

THE BEHAVIORAL ASPECT OF MERGERS AND ACQUISITIONS: A CASE STUDY FROM INDIA

Md Sahanur Islam, Meghnad Saha Institute of Technology
Partha Pratim Sengupta, National Institute of Technology, Durgapur
Sukanya Ghosh, Meghnad Saha Institute of Technology
Samir Chandra Basu, Meghnad Saha Institute of Technology

ABSTRACT

In the turbulent global economy, mergers and acquisitions of industries takes place to protect Indian businesses. Such mergers and acquisitions are taking place in Heavy Industries and in major service industries. This paper investigates the context, process and consequences of the merger of State Bank of Indore with the largest nationalized banking firm, State Bank of India. Due to inadequate emphasis on the human resource aspect, employee resistance acted as impediment to merger of these two banks and delayed the process. This paper develops a model, which can help the industry achieve smooth changes without employee resistance.

JEL: G34; C38

KEY WORDS: Turbulent global economy, Mergers and Acquisitions, Impediment to merger

INTRODUCTION

Mergers and acquisitions had a significant impact on the banking industry in India and around the world, in the global regime. As a result, many bank employees have experienced numerous psychological effects of mergers and acquisition (M&A). Acquisitions often have negative impacts on employee's behavior, resulting in counterproductive practices, absenteeism, low morale and job dissatisfaction. During the last few years, few acquisitions took place. Recent important mergers and acquisitions in India include the merger between IDBI (Industrial Development bank of India) and its own subsidiary IDBI Bank. The deal was worth \$ 174.6 million (Rs. 7.6 -13824 in Indian currency). Another important merger was between HDFC and Centurion Bank and Bank of Punjab worth \$82.1 million (Rs. 3.6 billion in Indian currency). This merger led to the creation of the Centurion Bank of Punjab with 235 branches in different regions of India. ICICI bank took over Bank of Rajasthan for \$ 325 million. State Bank of India took over State Bank of Indore. The State Bank of India itself has huge international network, including, global operations contributing to 14 percent to the top line.

Indian companies have started the acquisition of industries in the international market. Wipro and Infosys in the IT sector, L.N.Mittal took over Arcelor, Tata Steel took over Corus and Vodafone took over Hutch. The purpose of mergers and acquisitions are procurement of supplies, to safeguard sources raw materials, and to obtain economies of scale. Market expansion strategy works to eliminate competition and protect existing markets, diversify products, strategic control of patents and copyrights. Financial strength through improve liquidity allows direct access to cash resources, enhances gearing capacity, borrowing on better strength, greater asset backing and improved EPS. Various laws govern mergers and acquisitions in India. They are Companies Act, 1956; Industrial (Development and Regulation) Act, 1951; Monopolies and Restrictive Trade Practices Act, 1969; Competition Act, 2002; Foreign Exchange Management Act, 1999; Sick Industrial Companies (Special provisions) Act, 1961; Income Tax Act, 1961; Securities Contract (Regulation) Act, 1956; Securities and Exchange Board of India Act, 1992; SEBI (Substantial Acquisition of shares and Takeovers) Regulations, 1997.

The impact of the M&A processes on the employees is similar irrespective of the geography and location of these mergers activity. In India, the effect and defects of the merger process have been experienced. One example is the joint venture between Proctor and Gamble and Godrej which collapsed due to the lack of HR synergies in the two organizations. When Sify's e-business division was merged with Satyam, the merger created technical confusion, which because of differing employee views on issues related to technology integration and development practices. The Grasim and L and T merger also threw up interesting HR issues.

In this paper, the authors examine the effects of merger and acquisitions on the morale and psychology of employees in the State Bank of Indore. It identifies the different stages of mergers and acquisition and the problems arising out of the exercise. Through factor analysis, the researchers identify the most important factors, which encouraged the employees to accept the merger without resistance. In this study, Section 2 briefly discusses the relevant literature. Section 3 refers to the data selection, research methodology and empirical models. Section 4 provides analysis and interpretations of the empirical findings and Section 5 presents the conclusion.

