A PROJECT REPORT ON

"A STUDY ON AMALGAMATION IN BANKING INDUSTRY (SYNDICATE INTO CANARA BANK)"

A Project Submitted to

University of Mumbai for Partial Completion of the Degree

of Bachelor in Commerce (Banking and Insurance) Under

the Faculty of Commerce

By

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Mohanlal Raichand Mehta College of Commerce

Diwali Maa College of Science

Amritlal Raichand Mehta College of Arts

Dr. R.T. Doshi College of Computer Science

NAAC Re-Accredited Grade 'A+' (CGPA : 3.31) (3rd Cycle)

Sector-19, Airoli, Navi Mumbai, Maharashtra 400708

FEBRUARY, 2024.

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CERTIFICATE

This is to certify that **MS.___________________________________** has worked and duly completed his Project work for the degree as Bachelor in Commerce (Banking and Insurance) under the Faculty of Commerce in the subject of **Management control** and his project is entitled, **"A STUDY ON AMALGAMATION IN BANKING INDUSTRY (SYNDICATE INTO CANARA BANK)"**. Under my supervision.

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any Degree or Diploma of any University.

It is his own work and fact reported by her personal finding and investigations.

Guiding Teacher,

ASST. PROF. DR. KISHOR CHAUHAN.

Date of submission:

<u>DECLARATION</u>

I the undersigned **MS. SHREYA NARENDRA PANDEY** here by, declare that the work embodied in this project work titled **" A STUDY ON AMALGAMATION IN BANKING INDUSTRY (SYNDICATE INTO CANARA BANK)"**, forms my own contribution to the research work carried out by me under the guidance of **ASST. PROF. DR. KISHOR CHAUHAN** is a result of my own research work and has been previously submitted to any other University for any other Degree/ Diploma to this or any other University.

Wherever reference has been made to previous works of others, it has been clearly indicated as such and included in the bibliography.

I, here by further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.

(***SHREYA PANDEY***)

Certified by:

ASST. PROF. DR. KISHOR CHAUHAN.

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CHAPTER 1

INTRODUCTION

1.1. INTRODUCTION TO AMALGAMATION IN BANKING SECTOR

An amalgamation is a combination of two or more companies into a new entity. Amalgamation is distinct from a merger because neither company involved survives as a legal entity. Instead, a completely new entity is formed to house the combined assets and liabilities of both companies.

The term amalgamation has generally fallen out of popular use in the United States, being replaced with the terms merger or consolidation. But it is still commonly used in countries such as India.

Amalgamation is the combination of two or more companies into a new entity by combining the assets and liabilities of both entities into one.
The transferor company is absorbed into the stronger, transferee company, leading to an entity with a stronger customer base and more assets.

Amalgamation can help increase cash resources, eliminate competition, and save companies on taxes. But it can lead to a monopoly if too much competition is cut out, scale down the workforce, and increase the new entity's debt load.

It typically happens between two or more companies engaged in the same line of business or those that share some similarity in operations. Companies may combine to diversify their activities or to expand their range of services.

Since two or more companies are merging together, an amalgamation results in the formation of a larger entity. The transferor company—the weaker company—is absorbed into the stronger transferee company, thus forming an entirely different company. This leads to a stronger and larger customer base, and also means the newly formed entity has more assets.

Amalgamations generally take place between larger and smaller entities, where the larger one takes over smaller firms.

The Indian banking sector has witnessed many mergers, acquisitions and amalgamations the recent past. The last decade saw some big players like the ICICI bank and HDFC bank acquiring Bank of Rajasthan and Centurion Bank of Punjab. There is also a talk in the business circles that 2 public sector banks, United Bank of India and Dena bank will be merged with bigger entities. One of the prominent motives behind a takeover bid in the banking arena is to reap the benefits of economies of scale. Mergers, acquisitions and amalgamations help banks achieve significant growth in their operations and in minimizing expenses. For instance, M&A help banks to save the costs that are incurred on opening of new bank branches. Competition is minimized when there is less number of banks leading to an increased market share. Merger, acquisitioned amalgamation also help better utilization of resources.

This study analyzes the takeover deal of Syndicate bank by Canara Bank and the synergies gained by the deal. This amalgamation brings together two strong industry players to form a more robust and fundamentally sound bank.

The present-day scenario of the banking sector has become nothing but a battlefield. Wherein, every bank strives to overpower the other by forming new financial schemes. The safest way to escape competition is to take shield under Merger and Amalgamation.

It is the most effective method of merging two different entities into one entity.

Liberalization and other policies enforce the banking sector to break the boundaries of comfort and innovate peculiar ideas. So, it is the fundamental need for banks to extend their operational activities. This blog will help you evaluate the impact of Mergers and Amalgamation on the performance of the banking sector.

As per the Oxford dictionary, the Merger or Amalgamation is the combination of two companies into a single company. Moreover, it is the unity of two similar business concerns in one.

Merger refers to the fusion amidst two or more organizations in which the identity of one gets lost that result in a single organization. Whereas, Amalgamation means the blend of two or more companies into one whereby all the companies involved lose their identity. It results in the formation of a sperate legal identity.

In August 2019, the Finance Minister, Nirmala Sitharaman [1] announces the merger and amalgamation of 10 public sector banks into four big banks. Subsequently, it created a series of major boosters for the economy of the banking sector.

A week later, the Central Government says that the merger will reduce the total number of Public Sector Banks in India. The numbers will come down from 27 to 12 banks. Apart from that, the Government also proclaims upfront capital infusion of Rs 55,250 crore in the PSBs.

As per the Finance Minister Nirmala Sitharaman, the Canara Bank and Syndicate Bank shall get merged into a single entity. Whereas, the Union Bank of India, Corporation Bank, and Andhra Bank will get amalgamated as one entity.

Likewise, the Indian Bank and Allahabad Bank will become one entity.

Further, Nirmala says that the Central Bank of India and Bank of India will continue to persist independently.

Later to the amalgamation, only 12 PSBs will remain in the country from the earlier count of 27.

In consequence to the merger and amalgamation, Punjab National Bank will emerge as the second-largest PSB in India having a total business of Rs 17.5 lakh crore. Also, the total business of the merged entity of Syndicate Bank and Canara Bank reckons up to Rs 15.20 lakh crore. Hence, it will become the fourth largest PSB in India.

The apparent changes that one can foresee after the announcement of the Finance Minister:

The Amalgamation of United Bank, PNB, and OBC will form the 2nd largest PSB with Rs 18 lakh crore revenue. Being the second-largest branch network, it will drive nationwide & global presence, and high CASA.

Consolidated Allahabad and India Banks shall hold the position of 7th largest PSB with Rs 8.08 lakh crore business. It will provide substantial scale benefits to both along with high CASA & lending capacity to the newly consolidated bank.

The Merger of Union, Andhra, and Corporation Banks will attain 5th largest PSB position with Rs 14.6 lakh crore business. It will become the 4th largest branch giving strong scale benefits to all the 3 banks

It is undeniable that the Merger of smaller banks with the larger banks will be a perfect union and will create a win-win situation for both. Government has strategically decided to amalgamate those banks who exhibit different financial strength. For instance, the Punjab Bank and Indian Bank are more robust as compared to the banks with whom they have been merged according to the plan.

In Nirmala's presentation, she declares some governance reforms like strengthening the power the of bank board.

This decision was taken to address the fundamental issue of political interference in the state-owned banks.

Further, she adds that the Merger and Amalgamation of banks will suffice the funding needs and improve the growth of the economy.

As per the decision, the Merger will increase the lending capacity of the larger banks than smaller banks because of the difference in their capital base.

Consider the case of Punjab National Bank. When it gets merged with the Oriental Bank of Commerce and United Bank of India, then it will gain the stature of the secondlargest bank with a business of Rs 18 lakh crore.

Despite the firmness in the decision of Government, many investors raise questions against it. They believe that the role of the larger banks maybe not enough in regards to funding big business projects.

Taking the example from the past, various small banks came together to merge and extend their loans facility, which result in a successful venture.

Hence the impact of Merger and Amalgamation is more of a positive one in the financial and banking sector.

After the announcement of Bank Merger, the shares of India Bank and other strong banks beholds a steep fall. The dilemma still exists whether operational benefits will come through the merger of banks.

Thereby, it will fix the deteriorating condition in the finances of the larger banks. Besides, the Merger and Amalgamation will help those banks who suffer due to bad loans. After merging, they can extend loans without the fear of getting bankrupt.

1.2. HISTORY OF SYNDICATE BANK

Established in the year 1925, Syndicate Bank had its first office in the coastal region of Karnataka, Udupi. It was then named as 'Canara Industrial & Banking Syndicate Ltd'. The bank was initiated by a trio - Sri Upendra Ananth Pai, a businessman, Sri Vaman Kudva, an engineer and Dr. T M A Pai, a physician, with a capital of Rs. 8000. During that time, the crisis in the handloom industry crippled the local weavers completely. The main aim of Syndicate Bank was to provide financial assistance to them, by mobilizing small savings from the community.

Three years later, in 1928, the bank came up with Pigmy Deposit Scheme, in which it collected as little as 2 annas per day, at the doorsteps of the depositors through its agents. The scheme existing till date, earns the bank a sum of Rs. 2 crore daily. In the same year, Syndicate bank opened its first branch at Brahmavar in Dakshina Kannada District. It became a member of the Clearing House for the first time at Bombay, in 1937. Almost a decade later, Syndicate Bank opened 29 branches opened in a single day in rural areas. Its 100th branch opened at Ilkal in Karnataka in1957.

The bank with its socio-economic aim was making extensive growth and advancement and entered Foreign Exchange business by opening Foreign Exchange Department at Bombay. In 1964, the bank changed its name to 'Syndicate Bank Limited' and the head office was also shifted from Udupi to Manipal. The bank had then set up an Economic Research Department, being one of the first few Banks to emphasize on research in Banking, even before nationalization. In 1971, it opened the first specialized branch in Foreign Exchange, in Delhi. Five years later, it opened its first overseas branch at London.

In 1984, Syndicate Bank opened its 1000th branch in Hauz Khas, Delhi. In the same year, it undertook the management of Musandam Exchange Co. in Muscat. Five years thence, in 1989, Syndicate Bank opened its 1500th branch at Kanakumbi

In 1999, it raised a capital of Rs. 125 Crore from its more than 4 lakh shareholders.

Next year, in 2000, the bank established its first specialized Capital Market Services, at Mumbai. In 2003, Syndicate Bank entered into a MOU with Bajaj Allianz, for distribution of Life Insurance products. In 2004, Syndicate Bank amalgamated with United India Insurance Co. Ltd. for distribution of Non-Life Insurance products.

In 2004, Syndicate Bank also started utility bill payment services through Internet banking introduced. In 2005, the bank commenced the online reservation of railway tickets through Indian Railway Catering & Tourism Corporation Ltd for its customers. It was during this time that it entered into a MOU with SFAC for promoting of investments in Agri-business products. The 2000th branch was opened at Tondiarpet, Chennai, in 2006. In the same year, the bank commenced the first BPO outfit of a Nationalized Bank, Synd Bank Services Limited. This was a wholly own subsidiary of Syndicate Bank.

With the age of progressive banking, Syndicate Bank has created a name for itself in the last 80 years. Rooted in rural India, the Bank has a clear picture of the grass root realities and a vision of future India. Changing with the changing times, the Bank has well equipped itself with all the facilities of the new age, without, however, altering its distinctive socio-economic and cultural culture. Syndicate Bank's unique principle of mutual development, of both the Bank and the people, has won it a long list of clientele, which includes both the rural and the semi-urban class.

1.3. HISTORY OF CANARA BANK

Ammembal Subba Rao Pai, a philanthropist, established the Canara Hindu Permanent Fund in Mangalore, India, on 1 July 1906.[6] The bank changed its name to Canara Bank Limited in 1910 when it incorporated.

Canara Bank's first acquisition took place in 1961 when it acquired Bank of Kerala. This had been founded in September 1944 and at the time of its acquisition on 20 May 1961 had three branches. The second bank that Canara Bank acquired was Seasia Midland Bank (Alleppey), which had been established on 26 July 1930 and had seven branches at the time of its takeover.[7]

In 1958, the Reserve Bank of India had ordered Canara Bank to acquire G. Raghumathmul Bank, in Hyderabad. This bank had been established in 1870, and had converted to a limited company in 1925.

At the time of the acquisition G. Raghumathmul Bank had five branches.[8] The merger took effect in 1961.[9] Later in 1961, Canara Bank acquired Trivandrum Permanent Bank.

This had been founded on 7 February 1899 and had 14 branches at the time of the merger.[9]Next, Canara Bank acquired four banks in 1963: the SreePoornathrayeesaVilasam Bank, Thrippunithura, Arnad Bank, Tiruchirapalli, Cochin Commercial Bank, Cochin, and Pandyan Bank, Madurai.

