%), Bank of Baroda (34%) and Oriental Bank of Commerce (27%).

S. No	Name of Bank	Mean		t Value	Growth Rate
		Before	After		
1	Punjab National Bank (1993)	1721.12 (547.86)	3101.20 (665.62)	3.55	80%
2	Punjab National Bank (2003)	6483.89 (1144.06)	10391.07 (874.79)	4.65	60%
3	Bank of Baroda (2002)	5712.10 (751.11)	7642.07 (510.71)	4.60	34%
4	Oriental Bank of Commerce (2004)	4170.34 (428.49)	5301.69 (420.73)	1.37*	27%
5	Bank of India (1994)	2106.20 (548.69)	3348.11 (741.07)	2.38	59%

**F. Changes in Growth of Total Expenditure of Merged Banks:** Table 6 shows changes in average total expenditure and its variability of sample merged banks. It is clear that all sample merged banks have shown upward growth in total expenditure after merger. As stated earlier, the t-test was used to test the significance of average change in total expenditure of merged bank after merger. The application of t test showed that all merged banks have shown significant change in the average total expenditure after merger Oriental Bank of Commerce and Bank of Baroda. The analysis of growth rate (mean value) of total expenditure of sample banks clearly showed that Punjab National Bank-1993 achieved high rate of growth (70%), followed by Punjab National Bank-2003 (52%), Bank of India (46%), Oriental Bank of Commerce (30%) and Bank of Baroda (23%).

S. No	Name of the Bank	Mean		t Value	Growth Rate
		Before	After		
1	Punjab National Bank (1993)	1626.87 (438.55)	2762.15 (463.28)	3.82	70%
2	Punjab National Bank (2003)	5450.16 (879.33)	8303.81 (793.45)	2.88	52%
3	Bank of Baroda (2002)	4753.34 (655.17)	5823.68 (476.53)	1.85*	23%
4	Oriental Bank of Commerce (2004)	3231.98 (256.19)	4192.25 (449.72)	1.16*	30%
5	Bank of India (1994)	1986.88 (405.76)	2893.62 (559.30)	2.32	46%

**G. Changes in Growth of Net Profit of Merged Banks:** Table 7 illustrates changes in average net profit and its variability in selected merged banks. According to Table, the average net profit earned by merged banks taken for this study during post merger period was higher than the profit earned during pre merger period. The ‘t’ test clearly showed that the Bank of India, Oriental Bank of Commerce, Bank of Baroda, Punjab National Bank-2003 have earned significant profits. The analysis of growth rate of mean value of total assets of sample banks clearly showed that Bank of India (580%) achieved high rate of growth, followed by Punjab National Bank-2003 (188%), Bank of Baroda (87%), Oriental Bank of Commerce (86%), and Punjab National Bank-1993 (23%). The low growth rate was seen in case of Punjab National Bank-1993.

S. No	Name of the Bank	Mean		t Value	Growth Rate
		Before	After		
1	Punjab National Bank (1993)	43.07 (32.49)	52.86 (124.72)	1.02*	23%
2	Punjab National Bank (2003)	440.61 (571.91)	1267.97 (281.41)	3.23	188%
3	Bank of Baroda (2002)	404.88 (413.51)	757.96 (158.25)	4.33	87%
4	Oriental Bank of Commerce (2004)	303.88 (295.60)	564.53 (119.50)	2.34	86%
5	Bank of India (1994)	-33.19 (19.29)	159.30 (171.92)	4.21	580%

**Conclusion:**

- ✓ Merger of PNB and NBI the Null Hypothesis is rejected in all variables except net profit.
- ✓ Merger of BOI and BOK the Null Hypothesis is rejected in all variables.
- ✓ Merger of BOB and BSB the Null Hypothesis is rejected in the all variables except capital and total expenditure.
- ✓ Merger of PNB and NBL the Null Hypothesis is rejected in all variables except capital.
- ✓ Merger of OBC and GTB the Null Hypothesis is rejected in all variables except capital, investments, total income and total expenditure.