Merger and Acquisition in Banking Industry: A Case Study of ICICI Bank Ltd.

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Abstract:
To keep the head high in globalized economy one has to follow the path of growth, which contains various challenges and issues; one has to overpower these challenges and issues to become a success story. We consider a case of ICICI Bank Ltd., the largest private sector bank in India, which has acquired nine financial firms to make the steps of the ladder of success. Therefore, the aim of this article is to study the growth of ICICI Bank Ltd. through mergers, acquisitions, and amalgamation. This article is divided into four parts. The first part includes introduction and conceptual framework of mergers and acquisition. The second part discusses the historical background of ICICI Bank Ltd. and followed by review of literature. The third part discusses all the mergers, acquisitions, and amalgamations in detail. Finally, the article concludes that a firm must devise a strategy in three phases i.e. Pre-merger phase, acquisition phase and post-merger phase. The article will be helpful for policy makers, strategy makers, HR people, bankers, researchers, and scholars.

Key Words: Mergers, Acquisitions, Amalgamation, Banks' Strategy, and Human Resources.

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1.1 Introduction:

The pressures on the employees of banks around the world have been manifold across financial system deregulation, entry of new players and products with advanced technology, globalisation of financial markets, changing demographics of customer behaviour, consumer pressure for wider choice and cheaper service, shareholder wealth demands, shrinking margins.

In this scenario, Mergers and acquisitions (M&As) are most widely used strategy by firms to strengthen and maintain their position in the market place. M&As are considered as a relatively fast and efficient way to expand into new markets and incorporate new technologies. Still, we can find many evidences that their success is by no means assured. On the contrary, a majority of M&As fall short of their stated aims and objectives. Some failure can be explained and justified by financial and market factors. On the contrary a considerable number can be traced, which has neglected those factors, which are related to human resources issues and activities.

There are numerous studies, which confirm the need for firms to systematically address a variety of human resource issues, activities, and challenges in their merger and acquisition activities. In the present article, a thought was provoked by a press release (May 20, 2010) that the Bank of Rajasthan's employees launched an agitation to protest against the then proposed merger with ICICI Bank Ltd. It is a very serious matter as far as employees and the bank is concerned. It is quite natural phenomena that a dissatisfied employee cannot bring efficiency and effectiveness in rendering services.

2.1 Mergers and Acquisitions: Conceptual Framework

Consolidation of business entities is a world-wide phenomenon. One of the tools for consolidation is mergers and acquisitions. The quest for growth is a major driving force behind mergers and acquisitions. The mergers and acquisitions in financial sector of India appear to be driven by the objective of leveraging the synergies arising out of the consequences of M&A process. However, such structural changes in the financial system can have some public policy implications. It is evident from various mergers and amalgamations done by the ICICI Bank Ltd. after its inception in 1994. Still, it is quite clear by their action that it is a path of growth for them. With this statement in mind, we would like to present the conceptual framework for mergers and acquisitions in India’s context.

Procedures for merger, acquisition, and amalgamation of banking companies are clearly defined in section 44(A) of the Banking Regulation Act 1949. According to the Act, a banking company will have to place a draft before its shareholders and the draft will have to be approved by a 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.

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 atleast 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.

If there is 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 of 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 shareholder shall be final for all purposes). If the scheme is sanctioned by the Reserve Bank, by an order in writing, it becomes binding not only on the banking companies concerned, but also on all their shareholders to abide by the law.

There is provision in the Banking Regulation Act 1949, section 45, that Reserve Bank of India has power to apply to Central Government for suspension of business by a banking company and to prepare scheme of reconstitution for amalgamation. Reserve Bank ensures that there is good reason to do so and may apply to the Central Government for an order of moratorium in respect of a banking company. The Central Government, after considering the application made by the Reserve Bank under sub-section (1), may make an order of moratorium staying the commencement or continuance of all actions and proceedings against the company for a fixed period of time on such terms and conditions as it thinks fit and proper and may from time to time extend the period so however that the total period of moratorium shall not exceed six months. During the period of moratorium, if the Reserve Bank is satisfied that it is (a) in the public interest; or (b) in the interests of the depositors; or (c) in order to secure the proper management of the banking company; or (d) in the interests of the banking system of the country as a whole. Apart from this, it is necessary so to do, the Reserve Bank may prepare a scheme (i) for the reconstruction of the banking company, or (ii) for the amalgamation of the banking company with any other banking institution (in this section referred to as "the transferee bank").