SreePoornathrayeesaVilasam Bank had been established on 21 February 1923 and at the time of its acquisition it had 14 branches. Arnad Bank had been established on 23 December 1942 and at the time of its acquisition had only one branch. Cochin Commercial Bank had been established on 3 January 1936, and at the time of its acquisition had 13 branches.[9]

The Government of India nationalized Canara Bank, along with 13 other major commercial banks of India, on 19 July 1969. In 1976, Canara Bank inaugurated its 1000th branch. In 1985, Canara Bank acquired Lakshmi Commercial Bank in a rescue. This brought Canara Bank some 230 branches in northern India.

In 1996, Canara Bank became the first Indian Bank to get ISO certification for "Total Branch Banking" for its Seshadripuram branch in Bangalore. Canara Bank has now stopped opting for ISO certification of branches.

Canara Bank Ltd. is an India-based bank. It was established in the year 1906 and its office is based in Karnataka. Canara bank today is one of India's fastest growing banks, which caters to wide variety of banking needs of both individuals and corporate. It provides consumer banking services, commercial banking services, investment banking services, and numerous other financial services. With a portfolio of over 14 subsidiaries across India and the world and a few joint ventures, Canara has spread its businesses wide across the market and country with over 5,850 branches, including over eight overseas branches. The bank is listed on the NSE and BSE. Syndicate Bank With roots as far back as the 1925, „Syndicate Bank" comes with a long heritage of banking in the trade communities of south India. It was established by three visionaries Sri Upendra Ananth Pai, a businessman, Sri VamanKudva, an engineer and Dr.T M A Pai, a physician with an intention to provide financial support to the local weavers. Syndicate Bank is the best example to be cited in serving the people in the very best way. Their emblem - containing the picture of a faithful and friendly animal i .e, the dog indicates the motto and the way in which they deal with the public. The dog is identified as a companion and a trustworthy and faithful servant. So is the Syndicate Bank. It serves its masters, i.e., the customers in a most friendly and faithful manner. The Bank offers financial products and services such as demand deposits, online banking, cash management, insurance, loans, and time deposits. The bank operates over 3,700 branches. Its domestic branch network consists of over 1,230 rural, approximately 1,030 semi-urban, over 820 urban and approximately 680 metro branches.

1.4. PROCEDURE OF AMALGAMATION IN BANKING SECTOR

The amalgamation of two Banking Companies must be in accordance with the regulations that are largely laid down under Section 44A of the Banking Regulation

Act, 1949. The procedure for the amalgamation of two Banking Companies is as follows:

(1) Notwithstanding anything contained in any law for the time being in force, no banking company shall be amalgamated with another banking company, unless a scheme containing the terms of such amalgamation has been placed in draft before the shareholders of each of the banking companies concerned separately, and approved by the resolution passed by a majority in number representing two-thirds in value of the shareholders of each of the said companies, present either in person or by proxy at a meeting called for the purpose.

(2) Notice of every such meeting as is referred to in sub-section (1) shall be given to every shareholder of each of the banking companies concerned in accordance with the relevant articles of association, indicating the time, place and object of the meeting, and shall also be published at least once a week for three consecutive weeks in not less than two newspapers which circulate in the locality or localities where the registered offices of the banking companies concerned are situated, one of such newspapers being in a language commonly understood in the locality or localities.

(3) Any shareholder, who has voted against the scheme of amalgamation at the meeting or has given notice in writing at or prior to the meeting to the company concerned or to the presiding officer of the meeting that he dissents from the scheme of amalgamation, shall be entitled, in the event of the scheme being sanctioned by the Reserve Bank, to claim from the banking company concerned, in respect of the shares held by him in that company, their value as determined by the Reserve Bank when sanctioning the scheme and such determination by the Reserve Bank as to the value of the shares to be paid to the dissenting shareholders shall be final for all purposes.

(4) If the scheme of amalgamation is approved by the requisite majority of shareholders in accordance with the provisions of this section, it shall be submitted to the Reserve Bank for sanction and shall, if sanctioned by the Reserve Bank by an order in writing passed in this behalf, be binding on the banking companies concerned and also on all the shareholders thereof.

(5) The amalgamation should be done only after it is approved and sanctioned by the Reserve Bank of India.

(6) On the sanctioning of a scheme of amalgamation by the Reserve Bank, the property of the amalgamated banking company shall, by virtue of the order of sanction, be transferred to and vest in, and the liabilities of the said company shall, by virtue of the said order be transferred to, and become the liabilities of the banking company, subject in all cases to 215[the provisions of the scheme as sanctioned].

216[(6A)] Where a scheme of amalgamation is sanctioned by the Reserve Bank under the provisions of this section, the Reserve Bank may, by a further order in writing, direct that on such date as may be specified therein the banking company (hereinafter in this section referred to as the amalgamated banking company) which by reason of the amalgamation will cease to function, shall stand dissolved and any such direction shall take effect notwithstanding anything to the contrary contained in any other law.

(6B) Where the Reserve Bank directs a dissolution of the amalgamated banking company, it shall transmit a copy of the order directing such dissolution to the Registrar before whom the banking company has been registered and on receipt of such order the Registrar shall strike off the name of the company.

(6C) An order under sub-section (4) whether made before or after the commencement of section 19 of the Banking Laws (Miscellaneous Provisions) Act, 1963 (55 of 1963) shall be conclusive evidence that all the requirements of this section relating to amalgamation have been complied with, and a copy of the said order certified in writing by an officer of the Reserve Bank to be true copy of such order and a copy of the scheme certified in the like manner to be a true copy thereof shall, in all legal proceedings (whether in appeal or otherwise and whether instituted before or after the commencement of the said section 19), be admitted as evidence to the same extent as the original order and the original scheme.]

217[(7)] Nothing in the foregoing provisions of this section shall affect the power of the

Central Government to provide of the amalgamation of two or more banking companies 218[* * *1 under section 396 of the Companies Act, 1956 (1 of 1956).

PROVIDED that no such power shall be exercised by the Central Government except after consultation with the Reserve Bank.]

219[220[44B.] Restriction on compromise or arrangement between banking company and creditors

221[(1)] Notwithstanding anything contained in any law for the time being in force, no 203[High Court] shall sanction a compromise or arrangement between a banking company and its creditors or any class of them or between such company and its members or any class of them 222[or sanction any modification in any such compromise or arrangement unless the compromise or arrangement or modification, as the case may be,] is certified by the Reserve Bank 223[in writing as not being incapable of being worked and as not being detrimental to the interests of the depositors of such banking company].]

224[(2)]Where an application under 225[section 391 of the Companies Act, 1956 (1 of 1956) is made in respect of a banking company, the High Court may direct the Reserve Bank to make an inquiry in relation to the affairs of the banking company and the conduct of its Directors and when such direction is given, the Reserve Bank shall make such inquiry and submit its report to the High Court.]

Once the plan for amalgamation is okayed by the RBI, by virtue of the order the property and liabilities of the two amalgamating banking companies shall vest in the newly formed banking company.

SECTIONS AMENDED FOR AMALGAMATION OF BANKS

The Banking Laws (Miscellaneous Provisions) Act, 1963 amended Section 44A of the Banking Regulation Act, 1949 so as to add some subsections after sub-section 6. One may ask as to what purpose the amendments fulfil when it comes to the amalgamation process. Well, the amendments lay down guidelines if you please, to be followed in certain scenarios like:

Where the deal for amalgamation has been greenlit by the RBI, the regulatory body may through order in writing convey that on so and so dating the amalgamated banking company will cease to function and shall stand dissolved.

Where the RBI does direct for the dissolution of the amalgamated banking company, the RBI shall send a copy of the order to the Registrar before whom the Banking company was registered and on receipt of such an order the Registrar shall strike off the name of the company as per the standard procedure.

According to subsection 6C, an order by the RBI under the above-mentioned subsection 4 of section 44A whereby the RBI passes an order in writing ratifying the amalgamation, such order will be conclusive evidence of the banking companies having fulfilled all the requirements for amalgamation under the section. The order holds irrespective of whether it was passed before the commencement of section 19 (the amendments) of The Banking Laws (Miscellaneous Provisions) Act, 1963.

Note- The Act categorically mentions that nothing in the provisions of section44A of the Banking Regulation Act, 1949 will hinder the power of the Central Government in orchestrating the amalgamation of two or more banking companies under section 396 of the previous Companies Act, 1956 or under section 237 of the current Companies Act, 2013.

However, it comes with a proviso that the Central Government shall exercise this power only in consultation with the RBI. The Central Government cannot take a unilateral decision.

IMPORTANCEOF AMALGAMATION IN BANKINGSECTOR

- It helps to lower the level of competition in the market.

- To enlarge the market further without expanding the competition.

- The bank gains more assets by the assimilating resources of both banks.

- To have access to more capital despite investing less amount.

- Once two banks unite their customer base also becomes double.

- Lastly, it gives an opportunity to compete across the globe.

Henceforth, the impact of Merger and Amalgamation makes a significant change in boosting the productivity banks. Besides, it underpins those banks that seek to grow in the market but do not possess the required resources and capital.

ADVANTAGE OF AMALGAMTION IN BANKING INDUSTRY

- Merger helps to reduce the cost of operation.

- It helps to improve the professional standard.

- Provides better efficiency ratio for business operations as well as banking operations which is beneficial for the economy.

- Multiple posts get abolished, resulting in substantial financial savings.

- Banking mergers improve risk management.

- Merger helps the geographically concentrated regionally present banks to expand their coverage.

- The bank merger will pave the way for more capital generation opportunities from the market and also internally, for the anchor bank.

- The Government will receive more dividends that become part of its non-tax revenues.

- The competition in the financial market will decrease since there will be a lesser number of individual banks existing. This in turn will give rise to concentrated payment and greater settlement flows.

  Bank merger will reduce the operational risks since the size of the overall bank will grow, so the distance between the management and operational employees increases.

- The credit portfolio of the banks and the non-performing assets (NPAs) will be dealt with in a better way. The amalgamation will not allow the expenditure of more resources in a particular area and thus, strengthening the banks with stocks.

- The bank amalgamation will lead to greater synergy and cost benefits. This would have a positive effect on the Indian Banking System.

- PSBs will gain a competitive advantage by investing in and adopting technologies all across the banks being amalgamated. Digitalization and technological help is necessary to make such a huge change possible.

- The customers of these banks might get access to a larger network of bank branches and ATMs.

DISADVANTAGES OF AMALGAMTION IN BANKING INDUSTRY

- Acquiring banks have to handle the burden of weaker banks.

- It is difficult to manage the people and culture of different banks.

- Merger destroys the idea of decentralization as many banks have a regional audience to cater to and customers often respond very emotionally to a bank acquisition.

- Larger banks are more vulnerable to global economic crises.

- Coping with staffers' disappointment could be another challenge for the governing board of the new bank which could lead to employment issues.

After the bank merger in India, the operations of the stronger bank will be hindered due to the unhealthy impact of the weaker banks. For example, after the bank merger was announced, the shares of Vijaya Bank and Bank of Baroda fell significantly but Dena Bank incurred steep growth.

-
- The decision of the Government that is the dominant shareholder will affect the minority shareholders who will now have a minimum say in matters.

  The bank merger process that involves healthy banks taking over weaker banks is not much likely to solve the current bad loan problems

  .

- The management will have to face critical challenges related to the rationalization of branches, staff integration, synchronizing accounting, etc.

- The employees are fearful of losing their jobs and their promotion possibilities might be affected as well.

- The pensions could be affected due to separate employee benefit structures.

- The account holders will have to update the newly allotted IFSC codes and account numbers with different third party entities like the Income Tax returns, mutual funds, etc.

- This is also needed to be done for auto credit of salaries, auto-debit of bills/ charges, auto credit of dividends, etc.

- If there are a lot of branches in the same area after the merger, then some branches might be closed.

- At some stage, the credit/debit cards will have to be exchanged for new ones bearing the name and logo of the new anchor banking institution.

- The post-dated checkbooks will stand canceled and new checkbooks will be allotted.

1.5. AMALGAMATION OF SYNDICATE BANK AND CANARA BANK

On 30 August 2019, Finance Minister Nirmala Sitharaman announced that Syndicate Bank would be merged with Canara Bank. The proposed merger would create the fourth largest public sector bank in the country with total business of ₹15.20 lakh crore (US$210 billion) and 10,324 branches.[10][11] The Board of Directors of Canara Bank approved the merger on 13 September.[12][13] The Union Cabinet approved the merger on 4 March 2020. The merger was completed on 1 April 2020 with Syndicate Bank shareholders receiving 158 equity shares in the former for every 1,000 shares they hold.[14]

Chronology of Events August 30, 2019 – Finance Minister announced amalgamation of Syndicate bank into Canara bank.

