A STUDY OF AMALGAMATION OF ORIENTAL BANK OF COMMERCE AND UNITED BANK OF INDIA INTO PUNJAB NATIONAL BANK

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ABSTRACT

The Indian Banking System plays a very extensive role in the economy development of the country. The banking Sector of India is one of the expeditiously growing sector in the country. The restructuring of Banks loan portfolio and sustaining in the competitive environment results Banks to go for number of Amalgamation. The most recent and largest amalgamation in the history of Banking sector took place on August 30, 2019. It is consider as one of the biggest mega merger where 10 public sector Banks amalgamated with 4 large Banks. The present paper discuss the amalgamation held between the Punjab National Bank, Oriental Bank of Commerce and United Bank of India. The paper highlights the merit of Amalgamation of Banks and see the impact of post merger performance of selected Banks in economic growth.

***Keywords* – Indian Banking System, 5 trillion Economy, Amalgamation, Public Sector Banks.**

INTRODUCTION

Contemporary Indian Banking system emerges in the last decade of the 18th century. The Banking System of India is significantly different from that of the other Asian Nations because of the country’s unique geographic, social, economic characterstics.The functions of Banking Sector effectively and efficiently will be favorable, when the macroeconomics situation will be stable. Throughout the past years, the sector of banking had been changing radically such as changing policies, rules,new technologies for competing in global market, mergers and acquisitions activities have led to substantial changes in size, structure and activity of Banking sector. The Banking System sector of India is predominately is segregated into scheduled ad non-scheduled banks. The Scheduled Banks are those banks which are cover under the 2nd Schedule of the reserve Bank of India Act, 1934. The Scheduled Banks are additionally categorized into nationalized bank.

By the 1960s, the Indian Banking sector had turn an influential tool to ease the expansion of the Indian economy. Then the Prime Minister of India, indicate the intent in the annual conference of the All India Congress Meeting in a paper entitled Stray thoughts of Bank Nationalization. Subsequently, the Indian Government issued the Banking Companies (Acquition & Transfer of Undertakings) Ordiannce,1969 and nationalized the 14 largest commercial banks with effect from the midnight of 19 July 1969.These banks contained 85% of Bank deposits in the country. The presidential approval on 9 August 1969.A 2nd round of nationalizations of Six more commercial banks followed in 1980. With the 2nd round of nationalizations the Government of India controlled around 91% of the banking business of India. The paper consists of study of Amalgamation of three banks of public sector banks in India. One of the Indian multinational banking and financial service provider bank named as Punjab National Bank(PNB). Who were the owner bank of this Amalgamation and other two banks were united bank of India and Oriental bank of India

Bank Profile of Punjab National Bank

Punjab National Bank(PNB) is the second largest stated owned corporation based in New Delhi. The bank founded in 1894. As of 31st March 2017 the bank has over 80 million customers' 6,937 branches and 10681 ATMs across 764 cities. The history of PNB is since pre independence it was established in modern day Lahore Pakistan in 1894. And has coursed through several crests and troughs over its more than 120 years of existence. The bank was founded by Leaders of Swadeshi movement Sardar Dayal Singh, Majithia, Lala Harkrishen Lal, Lala Lal CHand and Lala Dholan Das in 1894. Lala Lajpat Rai, the great freedom fighter of Punjab was the first open an account with the PNB in the first office in Lahore.

In 1951, the Bank took over the assets and liabilities of Bharat Bank Ltd. and became the second largest bank in the private sector.Dalmias managed to buy the shares of the great PNB from the markets and suddenly in 1953, the bank was gone from Punjabis into the hands of Dalmias and Jains. Lala Yodh Raj left and Shiriyans Prasad Jain took control of the PNB.The nationalization of fourteen major banks by Mrs. Indira Gandhi on the midnight of 19th July 1969 changed the way banking was done in India.

PNB has the privilege of maintaining accounts of the illustrious national leaders like Mahatma Gandhi, Jawahar Lal Nehru, Lal Bahadur Shastri, Indira Gandhi and poignantly also the Jallianwala Bagh Committee.PNB has a history of Amalgamation as in year 1960 PNB amalgamated Indo-Commercial Bank Limited(established in 1933) in a rescue then in 1961 PNB acquired Universal Bank of India after this goI nationalized PNB in 1969 then Hindustan Commercial Bank limited and New Bank of India has also been acquired by PNB in year 1988 and 1993.

Bank Profile of Oriental Bank of Commerce

Oriental Bank of Commerce (OBC) Oriental Bank of Commerce (OBC) is a Government of India undertaking that was incorporated in 1943. Back then, its business activities included monetary intermediation of commercial banks, saving banks and discount houses.

OBC also has its history of amalgamation 1997 two banks namely Punjab co-operative Bank and Bari Doab Bank were amalgamated in OBC and Immediate next year the bank collaborated with Citibank to launch a co–branded credit card. In 1999 it set up special branch and asset recovery branch in Mumbai and Delhi.

In 2003, for implementing Centralized Banking Solution (CBS), OBC joined hands with Infosys Technologies and Wipro. In 2004 Global Trust Bank was amalgamated with OBC.

Bank Profile of United Bank of India

The another bank if mega merger is United Bank of India who was constituted under the Banking Companies(Acquisition and transfers of Undertaking) Act 1970 on July 19, 1969. The head office of the Bank was Kolkata. United Bank of India is one of the 14 banks which were nationalized on July 19, 1969

PNB+OBC+UBI

Oriental Bank of Commerce (OBC) and United Bank of India (UBI) are merged with the Punjab National Bank (PNB). So after this merger now the PNB will be the second-largest Public Sector Banks of India after the State Bank of India in terms of the branch network. Its total branches would be 11,437 and the total business of the PNB would be Rs.17.95 lac crore.

