How to Integrate in Financial Services through M&A in Banking Sector

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Abstract

This article covered nearly all aspects of the banking and capital markets, insurance industries, wealth and asset management and revealing that negotiator now recognize how crucial it is to plan integration very early on in the deal-making timetable. However, dealing banks also see plenty of room for improvement. My research paper focused at M&A strategies within the banking industry from initial planning through value realization to future trends. I suggest few crucial preparations before merger.

After one and half decades Indian banking sector in reach with M&A activity in finance services. The competitive pressure is now on acquirers to prove they can secure value from the transactions they have supposed. M&A activity integration must demonstrate that the synergies and strategies that overeround the negotiation in the first place in the integration phase. Whilst M&A declaration may get the headlines, a successful integration is the only true measure of a negotiation value.

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1. PREPARE TO M&A

The Phases of deal regarding M&A in banking sector really determine whether a M&A is a success or not. Making strong scrutiny from banking boards, shareholders and regulators, integration planning ahead of deal signing has moved from being a best practice to minimum requirements. When making plan for the key priority is ensuring operational stability in the banking sector acquired. The majority of banks and insurers involved in buying a business from another banks point to the importance of transitional service agreements (TSA) as they can help the negotiation move towards closing.

- 90% of bankers told that they start planning before integration.
- 78% of insurers had a synergy case in place before integration.
- 69% of asset managers from day one told operational stability is on priority.

2. M&A MODEL DESIGN

When bankers go to the M&A design, look ahead on previous M&A in banking sector entire competitive world. However, there are so many banks make plan to integration as an opportunity to broaden their vision and transform their business.

- 42% of banks created new best of-breed M&A models instead of absorbing the target.
- 48% of insurers see between 25-50% of their target’s IT systems remaining in place in their end-state operating model.
- 52% of wealth managers leave the target operating on a stand-alone basis.
• As new business models and new entrants enabled by technology emerge, more financial services companies seek to make acquisitions to execute their ambitions for technology transformation.
• 40% of financial services companies create new best-of-breed operating models and transform their business

3. MANAGE THE INTEGRATION

My research paper reveals that integration with banks has a positive effect on the client and customer experiences, which will take in future after, merge. The ability to retain customers and deliver on their growth objectives is a primary focus for most acquirers. They now include a team for checking the customer experience in their integration programs. However, the banks and asset managers need to watch target employee retention very carefully and closely. The management team must be fully involved in M&A process.

• 29% of banks have at least a 25% of employees departed, including 5% who lost more than half the target’s staff.
• 70% of insurers claim the client experience improved during the M&A process.
• 67% of asset managers have integration teams numbering between 11 to 25 % employees, with a further 30% having greater numbers.
• 69% of banking operators say they now generate cost synergies of more than 30% of the target cost base.

The banking resources dedicated to integration is quite compendious, and financial services banking industry hire experts to advise them on integration. Experience, leadership, dedication and communications are the characteristics required from a high-performing integration team, according to the majority of financial services respondents.

4. Realization value

Co-partner is the essence of value creation, and banking industries feel that financial synergies (capital, tax) created the most value. Although, banks are also realize according to respondents in the asset management and insurance sectors. However, it would be opportunities to improved sales productivity or advantage combined distribution channels, revenue partner seen as tougher to deliver in the banking industry.

• 60% of banking sectors and insurance holders believe about product and services would be innovation accelerated during their post-Merger integration work.
• 63% of banks asset managers say that they make sure that every synergy is linked to a drive access in the integration plan that can be tracked.

With banking all featured product and providing services in innovative way often being accelerating during the M&A process and integration offers a great opportunity for banking business transformation if that is made a priority. So many Mergers and acquisitions are all about acquiring new capabilities – to improve distribution, innovation and growth will be vital for many banking industry players.

5. FUTURE OF M&A

The succession of M&A is learn from each transaction they manage to secure greater value from subsequent deals, and many respondents say they have a agreement on “playbook” that sets out the methodologies to be followed during M&A.
However, the M&A agreement playbooks and similar models design be needed to be flexible as the banking trends which have the biggest impact during the integration stage of transaction are changing. At that time it would be necessary to dedicated integration teams to shift their approach in future transactions in a way that is appropriate to the prevailing themes.

References