Apart from this, there are some more guidelines for amalgamation. According to Accounting Standard (AS) 14, ‘Accounting for Amalgamations’, issued by the Council of the Institute of Chartered Accountants of India, amalgamations fall into two broad categories. The first category includes those amalgamations, where there is a genuine pooling not only of the assets and of liabilities of the amalgamating companies but also of the shareholders' interests and of the businesses of these companies. These kinds of amalgamations are in the nature of 'merger' and the accounting treatment of such amalgamations should ensure that the resultant figures of assets, liabilities, capital and reserves more or less represent the sum of the relevant figures of the amalgamating companies. In the second category, those amalgamations which are in effect a mode by which one company acquires another company and, as a consequence, the shareholders of the company which is acquired normally do not continue to have a proportionate share in the equity of the combined company, or the business of the company which is acquired is not intended to be continued. Such amalgamations are amalgamations in the nature of 'purchase.

3.1 Historical Background of ICICI Bank:

The history of Industrial Credit & Investment Corporation of India (ICICI) shows that it was formed in 1955 by the initiative of the World Bank, the Government of India and representatives of Indian industry. The principal objective of ICICI was to create a development financial institution for providing medium-term and long-term project financing to Indian businesses. In the 1990s, ICICI transformed its business from a development financial institution offering only project finance to a diversified financial services group offering a wide variety of products and services, both directly and through a number of subsidiaries and affiliates like ICICI Bank. In 1999, ICICI became the first Indian company and the first bank or financial institution from non-Japan Asia to be listed on the NYSE.

Due to the changing business environment and after the adoption of liberalization, ICICI considered various corporate restructuring alternatives in the context of the emerging competitive scenario in the Indian banking industry, and the move towards universal banking. The managements of ICICI and ICICI Bank formed the view that the merger of ICICI with ICICI Bank would be the optimal strategic alternative for both the entities, and would create the optimal legal structure for the ICICI group's universal banking strategy. Further, the merger would enhance value for ICICI shareholders through the merged entity by low-cost deposits, greater opportunities for earning fee-based income and the ability to participate in the payments system and provide transaction-banking services.

Consequently, ICICI Bank was promoted in 1994 by ICICI Limited, an Indian financial institution, and was its wholly-owned subsidiary. In October 2001, the Board of Directors of ICICI and ICICI Bank approved the merger of ICICI and two of its wholly-owned retail finance subsidiaries, ICICI Personal Financial Services Limited and ICICI Capital Services Limited, with ICICI Bank.

Shareholders of ICICI and ICICI Bank approved the merger in January 2002, by the High Court of Gujarat at Ahmedabad in March 2002, and by the High Court of Judicature at Mumbai and the Reserve Bank of India in April 2002. The below mentioned table gives details of all the mergers and amalgamations done by ICICI Bank.

Table 1

Mergers by ICICI Bank Ltd. in India

S. No.	Mergers by ICICI Bank Ltd. in India	Year of Merger
1.	SCICI	1996
2.	ITC Classic Finance Ltd.	1997
3	Anagram Finance	1998
4.	Bank of Madura Ltd.	2001
5.	ICICI Personal Financial Services Ltd	2002
6.	ICICI Capital Services Ltd.	2002
7.	Standard Chartered Grindlays Bank	2002
8.	Sangli Bank Ltd.	2007
9.	The Bank of Rajasthan Ltd. (BoR)	2010

Source: - Goyal, K. A. and Joshi, V. (2011) Mergers in Banking Industry of India: Some Emerging Issues. *Asian Journal of Business and Management Sciences*, 1(2), 157-165.

Review of Literature:

There are many variables, which have been considered as significant factor in managing Mergers and Acquisitions effectively. Communication is an unavoidable factor and effective communication can be of utmost importance for management to deal with the individual employee reactions to the merger, and the anxiety and stress levels following a merger. According to Ivancevich, Schweiger and Power (1987) the aspects of communication should be expected to focus on employees' concern like layoffs, changes in work rules, compensation, and pension etc.