September 4, 2019 - Prior intimation of board meeting - Amalgamation of Syndicate bank into Canara bank.

September 13, 2019 – Outcome of the board meeting- Amalgamation of Syndicate bank into Canara bank.

November 20, 2019 – In-Principle approval of alternate mechanism to proposed amalgamation of Syndicate into Canara bank.

March 5, 2020 – Stock exchange disclosure regarding share exchange ratio for amalgamation of Syndicate bank into Canara bank & intimation of record date.

March 5, 2020 – Gazattee notification of scheme of amalgamation of Syndicate bank into Canara bank

March 18, 2020 – Newspaper publication – Amalgamation – Expert committee updates.

April 1, 2020 – The amalgamation of Syndicate bank into Canara bank came into existence.

Structure of the Deal

The key terms of the Scheme are:

- Appointed Date: August 30, 2019

- Swap Ratio: 158 equity shares of face value INR 10 of Canara Bank shall be issued to the shareholders of Syndicate Bank for every 1000 equity shares of face value INR 10 of Syndicate Bank held by them.

- Directorship: 1 director from the board of Syndicate Bank has been appointed on the board of Canara Bank.

- Transfer of employees: all employees of Syndicate Bank will on and from the Effective Date, become employees of Canara Bank, and all years of services in Syndicate Bank for employees still in service on the Effective Date shall be counted in determining employee benefits, such as gratuity, incentive plans, ESOPs, etc.

- Branding: As of the Appointed Date, Syndicate Bank has ceased to exist and all usage of the name has been replaced with Canara"s. However, Canara has entered into an agreement with the Syndicate Bank to allow Canara to continue to use the Syndicate Bank trademark and name for a certain transitional period.

- Partial Shares: Under the Scheme, no partial shares may be issued. Instead, all equity shares in lieu of all fractional entitlements of shareholders, shall be consolidated and allotted to a trust / director / officer appointed by the board of Canara (postamalgamation), who shall hold the shares on behalf of the members entitled to such fractional entitlements, with the express understanding that such trust / person shall sell the shares on the market, within 60 days of allotment. The proceeds of the sale

are to be returned to the bank which will appropriately distribute them amongst the members in proportion to their respective fractional entitlements.

1.6. EFFECT OF AMALGAMATION ON FINANCIAL PERFORMACE OF BANKS

In the era of 21 century, one has to follow the path of growth, which contains various challenges and issues. To obtain benefits such as entering in new market, cost reduction, cross selling, risk diversification, increasing shareholder's value, M&A can be done within the industry or outside the industry. Banking sector of India is also in news for its various deals of Merger and Amalgamation in recent years. This paper has focused on amalgamation of Syndicate bank into Canara Bank. The main objective of this study is to analyze financial performance of Canara Bank pre and post- amalgamation. Data has been collected from various Annual Reports of Canara Bank for pre and postamalgamation period. Analyses shows that there is no significant benefit has been achieved by Canara Bank Ltd after the amalgamation. Analysis also shows that there is no improvement in company's Return on Equity, Interest Coverage, Earning Per Share and Dividend Per Share.

The Indian banking sector has witnessed many mergers, acquisitions and amalgamations in the recent past.

The last decade saw some big players like the ICICI bank and HDFC bank acquiring Bank of Rajasthan and Centurion Bank of Punjab. There is also a talk in the business circles that 2 public sector banks, United Bank of India and Dena bank will be merged with bigger entities. One of the prominent motives behind a takeover bid in the banking arena is to reap the benefits of economies of scale.

Mergers, acquisitions and amalgamations help banks achieve significant growth in their operations and in minimizing expenses. For instance, M&A help banks to save the costs that are incurred on opening of new bank branches. Competition is minimized when there is less number of banks leading to an increased market share.

Merger, acquisition and amalgamation also help better utilization of resources. This study analyzes the takeover deal of Syndicate bank by Canara Bank and the synergies gained by the deal. This amalgamation brings together two strong industry players to form a more robust and fundamentally sound bank. Syndicate Bank was known as "Small man‟s big bank" in the South Indian banking sector, with a legacy of nine decades. Canara Bank has made its mark in financial services arena as a conglomerate addressing all customers‟ needs under one banner. The amalgamated entity Canara Bank Ltd will definitely leave its impact on the national banking scene. Canara Bank after its merger with Syndicate Bank, is now the fourth largest stateowned bank by assets.

The bank said that the combined entity will have 10,391 branches, 12,829 ATMs along with a business size of over ₹16 trillion. In banking parlance, the sum of loans and deposits is referred to as total business. The merged entity will have 91,685 employees, it said in a statement on Wednesday.

The amalgamation of Canara Bank and Syndicate Bank is expected to improve profits significantly.

'Project Synergy' aims at combining the best practices of both banks, and the amalgamated entity will witness a jump in total business at ₹25-lakh crore in the next five years.

The amalgamated bank will have a total business size of close to ₹16-lakh core as on March 31, 2020, and this is expected to increase to ₹25-lakh crore in the next five years," said the top executives of both banks in an internal communication.

The operating profit of the amalgamated entity is expected to increase to about ₹28,500 crore, with a corresponding surge in net profit at ₹10,800 crore in the next five years.

The economies of scale are expected to translate into “better profitability, wide product offerings and adoption of state-of-the-art technology serving as catalyst for growth”, according to the management.

It may be recalled that the government had, on August 30, announced the amalgamation of the Bengaluru-based banks. The scheme of amalgamation is expected to be notified soon.

The managements of both banks have also assured the employees that the amalgamation “will provide brighter professional prospects” for staff members and that there was no need for any concern. The promotion process of all cadres will also be completed by the end of January.

The amalgamated entity will have a total network of 10,366 domestic branches, 13,354 ATMs and 89,885 employees. The branch network will double in Andhra Pradesh, Telangana and Uttar Pradesh.

The customer base, too, will go up to 14.6 crore. It is expected to cross 18 crore over the next five years. The large number of employees is being seen as a strength as it will give access to a wider talent pool.

There are 34 functional committees, comprising representative from both banks, that are working on the amalgamation plan. The consultants have been engaged for financial, legal due diligence, independent valuation, and fairness option.

The independent valuers are expected to arrive at a common share-swap ratio soon, according to sources.

IMPACT OF AMALGAMATION ON WORKING AND EMPLOYMENT CONDITIONS

Most importantly ,integrating differing company systems and procedures required harmonization of various aspects of terms and conditions of employment : pay scales, job titles, entitlements and other benefits, job descriptions, reporting and supervisory lines are all subjects to revisions to ensure common practice in the newly combined organization.

• **M&A's remuneration and other compensation issues**

Two conflicting aims appeared to characterize current practices in financial sector remuneration: The need to reduce labour cost within a context of increasing competition and decreasing profitability and necessity to compensate and adequately reward employee performance and commitment within an environment of continuous and challenging change.

• **M&As and working time**

Banks adoption of the retailing model is encouraging them to adjust their hours to customer requirements, extending opening hours on atleast one day a week and even opening some branches on traditionally closed days such as Sundays-a trend which has aroused strong trade union reactions in a number of countries. It goes without saying that M&A's can provide an opportunity for management to opt for more customers friendly working hours like ICICI banks from 8am to 8pm.

• **M&A's as factors of stress and demotivation**

M&A's generate high levels of staff anxiety and stress as their working world is turned upside down, their jobs come under threat and their career prospects an professional competence are called into question not surprisingly, it is much easier for managers to convince shareholders about the merits of proposed mergers than it is to persuade their own staff.

• **M&A's and job security**

Not surprisingly, empirical evidence shows that workers everywhere are feeding increasing insecurity in the employment. companies are restructuring and downsizing more often, increasing replacing full-time jobs with part time, casual or temporary jobs andoutsourcing

IMPACT OF AMALGAMATION ON CUSTOMERS

New technology and the increase ability of financial institution to offer a wider range of product and services have benefited those with the mean to access them consumer with a regular income and a good credit history are able to borrow money more readily and cheaply then ever before although this has often lead to wide spread depth encrumbrance. Consumer of retail service with more restricted income with poor credit history or unstable social background are finding it more difficult to get access to the main stream financial service sector traditional banking service.

A process that has run in parallel to that of merge &acquistition activity within the financial service sector has been that of 'demutulization' insurance company and building societies have been prominent mutual organization, which are effectively owned by their members, that is, by consumers who held policies or debt product and who have the right to vote on policy and other matters at general meetings.

Reaction's by consumer to mergers

Again, it is virtually impossible to determine the exact impact of specific mergers and acquisitions on level of customers loyalty from the available evidence. This kind of information is highly sensitive and is not easily released by firm. However it is generally known that the industry is declining level of customer loyalty as a problem. Although level of customer mobility vary markly between sectors level of mobility are relatively high in price sensitive sector such as car and household insurance where as it is lower for more complex product such as morgages and lower still for banking services in all product areas a growing number of customers are prepare to move their business from one firm to another. Although whole financial services customer tends to be highly conservative, it tends to be the more affluent and financially literate customer that are most prepare to shop around for product and to relocate their financial activities if necessary.

CHALLENGES OF THE DEAL

The major challenge was related to human resources management. The HR process to be aligned. Because there could be different policies for perquisite, transfer and promotions. But the Canara bank has postponed this issue to the next fiscal year. The employees of Syndicate bank were worried whether their pay structure would continue or not. Some of the employees of Syndicate bank had other concerns too. Employees in positions like regional manager, sales head, zone manager, etc., were apprehensive that duplication of positions could lead to transfers or even to their losing their jobs. Another major challenge is technology integration. There is two ways of looking at technology integration. First is integrating the database, product and processes, apart from the integrating of people related affairs. The second way is to look at customer facing, employee-facing and also back-office technologies.

Synergies Out of the Amalgamation

- This bank has become the fourth-largest public sector bank with a business of Rs 15.20 lakh crore, which will be roughly 1.5 times of Canara Bank.

- The amalgamation increased the geographical presence and further deepened Canara's network. The amalgamation increased Canara's number of branches and it is the thirdlargest branch network in India with 10, 342 branches, which has a strong presence in South India.

- It will have the potential to reduce huge cost due to network overlaps, a similar culture to enable smooth consolidation and cost-saving and income opportunities for joint ventures and subsidiaries.

- The amalgamated bank have a total business of Rs 1,520,295 crore with gross advances of Rs 6,61,365 crore.

- There will be a quick realization of gains as both banks operate on the iFlex Core Banking System.

- The deposit of the bank is Rs 858,930 crore and the current account saving account (CASA) ratio is 30.21 percent.

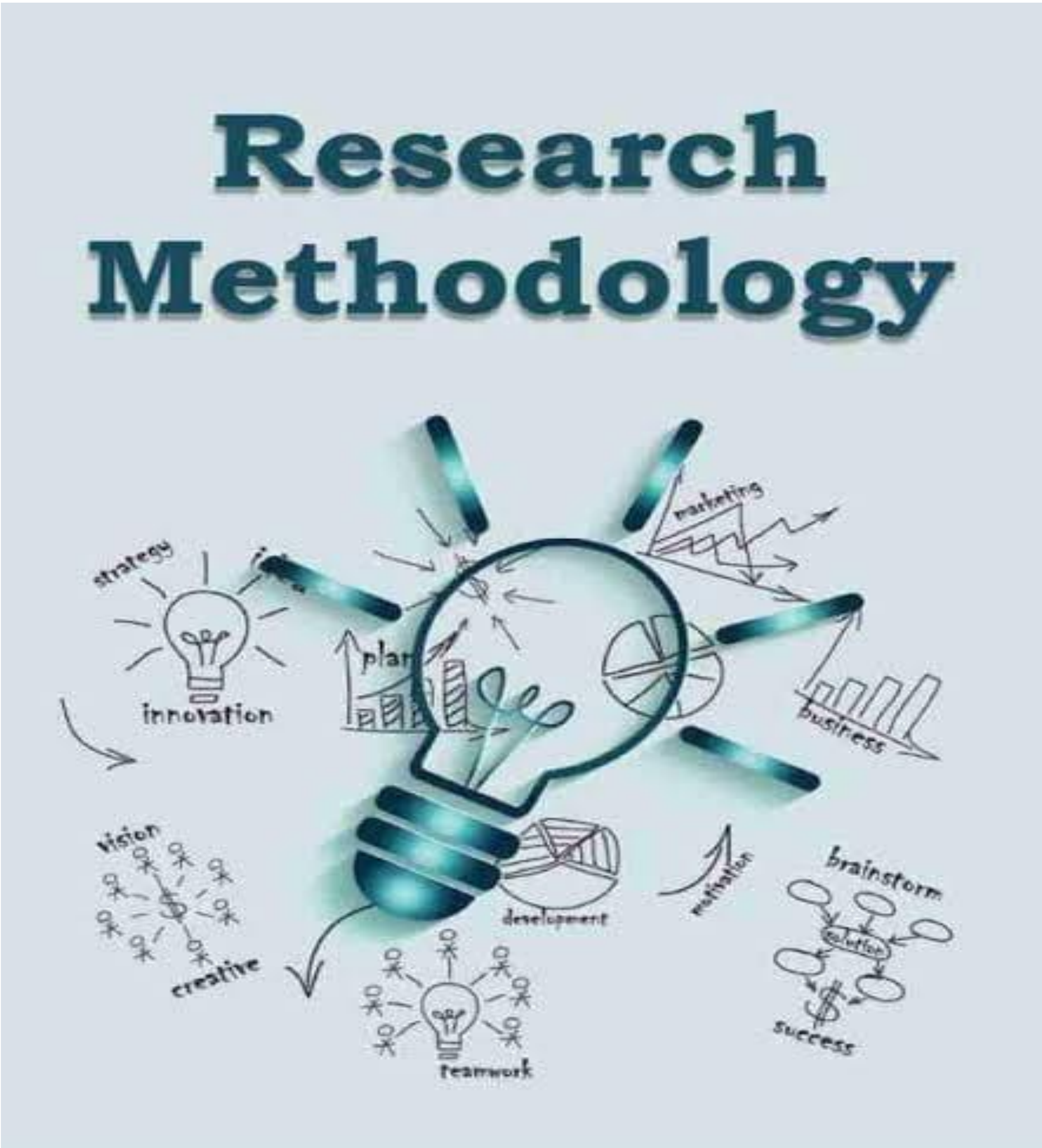
- The bank has a Common Equity Tier 1 (CET1) of 8.62 percent and Capital to Risk (Weighted) Assets Ratio (CRAR) of 12.62 percent.

