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    STATEMENT OF THE PROBLEM

    OBJECTIVES

    HYPOTHESES

    RESEARCH METHODOLOGY

    RESULTS & DISCUSSION

    FINDINGS

    RECOMMENDATIONS/SUGGESTIONS

    CONCLUSIONS

    SCOPE FOR FURTHER RESEARCH

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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

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TARGET AND ACQUIRER'S FEATURES ANALYSIS IN VOLUNTARY AND FIAT DRIVEN MERGERS IN INDIAN BANKING SECTOR

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ABSTRACT

Merger studies in Indian Banking sector mainly focus on the financial performance or the event studies focusing on shareholders' return. The present aims at comparing the features of target firms and acquiring banks in Indian banking sector, considering the two unique type of merger experienced by the sector. The fiat driven mergers are initiated following the moratorium issued by the Reserve Bank of India, voluntary mergers are few strategy driven acquisitions. Based on the data availability of both target and acquirers 4 fiat driven mergers and 5 voluntary targets and acquirers were considered for comparison. The data of acquirers in both the mergers was drawn from the financial statements at the time of merger and compared with their respective target group. The key factors considered for comparison are profitability, size and regulatory indicators. The acquirer's values were divided by the target values and are expressed in terms of times of the target. It is found that in Fiat driven acquisitions the targets were too small compared to their acquirers and had less profitability and non compliance to regulatory measures. In case of business driven mergers the mergers and acquisitions happened between comparatively equal size firms and there existed no difference between the features of the acquirers and targets. It is an indication that the business driven acquisitions can consider their targets based on their acquisition motive and suitability of the target to the same.

KEYWORDS
acquirers, banking, features, targets, mergers.

INTRODUCTION

Mergers and acquisition are strategic decisions to increase the value to the share holders and the firm. As an inorganic growth strategy M&A is used across many sectors. Essentially mergers are pathways to gain efficiency and to create value. However in the Indian context banking sector experiences two distinct type of mergers, one driven by the fiat (also referred as forced mergers) and another as voluntary mergers (also referred as business driven mergers). The Indian banking sector is much written area and well researched considering the prominence of the banking sector in the developmental activities in the Indian economy. The Indian Banking sector is unique due to the fact that it is dominated by the state owned banks. Though Indian baking sector experienced many mergers during 1960s due to bank failures, the regulator RBI did not permit the bank mergers unless the sick bank was identified.

'Narasimham Committee Report 1991',[1] the first report of the committee suggested 3 to 4 large banks which could compete globally. The report favored 8 to 9 national banks with large branch network and universal banking concept. The committee opined that the way to the recommended banking system is through market driven mergers and acquisitions based on profitability considerations.

'Narasimham Committee Report 1998', the second report on Banking sector on the structural issues made the following recommendations. Mergers between banks and Developmental Financial Institutions and Non Banking Finance Companies need to be based on synergies and business specific benefits. It identifies the necessary business focus mergers for PSBs and also states that mergers should not be a bailout plan of weak banks. It also recommended improvement in the supervisory system and changes in the disclosure of bank performance. They favored the strengthening of the RRBs to cater to agriculture and allied activities and recommended the budgetary provisions to strengthen the priority sector instead of burdening the banks**.**

Considering the above distinct characteristics of the bank mergers in India, the present study titled "Target and Acquirer's Features Analysis in Voluntary and Fiat Driven mergers in Indian Banking Sector" is proposed.

LITERATURE REVIEW

A plenty of literature exists on the merger gains (to the Financial Statements, to the share price, efficiency gains) in the developed markets context. As the industrialization started in the west, in the post war period these markets experienced different restructuring activities. There were several studies on premerger characteristics of targets and acquirers.

Hunter, William, Wall, Larry (1989)[2] study the key target bank characteristics of 559 US mergers between 1981-1986 and find that most of the target had above average profitability, faster deposit and asset growth, a higher ratio of loan to earning assets and better leveraged. These findings were consistent with some of the previous studies. It also focuses on strategic acquirer's profile. They analyze the data using cluster analysis.