LITERATURE REVIEW

Weston and Mansingka studied the pre and post-merger performance of conglomerate firms, and found that their earnings rates significantly underperformed those in the control sample group. But, after 10 years, there were no significant differences observed in performance between the two groups. The improvement in earnings performance of the conglomerate firms was evidence for successful achievement of defensive diversification. Cornett and Tehranian (1992) and Spindit and Tarhan (1992) provided evidence for increases in post-merger operating performance. However, the studies of Berger and Humphrey (1992), Pilaf (1996) and Berger (1997) do not find any evidence on improvements in post-merger operating performance. Berger and Humphrey (1994) reported that most studies that examine pre-merger and post-merger financial ratios found no impact on operating cost and profit ratios.

The reasons for the mixed evidence are the lag between completion of the merger process and realization of benefits of mergers, selection of sample and the methods adopted in financing the mergers. Further, financial ratios may be misleading indicators of performance because they do not control for product mix or input prices. According to Karim and Bansal, (2008) merger and acquisitions help the firm acquire valuable capabilities possessed by the acquired organizations. Basant (2000) suggests that economic reform in the Indian economy has significantly reduced micro-economic rigidities and enhanced competitive pressures. In response, firms have undertaken corporate restructuring activity in order to retain competitiveness and increase their value. Beena (2004) finds evidence of mergers within the same group with the motive of consolidation of control to protect against takeovers but does not find any role of efficiency-related parameters in determining merger activity in India. The author instead suggests a merger motive of growth in size by acquiring higher equity.

Andrade and Stafford (2004) determine motivating factors for mergers both at industry and firm levels. The authors investigate the economic role of mergers in the US by performing a comparative study of mergers and other forms of corporate investment at both industry and firm levels. They find that industry capacity utilization has the opposite effects on merger and non-merger investments particularly during the 1970s and 1980s. While excess capacity drove industry consolidation through mergers, peak capacity utilization induced industry expansion through non-merger investment.

Maquieira, Megginson, and Nail (1998) examine 260 mergers in the US. They find significant net synergistic gains in non-conglomerate mergers and insignificant net gains in conglomerate mergers. Rhodes-Kropf, Robinson and Vishwanathan (2004) argue merger waves occur when the aggregate industry market valuation, measured as market to book value ratio, is high compared to estimates of true

valuations. The authors note that these valuations could be both due to misplacements and actual presence of growth opportunities. Both Ducker's and Koontz's arguments naturally emphasized the issues and problems which were common across different types of firms, since their aim was to help all managers improve their skills and the performance of their businesses (Goold and Luchs, 1993). Merger and Acquisition literature suggests that managers have various motives for mergers (Trautwein 1990). The form of these motives can be from purely financial to personal. In addition, there exists the traditional cost of efficiency theory based on the notion of economies of scale and scope, as well as the resource – based on enhanced utilization of core competences resources (Prahalad and Hamel 1990)

DATA AND METHODOLOGY

The data for this research has been collected both from primary and secondary sources. Primary data were collected through a survey of 58 employees of State Bank of Indore in different branches in Kolkata, West Bengal, India. The questionnaire includes twenty close-ended questions where the respondents have given their view against the scale of one to five where one was strongly disagree, two was disagree, three was somewhat agree, four was agree and five was strongly agree. Secondary data were collected from the published data, and the report of State Bank of India. Different books, journals official statistics, reports, articles, publications and other documents, and electronic data were also used. The collected data were analyzed using different statistical tools like percentage, KMO test, and Bartlett's test for doing the factor analysis in the study. The Union Government approved the acquisition of the State Bank of Indore by the State Bank of India through amendments in the State Bank of India (Subsidiary Banks) Act, 1959.