Ivancevich, Schweiger and Power (1987) studied the merger stress process, stages of the merger process and the sources of stress created and choosing guidelines and interventions to encourage more effective management of merger stress. They suggested some measures to effectively manage merger stress, like prevention, to reduce the actual stress-inducing merger events; secondly, reappraisal of employee which refers to changing initial cognitive appraisal of a situation and at last effective stress management and professional help which supports those employees that are already stressed.

Cartwright and Cooper (1990) studied current wave of merger activity and assessed the contribution of psychology to understand mergers and acquisitions in addressing the essence of the activity. They found the positive relationship in combination of people and the fusion of organizational cultures.

Cartwright and Cooper (1993) reported on a recent study of a sample of 157 middle managers involved in the merger of two U.K. Building Societies. Post-merger measures of mental health suggested merger to be a stressful life event, even when there is a high degree of cultural compatibility between the partnering organizations.

Appelbaum, Gandell, Yortis, Proper, and Jobin (2000) examined the multiple organizational factors, which directly affect a merger as well as the merger process. They addressed the issue of communication and its importance throughout the merger and acquisition (M&A) process. Further, they analyzed the corporate culture and its effects on employees when two companies merge, organizational change and the reaction of employees (resistance) to these changes. Further, they studied the issue of stress, which is an outcome of M&A within uncertain environment and reported high level of stress. Moreover, they evolved the five major sections such as communications, corporate culture, change, stress, and managing/strategy. These were sub-divided into three sub-sections: pre-merger; during the merger and post-merger.

Schuler and Jackson (2001) proposed 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 article 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.

Researchers in some articles also raise issues related to human resource management. Bryson, (2003) reviewed the literature around managing HRM risk in a merger. He found that poor merger results are often attributed to HRM and organizational problems, and that several factors related to maintaining workforce stability are identified as important in managing HRM risk. Schraeder and Self (2003) found that organizational culture is one factor as a potential catalyst to M&A success.

Paul (2003) studied 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. He also attempted the suitability of the merger between the 57 year old Bank of Madura with its traditional focus on mass banking strategies based on social objectives, and ICICI Bank, a six year old ‘new age’ organisation, which had been emphasising parameters like profitability in the interests of shareholders. 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 organisations.

Salama, Holland and Vinten (2003) opined and explored the challenges and opportunities in integration process, studied the factors responsible for the success of cross-border acquisitions within related industries. They emphasised the corporate strategies the three partnered companies used to maximise synergies, and to minimise the negative effects of the unavoidable, but necessary and complex, acculturation process. They found in the case study that successful co-operation between the firms resulted from the learning process developed by the partners. Knowledge acquisition and the subsequent organisational learning were the important desirable outcomes of the acquisition processes experienced by the organisations.

Zollo & Singh (2004) studied the knowledge-based view of corporate acquisitions and tested the post-acquisition consequences on performance of integration decisions and capability-building mechanisms. They used a sample of 228 acquisitions in the U.S. banking industry and found that knowledge codification strongly and positively influences acquisition performance, while experience accumulation does not. Furthermore, increasing levels of post-acquisition integration strengthen the positive effect of codification. Finally, the level of integration between the two merged firms significantly enhances performance, while replacing top managers in the acquired firm negatively impacts performance, all else being equal. Implications were drawn for both organizational learning theory and a knowledge-based approach to corporate strategy research.

George & Hegde (2004) reported a case for the delicate aspect of employees' attitudes, their satisfaction and motivation, which are posited as prerequisites for customer satisfaction, which is, again necessary for the competitive sustenance of the organization.

Cartwright and Schoenberg (2006) assessed three primary streams of enquiry within the strategic and behavioural literature. They studied the issues of strategic fit, organizational fit, and the acquisition process itself. They briefly reviewed the recent achievements within each of these research streams. However, in parallel to these research advances, the failure rates of mergers and acquisitions have remained consistently high. Possible reasons for this dichotomy were discussed, which in turn highlight the significant opportunities that remain for future M&A research.

Saraswathi (2007, p. 230) studied 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.

Murthy (2007) studied the case of 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.

Ellis, Reus and Lamont (2009) explored the independent and interactive effects of procedural justice and informational justice on post-deal value creation in large, related acquisitions. Their results showed that informational justice and procedural justice affect different components of value creation. Procedural justice is critical in realizing market position improvements following the integration process, while informational justice is essential in achieving market position gains during integration and financial return gains both during and post-integration. Indicating that the interrelationships between different justice dimensions may be more complex than previously thought, they found that procedural justice reduces the positive effects of informational justice on financial return during the integration process, while it magnifies the effects of informational justice on the combined firms' market position during integration efforts. Authors explored the implications of these results for future research on the acquisition integration process and for practicing managers engaging in large, related acquisitions.