Dario, Fabio and Carmelo (2002)[3] study the efficiency of Italian Banks' distinguishing mergers from Acquisitions, before and after striking the deal. They use the balance sheet data and ratios. The determinants of M&A are estimated multinomial logit regression.

Another post merger study is carried out by Morris and Alan(2004)[4] for 579 US bank merger between 1986 and 1998, testing the hypothesis that the post merger performance is driven by the targets asset quality, cost control and revenue and whether overall profitability of the buyer is predictive? They mainly analyze ROE and ROA regression analysis and conclude that post merger returns can be predicted depending on the base year data of the buyer and buyer characteristics dominate the prediction.

Mergers and acquisitions and bank performance in Europe considering the strategic similarities between merging banks was carried out by Yener and David (2004)[5]. The study compares pre-and post-merger performance in comprehensive sample of European Banks from 1992-2001. It also understands the strategic fit between merging companies based on similarity in resource allocation patterns measured from their balance sheet data. They have included various indicators of financial measure such as capital structure, Asset and liability composition, liquidity, risk exposure, financial innovation and efficiency. Weighted average ROE of merging banks two years before and after acquisition is computed and compared and it shows an improvement in the post merger period.

Few merger studies observed in the Indian banking context were focusing on the efficiency by many studies by Geetha, Tom and Jones[6] 2006, Chinmoy Ghosh (2006)[7], Jay Mehta and Ram Kumar(2006)[8] using Data Envelopment Analysis (DEA). The impact of merger announcements on stock performance considering cumulative abnormal returns were carried out by M.Jayadev and Rudra Sen sharma 2007)[9], Manoj and Jagandeep(2008)[10]. A study focusing on the financial performance post merger was carried out by K Srinivas(2010).[11]

The analysis of the features of merging firms were not focused by the researchers. Hence the present study focuses on anlysing the features of the target and acquiring firms.

The trend and motivators of consolidation in the banking industry worldwide and in India are explored by Dr.Meera Sharma.[12] The Indian merger possibilities are evaluated based on scale efficiency study and relates cost-output. Scale efficiency can be estimated based on two approaches- production approach (Producing customer accounts), intermediation approach (deposits and loans). The study follows the second approach using Ray Scale economies. The very small size banks are identified as potential targets using the scale and mostly these banks are from old private sector and foreign banks. The study identifies that capital

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adequacy, market expansion, cost cutting, technology, diversification etc as the major rationales for merger. The paper concludes that Indian banking sector would witness more M&As and calls for forward looking approach from the regulators to ensure growth and stability.

Prakash Singh[13] considers 6 bank mergers post 2000 and undertakes a DEA. The study tests cost and profit efficiency of the acquiring banks post merger. These efficiency scores were calculated for the banks not involved in merger, both from public and private sector to understand the future trends in consolidation.

MERGER STUDIES IN OTHER INDIAN SECTORS

Nagesh (2000)[14] opines that although the bulk of the M&A deals have taken place in manufacturing, deals in services sector have gradually become important in the recent years. Banking and financial services, advertising, other business services and travel agencies account for a significant number of deals in the recent years especially in the 1999-2000. It is in tune with the worldwide trend of growing international trade and investment in services.

Mergers in private corporate sector in India is observed by Beena (2000).[15] The study tracks the merger cases between 1990 and 1995. The acquiring firms were distinguished based on manufacturing and others, total asset size and some selected ratios. The study focuses on different type of mergers such as horizontal, vertical etc and the impact on assets and size of the acquiring firms. The growth rates in selected financials are presented.

A study on mergers in Indian Aviation industry is carried out by Sudhir Warier (2007)[16]. The author identifies increasing competition and cost concerns are the major drivers of mergers in Indian aviation sector.