Following the acquisition, all branches of the State Bank of Indore came under control of State Bank of India branches in the respective states thereby saving substantial administrative cost. The acquisition helped in spreading the credit risk of the State Bank of Indore as the concentration risk to which the bank was exposed. Keeping in view the growing economy, State Bank of Indore required larger equity capital to support a growing balance sheet. State Bank of India raised equity capital, and State Bank of Indore did not exist effective August 26, 2010. The Merger was expected to avoid competition between the two entities and lead to easy access to funds at competitive rates in the banking sector. Customers, including depositors of the State Bank of Indore were able to operate their accounts as customers of State Bank of India effective the same date. Trade union leaders of State Bank of Indore protested the merger of State Bank of Indore with State Bank of India highlighting the loss of benefits in terms of housing loans, car loans, personal loans etc. However, with the passage of time, the union lost its significance and the issues of employee benefits in post merger period are currently under discussion. Since mergers and acquisitions are regular in Indian industries, the researchers have developed a model for smooth transition of business arising out of this exercise.

The Model

As the purpose of this paper is to show and explain the use of factor analysis in decision making of merger and acquisition, theoretical aspects of merger and acquisition are discussed from a practical, applied perspective.

The underlying assumption of factor analysis is, all variables within a particular group are highly correlated among themselves but have relatively small correlations with variables in a different group. An orthogonal factor model with 'n' common factors is represented as:

$$X_{(p \times 1)} = \mu_{(p \times 1)} + L_{(p \times n)} F_{(n \times 1)} + \varepsilon_{(p \times 1)}$$

Where X is the observed random factor, with p components, has mean μ and covariance matrix Σ . The factor model X is linearly dependent upon a few numbers of observable random variables $F_1, F_2, F_3, \dots, F_n$, called common factors and p additional sources of variation $\mathcal{E}_1, \mathcal{E}_2, \mathcal{E}_3, \dots, \mathcal{E}_n$, called error.

In practical, the factor model can be written as:

$$X_1 = \mu_1 + l_{11}F_1 + l_{12}F_2 + \dots + l_{1n}F_n + \mathcal{E}_1$$

$$X_2 = \mu_2 + l_{21}F_1 + l_{22}F_2 + \dots + l_{2n}F_n + \mathcal{E}_2$$

$$X_n = \mu_n + l_{n1}F_1 + l_{n2}F_2 + \dots + l_{nn}F_n + \mathcal{E}_n$$

The coefficient l_{ij} is the loading of the i-th variable on the j-th factor, so the matrix **L** is the matrix of factor loadings. We apply the concept of principal component and the varimax procedures to get an appropriate result of factor analysis. The principal component factor analysis of the sample covariance matrix is specified in terms of eigenvalue-eigenvector pairs. In principal component analysis, it is assumed that the communalities are initially 1. In other words, principal component analysis assumes that the total variance of the variables can be accounted for by means of its components (or factors), and hence that there is no error variance. The extraction of principal components or factors in principal component analysis takes place by calculating the eigenvalues of the matrix. The number of positive eigenvalues determines the number of dimensions needed to represent a set of scores without any loss of information.

Hence, the number of positive eigenvalues determines the number of factors/components to be extracted. The construction of the factor itself is then calculated via a transformation matrix that is determined by the eigenvectors of the eigenvalues. After constructing the factors, it is possible to determine the factor loadings simply by calculating the correlations between the original variables and the newly obtained factors or components. It is furthermore always important to check the communalities after factor extraction. If the communalities are low, the extracted factors account for only a little part of the variance, and more factors might be retained in order to provide a better account of the variance.

