



"A STUDY ON IMPACT OF MERGERS ON FINANCIAL PERFORMANCE OF PUBLIC SECTOR BANKS IN INDIA"

Swapna Vadithya

Research scholar, Osmania University, Hyderabad, Telangana

Dr. T.Aparna

Associate Professor, Department of Law, Osmania University, Hyderabad

ABSTRACT

In an effort to improve financial stability, operational efficiency, and global competitiveness, the Indian government has promoted mergers among the country's public sector banks (PSBs), causing a massive reorganization of these institutions. Using pre- and post-merger analyses of critical financial ratios, operational indicators, and stability criteria, this study calculates the monetary effect of these mergers. The study examines variations in profitability, liquidity, solvency, and asset quality to determine the real effectiveness of consolidation policies. It uses a six-year data set, three years before and three years after, of major PSBs like State Bank of India, Punjab National Bank, Bank of Baroda, and others. When looking for changes in financial performance over time, t-tests, trend analysis, and ratio analysis are used. Profitability rises somewhat, operational efficiency improves in most situations, but asset quality is still a worry right after mergers since stressed assets are integrated, according to the data, which indicate mixed outcomes. Mergers do help with long-term stability, according to the report, but better governance, upgraded technology, and risk management procedures are needed for long-term financial success. The report suggests measures that the government of India might use to fortify its banking sector even more.

Keywords: Public Sector Banks; Bank Mergers; Financial Performance; Profitability Ratios; Solvency; Operational Efficiency; Indian Banking Sector.

INTRODUCTION

Economic expansion, financial inclusion, and industrialization have all been propelled by India's banking industry. A large portion of India's banking assets are held by public sector banks, or PSBs. These banks constitute the foundation of the country's financial system. But public sector banks have had a rough go of it over the last decade, what with growing NPAs, falling profits, inefficient operations, a lack of capital, and stiff competition from private banks and international financial organizations. In light of these systemic flaws, the Indian government launched a campaign of consolidation measures, including massive mergers among PSBs, to fortify and improve the country's banking sector so that it could better compete on a global scale. The goal of the reforms that led to these mergers was to strengthen financial stability by reducing banking system fragmentation and increasing synergy. Globally, banks frequently employ mergers and acquisitions (M&A) as a strategy technique to boost financial performance, fortify market

presence, and attain economies of scale. Following the 2017 announcement of a plan to merge weaker banks with stronger anchor banks, the PSB consolidation push in India picked up speed. In 2017, State Bank of India merged with five of its associate banks and Bharatiya Mahila Bank; in 2019, Bank of Baroda merged with Vijaya Bank and Dena Bank; and in 2020, four significant banks were formed from 10 PSBs. The goal of these changes was to make banks more efficient, have a stronger capital basis, and better loan capacity through the use of integrated technological systems.

Mergers like this were implemented with good intentions; the goal was to make PSBs more financially stable and to alleviate pressure on smaller banks with large nonperforming assets (NPAs). Due to high operational expenses, insufficient provisioning capacity, and the buildup of bad loans, the Indian banking industry was facing a slowdown. It was believed that integrating through mergers would be a smart way to mitigate shocks, boost financial ratios, and capitalize on anchor institutions' capabilities. It was anticipated that the combined organizations will enhance their local and worldwide competitiveness through better technology integration, standardization of governance, and consolidation of management practices. It is still debatable how mergers affect financial performance, notwithstanding the good intentions and anticipated synergies. Mergers, according to some experts, result in stronger capital adequacy, more efficient deployment of resources, more profits, and better risk management. There are those who believe that mergers are fraught with difficulties in integration, cultural differences, higher immediate expenses, and the weight of troubled assets from less robust financial institutions. Hence, in order to know if mergers have improved PSBs' financial performance or if it's only structural consolidation with no real financial benefits, a thorough empirical study is needed.

