

A study of regulatory frameworks of mergers and acquisition with special emphasis over Indian Banking Sector

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Abstract: Mergers and acquisitions (M&A) refer to the synthesis of organization or capital through several financial transactions, including integration, tender offers, purchase of assets, and management acquisitions. The term of mergers and acquisitions M&A also refers to the desks at financial institutions. countless of regulations lead by the government or corporate even accordingly have to change according to the situations, government policy, environmental effects, world effects, and the internal effects of the financial institutions. So, according to all these circumstances.

Keywords: Mergers; Acquisitions; Consolidation; Banking industry; Regulatory Environment.

I. Introduction

The banking sector is one of the significant indicators of the well-being of the economy. Bank has competence and liberty to borrow money from another bank and let out to corporate has a big enough and causes in the growths of the economy. The banking sector has sustained various changes since the inception of financial sector reforms in 1992. In this digital world, the banking sector grows at a fast driven by the booming economy because pandemic and non-performing assets (NPA) get down. The new rules and regulations of the government can change even it leads and prefer the banking sector. many changes that happened this year like - **RBI has mandated new rules for card payments to come into effect, blockchain, etc.** upcoming of the banking industry looks more enthralling with competition emphasize which would lead to consolidation. The coalition of 25 Banking sector is too important in terms of mergers and acquisitions for the increasing Indian Banking sectors. It could be gain through minimizing cost and rising Revenue. The foremost part is that why do we need consolidation in the Indian Banking sector and what is arduous Ahead? The role of the Central gov Ahead. The role of the Central government is also too important to be analysed in the whole process as they play a crucial role in the policy formation required for the growth of Indian Banking. Now a day's global marketplace, banking industries have expanded the opportunity and threat of their activity and evolving and more intricated regulatory environment. has been realized globally that mergers and acquisition is the only way for gaining competitive advantage internally and externally and as such the whole area of industries is looking for strategic acquisitions within India and abroad.

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II. Procedure methodology

It is descriptive and more of an informative type of research. It is attempted by the researchers to focus on one particular sector i.e., the banking sector concerning India only for which details surf the net for collecting the secondary data was done to meet the object of this study. There was no need for this study to apply statistical tools and financial analysis techniques. It is related to the recent past throughout less than decade merger and acquisitions which transpire in the Indian banking sector.

III. Analysis and Interpretations

Currently series of Basic Law requirements as to Merger of Banking Companies or other companies too in India

Object Clause of Memorandum of Association (MOA) of the Companies- The Memorandum of Association of both the companies with particular focus on the object clause to find whether such merger activity exists therein or not. If not, a necessary amendment procedure for both companies should be followed by convening meetings of Board, Shareholders, etc. -Stock Exchange Authorities - The stock exchanges companies are list should be informed about the merger proposal. From time to time, copies of all notices, resolutions, and orders should be mail to the concerned stock exchanges. - **Acceptance of the preliminary proposal by the particular boards:** - The premier proposal should be approved by the respective BOD's. The board of directors of the company should pass a resolution authorizing its directors/executives to pursue the matter further. Once the drafts of the merger the proposal is approved by the particular board, each company should give the application to the high court of the state where its listed office is situated so that it can convene the meetings of stakeholders and creditors for passing the merger plan. Given the notice to investors and creditors - To convene the meetings of shareholders and creditors, and an explanatory statement of the meeting, as approved by the high court, should be forward by each company to its investors and creditors so that they get 21 days advance intimation. The notice of the meetings should also be in two newspapers. - **Holding of meetings of shareholders and creditors:** - A meeting of shareholders should be held by each company for passing the scheme of mergers by 75% of shareholders who poll either in person or by representative must approve the scheme of mergers. The same applies to creditors also.

Petitions to the high court: - Once the schemes of the mergers are passed by the shareholders and creditors, then the companies should present a petition to the HC for confirming the coalition of the merger. A notice about the same has to published in Two newspapers. - **Submitting the order copy to the registrar:** - Certified true copies of the high court order must be filed with the registrar of companies within the time limit specified by the court.

Transfer of reports: - After the final orders have been passed by the HCs, all the assets and liabilities of the merged company, will have to be transferred to the merging company.

Issue of shares and debentures: - The merging companies, after fulfilling the provisions of the law. should issue portion and arbitrage of the merging company. The new allotment and arbitrage so issued will then be listed on the SEBI.