A convenient way to check whether the sample is big enough or not to apply a factor analysis we used Kaiser-Meyer-Olkin measure of sampling adequacy (KMO-test). The sample is adequate if the value of KMO is greater than 0.5. In factor analysis the variables have to be inter correlated, but they should not correlate too highly (extreme multi-co linearity and singularity) as this would cause difficulties in determining the unique contribution of the variables to a factor. The inter-correlation can be checked by using Bartlett's test of sphericity, which "tests the null hypothesis that the original correlation matrix is an identity matrix". This test has to be significant: when the correlation Matrix is an identity matrix; there would be no correlations between the variables. If the determinant is greater than 0.05, then there is no multi-co linearity.

EMPIRICAL RESULTS

The first factor consists mainly of degrees of awareness for future growth and prospects of an employee after the merger and acquisition. The second factor consists mainly of degrees of uncertainty of an employee after the merger and acquisition. The third factor consists mainly of degrees of future growth of the industry after the merger and acquisition. The fourth factor consist Degree of personal problem of an employee after mergers and acquisitions.

Based on Primary Data on the State Bank of Indore

In Table 1, the first column represents the attributes that is taken into consideration. The second column represents the mean value of each of the attributes. The third column represents the standard deviation of each of the attributes and the fourth column represents the total number of observations. The rows indicate the mean, standard deviation and total number of attributes for each of the attributes.

Table 1: Summary Statistics

	Mean	Std. Deviation	Total no of Observation
Uncertainty of job after acquisition	2.8966	1.6080	58
Loss of identity	2.6207	1.1821	58
New leadership style	2.5345	1.0297	58
New rules and regulations	2.9310	1.0900	58
New appraisal methods	2.5690	1.3906	58
Change of hierarchy	3.0000	1.3112	58
Prestige. power and status	4.3621	1.2240	58
Work culture	2.7241	.9137	58
Transfer fear	2.2414	1.4786	58
Loss of self Actualization	2.0517	1.0161	58
Poor Employee involvement in decision making process	3.2931	.9553	58
Increased work pressure after acquisition	3.4138	1.1087	58
Bank can compete with global banks	3.3448	1.5050	58
Improved service quality	3.6034	1.2131	58
Complicated Process of service	3.9310	1.3874	58
HR's role in acquisition	2.4483	.9764	58
Employee Consultation	2.2931	1.2843	58
Future benefit	4.1552	1.2255	58
Benefit in terms of present pay structure	2.2241	1.4515	58
Restructuring of key positions	1.7586	1.0141	58

Descriptive Statistics: In this table mean and standard deviation is examined of the 58 number of respondents against each of the factors.

In Table 2 the first column of the first row represents the Kaiser-Meyer-Olkin measure of sampling adequacy and the third column of the first row represents the value for the same. The value is more than 0.5, which means the sample size is big enough to do factor analysis. The second row of the first column represents the Bartlett's Test of Sphericity. The third column of the second row represents the approximate Chi-square value, third column of the third row represents the degree of freedom value and the third column of the fourth row represent the significance level.

Table2: Kaiser-Meyer-Olkin and Bartlett's Test of Sphericity

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.620
Bartlett's Test of Sphericity	Approx. Chi-Square	494.268
	df	190
	Sig.	.000

KMO and Bartlett's Test: A convenient way to check whether the sample is big enough or not to apply a factor analysis we used Kaiser-Meyer-Olkin measure of sampling adequacy (KMO-test). The sample is adequate if the value of KMO is greater than 0.5.

In Table 3 the rows indicate the various components taken care of to examine the factor analysis of the study. Twenty components under various factors are examined. The first column denotes the total weight of each component if there is only one component. If there are only component called Uncertainty of job after acquisition the total weight would have been 1, and respectively the values given in the table. The second column denotes in presence of all the components the weight of each component individually.

In Table 4 the first column represents the components or factors which will relate with the attributes taken for the factor analysis. In the second column the total value is indicated which is derived from the analysis. The second column is broadly classified into three sub columns. The first sub column under the

second column represents the total value observed. The second sub column represents the % of variance and the third sub column represents the cumulative percentage of the variance of the attributes. The second main column represents the sum square of the value extracted. The third column is divided into three sub columns. The first sub column under the third main column represents the total sum of squares.