Cascio (2010) discussed the lessons from HR professionals from the merger of health insurer Bupa Australia with the Medical Benefits Fund Group, the second largest health insurer in Australia. It was opined that Bupa Australia is the only Australian health insurer to have kept premium increases below the industry average for many years. It adds that being a privately managed company, Bupa Australia reinvests any financial surpluses for the benefit of its customers. Here, Merger Lessons for banking industry is that transferor’s bank employees must be given some stimuli to boost their morale and they should be prevented from various stressors.

Maire and Collerette (2011) studied the case of an international post-merger integration project in the private banking sector. It raised the challenges that were met, describes the methodology and the tools used to manage the process, and highlights the factors that led to success. This experience suggests that successful integration management mainly rests upon capabilities in communication, organization, and change management. It also highlighted the importance of having an Integration Manager in charge of the process in order to favour integration success. In particular, it appears that pace is the heartbeat of integration progress and that one of the Integration Manager's main roles is to set the pace of integration by applying pressure to speed up progress, while also providing a climate where people can be motivated to work together towards organizational objectives and success.

Weber and Fried (2011) discussed the role of human resources (HR) practices in managing the cultural integration process in a post-merger and acquisition (M&A) culture. The authors argued that the pervasiveness and growth of M&A's stand in sharp contrast to their high failure rate. Topics include the neglected role of HR practices in the management of M&As and the contribution of HR practices to the success of M&As.

Chen and Lin (2011) examined the possible benefits and effects of post-M&A integration on new product development (NPD) performance in terms of efficiency and effectiveness. They took the sample size of 251 respondents. Research tools for statistical analysis were used as Confirmatory factor analysis (CFA) and structural equation modelling (SEM). They found that external integration correlates positively with internal integration. Although external integration relates positively to new product competitive advantage (NPCA), internal integration does not have a positive correlation with NPCA. Further, product vision positively correlates with NPCA and NPD performance, and NPCA positively correlates with NPD performance. In addition, they examined the mediation effect in terms of Sobel t-test, which revealed that the NPCA is a significant mediator for the influence of interdepartmental integration on NPD performance. Moreover, this study provides a framework for managing post-M&A integration and closes with a discussion of the theoretical and practical implications of the research findings.

Mergers and Acquisitions by ICICI Bank Ltd.

1. Amalgamation of SCICI.

Effective April 1, 1996, ICICI acquired SCICI Limited, a diversified financial institution in which ICICI had an existing 19.9% equity interest. ICICI acquired SCICI principally to benefit from the scale efficiencies of being a larger entity. The assets of SCICI amounted to Rs. 50.4 billion (US$ 1.0 billion), approximately 16.8% of ICICI's total assets at year-end fiscal 1996. The business combination was accounted for by the purchase method. The business combination resulted in negative goodwill of Rs. 3.1 billion (US$ 65 million) as the purchase price was less than the fair value of the net assets acquired. Of this amount, Rs. 600 million (US$ 13 million) was set-off against certain property and equipment and an amount of Rs. 253 million (US$ 5 million) was accrued to income in each of the years for fiscal 1997 to fiscal 2001. In addition, in fiscal 1998, income of Rs. 242 million (US$ 5 million) was accrued from the sale of SCICI's headquarters building in Mumbai.

2. Amalgamation of ITC Classic Finance Ltd.

It was one of the first-of-its-kind mergers in the country's financial sector, ITC Classic Finance Ltd, the beleaguered non-banking financial arm of ITC Ltd, and country's premier development financial institution, Industrial Credit Investment Corporation of India (ICICI) to merge their operations and share swap ratio for ITC Classic-ICICI merger was 15:1.

Tobacco major, ITC was desperately scouting a buyer for ITC Classic, which had accumulated losses of over Rs. 300 crore.