- The merged bank has employee strength of 89,885.

- The net NPA of the bank will be 5.62 percent after the amalgamation.

CHAPTER 2

RESEARCH METHODOLOGY



RESEARCH METHODOLOGY

2.1 OBJECTIVE OF THE STUDY

This project was undertaken to:

- To study and analyze the need and importance of amalgamation in a banking sector i.e. Syndicate and Canara Bank.

- To understand what changes happen in the banking sector after its amalgamation

- To understand and analyze the procedure of Amalgamation of these banks.

- To examine the synergies and challenges of amalgamation of Syndicate Bank into Canara Bank Ltd.

- To examine the post amalgamation effect on financial performance of Canara Bank.

The main objective of research is to show the amalgamation between two or more companies. Amalgamations are there both in public or private company or whether it is a bank. The research shows why amalgamation is necessary in day to day life of a business which is continuously running in a loss, or for a businessman who want to expand his entire business or a particular existing unit. What are the major roles played by the acquiring company? What the major factors behind amalgamation?

This research shows the need of amalgamation in banking sector and public/private sector

2.2. Research Design

In order to make this project effective and to show the real picture of Amalgamation , I have undertaken the following steps:-

- I first searched the about the whole matter of amalgamation of Syndicate and Canara Bank
  - Then I collected the data from top Bank who provide fundamental research to the customers.
- In this report two methods were used for the data collection:
  1. Primary Data
  2. Secondary Data

Primary Data :

Primary Data is the data collected for the first time through personal experiences or evidence, particulary for research. It is also described as raw-data or first handhand information. Mostly the data is collected through surveys, personal interviews or etc. Here I have collected primary data through online survey. This data is collected by framing a questionnaire and sending it to some people in order to know how many people are aware about this topic.

Secondary Data :

Secondary Data are second – hand data that is already collected and recorded by some researchers for their own purpose. It is accessible in the form of data collected from different sources such as government publications, censuses, internal records of the organization, books, journal articles, websites and reports etc.

2.3. TOOLS FOR DATA COLLECTION

A. For Primary Data Questionnaire :

Questionnaire is a technique and means of gathering and collecting the primary data through responses. The questionnaire in this study comprised and consisted of a total of 25 numbers of questions which were aimed to collect both demographic as well as contextual type of data.

B. For Secondary Data Online websites

QUANTITY OF SAMPLE:

The quantity of sample will be 100.

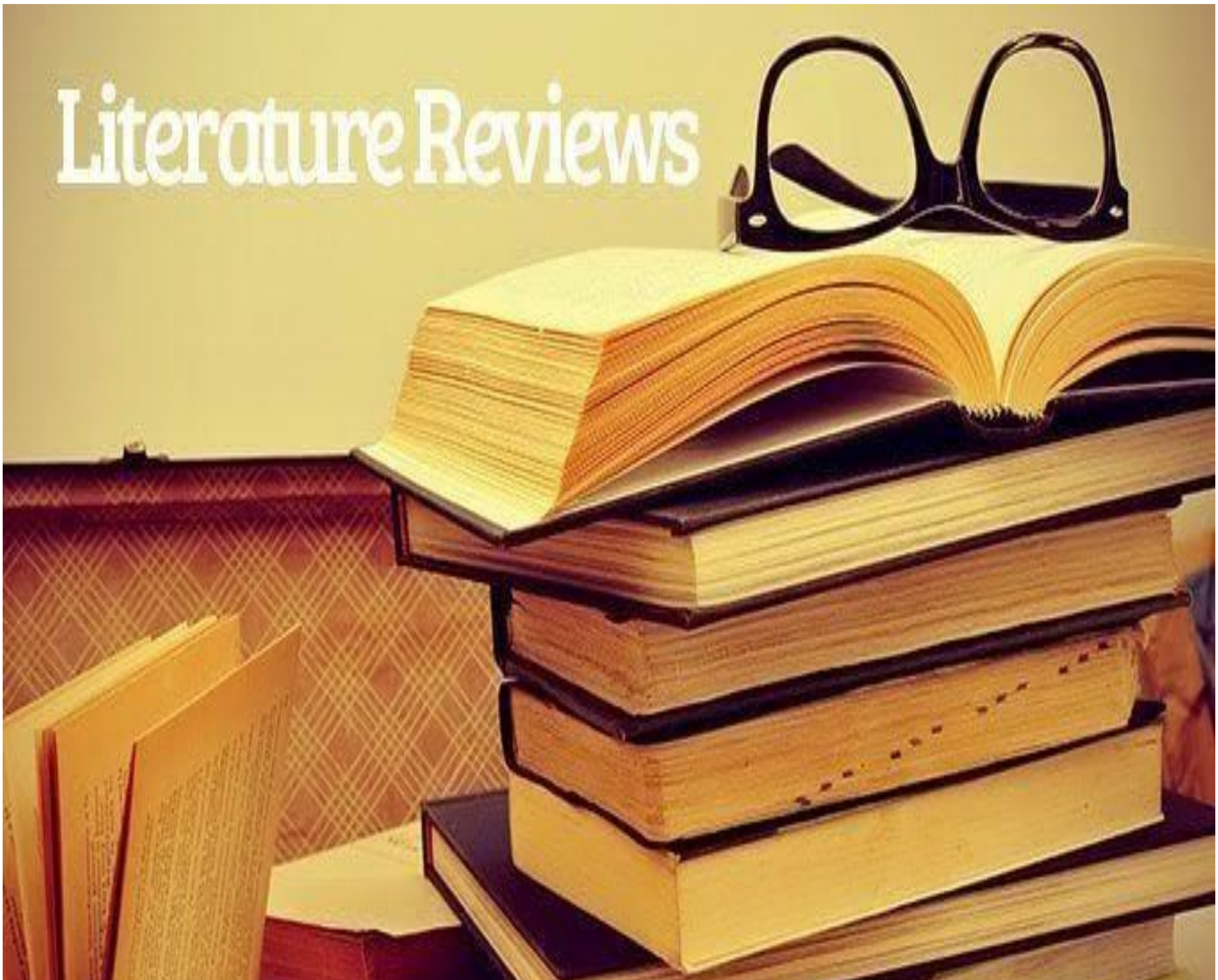
2.4. LIMITATION OF THE STUDY:

The survey was limited within the geographic limits of Mumbai .

Thus the results may not be applicable to any country or any place except Mumbai.

CHAPTER 3

LITERATURE REVIEW



REVIEW OF LITERATURE

1) Schuler and Jackson (2001) conducted a study on a three-stage model of mergers and acquisitions that systematically identified several human resources issues and activities. Numerous examples were offered to illustrate the issues and activities in each of the three stages. The study concluded with a description of the role and importance of the HR department and leader has its presence in business environment, in order to get competitive advantage the acquirer must consider the HR perspective to bring effectiveness in a deal of a merger.

2) Paul (2003) conducted a study on the merger of Bank of Madura with ICICI Bank. The researcher evaluated the valuation of the swap ratio, the announcement of the swap ratio, share price fluctuations of the banks before the merger decision announcement and the impact of the merger decision on the share prices. It was concluded that synergies generated by the merger would include increased financial capability, branch network, customer base, rural reach, and better technology. However, managing human resources and rural branches may be a challenge given the differing work cultures in the two organizations.

3) Murthy (2007) conducted a study on five bank mergers in India viz. Punjab National Bank and New Bank of India, ICICI Bank and Bank of Madura, ICICI Ltd. and ICICI Bank, Global Trust Bank and Oriental Bank of Commerce and Centurion Bank with Bank of Punjab. It was concluded by the author that consolidation is necessary due to stronger financial and operational structure, higher resources, wider branch network, huge customer base, technological advantage, focus on priority sector, and penetration in rural market. Further, some issues as challenges in aforesaid mergers were identified as managing human resources, managing the client base, acculturation, and stress of bank employees.

4) Saraswathi (2007), (p. 230) conducted a study on the merger of Global Trust Bank and Oriental Bank of Commerce. It was found by the author that this merger paved the way to several things in the transition period

and pre merger strategy. It visualized the need for the diverse cultures to arrive at an understanding and to work hand in hand. Apart from the integration of diverse cultures, a way to inherit the advanced processes and expertise of the staff in a phased and systematic manner should be paved. It is also equally important and challenging for the transferee bank in handling the issues relating to continuance of the services of employees of the transferor bank and their career planning.

5) Alamelu (2008) in his study entitled, "Profitability in Banks, a matter of survival", pointed out the problem of declining profit margins in the Indian Public Sector Banks as compared to their private sector counterparts. It was observed that in spite of similar social obligations; almost all the private sector banks have been registering both – high profits and high growth rate with respect to deposits, advances and reserves as compared to the public sector banks.

6) Razor (2009), in his paper Profitability is measured under the deregulated environment with some financial parameters of the major four bank groups i.e. public sector banks, old private sector banks, new private sector banks and foreign banks, profitability has declined in the deregulated environment. He emphasized to make the banking sector competitive in the deregulated environment. They should prefer noninterest income sources.

7) Sanjay J. Bhayani (2010) in his study, "Performance of New India Private Banks: A

Comparative Study", The study covered 4 leading private sector banks- ICICI,HDFC, UTI and IDBI for a period of 5 years from 2000-01 to 2004-05.It is revealed that the aggregate performance of IDBI Bank is best among all the banks, followed by UTI. P.

8) Dupit (2012) , in his paper , Long run performance of public and private sector bank stocks", has made an attempt to compare the three categories of banks-Public, Private and Foreign-using Physical quantities of inputs and outputs, and comparing the revenue maximization efficiency of banks during 1992-2000. The findings show that PSBs performed significantly better than private sector banks but not differently from foreign banks.

9) Mahesh, R., & Prasad, D. (2012), conducted a study to examine whether the private sector banks of India have attained financial performance efficiency during the post merger& acquisition period especially in the areas of profitability, leverage, liquidity, and capital market standards, by using Paired sample t-test. It was concluded that there is irrelevant improvement in return on equity, expenses to income, earning per share and dividend per share post-merger.

10) Ujjwala, P, A Study on Bank of Baroda merger with Dena Bank and Vijaya Bank, 2019, International Journal for Research in Applied Science & Engineering Technology: This study examines the details of merger in between Bank of Baroda, Dena Bank & Vijaya Banks. The primary objective behind this move is to achieve growth at the strategic level in terms of size and client base. The study intended to determine the reasons for merger has been taken place in between the banks and also the benefits derived out of the merger. This study also includes analysis of banks performance with its different financial tools before its merger.The merger of Vijaya Bank and Dena Bank into Bank of Baroda is planned to be effective from April 1st, 2019. The uniting emphasises on consolidating and group action smaller banks with larger banks. The tripartite amalgamation reflects the government's focus towards consolidation and strengthening of public-sector banking and also to deal with the raising problematic issues like non-performing assets (NPAs) and default of loans.