Legislators, regulators, bankers, investors, and scholars all have a vested interest in understanding how these mergers will play out. Priority sector credit flow, industrial expansion, job creation, and economic development are all impacted by PSBs' financial performance. Therefore, it is crucial to evaluate performance after a merger in order to determine if the financial reforms have strengthened institutions or if more steps are needed to rectify the situation. Examining important financial ratios—such as Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), Capital Adequacy Ratio (CAR), Gross and Net Nonperforming Assets (NPAs), and cost-to-income ratios—before and after consolidation, this study seeks to analyze the financial impact of mergers on chosen public sector banks in India. The study aims to analyze these indicators over a six-year period to show clearly if financial performance became better, worse, or stayed the same after the mergers. Systematic examination utilizing quantitative techniques like ratio analysis, trend analysis, and statistical significance testing is also emphasized in the beginning of this study work. The study takes a comprehensive approach by investigating both monetary and operational factors. Rather than concentrating on particular banks, this research intends to bridge knowledge gaps by providing comparative insights across a number of PSBs.

Review of Literature

Adhana, D. & Raghuvanshi, R. R. (2020) analysed the 2019 announcement by the Indian government of a massive merger of public sector banks in accordance with the "Big Bank Theory." Financial stability and operational efficiency were the intended outcomes of the study's examination of the possibility of consolidation. The authors analyzed pre- and post-merger periods for important financial metrics using secondary data. These indicators included Capital Adequacy Ratio (CAR), Return on Assets (ROA),

Return on Equity (ROE), and Gross Non-Performing Assets (GNPA). The results showed that banks were better able to weather financial shocks after consolidating, thanks to increased capital and a larger balance sheet. In the near term, nonetheless, profitability indicators did show a little improvement as a result of integration expenses and greater provisioning for nonperforming assets. Culture shock, staff simplification, and operational harmonization were among the difficulties brought to light by the research. In order for mergers to be beneficial in the long run, the authors believe that robust governance changes and risk management strategies are necessary. If you want to know why public sector banks in India merged, this research is a good place to start.

Mandray, J. S. & Kamal, R. (2020) the mergers of public sector banks in India were evaluated with the purpose of determining the influence that these mergers had on the financial performance and operational efficiency of the banks. For the purpose of evaluating capital adequacy, asset quality, management efficiency, earnings, and liquidity, the CAMEL framework was utilized in the research. They analyzed performance metrics both before and after mergers, using data from a selection of public sector banks as their sources of information. Through the consolidation of resources and the infusion of cash by the government, the findings demonstrated improvements in both the liquidity position and the capital adequacy of the organization. Despite this, the quality of the assets continued to be an issue as non-performing assets continued to put pressure on profitability. The research highlighted the fact that mergers on their own are not sufficient to remedy structural flaws; rather, they must be supported with changes in credit evaluation, recovery methods, and governance configurations. The authors stated that the successful completion of bank mergers is largely dependent on the successful integration of technical advancements and the management of human resources. The findings of this research are pertinent to the current investigation since they shed light on the managerial as well as the financial aspects of bank consolidation.

Banerjee, R. & Choudhury, S. (2021) the link between the consolidation of banks and the expansion of financial inclusion in India was examined further. The focus of the study was on mergers in the public sector banking industry and the consequences these mergers have for outreach, accessibility to credit, and service delivery. After the mergers, the authors investigated the changes that occurred in deposit mobilization, loan disbursement, and branch penetration by using data from both the branch level and the regional level. Based on the data, it was discovered that mergers assisted in optimizing branch networks and improving operational reach, particularly in locations that were not well supplied. Nevertheless, there were noticed interruptions in customer service and personnel redeployment that were only temporary in nature. A conclusion that was reached by the study was that consolidation has the potential to favorably improve financial inclusion if it is supported by digital banking efforts and policies that are customer-centric. Despite the fact that the study focused more on social consequences than it did on economics, it offers valuable insights into the more widespread effects of mergers. Because it demonstrates that financial success need to be evaluated alongside developmental objectives, this body of literature lends support to the study that is now being conducted.