Table 3: Communalities

	Initial	Extraction
Uncertainty of job after acquisition	1.000	.625
Loss of identity	1.000	.649
New leadership style	1.000	.848
New rules and regulations	1.000	.692
New appraisal methods	1.000	.439
Change of hierarchy	1.000	.745
Prestige, power and status	1.000	.798
Work culture	1.000	.591
Transfer fear	1.000	.838
Loss of self Actualization	1.000	.784
Poor Employee involvement in decision making process	1.000	.797
Increased work pressure after acquisition	1.000	.755
Bank can compete with global banks	1.000	.675
Improved service quality	1.000	.806
Complicated Process of service	1.000	.830
HR's role in acquisition	1.000	.614
Employee Consultation	1.000	.723
Future benefit	1.000	.740
Benefit in terms of present pay structure	1.000	.590
Restructuring of key positions	1.000	.771

Extraction Method: Principal Component Analysis The principal component factor analysis of the sample covariance matrix is specified in terms of eigenvalue-eigenvector pairs. In principal component analysis, it is assumed that the communalities are initially 1. In other words, principal component analysis assumes that the total variance of the variables can be accounted for by means of its components (or factors), and hence that there is no error variance.

Table 4: Total Variance Explained

Components/ Factors	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.468	27.342	27.342	5.468	27.342	27.342
2	1.932	9.660	37.002	1.932	9.660	37.002
3	1.853	9.265	46.267	1.853	9.265	46.267
4	1.550	7.752	54.020	1.550	7.752	54.020
5	1.345	6.727	60.746	1.345	6.727	60.746
6	1.110	5.550	66.296	1.110	5.550	66.296
7	1.054	5.271	71.567	1.054	5.271	71.567
8	.941	4.707	76.274			
9	.811	4.053	80.327			
10	.745	3.725	84.052			
11	.607	3.037	87.088			
12	.549	2.747	89.836			
13	.493	2.466	92.302			
14	.396	1.978	94.280			
15	.343	1.714	95.994			
16	.237	1.187	97.181			
17	.207	1.037	98.218			
18	.154	.771	98.989			
19	.116	.579	99.568			
20	.088	.432	100.000			

Extraction Method: Principal Component Analysis: The extraction of principal components or factors in principal component analysis takes place by calculating the eigenvalues of the matrix. The number of positive eigenvalues determines the number of dimensions needed to represent a set of scores without any loss of information. Hence, the number of positive eigenvalues determines the number of factors/components to be extracted.

The second column represents the percentage of variance and the third column represents the cumulative percentage of variance. Each of the rows indicate the attribute wise total extracted value after factor

analysis, percentage of variance of extracted value, cumulative value of percentage variance of the extracted value, total value of sum square loadings, percentage of variance of sum square loadings and cumulative of the percentage variance of the sum square loadings. This table shows the cumulative value of the first four attributes becomes more than 50 % and cumulative value of rest of the factors are 50%. That means the four factors overpower the rest of the factors. We take into consideration only the powerful factors and reject the rest.

Figure 1 provides a graphical representation of all positive values. The table shows an exponential decay toward zero