11) NITESH A JAIN,A Management Research project on Mergers and Acquisitions in Indian Banking Sector, 2017: The project aims to understand the various “mergers and acquisitions in Indian banking sector”. A large number of international and domestic banks all over the world are engaged in merger and acquisition activities.· To study the pre and post-merger impact of bank. · To understand the financial performance and differences, to understand the importance of merger in bank. · To study the purpose of merger and acquisitions in the banking sector. · To study the changes in the Indian banking scenario. · Case study on the merger of ICICI bank and bank of Rajasthan.The major limitations of the project are the time frame. The post-merger analysis is just for 4 year and 4 year to less period to judge the effects of merger. Post-merger analysis of ICICI bank Ltd… Whole of the analysis is based on the balance sheet, profit & loss a/c and financial ratio which is secondary data. Hence it suffer from begin very reliable. The

analysis is based on various ratios hence all the limitations of the ratio analysis become a part of the limitations of the study.

12) Ishwarya J, A Study on Mergers and Acquisition of Banks and a Case Study on SBI and its Associates, 2019, International Journal of Trend in Research and Development: 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 emerging trends and recommends steps that banks should consider for future.

The paper reviews the trends in M&A's in Indian banking and then impact of M&A's has been studied. The study covers the area of performance evaluation of M&A's in Indian banking sector during the period. The paper compares pre and post-merger financial performance of merged banks with the help of financial parameters. To study the reforms of Indian banking sector. 2. To study the performance of the banks in the pre and post M & A. To study the trends of M&A's in Indian banking sector. To study on merger of SBI and its associates. The empirical findings of this study suggest that trend of merger in Indian banking sector has so far been restricted to restructuring of weak and financially distressed banks. The Indian financial system requires very large banks to absorb various risks that have been emerged from operating in local and global market. The prime factors for future mergers in Indian banking industry included the challenges of free convertibility and requirement of large investment banks. Therefore, the Government and policy makers should be more cautious in promoting merger as a way to reap economies of scale and scope.

13) Dr. Sarbapriya Ray, Gopal Chandra Mondal, Dr Mihir Kumar Pal, Impact of Merger on Efficiency of Indian Commercial Banks: A Study on Merger of Oriental Bank of Commerce and Global Trust Bank, 2017, Journal of Poverty, Investment and Development: The study has been undertaken to empirically analyse and assess the impact of merger of Oriental Bank of Commerce and Global Trust Bank on the efficiency of said banks in terms of different financial parameters. Most of the financial indicators of Oriental Bank of Commerce and Global Trust Bank display noteworthy improvement in their operational performance during post-merger period 1. The study ignores the impact of possible differences in the accounting methods adopted by different companies. 2. The factors which effect the M & A performance may not be same for all companies. 3. The cost of acquisition for mergers is not considered in the methodology. 4. Analysis and

Interpretation.In conclusion, we can conclude that government should not be seen merger as a means of bailing out of weak banks. The empirical findings further suggest that strong banks should not be merged with weak banks, as it will have unpleasant consequence upon the asset quality of the stronger banks. The utmost cry of the day is that the strong banks should be merged with strong banks to compete with foreign banks and to enter in the global financial market.

14) Dr. Veena K.P,Prof. S.N. Pathi, Pre and Post-Merger Performance on Assets quality of banking sector: A Case Study of ING Vysya Bank and Kotak Mahindra Bank,2017, IOSR Journal of Humanities and Social Science: This paper mainly aims to highlight the theoretical background of merger and acquisition and evaluation of assets quality in Indian banking sector and to examine the pre and post merger performance of net NPAs to net advances and gross NPAs to gross advances in ING Vysya and Kotak Mahindra bank. And also to assess the pre and post-merger performance of total investment to total assets and net NPAs to total assets of ING Vysya and Kotak Mahindra Bank.1. To highlight the theoretical background of merger and acquisition and evaluation of assets quality in Indian banking sector; 2. To examine the pre and post-merger performance of net NPAs to net advances in ING Vysya and Kotak Mahindra bank; 3. To analysis the pre and post-merger performance of gross NPAs to gross advances in ING Vysya and Kotak Mahindra bank; 4. To assess the pre and post-merger performance of total investment to total assets in ING Vysya and Kotak Mahindra bank; 5. To study the pre and post-merger performance of net NPAs to total assets in ING Vysya and Kotak Mahindra bank; and 6. To offer findings and suggestions in the light of the study.

15) Soni and Jain (2013) depicts the compares pre and post-merger of banks with use of financial ratios Gross Profit Margin, Net Profit Margin, Operating Profit Margin, Return on Capital Employed, Return on Equity and Debt Equity Ratio. This study shows the changes represent in the acquired firms based on financial parameters. The tools used ttest for testing the statistical significance and effect of Merger and Acquisitions on the performance of banks.

To be concluded that the banks have been positively affected by the event of Merger and Acquisition

16) Sinha Pankaj & Gupta Sushant (2011) studied a pre and post analysis of Banks and concluded that it had positive effect as their profitability, in most of the cases deteriorated liquidity.

17) Uppal, R.K. (2008) in his brief article analyzed that the performance of major banks in terms of productivity and profitability in the pre and post e-banking period. The paper concludes that performance of all the banks under study is much better in post e-banking period and further 16 | P a g e foreign banks are at the top positions, whereas the performance of the public sector banks is comparatively very poor. The paper suggests some measures to tackle the challenges faced by banks particularly public sectors banks. It’s defined the Labor Productivity, Branch Productivity and also Profitability Ratio of public sector banks and private sector banks. The paper concludes that transformation is taking place almost in all categories of the banks and suggests how public sector banks can convert the emerging challenging into opportunities.

18) S. Sasikala (2022) and B. Sudha paper titled “post-merger performance of the State Bank of India: An Analysis” opined that Mergers is a significant development in the banking industry, with a longterm impact. According to the findings, the SBI's performance was satisfactory throughout the postmerger period. Despite initial losses owing to NPAs and aggregated losses of partner banks, the bank has since generated a profit and returned to a strong position. As a result, SBI's post-merger success will serve as a blueprint for future mergers.

19) Abhay Kant (2020) titled “pre-and post-merger of financial performance of Commercial banks in India.” The study opined that bank make efficient use of company’s asset for enhancing the operational efficiency and also makes in-depth analysis the pros and cons of the merger and acquisition and also recommends that bank adopt better tools and techniques to overcome Non-Performing Assets.

20) Neelam Tandon, Navneet Saxena and Deepak Tandon (2019) titled “The merger of associate banks with State Banks of India: A pre- and post-merger analysis. ”The study opined that SBI's consolidation with its partners led in the development of a monopoly

and a lack of competitive spirit resulted in a slow rate of growth. The study also addresses a variety of concerns that emerge as an obstacle including significant numbers of merged client accounts, branch overlaps, and varied company cultures that must be unified that emerge as the challenge. (

21) Sonia Singh and Shubhankar Das (2018) titled "Impact of post-merger and acquisition activities on the financial performance of banks: a study of Indian private sector and public sector banks." The study opined that procedural, physical, and socio-cultural context tactics and policies were critical in the post-merger and acquisition process. Furthermore, the qualitative effects of post-M&A operations such as accounting reports, market appraisals and key informant descriptions are huge and critical to the Bank's and its subsidiaries' success capabilities.

22) Burhan Ali Shah and Niaz Khan (2017) titled "Impacts of Mergers and Acquisitions on Acquirer Banks' Performance." The study concludes that in the post-merger era, major profitability ratios, including ROE, ROA, net mark-up, and non-mark-up income to total assets, have decreased. In the post-merger period, net interest margin and administrative expenditures to profit before taxes ratios show just a minor improvement. The liquidity ratios of the acquiring banks have also deteriorated in the post-merger era. Thus, study opined that bank may be better off investing their resources on developing their networks rather than participating in unsuccessful mergers.

23) Svetlana Santosh Tatuskar (2016) titled "pre-merger v/s post-merger performance evaluation of public sector banks vis a vis private sector banks in India that have merged during period 1993-94 to 2004-05."The conclusion of study states that that acquiring bank performance during with respect to capital adequacy, asset quality, management efficiency, and earning quality and liquidity management seemed to exhibit slow improvement in the performance during post-merger period in contrast with premerger period.

24) Gwaya Ondieki Joash and Mungai John Njangiru (2015) titled "The Effect of Mergers and

Acquisitions on Financial Performance of Banks (A Survey of Commercial Banks in Kenya)." The study opined that the primary motivation for firms, particularly those in Kenya's banking industry, to combine and acquire others is to expand their market share and profitability and improve resources like as skills, management systems, equipment, processes, and procedures with the goal of increasing productivity.

CHAPTER 4

DATA ANALISIS AND INTERPRETATION

Data Analysis, Interpretation & Presentation

Secondary data:

4.1. Amalgamation conditions

A Company in order to expand or become more profitable may decide to merge or may absorb another company. In an "Amalgamation", two or more than two co.'s are combined into one by "Merger" (or) by one "Taking over" the other co. Hence the term, Amalgamation means two kinds of activities:- a) Two or more than two co. join together to form a new company. b) Absorption or blending of one company by the other.
Therefore, Amalgamation includes Absorption.

In an Amalgamation, there is a sale and a purchase taking place. Hence, the books of the Selling co. must be closed and the books of Purchasing Co. must be opened.
-

Transferor Co. means the Selling Co -Transferee Co. means the Purchasing Co.

An amalgamation should be considered to be an amalgamation in the nature of a merger when all the following conditions are satisfied: All the assets and liabilities of the transferor company become, after amalgamation, the assets and liabilities of the transferee company.

As per Accounting Standards AS 14 there can be Two types of Amalgamations:-

Amalgamation in the Nature of "Merger"

Amalgamation in the Nature of "Purchase"

Amalgamation in the Nature of Merger

An Amalgamation in the nature of a merger should be considered when ALL the FIVE following conditions are satisfied.

1) All the Assets & Liabilities of the selling company become AFTER Amalgamation, the Assets & Liabilities of the Transferee co.(p.co.)

2) No Adjustment is intended to be made in the books value of Assets & Liabilities of the Selling co. when they are incorporated in the books of purchasing co.

3) Shareholders holding 90% of the face value of the equity shares of the selling co. become the equity shareholders of the purchasing co.

4) The Purchase consideration for Amalgamation is discharged by the purchasing co. wholly by the issue of Equity Shares.

5) The Business of the Transferor co. is intended to be carried on after the Amalgamation by the Transferee co.

Amalgamation in the Nature of Purchase

If any one (or) more of the above five conditions are not satisfied in an Amalgamation, such an Amalgamation is called Amalgamation in the Nature of Purchase.

4.2 Amalgamation procedure

Procedure for amalgamation of banking companies.

1[44A.] Procedure for amalgamation of banking companies.—

(1) Notwithstanding anything contained in any law for the time being in force, no banking company shall be amalgamated with another banking company, unless a scheme containing the terms of such amalgamation has been placed in draft before the shareholders of each of the banking companies concerned separately, and approved by a resolution passed by a majority in number representing twothirds in value of the shareholders of each of the said companies, present either in person or by proxy at a meeting called for the purpose.

(2) Notice of every such meeting as is referred to in sub-section (1) shall be given to every shareholder of each of the banking companies concerned in accordance with the relevant articles of association indicating the time, place and object of the meeting, and shall also be published at least once a week for three consecutive weeks in not less than two newspapers which circulate in the locality or localities where the registered offices of the banking companies concerned are situated, one of such newspapers being in a language commonly understood in the locality or localities.

(3) Any shareholder, who has voted against the scheme of amalgamation at the meeting or has given notice in writing at or prior to the meeting to the company concerned or to the presiding officer of the meeting that he dissents from the scheme of amalgamation, shall be entitled, in the event of the scheme being sanctioned by the Reserve Bank, to claim from the banking company concerned, in respect of the shares held by him in that company, their value as determined by the Reserved Bank when sanctioning the scheme and such determination by the Reserve Bank as to the value of the shares to be paid to the dissenting shareholder shall be final for all purposes.

(4) If the scheme of amalgamation is approved by the requisite majority of shareholders in accordance with the provisions of this section it shall be submitted to the Reserve Bank for sanction and shall if sanctioned by the Reserve Bank by an order in writing passed in this behalf, be bindings on the banking companies concerned and also on all the shareholders thereof.

2* * * * *

(6) On the sanctioning of a scheme of amalgamation by the Reserve Bank, the property of the amalgamated banking company shall, by virtue of the order of sanction, be transferred to and vest in, and the liabilities of the said company shall, by virtue of the said order be transferred to, and become the liabilities of, the banking company which under the scheme of amalgamation is to acquire the business of the amalgamated banking company, subject in all cases to 3[the provisions of the scheme as sanctioned].]

4[(6A) Where a scheme of amalgamation is sanctioned by the Reserve Bank under the provisions of this section, the Reserve Bank may, by a further order in writing, direct that on such date as may be specified therein the banking company (hereinafter in this section referred to as the amalgamated banking company) which by reason of the amalgamation will cease to function, shall stand dissolved and any such direction shall take effect notwithstanding anything to the contrary contained in any other law.