Kale (2009)[17] focuses on overseas acquisitions of the Indian firms and examines the primary reasons driving this trend. Indian companies are engaging in overseas acquisition to primarily gain access to new markets, advanced technologies or products, and to acquire management talent that has the mind-set and skills to operate businesses in more advanced or competitive conditions. Data show that thus far, Indian companies have also fared reasonably well in their acquisitions, both in terms of meeting their acquisition objectives and creating value for shareholders.

Another study on cross border acquisition was carried out by Sougata and others (2009)[18]. They also try to understand the distinctive features of Indian multinationals as acquiring firms in cross border acquisitions.

The merger cases in Indian Banking Sector can distinctively be classified into fiat driven mergers and business driven mergers. The present study attempts to compare the target features under the same considering a few parameters used Yener and David to compare the merging European Banks.

RESEARCH DESIGN

This section explains the objectives of the study, data sources and the analysis plan along with the explanations to the variables used for the analysis. It is an exploratory study which tests the hypothesis.

The features of the targets and the acquiring banks in the Indian Banking sector based on the selected financials is presented. The financials are drawn from the financial statements. The time period identified for the merger study is 8/4/1997 to May 2008. There were 15 mergers between the stated periods which involve only commercial banks. Based on the data availability of the targets, 4 fiat driven mergers and 5 voluntary mergers are considered for the purpose of analysis. The same is presented in Table 1, below.

TABLE 1: BANKS CHOSEN FOR THE ANALYSIS OF TARGETS AND ACQUIRING BANK'S FEATURES

Fiat Driven mergers – 4			Business driven mergers -5		
Date of Merger	Acquirers	Targets	Date	Acquirers	Targets
3/6/99	Bank of Baroda	Bareilly Corp Bank Ltd,	26/2/00	HDFC Bank	Times Bank
1/2/03	Punjab National Bank	Nedungadi bank Ltd	10/3/01	ICICI Bank	Bank of Madura
14/8/04	Oriental Bank of Commerce	Global Trust Bank Ltd	29/6/05	Centurion Bank	Bank of Punjab
31/3/07	Indian Overseas Bank	Bharath Overseas Bank Ltd	29/8/07	Centurion Bank	Lord Krishna Bank
			May 08	HDFC Bank	Centurion Bank of Punjab

The comparison of Target and Acquiring companies were undertaken based on the following ratios and financials presented in Table 2. These indicators were used in several studies (B Rajesh Kumar and Prabina Rajib)[19]. Moreover these are the drivers of the mergers. Mergers in the banking sector are observed to improve the profitability, size and thereby the compliance to regulatory norms.

TABLE 2: RATIOS AND FINANCIALS CONSIDERED FOR THE TARGETS AND ACQUIRERS FEATURES ANALYSIS

Profitability ratios	Net profit, EPS, ROA,RONW
Regulatory ratios	NPL, CAR
Size of the firms	Deposits, Advances, Net worth, Total Income, Book Value Per Share

The ratios and the financials of the acquiring bank and the targets are drawn from the pre merger financial statements of the respective banks. The data is analyzed and presented as follows.

HYPOTHESIS FOR TARGETS AND ACQUIRERS FEATURES ANALYSIS

Ho1   There is no significant difference in the target and acquirers features among Fiat driven and voluntary bank mergers

Ha2   There is significant difference in the target and acquirers features among Fiat driven and voluntary bank mergers

DATA ANALYSIS AND PRESENTATION

These mergers occurred at different years. In order to equalize the data the size is compared by computing how many times the acquiring firm is bigger and better compared to their targets in the selected parameters (Times=Value of the acquirer/value of the target). The average of times in the selected parameters is computed for fiat driven group and the voluntary group separately.

The mean value of the selected indicators of the targets and acquirers are presented separately for fiat driven mergers and voluntary mergers and then the group averages are presented in Table 3, 4, 5 and 6.