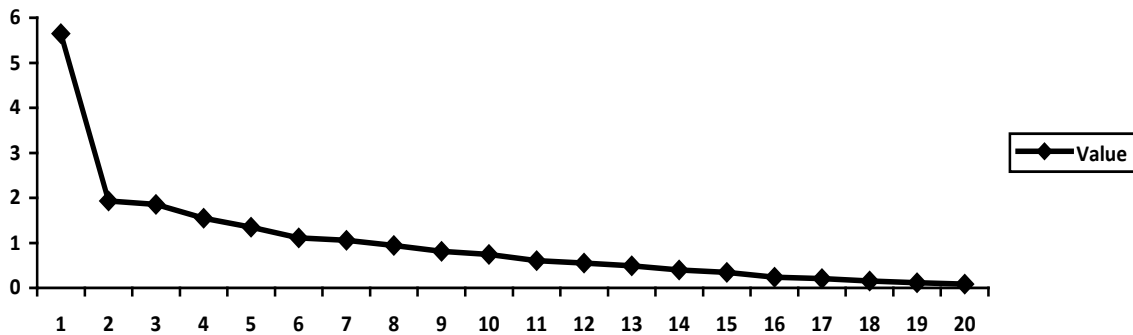


Figure 1: Graphical Representation of Positive Values It is the graphical representation of the positive values of the extracted numbers

Table 5 represents the component matrix, which is the final section of factor analysis. In this table the first column represents the attributes taken into consideration for our study.

Table 5: Component Matrix

	Component / Factors			
	1	2	3	4
Uncertainty of job after acquisition	.858	.119	.183	.499
Loss of identity	.869	.400	.281	.750
New leadership style	.421	.340	.230	.610
New rules and regulations	.244	.284	.371	.167
New appraisal methods	.523	.326	.317	.902
Change of hierarchy	.712	.239	.178	.479
Prestige. power and status	.756	.306	.150	.282
Work culture	.923	.356	.139	.169
Transfer fear	.228	.580	.147	.877
Loss of self Actualization	.724	.385	.742	.237
Poor Employee involvement in decision making process	.344	.478	.347	.651
Increased work pressure after acquisition	.248	.294	.373	.113
Bank can compete with global banks	.409	.896	.225	.204
Improved service quality	.597	.612	.316	.203
Complicated Process of service	.840	.865	.669	.181
HR's role in acquisition	.222	.200	.247	.205
Employee Consultation	.182	.299	.625	.195
Future benefit	.642	.229	.369	.221
Benefit in terms of present pay structure	.239	.110	.258	.232
Restructuring of key positions	.427	.812	.632	.272

Extraction Method: Principal Component Analysis. 4 components extracted: this table shows the correlations between the original variables and the newly obtained factors or components. It is furthermore always important to check the communalities after factor extraction. If the communalities are low, the extracted factors account for only a little part of the variance, and more factors might be retained in order to provide a better account of the variance.

The second column is divided into four sub columns, indicating the component or factors gathered from the Table 4. Four components are taken into consideration namely: 1) degree of awareness for future growth and prospects of an employee after mergers and acquisitions, 2) degree of uncertainty of an employee after mergers acquisitions, 3) degree of future growth of an industry after mergers and acquisitions and 4) degree of personal problems of an employee after mergers and acquisitions. The rows indicate how the attributes are correlated to the newly obtained components or factors. The highest value of each of the attributes against each factor indicated the relation between them.

CONCLUSION

This paper examines the effects of mergers and acquisitions on the morale and psychology of the employees in the State Bank of Indore. The authors developed a model to show the factors employees resist in this process. The authors collected primary data from the employees of State Bank of Indore. Factor analysis was applied based on the idea all variables within a particular group are highly correlated among themselves but have relatively small correlations with variables in a different group. Several statistical calculations were made to test whether the sample size is sufficient. We consider twenty factors and close on a model with four attributes. The four attributes are 1) degree of awareness for future growth and prospect of an employee after mergers and acquisitions, 2) degree of future growth of an industry after mergers and acquisitions, 3) degree of uncertainty of expectation of an employee after mergers acquisitions and 4) degree of personal problem of an employee after mergers and acquisitions. Out of these four factors three factors curtail from an organization's point of view. We can ignore the factor called degree of personal problems. So, this paper recommend that a pre merger task force should be prepared, to take the feedback from the employees and make them understand the effects and the benefits of mergers and acquisitions in formal and informal platforms.