ITC Classic Finance Ltd was named after ITC's premium cigarette brand 'Classic.' It was incorporated in 1986. ITC Classic was a non-banking finance company (NBFC). Largely, it was engaged in hire, purchase, and leasing operations. In addition, the company undertook investment operations on a substantial scale. The company did very well in the initial years and developed a strong network to mobilize retail deposits. Its fund-based activities such as corporate leasing, bill discounting, and equities trading also grew substantially over the years. At a compounded annual growth rate of 78% during 1991-96, ITC Classic's annual turnover increased from Rs. 17.3 crore to over Rs. 310 crore and net profits from Rs. 2.3 crore to Rs. 31 crore in the same period. By the June 1996, the company had a deposit portfolio of Rs. 800 crore consisting mainly of retail deposits. The capital market boom of the early 1990s was responsible largely for ITC Classic's impressive financials growth. Around 50% of ITC Classic's assets had to be kept in financing and a further 25% was to be held in liquid funds or cash to handle cash outflows. However, Classic was free to invest the remaining 25%, which happened to be in the 'boom stocks.' When the markets crashed in 1992, ITC Classic had to face heavy losses.

As far as ICICI was concerned, it was totally a 'win' proposition. The biggest benefit and opportunity for ICICI was ITC Classic's retail network, which comprised 8 offices, 26 outlets, 700 brokers, and a depositor-base of 7 lakhs investors. ICICI planned to use this to strengthen the operations of ICICI Credit (I- Credit), a consumer finance subsidiary that ICICI had floated in April 1997. It was rightly stated by the then ICICI managing director and CEO, K. V. Kamath said that the merger would give them a fantastic retail base as ITC Classic had an investor base of over seven lakhs. Besides, there would be a synergy in business profile as on the asset side the ITC outfit is into leasing, hire, purchase, and bill discounting as they had a common corporate clientele.

3. Amalgamation of Anagram Finance

Anagram was primarily engaged in retail financing of cars and trucks. Between 1992 and 1998, Anagram has built a strong retail franchise, a distribution network of more than 50 branches, which were located in the prosperous states of Gujarat, Rajasthan, and Maharashtra, and it has a depositor base of 250,000 customers.

Anagram Finance was adversely affected by the problems faced by the banking sector because of diverse factors including accounting and financial issues such as non-performing assets and high cost of funding etc. Anagram Finance conducted a detailed examination and review of the operations and financial condition of the company. It included a conservative estimation of provisions required for no performing or potential nonperforming assets had resulted in the net worth of the company becoming negative, necessitating infusion of further funds into the company.

In order to protect the interests of the creditors including depositors and public shareholders, the investment companies had decided to infuse long term resources of Rs 125 crores convertible into nominal equity capital of the company upon the merger becoming effective in pursuance of the Articles of Agreement signed with ICICI on May 20, 1998. Share swap set for ICICI, Anagram Finance merger 1:15. Listing the reasons for the merger, ICICI said it has over the years consolidated its premier position as a wholesale provider of finance.

4. Amalgamation of Bank of Madura

For over 57 years, Bank of Madura (MoM) operated as a profitable entity in Indian Banking Industry. It had a significant coverage in the southern states of India. It had extensive network of 263 branches across India. According to Murthy (2007), the bank had total assets of Rs. 39.88 billion and deposits of Rs. 33.95 billion as on September 30, 2000. It had a capital adequacy ratio of 15.8% as on March 31, 2000. With a view to expanding its assets, client base and geographical coverage, ICICI Bank was scouting for private banks for merger. In addition to that, its technological up gradation was inching upwards at snail's pace. In contrast, BoM had an attractive business per employee figure of Rs. 202 lakh, a better technological edge, and a vast base in southern India as compared to Federal Bank. While all these factors sound good, a tough and challenging task in terms of cultural integration and human resources issues lay ahead for ICICI Bank.

With these considerations, ICICI Bank announced amalgamation with the 57 year BoM, with 263 branches, out of which 82 were operating in rural areas; the majority of them were located in southern India. As on December 9, 2000, on the day of announcement of the merger, the Kotak Mahindra group was holding about 12% stake on BoM, the Chairman of BoM, Mr. K. M. Thaigarajan, along with his associated, was holding about 26% stake, Spic group had about 4.7%, while LIC and UTI were having marginal holdings. This merger was supposed to increase ICICI bank's hold on the South Indian market. The swap ratio was approved to be at 1:2.