(6B) Where the Reserve Bank directs a dissolution of the amalgamated banking company, it shall transmit a copy of the order directing such dissolution to the Registrar before whom the banking company has been registered and on receipt of such order the Registrar shall strike off the name of the company.

(6C) An order under sub-section (4) whether made before or after the commencement of section 19 of the Banking Laws (Miscellaneous Provisions) Act, 1963 (55 of 1963) shall be conclusive evidence that all the requirements of this section relating to amalgamation have been complied with, and a copy of the said order certified in writing by an officer of the Reserve Bank to be true copy of such order and a copy of the scheme certified in the like manner to be a true copy thereof shall, in all legal proceedings (whether in appeal or otherwise and whether instituted before or after the commencement of the said section 19), be admitted as evidence to the same extent as the original order and the original scheme.]

5[(7) Nothing in the foregoing provisions of this section shall affect the power of the Central Government to provide for the amalgamation of two or more banking companies 6*** under section 396 of the Companies Act, 1956 (1 of 1956);

Provided that no such power shall be exercised by the Central Government except after consultation with the Reserve Bank.]

1. Ins. by Act 20 of 1950, s. 8.

2. Omitted by Act 55 of 1963, s. 19 (w.e.f. 1-2- 1964).

3. Subs. by Act 55 of 1963, s. 19, for "the terms of the order sanctioning the scheme" (w.e.f. 1-21964).

4. Ins. by s. 19, ibid. (w.e.f. 1-2-1964).

5. Ins. by Act 37 of 1960, s. 5 (w.e.f. 19-9-1960). 6. The words "in the national interest" omitted by Act 7 of 1961, s. 3 (w.e.f. 24-3-1961).

4.3 Individual performance of syndicate and Canara bank before-after amalgamation

Syndicate Bank Profile:

Syndicate Bank was established in 1925 in Udupi, the abode of Lord Krishna in coastal Karnataka with a capital of Rs.8000/- by three visionaries - Sri Upendra Ananth Pai, a businessman, Sri Vaman Kudva, an engineer and Dr.T M A Pai, a physician. Their objective was primarily to extend financial assistance to the local weavers who were crippled by a crisis in the handloom industry through mobilizing small savings from the community. The Bank is well-equipped to meet the challenges of the 21st century in the areas of information technology, knowledge, and competition. The Bank is a pioneer among Public Sector Banks in launching CBS. Our bank has already achieved CBS implementation among all its branches. Thus, the bank is 100% CBS-enabled.

Syndicate Bank (2016-2019) — Pre-merger

The following amounts mentioned in the table are in lakhs.

Operating profit ratio: The operating profit margin ratio indicates how much profit a company makes after paying for variable costs Of production such as wages, raw materials, etc. It is also expressed as a percentage of sales and then shows the efficiency of a company.

Table No.1
Operating profit ratio

Years	Operating profit	Net sales	O.P. ratio
2016	4149.20	23847.8	17.39%
2017	4133.95	25706.51	16.08%
2018	3975.71	24553.99	16.19%
2019	2883.50	23862.84	12.08%

Source: www.moneycontrol.com

Interpretation:

From table No.1, The operating profit of the syndicate bank is falling in the further years, with 17.39% of operating growth in 2016 and 1.31% the next year. However, it jumps by 0.1 1% in 2018 and 4.1% in 2019. Operating profit is important for a company's functioning and operational efficiency.

Table No.2

Net Profit Ratio

Years	**Net profit**	**Net Sales**	**N.P. ratio**
2016	1517.25	23847.8	-6.36%
2017	517.45	25706.51	2.01%
2018	3111.69	24553.99	-12.67%
2019	252420	23862.84	-10.58%

Source: www.moneycontrol.com

Interpretation:

From table No.2, The Net Profit Ratio (NP ratio) is a popular profitability ratio that shows the relationship between net profit after tax and net sales. It is computed by dividing the net profit (after tax) by net sales. The table states that there has been a terrible performance on the basis of earning net profit the bank, with the only positive net profit ratio coming in 2017 and the lowest being negative 12.67% in 2018. The acquisition has become a visible corporate action savior.

<u>Return on capital employed</u>: Return on capital employed (ROCE) is a financial ratio that measures a company's profitability and the efficiency with which its capital is used. In other words, the ratio measures how a company is generating profits from its capital. This ratio is also known as return on investment.

Table No.3

Return on capital employed

Years	NPBIT	Capital employed	R.O.C.E
2016	894.33	309333.35	-0.289%
2017	811.86	300590.38	0.27%
2018	4276.62	325592.69	-1.31%
2019	3038.82	312970.86	-0.97

Source: www.moneycontrol.com

Interpretation:

From table No.3, The ratio of syndicate bank's ROCE is going into negative phase, with 0.27% positive in 2017 and 1.31 0/0.97% in 2018. This suggests that the profit before tax is very low when divided by capital employed.

Return on net worth: Return on Net worth (RONW) is a measure of the profitability of a company expressed in percentage. We calculate it by dividing the net income of the firm in question by shareholders' equity. The net income used is for the past 12 months.

Table no.4

Return on net worth

Years	NPAT/NLAT	Equity Fund	R.O.N.W
2016	894.33	13713.68	-11.06%
2017	811.86	1574.16	3.29%
2018	4276.62	16572.42	-18.77%
2019	3038.82	18275.84	-13.81%

Source: www.moneycontrol.com

Interpretation:

From table No.4, The NPAT of 4 years and calculated equity fund (ESC + Reserves and surplus — fictitious assets). Syndicate bank has again performed badly, with return on net worth being the lowest in 2018 and the most negative in 2019. In 2016, syndicate bank earned a negative RONW 1.10%, which they recovered in the following year, but in the previous two years there was a drastic negative fall in this ratio.

Return on equity: Return on equity (ROE) is a ratio that provides investors with insight into how efficiently a company (or more specifically, its management team) is handling the money that shareholders have contributed to it. In other words, it measures the profitability of a corporation in relation to stockholders' equity.

Table No.5

Return on equity fund

Years	Profit/Loss	Equity fund	R.O.E.I
2016	-1724.16	13713.68	-12.57%
2017	324.56	15714.16	2.06%
2018	-3292.20	16572.42	-19.86%
2019	-2680.40	18275.84	-14.66%

Source: www.moneycontrol.com

Interpretation:

From table No.5, The profit available to equity shareholders is calculated as NPAT minus the preference dividend of the bank, with a positive return of 2.06% in 2017 and a negative return of -19.86% in 2018. Every year there was a dropout in the maximum percentage of this return on equity.

Canara Bank Ltd (pre-merger analvsis)

The researcher has included the same profitability ratios which were used in data analysis and interpretation of syndicate bank's pre-merger financial evaluation using ratio analysis as the technique. The following amounts mentioned in the table are in crores. Similarly, for this bank also we will calculate the ratios chronologically-

led to the terrible financial performance of this bank in the pre-merger period

Table No.6

Operating profit ratio

Years	Operating profit	Net sales	O.P. ratio
2016	21541.35	493.05	43.69%
2017	20985.48	493.08	42.56%
2018	19630.42	487.43	40.27%

Source: www.moneycontrol.com

Interpretation:

From table No.6, The analysis of the operating ratio of Canara bank reveals that it is high and more than expected, with the highest being 43.69% in 2016. In 2017, it drops down by 1.13% and stays at 42.56%. In 2018, it drops again by 2.29%, and in 2019, it is 38.92%. The operating profit is mainly earned from loan interest and commission on transactions, which is beneficial to the bank. Their growth in terms of operating ratio is impeccable compared to the performance of syndicate bank.

Table No.7

Net profit ratio

Years	Net profit/Net loss	Net Sales	N.P. ratio
2016	-2670.3	493.05	- 5.41%
2017	1233.61	493.08	2.50%
2018	-4087.32	487.43	- 8.38%
2019	547.5	578.58	0.95%

Source: www.moneycontrol.com

Interpretation:

From table no.7, Canara bank has improved its NP ratio compared to syndicate bank in 2016, 2017, 2018, and 2019. In 2016, Canara bank had a negative 5.41% NP ratio, but in 2017, there was net profit and not a net loss so the ratio was positive 2.5%. In 2018, there was a high of 4.29% and in 2019, the bank had a positive net profit ratio of 0.95%, which is better than the syndicate bank's negative NP Ratio.

Table No.8

Return on capital employed

Years	NPBIT	Capital employed	R.O.C.E
2016	7105.13	538268.08	1.32%
2017	8868.04	568464.34	1.56%
2018	9527.04	599185.21	1.59%
2019	10548.76	676202.8	1.56%

Source: www.moneycontrol.com

Interpretation:

From table no.8, The return on capital employed by this bank has been constant in the range of 1.3 to 1.6% in the last four years. The highest ROCE is in the year 2018 i.e. 1.59% which is higher than the amalgamated bank. The lowest ROCE in the year 2016 is 1.32% which is better than the syndicate bank. ROCE determines the return earned on capital employed and this bank has performed well.

Table no.9
Return on net worth

Years	NPAT/NLAT	Equity Fund	R.O.N.W
2016	-3397.3	31603.2	-10.75%
2017	1333.94	33685.54	3.96%
2018	-5166.26	35604.84	-14.51%
2019	419.65	36177.23	1.16%

Source: www.moneycontrol.com

Interpretation:

From table no.9,

Canara bank had an up and down in their return on the net worth from 2016 to 2019, with the lowest being -14.51% and the highest being 3.96%. In 2017, the bank's return was 3.96% which was a good return on the net worth. In the last year before the merger 2019, the bank had a 1.16% of return which was a moderate return. Despite the downfalls, Canara bank had better RON W than syndicate banks as their 3 years out of four were negative and only I year had a positive ratio.

Table No.10

Return on equity fund

Years	Profit/Loss	Equity fund	R.O.E.I
2016	-3735.49	31603.2	-11.82%
2017	1199.20	33685.54	3.56%
2018	-5326.48	35604.84	-14.96%
2019	376.24	36177.23	1.04%

Source: www.moneycontrol.com

Interpretation:

From table no.10, The Canara bank has experienced major ups and downs in its return on equity on a year-on-year trend analysis basis, with negative ratios in 2016, 2017, 2018, and 2019. In the last year, the bank regained and the return on equity was positive at 1.04%, which was a good uplift from the negative 14.96% of the previous year.

Therefore, the pre-merger ratio analysis of both the banks showed that Canara bank was a better performing bank on the basis of five ratios such as operating ratio, net profit ratio, return on capital employed, return on net worth and return on equity fund. The post-merger analysis of Canara bank showed that it had a slight edge over syndicate bank due to its continued losses and NPAs/bad loans and inferior functioning. Therefore, one of the objectives mentioned has been fulfilled.

Canara bank Ltd (Merged) (Post merger Analysis)

On 30 August 2019, Finance Minister Nirmala Sitharaman announced that Syndicate Bank would be merged with Canara Bank. The Board of Directors of Canara Bank approved the merger on 13 September 2019. The Union Cabinet approved the merger on 4 March 2020.

Table No.11

Operating profit ratio

Years	Operating profit	Net sales	O.P. ratio
2010	25740.96	61558.15	41.82%

Source: www.moneycontrol.com

Interpretation:

From table no.11, after the acquisition of the syndicate bank, the financials of Canara bank showed a change in their profits/losses. The operating ratio has increased by 2.9%, the profit is 25740.96 and net sales are 61558.15. This indicates that the bank has enough funds to operate efficiently without paying off debts or unnecessary expenses.

Table No.12
Net profit ratio

Years	Net profit/Net loss	Net Sales	N.P. ratio
2020	-2807.05	61558.15	-4.56%

Source: www.moneycontrol.com

Interpretation:

From table no.12, The Canara (merged) bank has recorded a net loss of 2807.05 crores compared to 547.5 crore profit in 2019 before amalgamation. This is due to losses and expenditures on behalf of syndicate bank, and the country faced a pandemic this year. The bank had a -4.56% negative ratio which would take time to recover, as the newly amalgamated bank would have to figure out different protocols and procedures or guidelines after this merger.

Table No.13

Return on capital employed

Years	NPBIT	Capital employed	R.O.C.E
2020	9337.7	707405.9	1.31%

Source: www.moneycontrol.com

Interpretation:

From table no.13, The bank earned 9337.75cr of net profit before interest and tax, which is 1211cr low than the previous year. However, the capital employed after the merger went up by 31203 crores, which is the highest among the last 5 years of calculation of ROCE. This suggests that the bank has geared fewer profits than needed due to the disadvantages of amalgamation.