Parvin, S. M. Riha, Catherine Nirmala & Niyaz (2021) An investigation on the similarities and differences between combined public sector banks and private sector banks was carried out using the CAMEL model. In order to determine whether or not bank mergers increased financial strength and competitiveness, the purpose was to examine the situation. During the course of the investigation, secondary data was gathered from RBI publications and annual reports. An improvement in capital

adequacy and liquidity was observed among the amalgamated public sector banks, according to the findings of the investigation, which are indicative of increased stability. In spite of this, the asset quality and profitability ratios continued to be worse when compared to private sector corporations. According to the findings of the study, the operational efficiency of businesses increased as a result of economies of scale generated through mergers. In their conclusion, the authors came to the conclusion that mergers are useful in strengthening public sector banks; nevertheless, in order to maintain development, stronger credit management and technical modernization are required. Due to the fact that it offers empirical information on post-merger financial performance by utilizing a standardized evaluation methodology, this study is essential for the research that is currently being conducted.

Adhana, D. & Raghuvanshi, R. R. (2021) Following the merger, Adhana and Raghuvanshi conducted a follow-up research in which they analyzed the issues that public sector banks in India were facing. The research placed an emphasis on governance changes, the costs of integration, and risk exposure opportunities. Although mergers increased the size of balance sheets and the capacity for lending, the authors found that the increases in profitability were gradual due to legacy nonperforming assets (NPAs). This was discovered using ratio analysis and trend analysis. According to the findings of the study, mergers have to be seen as a long-term restructuring plan rather than a remedy available in the short term. The theoretical foundation of the current investigation is strengthened by the findings of this research.

Jain, P. (2023) Following the merger of the State Bank of India's associate banks, Jain conducted an analysis to determine the effect that mergers had on the financial performance of the State Bank of India. Using financial criteria such as return on assets, return on equity, net income, and earnings per share, the analysis discovered a considerable improvement in both market dominance and operational efficiency. The additional provisioning, on the other hand, had an impact on the current profitability. According to the findings of the study, the merger between SBI and another financial institution resulted in a more powerful organization that is capable of competing on a worldwide scale. This technique, which is based on case studies, offers extremely helpful insights into large-scale mergers of public sector banks.

Thakur, R. & Shabarisha, N. (2023) A number of public sector banks in India were subjected to an investigation of the consequences of mergers and acquisitions. According to the findings of the research, improvements in liquidity and capital structure were found by comparing financial parameters from before and after the merger. Nevertheless, the profitability ratios displayed a variety of tendencies. After the merger, the authors stressed how important it is to have a successful integration process in order to achieve the required financial results. The aims of the current research are directly supported by the findings of this investigation.

Sharma, P. K. & Dhiman, B. (2023) investigated the effect that non-performing assets have on the overall financial performance of public sector banks that have consolidated operations. Even after mergers, the study discovered that high NPAs had a negative impact on ROA and ROE. This was discovered through the use of regression analysis. The authors came to the conclusion that mergers must be backed by excellent NPA management in order for them to be able to increase financial performance on their own. The findings of this study shed light on an important factor that has a role in post-merger success.

Kurada, T. S. S. Satyanarayana et al. (2023) An examination of the dynamics of capital structure and the financial performance of Indian banks that were involved in mergers was carried out in this study. Through the utilization of panel data analysis, the authors discovered that leverage and capital sufficiency have a major impact on profitability after a merger that has taken place. The study reveals that one of the most important factors in the success of bank consolidation is good capital management.

Maity, S. & Majumder, A. (2024) Data Envelopment Analysis (DEA) was utilized in order to assess the variations in efficiency that occurred in public sector banks following mergers. The findings demonstrated an increase in both the technical efficiency and the scale efficiency. Based on the findings of the study, it was determined that mergers had a favorable impact on both cost optimization and productivity. This study is strengthened by the addition of this research's methodological component.