5. Merger of ICICI Personal Financial Services Ltd. and ICICI Capital Services Ltd.

Following the approval of shareholders, the High Court of Gujarat at Ahmedabad and the High Court of Judicature at Bombay, the Reserve Bank of India approved the amalgamation of ICICI, ICICI Personal Financial Services, and ICICI Capital Services with and into ICICI Bank on April 26, 2002.

6. Takeover of Standard Chartered Grindlays Bank's Two Branches

ICICI Bank acquires Shimla and Darjeeling Branches from Standard Chartered Grindlays Bank Ltd. in these two most sought after tourist destinations in the Himalayas. In a telephonic conversation, ICICI Bank ED Chanda Kochhar told to Economic Times from Mumbai that the bank has been planning to grow its network countrywide, and "this acquisition is one step in that direction and a continuation of our strategy to expand our brand of technology banking". ICICI Bank senior vice-president and regional head, Chandigarh, Anand Kumar revealed that the Shimla branch had more than 3,000 retail accounts and a deposit base of Rs 41 crore.

7. Amalgamation of Sangli Bank

Sangli Bank Ltd. was an unlisted private sector bank headquartered at Sangli in the state of Maharashtra, India. As on March 31, 2006, Sangli Bank had deposits of Rs. 20.04 billion, advances of Rs. 8.88 billion, net NPA ratio of 2.3% and capital adequacy of 1.6%. In the year ended March 31, 2006, it incurred a loss of Rs. 29 crore. Sangli Bank had 198 branches and extension counters, including 158 branches in Maharashtra and 31 branches in Karnataka. Approximately 50% of the total branches were located in rural and semi-urban areas and 50% in metropolitan and urban centres. The bank had approximately 1,850 employees. The Board of Directors of ICICI Bank Ltd. and the Board of Directors of The Sangli Bank Ltd. at their respective meetings approved an all-stock amalgamation of Sangli Bank with ICICI Bank on December 09, 2006. The amalgamation was subject to the approval of the shareholders of ICICI Bank and Sangli Bank, Reserve Bank of India and such other approvals required. The deal was in the ratio of one share of ICICI Bank for 9.25 shares of the privately-owned, non-listed Sangli Bank. The Bhate family of Sangli almost hold 30% of Sangli Bank.

The proposed amalgamation was expected to be beneficial to the shareholders of both entities. ICICI Bank would seek to leverage Sangli Bank's network of over 190 branches and existing customer and employee base across urban and rural centres in the rollout of its rural and small enterprise banking operations, which were key focus areas for the Bank. The amalgamation would also supplement ICICI Bank's urban distribution network. The amalgamation would enable shareholders of Sangli Bank to participate in the growth of ICICI Bank's strong domestic and international franchise. The amalgamation also provided new opportunities to Sangli Bank's employees, and gives its customers access to ICICI Bank's multi-channel network and wide range of products and services.

The provisions of Section 44(A) of the Banking Regulation Act, 1949, governed the proposed amalgamation. The proposed amalgamation had the approval of the respective Boards of ICICI Bank and Sangli Bank and to become effective, required the consent of a majority in number representing two-thirds in value of the shareholders of ICICI Bank and Sangli Bank, present in person or by proxy, at their respective meetings called for this purpose, the sanction of Reserve Bank of India by an order in writing and sanction or approval, if required, under any law or regulation, of the Government of India, or any other authority, agency, department or persons concerned

8. Amalgamation of the Bank of Rajasthan Ltd.

The The Bank of Rajasthan Ltd. was incorporated on May 7, 1943 as a Company defined under the Companies Act, 1956 and has its Registered Office at Raj Bank Bhawan, Clock Tower, Udaipur, Rajasthan. The Bank of Rajasthan had a network of 463 branches and 111 automated teller machines (ATMs) as of March 31, 2009. The primary object of the Transferor Bank was banking business as set out in its Memorandum of Association. For over 67 years, the Bank of Rajasthan had served the nation's 24 states with 463 branches as a profitable and well-capitalized Bank. It had a strong presence in Rajasthan with branch network of 294 that is 63 percent of the total branches of BoR with men power strength of more than 4300. The balance sheet of the Bank shows that it had total assets of Rs. 173 billion, deposits of Rs. 150.62 billion, and advances of Rs. 83.29 billion as on March 2010. The profit and loss account of the bank shows the net profit as Rs. -1.02 billion as on March 2010, which shows that bank, was not in good financial condition.