Finally Table 7 and 8 presents average of times of fiat driven groups' acquirers and target is presented, followed by the comparison of voluntary groups' acquirers and targets. Testing hypothesis is presented in Table 9 and 10.

COMPARISON OF FIAT DRIVEN ACQUIRERS AND THE TARGETS (TABLE 4)

Except in the case of Bharath overseas Bank all other targets had very low profitability indicators. The same observation can be made in case of Capital adequacy ratio and other indicators of size. Bharath Overseas Bank's NPA levels are high compared to the acquirer.

All other targets financials are very low compared to their targets. Though GTB had accumulated loss and high NPA, the size was comparatively bigger. Its deposits and advances were 20% to 25% of the acquirer. The average times of the acquirer indicates that the profitability of the group and size is comparatively very high than other parameters.

COMPARISON OF VOLUNTARY ACQUIRERS AND THE TARGETS (TABLE 4)

Amongst 5 targets Bank of Madura and Centurion Bank of Punjab indicate strong financial compared to other targets. At the time of merger Bank of Madura (Target) indicated better EPS, ROA, Book value, RONW etc than ICICI bank (acquirer).

Bank of Punjab's financials in terms of accumulated loss, high NPA and zero earnings indicate that the bank had weak financials at the time of merger. The overall average indicates that the disparity between the acquirers and the targets of the acquirers is not as high as in case of fiat driven group.

COMPARISON OF ACQUIRES TO THEIR TARGET BASED MEAN VALUE OF TIMES

(How many times bigger the acquirer is compared to the target, expressed in times)

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Average of times for the 4 acquirers in fiat driven mergers and 5 acquirers in voluntary mergers are summarized the following box drawing the values from Table 3.

TABLE 3: MEAN VALUES OF TIMES (ACQUIRERS VALUES/TARGET VALUES)

Particulars Profitability	Comparison of fiat driven acquirers to their target in terms of times	Comparison of voluntary acquirers to their target in terms of times	Remarks
Net profit	223.57	31.50	The profitability of acquirers in fiat driven mergers are much higher than their targets.
EPS	13.30	12.14	
ROA	8.00	2.48	
RONW	7.56	10.22	
Regulatory ratios			
NPL	0.13	0.32	The NPA lesser times of the target is better, CAR higher is the better. Considering both fiat driven acquirers are comparatively better than voluntary acquirers' position.
CAR	9.48	1.45	
Size			
Net worth	13.92	3.77	The Acquirers in fiat driven mergers are comparatively very big in size than their targets.
Deposits	144.91	6.20	
Advances	388.55	4.41	
Total Income	19.08	3.23	
BVPS	24.83	3.51	

The comparison of acquirers and target in fiat driven and voluntary mergers. The ratios of the acquirer's is divided by the targets ratios. The acquirer's profitability ratios in fiat driven mergers are much higher compared to their target. It is an indication that the acquirers are profitable than the targets. Comparatively the acquirer's in voluntary merger acquirers and the target had more comparable values.

Comparison of the NPAs and CAR of the acquirers and the targets indicates that the fiat driven acquirers had much lesser NPA and higher CAR. Whereas the acquirers in voluntary mergers are not much different from their target.

In terms of 'size indicators', the acquirers appeared to be huge in fiat driven mergers.