Table no.14

Return on net worth

Years	NPAT/NLAT	Equity Fund	R.O.N.W
2020	-2557.43	38282.06	-6.78%

Source: www.moneycontrol.com

Interpretation:

From table no.14, In previous years, there was a drastic up and down in the return of net worth, with 2016 and 2018 recording a negative figure and 2017 and 2019 recording a positive one. After the merger, Canara bank showed a negative return on the net worth of 6.78% which is bad in terms of how the same bank performed well in the last year. It may be due to various reasons like the pandemic, the negative effect of the acquisition of a lossmaking bank, and the chance to redeem in the coming years.

Table No.15

Return on equity fund

Years	Profit/Loss	Equity fund	R.O.E.I
2020	-2812.7	39292.96	-7.15%

Source: www.moneycontrol.com

Interpretation:

From table no.15, The R.O.E.F of 2020 is negative, compared to last year's positive ratio. This is due to the loss made available to equity shareholders, as 377.68 crore was given to shareholders after deducting preference dividend from the net profit after tax and the equity fund by which the loss or profit available is divided was larger in the denomination. This is not the highest loss incurred in this 5-year analysis, as the highest was in 2018 which was almost 2870 crore more loss expected than it incurred in 2020.

Hence, the post-merger analysis is completed and it was interpreted taking into consideration the financials of the banks like balance sheet and income statements on the basis of profitability ratios for 5 years. So, here another objective is accomplished.

Table No.16

Comparative Statement of Canara Bank for the year 2020 and 2021

EQUITIES AND LIABILITIES	2021 (Rs. In Cr)	2020 (Rs. In Cr)	Absolute Change	Percentage of changes
SHAREHOLDER'S FUNDS				
Equity Share Capital	1,646.74	1,030.23	616.51	59.84
Total Share Capital	**1,646.74**	**1,030.23**	616.51	59.84
Revaluation Reserve	0	6,332.79	-6,332.79	-100.00
Reserves and Surplus	60,762.85	33,842.93	26,919.92	79.54
Total Reserves and Surplus	**60,762.85**	**40,175.72**	20,587.13	51.24
Total Share Holders Funds	**62,409.59**	**41,205.95**	21,203.64	51.46
Minority Interest	0	730.1	-730.1	-100.00
Deposits	10,10,985.02	6,25,408.32	3,85,576.70	61.65
Borrowings	50,012.80	42,761.77	7,251.03	16.96
Other Liabilities and Provisions	56,132.19	31,334.13	24,798.06	79.14
Total Capital and Liabilities	**11,79,539.60**	**7,41,440.27**	4,38,099.33	59.09

ASSETS				
Cash and Balances with Reserve Bank of India	43,115.94	22,572.96	20,542.98	91.01
Balances with Banks Money at Call and Short Notice	1,35,750.44	46,016.86	89,733.58	195.00
Investments	2,86,191.25	1,92,645.37	93,545.88	48.56
Advances	6,39,286.54	4,32,403.38	2,06,883.16	47.84
Fixed Assets	11,271.17	8,323.35	2,947.82	35.42
Other Assets	63,924.26	39,478.35	24,445.91	61.92
Total Assets	**11,79,539.60**	**7,41,440.27**	4,38,099.33	59.09
CONTINGENT LIABILITIES, COMMITMENTS				
Bills for Collection	53,385.99	35,939.89	17,446.10	48.54
Contingent Liabilities	5,07,289.38	3,73,712.88	1,33,576.50	35.74

Source: www.moneycontrol.com Interpretation:

From table no.16, The Syndicate bank merged with Canara bank in 2021, resulting in a consolidated Balance Sheet with a higher Equity share capital of Rs. 1646.74 Crores in the year 2021 compared to the pre-merger value of Rs. 1030.23 crore in 2020. Reserves and surplus accounted for 51.24% of changes in Equity capital, total shareholders funds increased 51.46%, deposits, borrowings and other liabilities and provisions increased 61.65%, 16.96% and 79.92% respectively. Overall, the financial performance of Canara bank between 2020 and 2021 was good and effective.

TABLE No.17

Comparative Statement of Canara Bank for the years 2021 and 2022

EQUITIES AND LIABILITIES	**2022**	**2021**	**Absolute Change**	**Percentage of changes**
SHAREHOLDER'S FUNDS				
Equity Share Capital	1,814.13	1,646.74	167.39	10.16
Total Share Capital	**1,814.13**	**1,646.74**	167.39	10.16
Revaluation Reserve	0	0	0.00	0.00
Reserves and Surplus	68,147.19	60,762.85	7,384.34	12.15
Total Reserves and Surplus	**68,147.19**	**60,762.85**	7,384.34	12.15
Total Share Holders Funds	**69,961.32**	**62,409.59**	7,551.73	12.10
Minority Interest	0	0	0.00	0.00
Deposits	10,86,340.95	10,10,985.02	75,355.93	7.45
Borrowings	46,284.96	50,012.80	-3,727.84	-7.45
Other Liabilities and Provisions	55,076.30	56,132.19	-1,055.89	-1.88

Total Capital and Liabilities	**12,57,663.53**	**11,79,539.60**	78,123.93	6.62
ASSETS				
Cash and Balances with Reserve Bank of India	51,637.07	43,115.94	8,521.13	19.76
Balances with Banks Money at Call and Short Notice	1,30,754.35	1,35,750.44	-4,996.09	-3.68
Investments	3,11,347.24	2,86,191.25	25,155.99	8.79
Advances	7,03,864.05	6,39,286.54	64,577.51	10.10
Fixed Assets	11,449.70	11,271.17	178.53	1.58
Other Assets	48,611.12	63,924.26	-15,313.14	-23.96
Total Assets	**12,57,663.53**	**11,79,539.60**	78,123.93	6.62

CONTINGENT LIABILITIES, COMMITMENTS				
Bills for Collection	0	53,385.99	-53,385.99	-100.00
Contingent Liabilities	0	5,07,289.38	-5,07,289.38	-100.00

Source: Moneycontrol.com

Interpretation:

From table no.17, the consolidated Balance Sheet after one year of the merger. It was found that the Equity share capital of the Canara Bank is Rs. 1814Croreores in the year 2022 compared to the previous year's value of Rs. 1646.74 crores in 2021. Reserves and surplus accounted for 12.15% of changes in Equity capital, total shareholders' funds showed a greater increase of 12.10%, deposits showed a growth of 7.45%, investments showed a greater change of 8.79%, advances, and fixed assets showed a positive growth of 10.10%, and other assets showed a negative change of 23.96%. The overall Capital, Assets, and Liabilities showed a higher performance of 6.62% even with four months of financial performance.

Table No.18

KEY FINANCIAL RATIOS OF CANARA BANK (in Rs. Cr.)

Financial Ratios	March 2022	March 2021	March 2020
Basic EPS (Rs.)	35.04	19.11	-23.55
Book Value [Excl RevalReserve]/Share (Rs.)	385.65	328.68	338.5
Operating Revenue Per Share	389.17	426.37	482.99
Net Profit/Share (Rs.)	31.94	16.41	-19.63

Source: www.moneycontrol.com

Interpretation:

From table no.18, The Key Financial Ratios of Canara Bank from 2020 to 2022 show that

Basic EPS increased to 35.04 from -23.55 in 2020, Book Value increased to 385.65 from 338.5, Operating Revenue per share increased to 389.17 from 389.17 in 2022, and Net Profit per share was increased to 31.94 in 2022 from 19.63 in 2020. This shows a positive and wealthy financial performance after the merger.

Table No.19

KEY PERFORMANCE RATIOS OF CANARA BANK (in Rs. Cr.)

Perfomance Ratios	**2022**	**2021**	**2020**
ROCE(%)	1.95	1.79	1.36
Net Profit Margin(%)	8.2	3.84	-4.06
Return on assets(%)	0.46	0.24	-0.26
Return on equity/Net worth(%)	8.41	5.34	-5.69

Source: www.moneycontrol.com

Interpretation:

From table no. 19, Canara Bank's key performance in the post-merger period was good, with Return on Capital employed ratio increased to 1.95 in 2022, Net Profit margin increased to 4.36 before the merger, Return on Assets showed a positive sign of 0.46 in 2022, Return on Equity with Net worth increased to 8.41 in 2022, previously it showed a negative value of -5.69 in 2020.

Table No.20

Particulars	Syndicate bank	Canara bank
1. Beta valuation	08	0.9
2. sustainable earnings (standard deviation)	504	1044
3. Average sustainable earnings	8857	3136
4. Cash flow statement analysis:	14467.01	35094.1
5. Basel-II CRAR	11.98	14.52
6. Profit & Loss statement analysis	19%	38.69%
7. Balance sheet statement analysis	16	28%%
8. Ratio analysis		
a. P/E ratio	21.92	9.15
b. P/BV	2.7	1.8
c. EV/EBIDTA	17.07	16.64

Source: www.moneycontrol.com

The P/E Ratio (Price earnings ratio) of Syndicate bank is 21.92 which is more than the P/E ratio of its peer set Canara bank 9.15 which means that it is overvalued and strongly sound in nature.

P/B Ration (Price to book ratio): The ratio of Syndicate bank is 2.7 and that of its peer set is 1.8 which means the bank is highly overvalued in nature.

EV/EBITDA (Enterprise Value / Earnings before interest, taxes, depreciation, and amortization): The ratio of Syndicate bank is 17.07 and that of its peers is 16.64 which means that the bank is closely related to its peers. Both are fundamentally sound in nature.

Credit-Deposit Ratio: This ratio assesses the credit performance of the bank. Syndicate bank and Canara bank both are performing well as both banks have an overall good efficiency in nature. Syndicate bank has overall good efficiency and performance of banking institutions.

Cash Deposit Ratio: This ratio assesses the cash performance of the bank. Since the average sustainable earnings are high and the standard deviation of Syndicate bank is low it means that the bank is fundamentally sound and it is performing well as compared to Canara bank. Since the industry P/E ratio is 6.43, Syndicate bank's is 21.92, and Canara banks is 9.15. It means that Syndicate bank's P/E ratio is more than the industry/peer set company which means it is overvalued and it is fundamentally sound in nature as compared to its industry/ peer set Canara bank. It is indicated that EPS and DPS are in the creasing of Syndicate bank as compared to Canara bank. The reason may be that there is more use of debt than due to improved operations.

Table No.21
Cash flow statement Analysis of Canara Bank

Particulars	**2009**	**2010**	**2011**	**2012**
Net Profit before Tax	**1654.26**	**2207.16**	**3342.94**	**1238.06**
Net Cash From Operating Activities	**5153.94**	**2241.82**	**1125.47**	**11252.45**
Net Cash Used In From investing Activities	**307.65**	**235.13**	**238.93**	**335.01**
Net Cash Used In From Financing Activities	**20.56**	**2012.33**	**901.29**	**462.51**
Net(Decrease)/ Increase In Cash And Cash Equivalent	**4825.73**	**4018.92**	**1787.23**	**11379.94**
Opening Cash	**13454.64**	**18280.37**	**22299.29**	**24087.12**
Closing Cash	**18280.37**	**2299.29**	**24087.12**	**35467.06**

Source: www.moneycontrol.com

Table No.22
Cash Flow Statement Analysis of Syndicate Bank

Particulars	2009	2010	2011	2012	2013
Net Profit Before Tax	7625.08	10438.9	14180.64	13926.1	14954.23
Net Cash From Operating Activities	-1776.07	-856.87	29479.73	-1804.99	34282.52
Net Cash Used In From Investing Activities	-284.56	-2798.01	-1651.93	-1761.52	-1245.53
Net Cash Used In From Financing Activities	9494.11	19371.12	5097.38	-3359.67	2057.11
Net(Decrease)/ Increase In Cash And Cash Equivalent	7433.49	15716.24	32925.18	-6926.18	35094.1
Opening Cash & Cash Equivalents	44535.2	51968.69	71478.62	103110	87780.05

Closing Cash & Cash Equivalents	51968.69	67466.34	104403.8	96183.84	122874.2

Source: www.moneycontrol.com

Branches:

Branches play an important role in making the services more accessible to people for everyday needs, and customer service becomes easy. It is important in brand engagement, attracting new customers & to retain loyalty of the present customers.

The number of branches of a bank depict the expansion of a bank.

Table No.23

Year	No. of branches
2015-2016	5849
2016-2017	6083
2017-2018	6204
2018-2019	6310
2019-2020	6329

Source: www.moneycontrol.com

Interpretation:

From table no.23, As seen in the above table, in the past five years, Canara Bank has made a serious progress in expanding its branches. It has established 480 new branches in the last five years. But the expansion of branches in the year 2019-2020 has been lesser as compared to the previous years. From year 2015 to 2019, at least 100 new branches were established every year, but in 2019-2020, only 19 new branches were established.

DEPOSITS:

Deposits are the basic necessity of a bank, without deposits a bank cannot survive. Deposits is the amount of money deposited by the customers in the bank to save money. And that money is lent by the bank as loans to other customers, & thus converting them into productive capital. The amount of deposits depicts the trust that people have on the bank.