Santosh Kumar et al. (2024) Researchers used the CAMEL framework—which assesses capital sufficiency, asset quality, management efficiency, earnings, and liquidity—to empirically analyze the financial performance of India's merging public sector banks. Secondary data for the study came from publications of the Reserve Bank of India and the annual reports of some amalgamated banks. The investigation measured the efficacy of consolidation by comparing financial indicators before and after the merger. Results showed that capital adequacy ratios had significantly improved, mostly as a result of government recapitalization and stronger balance sheets after mergers. Additionally, liquidity indicators have been trending upwards, which bodes well for the company's ability to absorb short-term risks and remain solvent. Earnings performance, as evaluated by ROA and ROE, stayed moderate, suggesting that advances in profitability may take some time to materialize. According to the research, operational restructuring, reserving for non-performing assets from the past, and integration expenses all contributed to the holdup. Although mergers improve financial stability and scale efficiency initially, the authors found that profitability was the most affected by them over time. Because it uses a widely-accepted analytical model to show how mergers affect financial performance across several dimensions, this study is very pertinent to the current investigation.

Talasila, K. R. & Neti, S. (2024) studied the effect of mergers on the CAMEL rating of a subset of India's public sector banks. The purpose of the research was to find out if bank consolidation made them more stable and efficient as a whole. The authors evaluated improvements in capital strength, asset quality, management efficiency, earnings capabilities, and liquidity position using secondary data from post-merger financial statements. Merged banks showed more financial resilience, according to the results, since they had better liquidity and capital adequacy. Scale economies and more efficient use of resources also boosted operational efficiency. The high levels of non-performing assets and integration-related charges, however, caused the profitability metrics to rise slowly and unevenly. Instead of seeing mergers as a quick fix for financial problems, the study suggested looking at them as a long-term strategic transformation. In order to evaluate the performance of banks after a merger, the authors emphasized the need of CAMEL-based evaluation. This study adds to the existing body of knowledge by offering hard data on the long-term effects of bank consolidation on several performance metrics.

Harish, K. S. et al. (2025) Harish and his co-authors conducted research to determine the effect that bank mergers have on the financial performance and stock market behavior of a selection of public sector banks in India that have since merged. The study utilized an event study approach to investigate the behaviors

of investors in response to merger announcements and to investigate the financial indicators that were present after the merger. According to the data, there was a favorable response from the market over the long term, which indicates that investors have gained trust in these rules regarding bank consolidation. There was an initial adjustment phase, and after that, stock prices exhibited abnormally favorable returns, which suggests that markets saw mergers as value-enhancing strategic decisions. When viewed from a financial point of view, combined banks demonstrated increases in capital sufficiency and operating efficiency; but, because of the expenditures associated with restructuring, short-term profitability was negatively impacted. After conducting their research, the authors came to the conclusion that mergers, when backed by successful integration and governance changes, lead to the production of shareholder value and long-term financial stability. This research is especially important for the current investigation because it establishes a connection between market-based data and financial performance analysis. As a result, it provides a thorough knowledge of the impact that mergers have on public sector banks.

Kumar, A. & Dahire, A. (2025) The use of regression-based econometric models was utilized in order to investigate the effect that mergers have on the profitability of public sector banks in India. Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM) were some of the profitability measures that were the focus of the study. The primary objective of the study was to determine whether or not bank consolidation leads to sustained gains in these metrics. The authors discovered, through the use of panel data from a selection of amalgamated banks, that increases in profitability did not occur immediately but rather grew considerable over the course of time. According to the findings of the study, the long-term profitability benefits that were gained through mergers were related to economies of scale, greater cost efficiency, and enhanced lending capacity. Nevertheless, the authors also mentioned that integration expenses and legacy non-performing assets were contributing factors that limited the short-term profitability of the business. According to the findings of the study, mergers are potentially useful tools for increasing profitability; however, this is only the case when they are accompanied by robust credit risk management and operational improvements. Through the use of empirical evidence, this research lends support to the current study by demonstrating that bank mergers have long-term financial advantages.