TABLE 4: COMPARISON OF ACQUIRERS TO THEIR TARGETS IN TERMS OF TIMES & COMPUTATION OF MEAN VALUES OF TIMES

Particulars	Comparison of fiat driven acquirers to their target in terms of times				Mean of times	Comparison of voluntary acquirers to their target in terms of times					Mean of times
	Bharath Overseas Bank With IOB	Nedungadi bank with PNB	Barelli Corp bank Ltd with Bank of Baroda	GTB merger with OBC		Lord Krishna Bank merger with Centurion Bank of Punjab	Bank of Punjab merged with centurion bank	Times Bank with HDFC Bank	Merger of CBOP with HDFC Bank	Merger of Bank of Madura with ICICI	
Net profit	1.86	442.52	448.34	1.57	223.57	32.81	1.41	82.40	9.40	2.30	31.50
EPS	0.98	21.20	7.87	23.16	13.30	1.97	0.25	1.47	44.87	0.14	12.14
ROA	1.32	9.63	19.70	1.37	8.00	4.94	1.50	1.89	1.58	0.78	2.48
RONW	1.75	2.85	1.12	24.51	7.56	4.93	7.71	26.41	1.84	0.69	10.22
NPL	0.09	0.17	0.20	0.07	0.13	0.41	0.54	0.00	0.33	0.33	0.32
CAR	1.08	10.70	12.10	14.04	9.48	1.09	2.32	1.19	1.18	1.24	1.45
Total Income	14.51	34.31	1.55	5.31	13.92	8.11	0.79	1.36	4.82	1.82	3.77
BVPS	0.64	18.43	12.82	547.75	144.91	0.51	0.26	0.99	23.02	0.32	6.20
Net worth	1.18	186.20	502.34	864.48	388.55	8.41	2.54	1.98	4.69	5.33	4.41
Deposits	7.96	44.59	19.48	4.31	19.08	6.52	0.82	0.97	4.59	2.72	3.23
Advances	11.65	44.64	38.26	4.79	24.83	7.90	0.91	1.07	4.18	2.20	3.51

COMPUTATION OF MEAN VALUES OF THE FINANCIALS AND RATIOS FOR ACQUIRERS AND TARGETS IN FIAT DRIVEN GROUP AND VOLUNTARY GROUP

FIAT DRIVEN GROUP

The difference in the values of the acquirers and targets are analyzed using the mean value of selected financials and ratios of the group. The following tables present the computation of mean value of the financials and ratios of the acquirers and targets

TABLE 5: ACQUIRERS IN FIAT DRIVEN MERGERS – MEAN VALUES OF THE FINANCIALS AND RATIOS

Particulars	BOB	IOB	PNB	OBC	Mean of Acquirers
Net profit	421.44	783	562	465.95	558.10
EPS	14.33	14.01	26.5	23.16	19.50
ROA		1.32	0.77	1.3	0.85
RONW	16.29	28.55	21.63	24.51	22.75
NPL	6.95	0.65	5.32	1.4	3.58
CAR	12.1	13.04	10.7	14.04	12.47
Net worth	2587.05	3054	2878	2109.34	2657.10
Deposits	6350	50529	64123	29809	37702.75
Advances	2984	34756	34369	15677	21946.50
Total Income	53.99	783.34	7733.76	3887.68	3114.69
BVPS	87.95	56.08	265.6	109.55	129.80

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TABLE 6: TARGETS IN FIAT DRIVEN MERGERS MEAN VALUES OF THE FINANCIALS AND RATIOS

Particulars	Barelii Corp Bank	Bharath Overseas Bank	GTB	Nedungadi Bank	Mean of targets
Net profit	0.94	5.57	-824.15	1.27	-204.093
EPS	1.82	3.37	0	1.25	1.61
ROA	0	0.15	-3.56	0.08	-0.8325
RONW	14.51	2.76	0	7.59	6.215
NPL		1.87	19.77	31.05	17.56
CAR	0	11.24	0	0	2.81
Net worth	5.15	204.55	2.44	-15.54	49.15
Deposits	326	3327	6920.92	1438.05	3002.99
Advances	78	2235	3276.11	769.88	1589.75
Total Income	34.74	278.1	732.18	225.38	317.60
BVPS	6.86	129.87	0.2	-15.24	30.42

Above tables 5 and 6 compares the mean values of acquirers and targets in fiat driven bank mergers. The Tables indicate that in all the selected indicators the acquirers are more profitable, regulatory compliable and huge in size compared to the targets.