From Table 5 we see the correlation between the 4 factors and the attributes taken for study. The first attribute, uncertainty of job after acquisition is highly correlated to the first factor, degree of awareness for future growth and prospect of an employee after mergers and acquisitions. This attribute shows the highest value for factor 1. Likewise we can say attributes like loss of identity; change in hierarchy; prestige, power and status; work culture; future benefit are highly correlated with the first factor. These attributes come under the first factor, i.e. degree of awareness for future growth and prospect of an employee after mergers and acquisitions.

When we consider attributes like bank can compete with global banks; improved service quality, complicated process of service, they are highly correlated with the second factor, degree of future growth of an industry after mergers and acquisitions. Third if we consider attributes like new rules and regulations; loss of self actualization; increased work pressure after acquisition; HR's role in acquisition; benefit in terms of present pay structure; restructuring of key positions is highly correlated with the 3rd factor, degree of uncertainty of expectation of an employee after mergers acquisitions. Finally, attributes like new leadership style; new appraisal methods; poor employee involvement in decision making processes is highly correlated with the 4th factor, degree of personal problems of an employee after mergers and acquisitions. All the attributes have highest value with their corresponding factors.

Merger and acquisitions of new and related industries are common phenomenon. Employees are generally apprehensive of loss of job or stagnation in the job or new policies and procedures adopted by the organization acquiring another organization or one company merging with another company. Employee resistance in this situation often delays the process and adversely affects the business. While investors pay adequate attention towards compliance of the provisions of various Indian Laws as mentioned earlier along with changing business scenarios and turnover arising out of such mergers and acquisitions, little attention is paid towards emotional and psychological aspects of the employees at all levels. This paper recommends that HR have a critical role to play in maintaining transparency in

communication regarding the need for merger and acquisitions and its effect on working and service conditions of the employees.

Appendix A

Factors	1	2	3	4	5
Uncertainty of job after acquisition					
Loss of identity					
New leadership style					
New rules and regulations					
New appraisal methods					
Change of hierarchy					
Prestige, power and status					
Work culture					
Transfer fear					
Loss of self Actualization					
Poor Employee involvement in decision making process					
Increased work pressure after acquisition					
Bank can compete with global banks					
Improved service quality					
Complicated Process of service					
HR's role in acquisition					
Employee Consultation					
Future benefit					
Benefit in terms of present pay structure					
Restructuring of key positions					

Copy of survey instrument (ECO SCALE) Scale: 1= strongly Disagree (20% and less); 2= Disagree (more than 20% but less than 40%); 3= somewhat agree (more than 40% but less than 60%); 4= agree (more than 60% but less than 80%); 5= strongly agree (more than 80%)

REFERENCES

Andrade Gregor, Stafford Erik (2004), “Investigating the economic role of mergers”, *Journal of Corporate Finance* Vol.10 (2004) pp1 – 36

Basant R. (2000), “Corporate Response to Economic Reforms”, *Economic and Political Weekly* March 4,

Beena P.L. (2004), “Towards Understanding the Merger Wave in the Indian Corporate Sector: A comparative Perspective”, Working Paper 301, Centre for Development Studies, Trivandrum.

Berger AN and Humphrey D(1994), Bank Scale Economics, Mergers, Concentration, and Efficiency: The U. S. Experience, Center for Financial institutions *Working Papers* 94 – 25, Wharton School Center for Financial Institutions, University of Pennsylvania.

Berger, AN. (1997), The Efficiency Effects of Bank Mergers and Acquisitions: A Preliminary Look at the 1990’s data. In Arnihud Y, Miller G (Eds), *Mergers of Financial Institutions*. Business One-Irwin, Homewood, IL.

C.K. Prahalad and Gary Hamel (May–June 1990) The Core Competence of the Corporation, *Harvard Business Review*

Cornett MM Teharnian H. (1992) Changes in Corporate Performance Associated with Bank Acquisitions, *Journal of Financial Economics*, 31: pp: 211-234

Goold and Luchs August (1993), "Why diversify? Four decades of management thinking", Academy of Management Executive, Vol.7, No.3.