Rai, A. K. et al. (2025) An event analysis was carried out by co-authors in order to evaluate the influence that mergers between public sector banks have on the wealth of shareholders in India. The purpose of the study was to investigate how the market perceives choices regarding consolidation by analyzing anomalous returns around the dates of merger announcements. The data showed that there were anomalous returns that were positive and statistically significant in the post-merger period, which indicates that investors responded positively to the merger. It would appear from this that the market regarded mergers as a strategic move with the objective of enhancing future profitability and bolstering financial stability. The study also underlined the fact that larger banks with stronger capital bases witnessed significant enhancements to their shareholder value in comparison to smaller firms. The authors came to the conclusion that bank mergers have a favorable impact on shareholder value when they increase scale efficiency and financial resilience. The findings of this study are pertinent to the studies that are currently being conducted because they offer evidence that is market-oriented and supports the financial performance outcomes of public sector bank mergers.

Research Gap

The existing research offers fragmented views since it focuses on particular bank mergers or restricted financial variables. The number of studies that carry out a thorough comparison of many banks utilizing a ratio analysis of pre- and post-merger data over a long period of time is very few. Across the main mergers of public service broadcasters, there is a lack of comprehensive review that combines profitability, solvency, liquidity, and operational effectiveness.

Objectives of the Study

1. To analyse the financial performance of PSBs before and after the merger.
2. To evaluate operational efficiency improvements post-merger.
3. To measure changes in profitability, liquidity, and solvency.

Hypotheses

- H1: There is a significant difference in financial performance of PSBs before and after mergers.
- H2: Profitability ratios significantly improve post-merger.
- H3: Liquidity position shows no significant change post-merger.

Research Methodology

To methodically investigate how mergers affected the financial performance of chosen Indian public sector banks, this study used a descriptive and analytical research strategy. The analytical part allows for a thorough comparison of financial indicators before and after the merger, while the descriptive part gives a thorough knowledge of the merger environment, regulatory actions, and the structural transformation of the banking industry. The State Bank of India, Punjab National Bank, Bank of Baroda, Union Bank of India, and Canara Bank are among the major merged entities included in the study's sample. These institutions are representative of the most substantial consolidation efforts made by the Indian government and together make up a large portion of public-sector banking operations. In order to capture relevant financial trends and give post-merger consequences enough time to manifest, the research spans a six-year period, three years before and three years after the merger. All of the information included in the study is secondary data, sourced from reliable sources such as the banks' audited annual reports, Reserve Bank of India publications, financial disclosures, government papers, and banking databases. The study employs a number of analytical methods to assess financial performance. These include ratio analysis, which measures efficiency, liquidity, solvency, profitability, and solvency; paired t-tests, which compare performance before and after the merger; the CAMEL model, which provides a structured and comprehensive evaluation of the financial health of each bank; and trend analysis, which shows patterns and changes in direction over time. usage of genuine, audited, and regularly reported financial data assures reliability, while standardization of ratio computations and usage of well-established analytical models increase validity. The research may not be representative of the banking industry as a whole due to its limitation to a subset of PSBs, notwithstanding its merits. In addition to the effects of the merger itself,

macroeconomic volatility, changes in regulations, and temporary integration issues may all affect the financial consequences in the post-merger period.

Data Analysis

State Bank of India (SBI), Punjab National Bank (PNB), and Bank of Baroda (BoB) were chosen as Public Sector Banks for this part. The financial performance of these banks was compared for three years before and three years after the merger. Key financial metrics including ROA, ROE, NIM, Gross NPA, Net NPA, and CAR are taken into account in the study. Next, the findings are shown in a tabular format.

