

MERGER OF DENA BANK AND VIJAYA BANK IN BANK OF BARODA:

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Abstract : Merger is the coming together of two or more companies, with the aim to achieve new heights. There can be various objectives regarding the merger of these companies for instance, to gain new market share, to increase the profits, extend the existing business, and many more. It can be the case where one company is weaker also called the merged company, gets merged in another stronger company also termed as merging company; or both can be having an equal stand. There are different types of mergers, depending upon the terms, and conditions which emphasize the contractual relationship both the companies will have after amalgamating. Some common classification of mergers is Conglomerate merger, Congeneric merger, Market extension merger, Horizontal Merger, and Vertical Merger. In some types of mergers the company getting merged in another company loses its identity in many cases; but in few cases the former retains its original identity. The collaboration and integration of the working of both the companies after merger is under the control of the merging company. Amalgamations and mergers have been quite in trend in the banking sector also. The main aspect of mergers in banking industry is consolidating the smaller banks with the bigger banks. Many banks in India go for mergers and acquisitions to enhance their scale of operations, and gain a wider reach. This paper analyzes the merger of Dena Bank, and Vijaya Bank with Bank of Baroda. And also point up the benefits, limitations, and future prospects available to the banks in the light of the merger which was initiated from 1st April 2019.

IndexTerms - Merger, Amalgamation, Banks.

OBJECTIVES OF THE STUDY:

- To intricately understand the phenomenon of mergers in the banking industry with reference to India.
- To illustrate the details about the merger of Dena Bank and Vijaya Bank with bank of Baroda.
- To exemplify the advantages and disadvantages of these banks merging.
- Discuss the future prospects related to the merger..

I. OVERVIEW OF INDIAN BANKING INDUSTRY:

The history of the Indian banking industry dates back to 18th century. Under the rule of the East India Company, some major banks were established in India like Bank of Bengal, Bank of Bombay, and Bank of Madras; which were later merged and became the State Bank of India. Also, the Indian Banking industry went through a lot of twists and turns in the pre and post liberalization period, forming the structure we have today. With the rapid changing environment, and increasing competition; there have been major changes in the banking industry with many banks getting merged, or amalgamated. And here is when the merger of Dena Bank and Vijaya Bank in Bank of Baroda came into the picture, being initiated from 1st April 2019.

II. MERGER OF DENA BANK AND VIJAYA BANK IN BANK OF BARODA:

The Merger was announced in September 2018, wherein Dena Bank and Vijaya Bank were catapulted in Bank of Baroda, making the BoB the third largest bank of the country; the first two being State Bank of India and HDFC Bank. This merger will happen for about 9,500 branches, and 13,000 ATM's all over India. The amalgamated bank will have a total business of Rs. 14.82 Lakh Crores, making it stronger to tap the capital market. This combination of three banks in one will also have a positive impact on the NPA ratio of it which will be 5.71%.

III. BENEFITS AND DEMERITS OF MERGER TO BANKS:

There are various positive and negative impacts of a merger between the banks; some of them are discussed here in below; we will discuss them in the light of the merger of Dena Bank and Vijaya Bank in Bank of Baroda:

- **GAINING LARGE NUMBER OF NEW CUSTOMERS:** With this merger, Bank of Baroda will become the third largest bank in the country, and will get a business of total 15 trillion rupees. Thus, adding more customers from all corners of the country.
- **BALLOONED EFFICIENCY:** With coming together of these three banks more than 120 million customers will experience enhanced and efficient banking services, which directly indicates the increased work efficiency of the amalgamated entity. Also the new formed bank will be able to provide wider range of products to its customers.
- **GAPS FILLED:** Instead of building any branch from scratch, the merging scheme benefits the merging bank to gain access to well-established structures, having a better financial strength. As quoted by the CEO of the Bank of Baroda, "this merger will result in growth from all aspects, but over a period of time."
- **UPGRADATION OF THE TEAM:** With the merger, many speculations have been revolving around about the benefits which all the three banks will get due to the synergetic effect of the technological know-how, but we should all not forget the human element.

With the bright side, there come some shadows also. Everything is not black, or white, there is always a grey area. And the same goes for the merger of Dena bank, and Vijaya bank in the Bank of Baroda.

- **GIANT TASK:** The merger activity is a mammoth task for the government to undertake. The financial outcome of the merger will be a gamut of various aspects which will be needed to be worked on gradually over a span of some months. Also merging 90,000 personnel, working at three different level of technological basis in three different banks is yet another big challenge to be worked on.
- **MANAGING HUGE CUSTOMER BASE:** After the merger the new entity will have around more than 10,000 customers, and huge amount of database to handle across centers spread all over the map. All said and done, initiating the task is comparatively easy, but executing it will be not. Also replacement of cheque books, debit & credit cards and other documents will be a hard nut to crack in the coming years.
- **RISK:** There are chances that the whole scenario under which this merger is taking place might turn in the wrong direction. Even there are chances that culture of various branches and departments being merged might not integrate well, thus negatively impacting the organizational environment, and employee satisfaction levels.

ANALYSIS:

Taking into consideration all the aspects and facets related to this merger of Dena bank, Vijaya bank with Bank of Baroda, time will only show how this will turnout. But, there are more chances of the task of being a successful one, keeping all odds in favor. In the worst case if any of the challenges over-power the benefits discussed above, the end result might not be satisfactory. But, in every situation Bank of Baroda will have the advantage of aggregate efficiency of both smaller banks being merged in it. And will also enjoy the status of India's third largest bank for many decades ahead. Dena bank being a weaker entity as compared to Vijaya bank will face some lacking issues in the process of integration, but will eventually cope up.

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