Hair, J. F., Anderson, R. E., Tatham, R. L. and Black, W. C. (1992), In Easter, R. (ed.) Multivariate Data Analysis: With Readings, 3rd edition. Macmillan Publishing Company, New York, NY.

Harry H. Harman, modern factor analysis, third edition revised, Laedstart Publishing Corporation
J.C Verma, (2008), corporate mergers amalgamations and takeovers, 5th Ed., Bharat law Publishing Pvt. Ltd.

Maquieira, Carlos P., William L. Megginson, and Lance Nail, (1998), "Wealth Creation versus Wealth Redistribution in Pure Stock-for-Stock Mergers," *Journal of Financial Economics* 48 (No. 1, April, pp 3-33

Mckinsey and Company, India Banking 2010 towards a high performance sector

Pilloff Steven J. (1996), Performance Changes and Shareholder Wealth Creation Associated with Mergers of Publicly Traded Banking Institutions", *Journal of Money Credit and Banking*, 28(2), pp .294-310.

Rhodes-Kropf M., Robinson D. and Vishwanathan S., (2004), Valuation Waves and Merger Activity: the empirical evidence, Working Paper: Duke University

Spindt PA and Tarhan V (1992), Are there Synergies in Bank Mergers? Tulane University Working Paper

Trautwein (1990). Merger Motives and Merger Prescriptions. University of Bochum, Hurth, West Germany

Weston, J.F., and S.K. Mansinghka, (1971): 'Tests of the Efficiency Performance of Conglomerate Firms', *Journal of Finance*, September, pp 919-936

<http://www.vccircle.com/500/news/idbi-bank-merging-home-finance-arm-with-itself>

www.mysensex.com/.../8759-centurion-merge-hdfc-bank.html

www.economicstimes.indiatimes.com/...merge...ICICI.../5965521.cms

www.timesofindia.indiatimes.com/business/...SBI-merge/.../6173256.cms

http://www.cio.com/article/128806/India_s_Wipro_to_Acquire_U.S._Services_Provider_Infocrossing

www.infosys.com/FINsights/Documents/pdf/.../FINsights-Chp3.pdf

www.news.bbc.co.uk/2/hi/5114290.stm

www.tata.com/company/Media/inside.aspx?artid

www.dynamicbusiness.com.au/.../hutchinson-and-vodafone-merge-operations.html

<http://www.investopedia.com/terms/a/acquisition.asp>

ACKNOWLEDGEMENT

The authors would like to thank Mr. Bar, Branch Manager, State Bank of Indore (formally), who has provided valuable data regarding this Merger and Acquisition. The authors are grateful for the publisher's generous permission to use the raw data sets. Mercedes Albert, Executive Editor, IBFR. The authors are grateful to the conference organizing authority, The IBFR.

BIOGRAPHY

Md Sahanur Islam is an Assistant Professor of Management at Meghnad Saha Institute of Technology, He can be contacted at Meghnad Saha Institute of Technology Techno Complex, Kolkata 700 150, West Bengal, India. Email: mdsahanur.islam@yahoo.com

Prof. (Dr). Partha Pratim Sengupta is a Professor of Economics in National Institute of Technology, Durgapur. He can be contacted at National Institute of Technology, 9 M.G.Road, Durgapur, Bardhaman-713209. Email: pps42003@yahoo.com

Sukanya Ghosh is an Assistant Professor of Management at Meghnad Saha Institute of Technology, She can be contacted at Meghnad Saha Institute of Technology Techno Complex, Kolkata 700 150, West Bengal, India. Email: gh_sukanya@yahoo.co.in

Samir Chandra Basu is an Assistant Professor of Management at Meghnad Saha Institute of Technology, He can be contacted at: Meghnad Saha Institute of Technology Techno Complex, Kolkata 700 150, West Bengal, India. Email: sb_kol2001@yahoo.co.in