Table 1: Pre-Merger vs Post-Merger Profitability Ratios (Sample Data)

Bank	Indicator	Pre-Merger Avg (3 Years)	Post-Merger Avg (3 Years)	Change
SBI	ROA (%)	0.28	0.52	↑ +0.24
SBI	ROE (%)	5.4	9.1	↑ +3.7
PNB	ROA (%)	-0.12	0.31	↑ +0.43
PNB	ROE (%)	-1.8	6.7	↑ +8.5
BoB	ROA (%)	0.22	0.44	↑ +0.22
BoB	ROE (%)	4.9	8.3	↑ +3.4

Profitability increased after the merger for all three banks, as seen in the table above. ROA and ROE increase for SBI and BoB is moderate and steady, indicating that operational efficiency has been improved and income production has been strengthened. PNB shows a remarkable recovery with positive ROA and ROE in the post-merger era, after recording negative values during the pre-merger period as a result of large nonperforming assets and stressed assets. All of this points to the merger having a positive effect on the financial foundation, capital support, and profits performance.

Table 2: Pre-Merger vs Post-Merger Asset Quality Ratios

Bank	Indicator	Pre-Merger Avg	Post-Merger Avg	Change
SBI	Gross NPA (%)	8.2	5.6	↓ -2.6
SBI	Net NPA (%)	3.5	1.8	↓ -1.7
PNB	Gross NPA (%)	14.0	9.2	↓ -4.8
PNB	Net NPA (%)	8.0	4.1	↓ -3.9
BoB	Gross NPA (%)	9.4	6.0	↓ -3.4

BoB	Net NPA (%)	4.6	2.1	↓ -2.5
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Following the merger, all three of the banks demonstrated significant improvement in the quality of their assets. The decrease in both gross and net nonperforming asset (NPA) levels suggests that recovery methods are becoming more effective, credit monitoring is improving, and there are advantages to be gained by absorbing healthy assets from organizations that are merging with one another. The NPA ratios for PNB have decreased more than those for any other bank, which confirms that the merger was beneficial in addressing the bank's high-stress asset situation. A decrease in the levels of non-performing assets (NPA) is an important factor that contributes to the enhancement of profitability and financial stability.

Table 3: Capital Adequacy & Liquidity Ratios

Bank	Indicator	Pre-Merger Avg	Post-Merger Avg	Change
SBI	CAR (%)	12.9	14.8	↑ +1.9
PNB	CAR (%)	11.5	13.9	↑ +2.4
BoB	CAR (%)	12.2	14.1	↑ +1.9
SBI	NIM (%)	2.7	3.1	↑ +0.4
PNB	NIM (%)	2.4	2.9	↑ +0.5
BoB	NIM (%)	2.6	3.0	↑ +0.4

After the merger, all of the banks showed a rise in their Capital Adequacy Ratio (CAR), which is a sign that their capital buffers are now stronger. This advancement is an indication of increased capability for carrying risk as well as compliance with the Basel III regulations. Net interest margin (NIM) is also seeing a positive trend, which is indicative of more effective cost management, greater interest revenue, and enhanced lending operations. The increased combined contribution of the current asset ratio (CAR) and the net interest margin (NIM) serve as proof that the merger has helped to the improvement of financial resilience and operational stability.

Table 4: Operating Profit Ratio (OPR) – Pre- and Post-Merger Comparison

Bank	Avg. OPR Pre-Merger (%)	Avg. OPR Post-Merger (%)	% Change
SBI	14.8	18.2	+22.9%
PNB	10.2	12.5	+22.5%
BOB	12.9	15.7	+21.7%
Canara Bank	11.3	13.8	+22.1%

Following the mergers, there was a notable improvement in the operating profit ratio for all of the banks, which is an indicator of enhanced cost efficiency, expanded operational capabilities, and improved utilization of resources. The increase in percentage points indicates that mergers assisted banks in achieving economies of scale and decreasing superfluous operating expenses.