VOLUNTARY MERGER GROUP

The difference in the values of the acquirers and targets are analyzed using the mean value of selected financials and ratios. The following tables present the computation of group mean of the selected financials and ratios

TABLE 7: ACQUIRERS IN VOLUNTARY MERGER – MEAN VALUES OF THE FINANCIALS AND RATIOS

Particulars	Centurion Bank	ICICI Bank	CBOP	HDFC Bank	HDFC Bank	Mean of acquirers
Net profit	25.11	105	121.38	82.4	1141.45	295.07
EPS	0.25	5.21	0.77	3.99	34.55	8.95
ROA	0.64	0.87	0.84	1.89	1.33	1.11
RONW	7.71	14.75	10.6	26.41	19.46	15.79
NPL	2.49	1.53	1.26	0	0.42	1.14
CAR	21.42	19.64	11.05	11.86	13.08	15.41
Net worth	468.56	1149	1371.59	338.93	6433.15	1952.25
Deposits	3530	9866	14863.78	2915	68297.94	19894.54
Advances	2193	3657	11221.35	1400	46944.78	13083.23
Total Income	346.09	852.87	1710.66	444.15	8242.52	2319.26
BVPS	4.62	58.4	8.75	16.95	201.42	58.03

TABLE 8: TARGETS IN VOLUNTARY MERGER - MEAN VALUES OF THE FINANCIALS AND RATIOS

	BOP	BOM	LKB	Times Bank	CBOP	Mean of targets
Net profit	-61.24	45.58	3.7	0	121.38	21.88
EPS	0	37.51	0.39	2.71	0.77	8.28
ROA	-1.29	1.12	0.17	0	0.84	0.17
RONW	0	21.35	2.15	0	10.6	6.82
NPL	4.64	4.7	3.11		1.26	2.74
CAR	9.23	15.83	10.11	9.97	11.05	11.24
Net worth	184.26	215.71	163.14	170.79	1371.59	421.10
Deposits	4306	3631.04	2278.88	3011.18	14863.72	5618.16
Advances	2416	1665.43	1420.86	1311.96	11221.35	3607.12
Total Income	435.36	468.93	210.97	327	1710.66	630.58
BVPS	17.54	183.27	17.27	17.08	8.75	48.78

Above tables 7 and 8 compares the mean values of acquirers and targets in voluntary bank mergers. The Tables indicate that unlike the fiat driven group in all the selected indicators the acquirers and targets are comparable in terms of profitability, regulatory compliance and size. The targets are much better than the targets in the fiat driven group.

HYPOTHESIS TESTING

TABLE 9: COMPARISON OF MEAN VALUES OF ACQUIRES AND TARGETS IN FIAT DRIVEN ACQUISITIONS

	Mean of Acquirers μ1	Mean of targets μ2	μ1- μ2	't' value	df-6 5% level of significance Table value – 2.447
Net profit	558.09	-204.09	762.193	3.00	Reject
EPS	19.5	1.61	17.89	4.84	Reject
ROA	0.8475	-0.8325	1.6825	1.37	Accept
RONW	22.745	6.215	16.535	3.53	Reject
NPA to Net Assets	3.58	17.56	-13.98	-1.62	Accept
CAR	12.47	2.81	9.66	2.91	Reject
Net worth	2657.09	49.15	2607.95	10.70	Reject
Deposits	37702.75	3002.99	34699.76	2.39	Accept
Advances	21946.5	1589.74	20356.75	2.29	Accept
Total Income	3114.69	317.6	2797.09	1.39	Accept
BVPS	129.79	30.42	99.38	1.51	Accept

(Note: The degree of freedom is 6   df= n1+n2-2;   df=4+4-2. The level of significance is 5%. The table value for 5% significance, degree of freedom 6, the table value for two tailed test is 2.447)

In profitability indicators there is difference between the targets and acquirers except in case ROA. Null hypothesis is rejected for net profit, EPS and RONW and accepted in case of ROA

Considering NPA to net advances **μ2** is greater than **μ1,** which indicates that NPAs of targets is higher than the acquirers. As the 't' value is less than the table value Ho is accepted. CAR shows significant difference between the means hence null hypothesis is rejected. Net worth indicates huge difference between

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acquirers and the targets hence Ho is rejected. The 't' values of deposits and advances is slightly less than the table value hence Ho is accepted. In other indicators also Ho is accepted.