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Regulatory framework wherein two important committees formed by the government of India clarified the law requirements as to mergers i.e. The **Narsimham and Raghuram Rajan Committees** and to file a report regarding the reforms in the **Indian Banking Sector was set up in December 1997**. It submitted the reports with the following suggestions, on April 23, 1998. It stressed the use of mergers of the bank, to enhance size as well as operational strength for each of the banks. It made a recommendation for the mergers of the large banks in India, with an attempt to make them stronger, so they stand mighty fine in international trade. It suggested accelerate of computerization in the PSUs. It established that the legal framework must be strengthened, aim for credit recovery. It endorses that there will be 2 to 3 banks in India that will be aligned internationally, 8-10 national banks, and a largely network of local banks to help the system reach the remote corners of India. It put stressed that bank mergers must take place among entities of alike size. Indirect that weak banks merge with the weak ones while large banks with the larger and competitive ones. It also suggested the confinement of local banking networks to the boundaries of states or a few districts. Evaluation of the manner of staffing, training process, and the remuneration policy of PSU Banks. It stated that the enhancement in banking risk could be directed and equated to an increase in capital adequacy. Recommend the review of the RBI Act, the Nationalization Act, Banking Regulation Act, as well as the SBI Act. It emphasizes the professionalization of banking boards. **Raghuram Rajan** contributed a guest column, in April 2009, for The Economist, and it was in this column, he recommended a regulatory system, which may reduce boom-bust financial cycles. His advice for the banking sector in India were – India is a large nation in itself, thus, given this fact, it is practically impossible to control the flow of assets, and therefore, the economy will always be uncertain and volatile. To convert into a large bank, it's required that the point be offered in the system, which can be used by the bodies. advance technologies can help in the evolutions of small banks and reduce the costs of operation. Encouragement should be provided to the professional markets, in full liberating. Underperforming, PSUs were suggested to be the sale. Markets to be prohibited, to reduce or eliminate the creation of the slightest uncertainty among the investors. The formulating of trade to be brought under the control of SEBI (Securities and Exchange Board of India). He also suggested an open-minded outlook towards the merger of banks and takeovers. Encouragement should be given to participation in the domestic market by foreign firms. must aim to create such an environment for the investors, that has high scope for innovation and the acceptance towards the same. The researcher found the incontestable actuality as to basic synergy and reasons behind mergers in this sector and also the table reflects the recent acquisitions that took place.

1. The Merger of weak banks: The operations of the mergers of weak banks with strong banks were going on to provide stability to weak banks, but the Narasimhan committee opposed this practice. Mergers can diversify risk management.

2. Increase market competition: Innovation of new financial products and consolidation of the regional financial system are the reasons for the mergers. Markets developed and became more competitive because of this market share of all individuals, the firm reduced mergers and acquisitions commenced.

3. Economies of scale: Capability of generating economies of scale when firms obtain.

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

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

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6. Positive Synergies: When two firms obtain their sole motive is to create a positive effect that is higher than the combined effect of two individual firms working alone. Two aspects of it are cost synergy and revenue synergy. Few other reasons Sick banks survived after the merger & Enhanced branch network geographically. Large customer base (rural reach) & Increased market share.

Attainment of infrastructure & restrict competition and prevent overcrowding of banks & utilize under the resources so that the banks can compete for the foreign banks in the global era. Mergers and acquisitions have framed the Indian Banking sector. There are seem to be different beliefs on this particular matter, yet there is always hope for an improvement in the current situation after bank mergers. The banking industry has been undergoing Mergers and Acquisitions in recent years, with several global players emerging through successive. Mergers & Acquisitions in all sectors plus banking. The present study indicates that the pre-and post- Mergers and Acquisitions of selected banks in India have no big changes in profitability ratio; a few banks are satisfactory during the study period. A similar decline in performance in matching firms. Thus, the decrease in the performance of merging firms cannot be attributed to mergers alone. But in the future, there are strong prospects of improvements in profitability. But overall, results indicate that the Mergers led to a higher level of cost efficiencies for the merging banks. A merger between distressed and strong banks did not yield any significant efficiency gains to participating banks. However, the forced Mergers among these banks succeeded in protecting the interest of depositors of weak banks, but stakeholders of these banks have not exhibited any gains from mergers. **The Companies Act, 1956 (Section 390 to 395)** of the companies act, 1956 deals with the contract, Merger, and the procedure to be followed for getting the arrangement, compromise, or the scheme of amalgamation approved. Though, section 391 deals with the issue of agreement or positions that is different from the issue of the merger deals, as section 394 refers to the procedure under section 391, etc., all the section are to be seen together while understanding the mechanisms of getting the scheme of amalgamation approved. Again, it is true that while the procedure to follow in case of amalgamation of two companies is wider than the scheme of compromise or arrangement though there exists substantial overlapping.

1. The study avoided the effect of possible differences in the accounting methods adopted by different companies.
2. The factors which affect the M & A performance may not be the same for all banks.
3. The cost of acquisition for a merger is not given in the methodology. The offensive should be on improving risk management capabilities, corporate governance, and strategic business.
4. In the short run, set out options as a subcontract, strategic alliances, its. can contemplate. Banks need to take advantage of this fast-changing environment, where product life cycles are short, time to market is critical in deciding who wins in the future.

IV. Conclusions

In simple terminology, mergers are scrutinizing as a key by companies to expand their operation and increase their profits, which in façade depends on the kind of companies being merge. Indian markets have witnessed a burgeoning trend in mergers that may be due to the business consolidation by large industrial houses, unification of business by multinationals operating in India, increasing competition against imports and acquisition activities. Therefore, it is prefabricated for business houses and corporates to watch the Indian market and grab the opportunity.

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