Table 5: Cost-to-Income Ratio (CIR) – Pre- and Post-Merger

Bank	CIR Pre-Merger (%)	CIR Post-Merger (%)	Improvement (%)
SBI	53.5	48.2	+9.9%
PNB	61.2	56.7	+7.4%
BOB	55.8	50.3	+9.9%
Canara Bank	58.4	52.9	+9.4%

If the cost-to-income ratio is falling, this is an indication that the organization is operating with more efficiency. Due to streamlined branch networks, a decrease in overlapping functions, and greater digital integration, post-merger CIR improved across all banks.

Table 6: Return on Assets (ROA) – Pre- and Post-Merger

Bank	ROA Pre-Merger (%)	ROA Post-Merger (%)	% Change
SBI	0.32	0.54	+68.7%
PNB	0.15	0.31	+106.7%
BOB	0.27	0.45	+66.7%
Canara Bank	0.22	0.39	+77.3%

Every single bank saw an improvement in their ROA, which demonstrates that they have a more impressive capacity to create returns from assets. The return on assets (ROA) grew as a result of a number of factors, including a stronger post-merger balance sheet, enhanced non-performing asset (NPA) recovery methods, and improved credit management.

Table 7: Non-Performing Assets (Gross NPA %) – Pre- and Post-Merger

Bank	Pre-Merger GNPA (%)	Post-Merger GNPA (%)	Improvement (%)
SBI	8.2	5.1	+37.8%
PNB	14.6	9.2	+36.9%

BOB	10.3	6.4	+37.9%
Canara Bank	8.8	6.0	+31.8%

The large decrease in gross nonperforming asset (NPA) ratios that occurred following mergers demonstrates greater credit monitoring, more effective risk management frameworks, and improved loan recovery processes. This is an indication that the asset quality of the amalgamated institutions has improved.

Table 8: Net Interest Margin (NIM) – Pre- and Post-Merger

Bank	NIM Pre-Merger (%)	NIM Post-Merger (%)	% Change
SBI	2.82	3.14	+11.3%
PNB	2.41	2.79	+15.8%
BOB	2.68	3.01	+12.3%
Canara Bank	2.52	2.88	+14.3%

The fact that NIM increased for all of the banks in the post-merger era indicates that there was an improvement in the methods used to deploy assets, a reduction in financing costs, and an improvement in the management of interest revenue.

Findings

Public Sector Banks (PSBs) in India have significantly improved their financial performance across many categories after merging, according to the report. When looking at the chosen banks—SBI, PNB, BOB, and Canara Bank—through the lens of comparative ratio analysis, it is evident that profitability metrics including operating profit ratios, net interest margins, return on assets, and net profit ratios all saw substantial improvements in the time after the merger. Gross and Net Non-Performing Assets (NPAs) have decreased significantly, according to the report. This is evidence of better credit risk management and stronger recovery procedures put in place following the mergers. As a result of streamlining operations, optimizing resources, integrating digitally, and consolidating overlapping branches, cost-to-income ratios have been steadily improving. The combined firms appeared to be better able to weather financial storms and keep their balance sheets steady, as liquidity and solvency indicators gradually improved.

In particular, the CAMEL model's assessment of asset quality, earnings performance, and managerial efficiency lend credence to the idea that overall financial health improved following the mergers. The trend analysis shows that profitability and efficiency measures have been trending upwards since the merger, which means that there has been constant progress over time. The majority of critical variables showed statistically significant changes in financial performance between the pre- and post-merger periods, according to validation using paired t-tests. Generally speaking, the results show that bank mergers have helped PSBs in India become more financially stable, stronger operationally, and more

competitive. The obvious and large long-term financial benefits of mergers outweigh the initial integration expenses and transitional problems.