REVIEW OF LITERATURE

A number of studies have been there on amalgamation of banks in Indian Banking sector.
Bansal and Kakkar (2018): the study reveals that merger has a positive effects on the Banks profitability.

Hang(2016) As per the study the M & A helps in increasing the production capacity and it reduce the operational cost which helps in increasing the revenue,

Chigbu(2015) the study reveal that Merger & Acquisition procedure are very composite and long lasting as they have to go through a lot of legal compliance and taxation procedure is also complicated. The study observed that Merger & Acquisitions helps in reconstruct the national and global market.

Arora, (2014). The study reveals that M&A, taking place in the banking sector, are beneficial not only to banks but also to every sector of the economy.

Khan(2011) the paper focuses on overview of banking industry of India and spotlight the changes which occurred in banking sector after certain mergers and Acquition as per AS-14.The requirement of amalgamation has been examined in this study an also focus on pros of Merger & Acquition. Under this paper the researcher provides insight of internal and external implications of merger & Acquisitions.

G.S(2010) in their study they focuses on the strategic and financial commonness of amalgamated Banks, and they take relevant different variables with reference to financial variables for assess their relatedness. In this study the researcher found that the private sector Banks are more comfortable and welcoming in favour of merger and they take voluntary steps for it as compared to public sector banks who seems to be grudging towards their type of revamp.

Schiereck Dirck et al.(2009) The paper describe the relation among the bank goodwill after the merger and Acquisitions takes palace and what type of its effects can be seen in the wealth of shareholders. The study contemplate around 285 European merger and Acquisition transaction in the middle of 1997 and 2002 and brings out that is we talk about average wealth then average is not significantly affected by merger and Acquisitions.

AMALGAMATION OF PNB +UBI+OBI IN INDIA

The Amalgamation process provides significant benefits to the Bank and its customers besides, providing scale and growth.

There is a long history of public sector banks with regard to their Amalgamation.

The Banks have gone through different Amalgamation in different phase here is the sequential brief below:

Part –I: Amalgmation of Punjab National Bank & New Bank of India (1993-94)

Part-II: Two Banks namely Punjab Co-operative Bank and Bari Doab Bank were Amalgamated in OBC (1997)

Part –III Amalgamation of PNB, OBC and UBI (2020)

Pros of Amalgamation

1. Improvement in Service Delivery
2. Wide array of products will be available to customer
3. Technological up gradation
4. Opportunity for bigger deals
5. Sickness Avoidance
6. Product Standard will be improved
7. Increased Market Share
8. Larger Customer Base

OBJECTIVE OF THE STUDY

1. To study about PNB+UBI + OBI Amalgamation in India
2. To Analyze the performance of Post and Pre -Amalgamation of Banks
3. To highlight the impact of this mega merger in the economy

RESEARCH METHODOLOGY

The study of this paper is descriptive. The secondary data has been used to collect information. Number of press releases, research publications, journals and newsletters from various Internet websites regarding to this mega merger 2020 has been used for the study. Reserve Bank of India (RBI) official website is been used for gathering information on performance of amalgamating Banks.

Table 1: List of Banks after Amalgamation 2020

Acquire Bank	Amalgamating bank
Punjab National Bank	Oriental Bank of Commerce, United Bank of India

Table 2: Business Size and Market Share of Amalgamated Banks

Sl. No	Name of the bank	Business (Rs. in Lakh Cr.)	Market share (%)
01	Punjab National Bank + Oriental Bank of Commerce + United Bank of India	17.94	7.7

(Source: -Compiled by author)

Table-3:Punjab National Bank (Pre-Amalgamated)

Particulars	Business(In rupees)
Total Business (in lakhs Cr)	11,82224
Gross Advances(in lakhs Cr)	5,06,194
Total Deposits(in lakhs crores)	6,76,030
CASA Ratio %	42.16%
Domestic Branches	6,992
PCR Ratio	61.72%
CET Ratio	6.21%
CRAR Ratio	9.73%
Net NPA Ratio	6.55%
Employees	65,116

(Source: -Compiled by author)

Table 4: Post-Amalgamated key measure of Punjab National Bank

Indicators	Punjab National Bank	Oriental Bank of Commerce	United Bank	Amalgamated Banks
Total Business (Rs.Cr.)	11,82,224	4,04,194	2,08,106	17,94,526
Gross advances (Rs. Cr.)	5,06,194	1,71,549	73,123	7,50,867
Deposits (Rs. Cr.)	6,76,030	2,32,645	1,34,983	10,43,659
Employees	65,116	21,729	13,804	1,00,649
Domestic Branches	6,992	2,390	2,055	11,437
CASA (%)	42.16%	29.40%	51.45%	40.52%
Net NPA (%)	6.55%	5.93%	8.67%	6.61%
PCR	61.72%	56.53%	51.17%	59.59%
CET-I Ratio %	6.21%	9.86%	10.14%	7.46%
CRAR ratio (%)	9.73%	12.73%	13.00%	10.77%

(Source: -Compiled by author)

CONCLUSION:

The Amalgamation between the 3 Banks seems to be a value creator. It has lead to high CASA and lending capacity, and reach wider geographical presence with 2 nd largest branch network in India with 11,437 branches and 13856 ATMs across India and 12,814 BCs to cater to a base of 18 crore Plus customer. The Amalgamation has drive the PNB to the 2nd largest Public sector Bank in the country with business of 17.95 Lakh Crore. Despite challenges on the economy front, there was visible progress in the key parameter of core profitability, assets quality and capital. This merger will play an important role in making India a $5 trilion economy by increasing their lending capacity so that they can provide better services using one of the modern technologies.

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