Table No.24

Year	**Aggregate Deposits (in Crore)**
2015-2016	479792
2016-2017	495275
2017-2018	524772
2018-2019	599033
2019-2020	625351

Source:www.moneycontrol.com

Interpretation: From table no.24, As it can be observed in the above table, the aggregate deposits have significantly increased in the past five years. It confirms that Canara Bank has been successful in retaining the trust of their customers.

Advances:

Advances of a bank indicates the amount of money given as loans to people and business in need of money. They are a very significant factor in forming the earnings of a bank. Progress in advances are a vital metric to analyse the performance of a bank and to study its improvement on yearly basis.

Table No.25

Year	Advances
2015-2016	3,24,714
2016-2017	3.42,008
2017-2018	3,81,702
2018-2019	4,27,727
2019-2020	4,32175

Source: www.moneycontrol.com

Interpretation:

From table no.25, The above table indicates a positive growth in advances of Canara Bank from the year 2015 to 2020. Canara Bank has provided a good service to its customers in terms of granting loans.

Operating Profit

Operating profit is the revenue & expenditure arising from the routine operation of a bank, which is necessary for the normal functioning of a bank. However, it does not include debts, loans or investment. It helps in understanding the efficiency of a bank, managerial as well as administrative, in governing the functions of a bank.

Table No.26

Year	Operating Profit(in Crore)
2015-2016	7147
2016-2017	8914
2017-2018	9548
2018-2019	10591
2019-2020	9360

Source: www.moneycontrol.com

Interpretation:

From table no.26, It is evident from the above table that the operating profit of Canara Bank has steadily increased from the year 2015 till 2019.

However, the operating profit has slightly decreased by 1231 crores in 20192020.

Net Profit/ Net Loss:

Table no.27

Year	Net Profit/Net Loss (in Crore)
2015-2016	2813
2016-2017	1122
2017-2018	4222
2018-2019	347
2019-2020	2236

Source: www.moneycontrol.com

Interpretation:

From table no.27, The above table that the trend of the net profit of Canara Bank is very unstable over the period of five years. Only in 2016-2017 and 2018-2019 a considerable net profit can be observed, but the loss suffered is considerably high.

Net NPA Ratios

Non-Performing Assets are bad loans i.e., when a debtor fails to pay back the money lent to him as a loan. When the NPA is higher it indicates that the financial health of the bank is in danger. Hence, the lower the NPA is, the better it is for the bank.

Table No.28

Year	Net NPA Ratio
2015-2016	6.42
2016-2017	6.33
2017-2018	7.48
2018-2019	5.37
2019-2020	4.22

Source: www.moneycontrol.com Interpretation:

From table no.28, It can be observed in the above table that the Net NPA of Canara Bank had slightly peaked from 2017-2018 (7.48), but eventually Net NPA decreased in the last two years.

It indicates that the amount of bad loans has decreased gradually.

Capital Adequacy Ratio

Capital Adequacy is one of the primary indicators of the financial health of a bank. It indicates if a bank has enough capital in case of unforeseen risks & losses. It helps in determining the financial condition of the bank & it helps in retaining the trust of the depositors & to make sure that the bank does not go bankrupt.

Table No.29

Year	**Capital Adequacy Ratio**
2015-2016	11.08
2016-2017	12.86
2017-2018	13.22
2018-2019	11.90
2019-2020	13.65

Source:www.moneycontrol.com

Interpretation:

From table no.29, The Capital Adequacy Ratio of Canara Bank has increased over the past five years. However, it took a backtrack from 2018-2019 when it went down to 11.90, but it recently improved in 2019-2020 when it reached 13.65.

CHAPTER 5

FINDINGS, SUGGESTIONS AND CONCLUSION

Findings , Suggestions And Conclusion

5.1. Introduction

In this chapter the conclusions derived from the findings of this study on the Amalgamation of syndicate into Canara bank. The conclusions were based on the company records, sales records, and published data- by government or by private agencies/organisations, websites, etc. The implications of these findings and the resultant suggestions will also be explained. Suggestions were based on the conclusions and purpose of the study.

5.2. Findings

Pre-merger analysis:

In Pre-merger analysis, the study of Ratio analysis (profitability ratios), It Is Found That Maintaining Ideal Ratios in such case of amalgamation of two different banks during a critical year where pandemic also struck different industries is a very big task. In case of syndicate bank, the financial performance was underwhelming and most of the ratios calculated where in negative approximately in three out four years of analysis, whereas, Canara Bank had a decent performance in pre-merger analysis in compare to Syndicate bank.

Post-merger analysis:

In post-merger analysis, the results of the analysis derive that Canara bank (merged) had a decent growth in terms of operating ratios, it incurred some negative ratios while calculating NP ratio, ROCE, RONW and ROEF in couple of years, which was implied because of this uneven corporate action.

The post-merger integration is a difficult and complex task. It comes along with long lists of activities and tasks that have to be fulfilled within a miniscule time and partly with incomplete information. The results showed that there is no significant improvement in the various ratios of Canara bank in post amalgamation period. The null hypothesis of the study has not been rejected which stated that there is no significant progress or improvement in the financial position of the

Canara Bank in the post period. Canara bank, the amalgamated company was unable to en-cash the emoluments of the synergies in the short period. Re pricing canara bank's existing saving account deposits negatively impacted on margins but for a long period it will be fruitful for the canara bank. The amalgamated entity benefited from wider base of customer, network of distribution and the product suite, this would transform into cross selling canara banks products.

The conclusive and suggestive opinions expressed about the banking sector pre and post Covid19 scenario:-

1. The banks in India with the use of efficient provisions and planning, they were able to lessen their overall damage and are demanding to recover well from the impacted hit

2. Customers banking practices and ways have also changed a lot, their trust in the online banking services has increased and have started using that more than going to the bank personally to get things done.

3. The online banking infrastructure has improved a lot and the interface has become more user friendly during this pandemic.

4. RBI has infused $6.5 Billion further as fresh measures, these funds are additional cash for banks to lend to small borrowers and shadow lenders. Besides, RBI has lighten the timelines for bad loans and barred lenders from paying dividends for the year ended 31 March, 2019.

5. In the coming future, online banking, e-wallet and UPI payments are the way forward as they lessen the human being contacts and are becoming very shielded as more money is being used up to develop the applications with better welfare/safety features.

5.3. Suggestions

- One way to quickly improve a newly merged Canara's profitability is by managing and reducing operating expenses, reducing the interest expended, and expanding the interest income by a greater margin.

- Another way is modifying payments, reinforcing compliance management, managing data and analytics, and augmenting cyber security, and these factors are to be put in focus when the banks have recently acted on an acquisition.

- For improving the capital employed in the case of Canara (merged), the company can reduce costs and increase sales, disposal of assets, and debt financing.

- In case of this merger, Assess the strategic fit and unique role for each branch in the network, analyze the current customer base for each brunch, and identify your best new prospect opportunities.

5.4. Conclusion

- Syndicate bank has overall better efficiency and has performed better in the banking institution as compared to Canara bank.

- EPS and DPS of Syndicate bank are increasing due to an increase in the use of debt rather than the use of improved operations.

- The P/E Ratio of Syndicate bank is high as compared to the industry and Canara bank which means that Syndicate Bank is using its funds in a better manner and it is fundamentally sound in nature.

- Beta of Syndicate bank And Canara bank is less than the market beta which means that both banks are giving fewer returns but they are less risky and investors can invest in these shares.

- The Average Sustainable Earnings of Syndicate bank are high and the standard deviation is low so the bank has earnings that are sustained and more robust in nature as compared to Canara bank.

- The Credit Deposit of Syndicate bank And Canara bank is close but the ratio is high which means that Syndicate bank has overall good efficiency and better performance, i.e., the bank has a high credit deposit ratio.

- The banking industry (PSB) has been undergoing major Mergers and Acquisitions in recent years for the achievement of consolidation of banks. Not just in commercial banking, the Canara Bank has also carved a distinctive mark, in various corporate social responsibilities, namely, serving national priorities, promoting rural development, enhancing rural self-employment through several training institutes, and spearheading financial inclusion objectives. Promoting an inclusive growth strategy, which has been formed as the basic plank of the national policy agenda today, is in fact deeply rooted in the Banks founding principles. "A good bank is not only the financial heart of the community, but also one with an obligation of helping in every possible manner to improve the economic conditions of the common people". These insightful words of the founder continue to resonate even today in serving society with a purpose. The growth story of Canara Bank in its first century was due, among others, to the continued patronage of its valued customers, stakeholders, committed staff, and uncanny leadership ability demonstrated by its leaders at the helm of affairs. Canara Bank strongly believes that the next century is going to be equally rewarding and eventful not only in service of the nation but also in helping the

  Bank emerge as a "Preferred Bank" by pursuing global benchmarks in profitability, operational efficiency, asset quality, risk management and expanding the global reach.

CHAPTER 6

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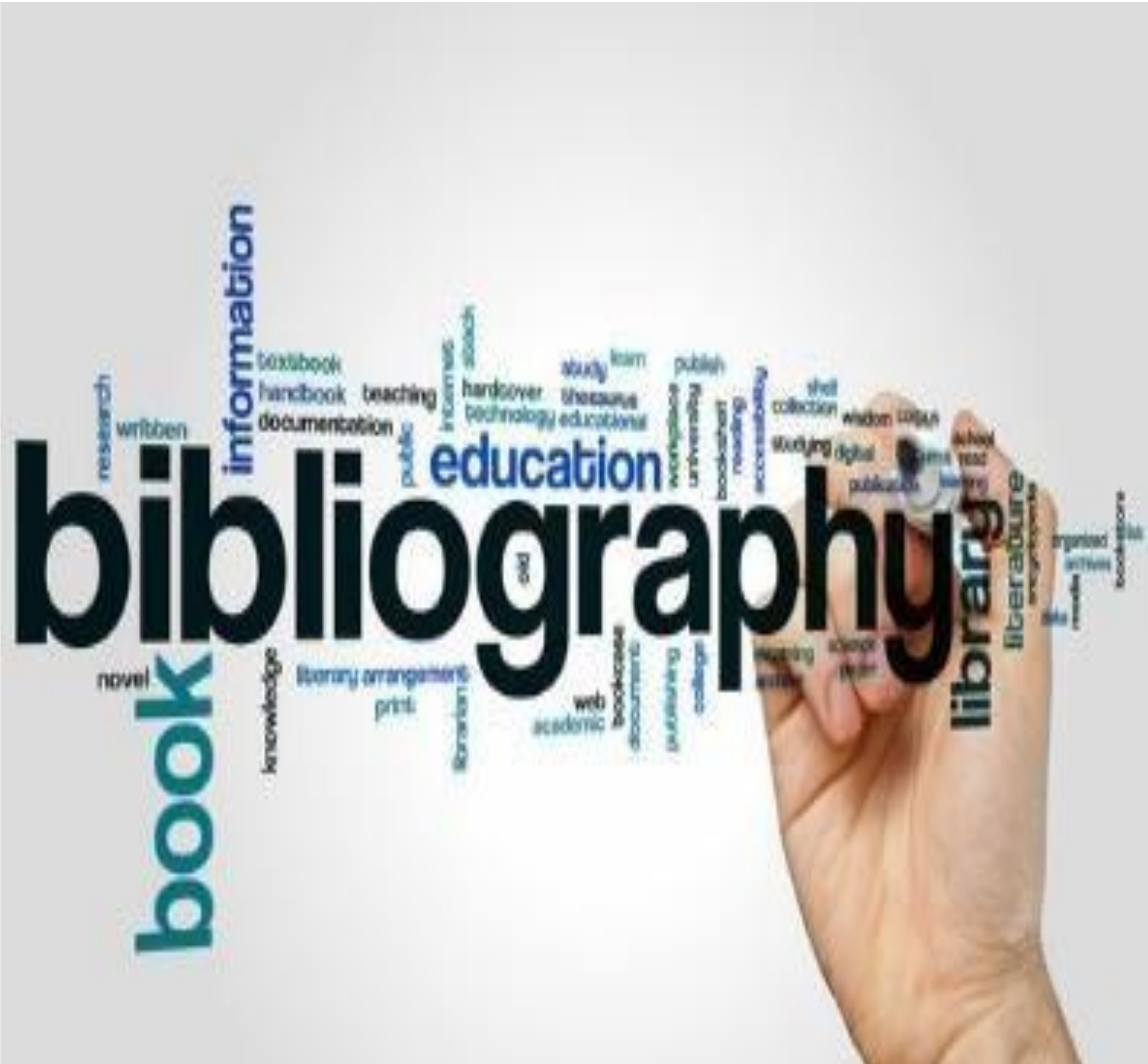

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