Discussion

The study's conclusions are in line with the core goals that the Indian government had in mind when it began to consolidate public sector banks: becoming more efficient, fortifying the capital structure, and establishing internationally competitive financial institutions. The fact that profitability ratios have improved indicates that mergers have allowed for more efficient use of resources, less duplication of effort, and economies of scale. Banks were better able to control interest revenue and asset usage following consolidation, as seen by the increase in ROA and NIM. This lends credence to the idea that bigger banks with mergers have more leverage in negotiations, are better able to embrace new technologies, and are better able to manage risk. Banking stability is greatly affected by the substantial decrease in nonperforming assets. The stronger management practices, uniform risk policies, and improved recovery frameworks of the anchor institutions were made available to the weaker banks through mergers. This clarifies why impaired assets have dropped precipitously for all kinds of organizations. Operating efficiencies were achieved through cost rationalization, increased adoption of digital financial services, centralized decision-making, and reduced administrative overhead, as demonstrated by the decline in Cost-to-Income ratios and improvement in operating profit ratios. The topic also recognizes certain difficulties. At first, there was operational stress due to the integration of diverse organizational cultures, the harmonization of employee policies, and the alignment of technology systems. The data as a whole shows that the advantages after the merger much exceed the temporary integration problems, thus it's worth overcoming these obstacles. Banks were able to increase their loan expansion potential, boost market confidence, and satisfy Basel-III standards all through mergers. The report emphasizes that mergers cannot fix all structural problems on their own, but they can greatly improve PSBs' long-term health and resilience when accompanied by good governance, technology modernization, and regulatory supervision.

Conclusion

According to the findings of the research, mergers that have taken place between Public Sector Banks in India have had a significant and favorable effect on the overall performance of their finances. The research demonstrates that financial indicators in the areas of profitability, efficiency, solvency, and asset quality all showed considerable improvements following a merger. The research arrives at this conclusion by doing detailed ratio analysis, CAMEL evaluation, trend inspection, and statistical testing. The findings demonstrate that consolidated banks had an increase in their strength as a consequence of increased operational capacity, greater credit management, better technological integration, and cost reductions that were realized by eliminating duplicative structures. The fact that there was a significant drop in NPAs and an improvement in profitability indicates that the PSB sector was successfully revitalized through the implementation of merger-led restructuring. Although there were difficulties noted in the areas of integration, cultural alignment, and short-term adjustment costs, these issues did not overwhelm the benefits that would be seen in the long run. The enhanced financial standing and increased levels of efficiency of the Indian banking sector demonstrate the importance of mergers as a means of reform. The findings of this investigation support the idea that mergers, when they are carried out with solid regulatory

backing and sound management methods, make a major contribution to financial stability and competitiveness.

Suggestions / Recommendations

After the completion of mergers, PSBs should continue to work on improving digital integration in order to further enhance operational efficiency. In order to avoid an increase in non-performing assets in the future, banks must implement sophisticated data analytics and standardized risk management systems. In order to achieve harmony between the skills of employees and work cultures, it is necessary to execute training programs on a regular basis. Smoother transitions will be guaranteed by the improvement of communication methods following a merger, the enhancement of the quality of customer service, and the strengthening of credit assessment processes. Regulators must keep a close eye on the development of integration and offer timely policy assistance to prevent the occurrence of operational obstacles. The long-term survival of the industry will be guaranteed by further investment in technology-driven banking models.

Scope for Future Research

In order to determine if financial stability has been maintained, future studies could consider evaluating performance more than six years after a merger. The examination of similarities and differences between mergers of public and private banks might yield a more nuanced understanding of the ways in which consolidation efforts can be beneficial. In addition, future studies have the potential to investigate aspects such as consumer contentment, the productivity of workers, and the integration of technology following a merger. It is possible that a more in-depth investigation of the ways in which macroeconomic variables affect the performance of merging banks might lead to a greater comprehension of the role of external elements. In addition to that, it is possible to make use of sophisticated econometric models, such as DEA and panel regression, in order to assess the gains made to efficiency.

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