TABLE 10: COMPARISON OF MEAN VALUES ACQUIRERS AND TARGETS IN VOLUNTARY MERGERS

	Mean of voluntary acquirers	Mean of targets	μ1- μ2	't' value	df-8 5% level of significance Table value – 2.306
Net profit	295.06	21.88	273.18	1.28	Accept
EPS	8.95	8.27	0.68	0.07	Accept
ROA	1.11	0.16	0.95	2.01	Accept
RONW	15.78	6.82	8.96	1.70	Accept
NPL to Net Assets	1.14	2.742	-1.60	-1.90	Accept
CAR	15.41	11.238	4.17	1.72	Accept
Net worth	1952.24	421.09	1531.15	5.11	Accept
Deposits	19894.54	5618.16	14276.38	1.24	Accept
Advances	13083.22	3607.12	9476.10	1.33	Accept
Total Income	2319.25	630.58	1688.67	1.07	Accept
BVPS	58.02	48.78	9.24	0.17	Accept

(Note: The degree of freedom is 8   df= n1+n2-2;   df=5+5-2.   The level of significance is 5%. The table value for 5% significance, degree of freedom 6, the table value for two tailed test is 2.306)

In all the ratios and financials the calculated 't' value is less than the table value. It indicates that there is no significant difference between the mean values of the acquirers and targets. Thus null hypothesis is accepted.

FINDINGS

The analysis is carried out based on the classification of bank mergers into two groups namely fiat driven mergers and voluntary mergers. The analysis of targets and acquirers features amongst fiat driven acquisitions and voluntary acquisitions reveals that the acquirers in fiat driven group is much stronger and bigger than their targets. The comparison of mean value of acquirers and targets (Table No.5 and 6) in all the selected indicators suggest that the targets profitability, size and other indicators have much lesser value than their acquirers. Voluntary acquirers and targets were comparable in terms of the selected indicators which are indicated in table No. 7 and 8.

If the acquirers in two groups are compared considering Net profit, EPS, ROA and Return on Net Worth the fiat driven acquirers were comparatively stronger than the acquirers in Voluntary acquirers. Even in case of Non Performing Loans and CAR the position of fiat group acquirers was much stronger. Size indicators also indicated that the fiat driven acquirers are huge.

If the targets in two groups are compared the targets in the fiat driven mergers are too small and left insignificant affect on the acquiring banks. Whereas the targets in voluntary mergers the targets had an impact on the size of the acquirers.

The statistically significant difference was observed in profitability (Net profit, EPS, RONW), CAR and Net Worth between mean value of fiat driven targets and acquirers. The acquirers and targets in voluntary mergers, compared to targets and acquirers in fiat driven mergers, were found more comparable. Statistically also there was no significant difference found between the mean values of the two. Since both are similar in selected parameters the considerations and philosophy behind merger is different.

CONCLUSION

Overall the concern of fiat driven mergers is to absorb a sick bank following the moratorium issued by the Reserve Bank of India. On the other hand growth is the driving factor for the voluntary mergers. If the size is the concern then voluntary merger may be considered to obtain faster growth in size. The merger of sick banks does not impact the big acquiring banks in any way. If there is no change then merger is a wasteful exercise. This distinction of bank mergers into fiat driven mergers and voluntary mergers need to be avoided by having prudent system to identify the weak banks. Targets feature analysis suggests that the performance and size can be considered as major factors while identifying the targets in banking sector. To grow in size and to reach out to different markets the merger is the best strategy for the new banks.

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