On the other hand, The ICICI Bank Ltd. was incorporated on January 5, 1994 under the Companies Act, 1956 and has its Registered Office at Landmark, Race Course Circle, Vadodara, Gujarat. The Transferee Bank, as of May 21, 2010, has a network of 2,000 branches and extension counters and has over 5,300 automated teller machines (ATMs). At present the bank has 79,978 employees with strong financial like total assets of Rs. 3634 billion, total deposits of Rs. 2020.16 billion, advances of Rs. 1812.06 billion and net profit of Rs. 42.25 billion as on March 2010.

The amalgamation of the Transferor Bank with the Transferee Bank was in accordance with the provisions of the Scheme formulated pursuant to Section 44A of the Banking Regulation Act, 1949, Reserve Bank of India's guidelines for merger/amalgamation of private sector banks dated May 11, 2005, and in accordance with the applicable provisions of the Companies Act, 1956, and the Memorandum and Articles of Association of the Transferor Bank and the Transferee Bank and other applicable provisions of laws.

The objectives and benefits of this merger are clearly mentioned in the scheme of this merger by ICICI Bank its customer centric strategy that places branches as the focal points of relationship management, sales, and service in geographical micro markets. As it is evident that the BoR had deep penetration with huge brand value in the State of Rajasthan where it had 294 branches with a market share of 9.3% in total deposits of scheduled commercial banks.

It was presumed that the merger of BoR in ICICI Bank will place the Transferee Bank among the top three banks in Rajasthan in terms of total deposits and significantly augment the Transferee Bank's presence and customer base in Rajasthan and it would significantly add 463 branches in branch network of ICICI Bank along with increase in retail deposit base. Consequently, ICICI Bank would get sustainable competitive advantage over its competitors in Indian Banking.

When the information about this merger was communicated to the employees, they did not accept this merger. All the employees were against this merger. All the three major employee unions i.e. All India Bank of Rajasthan Employees Federation, All India Bank of Rajasthan Officers' Association and Akhil Bhartiya Bank of Rajasthan Karmchari Sangh, called the strike demanding the immediate termination of the ICICI-BoR merger proposal. It is a very strong phenomenon of the behaviour of employees in the growth strategy like mergers and acquisitions. The issue of employees' perception towards mergers needs special attention from researchers and thinkers in order to convert mergers as synergy. At this juncture, the biggest challenge for ICICI Bank Ltd. was to encounter the agitation from the 4300 BoR employees. Now, since the merger has taken place the critical issue for discussion is the management of Human Resources in the course of Mergers and Amalgamation.

A merger can be distinguished in the following phases:

PRE MERGER PHASE

- Financial position of transferor company
- Market Value
- Brand Value
- Communication Issues
- Share Holders & other stake holders' view
- Assets & Liabilities

ACQUISITION PHASE

- Cost of merger & acquisition
- Maintenance of customer relationships during integration phase
- Knowledge transfer among units that are to be integrated
- Overcoming of staff's suspiciousness of the other organization ('Us vs. Them' syndrome)

POST MERGER PHASE

- Corporate culture
- Existing value systems
- Staff qualification
- Stress Management
- Salary
- Technology
- HR Policy
- Leadership styles
- Core competencies
- Post Integration
- Allocation of responsibility
- Language barriers and country specific cultural differences.

The above discussion convey a growth study of ICICI Bank Ltd. through mergers and acquisitions but at the same time the bank has to focus on manpower to get sustainable development.

Conclusion:

Thus, as per the above discussion we can say that Mergers and acquisitions (M&As) are considered as corporate events which helps an organization to create synergy and provide sustainable competitive advantage, but, simultaneous these sorts of corporate events have the potential to create severe personal trauma and stress which can result in psychological, behavioural, health, performance, and survival problems for both the individuals and companies, whether it is a bank or a non banking financial corporation, involved in it. It is evident from the case of ICICI Bank Ltd. that how an organization can become market leader by adopting some strategic tools like mergers and acquisitions.

The post-merger integration process is a difficult and complex task. It comes along with long lists of activities and tasks that have to be fulfilled within a short time and partly with incomplete information (e.g. formation of new teams and departments). There are many opportunities to exploit and many decisions to take. However, we can divide various challenges and issues in three phases i.e. pre-merger phase, acquisition phase and post-merger phase, which has scope for further research.

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