



## A STUDY ON THE IMPACT OF MERGERS ON THE FINANCIAL PERFORMANCE OF INDIAN BANKS.

Ms. S. Sandhya Rani<sup>1</sup>, Mr. G. Vinesh Kumar <sup>2</sup>

<sup>1</sup> MBA Student (24881E00B5), Department of Management studies, Vardhaman College of Engineering, Shamshabad, Hyderabad. Telangana

<sup>2</sup> Assistant Professor, Department of Management studies, Vardhaman College of Engineering, Shamshabad, Hyderabad. Telangana.

### Article Info

#### Article History:

Published: 04 Feb 2026

#### Publication Issue:

Volume 3, Issue 2  
February-2026

#### Page Number:

29-42

#### Corresponding Author:

Ms. S. Sandhya Rani

### Abstract:

The study provides insights into the effectiveness of mergers as a strategic tool in the Indian banking sector and highlights areas where post-merger integration can be optimized to achieve sustainable financial growth. Mergers and acquisitions (M&A) have become a significant strategy for Indian banks to enhance operational efficiency, expand market share, and strengthen financial performance. This study aims to analyze the impact of mergers on the financial performance of Indian banks by comparing key performance indicators—such as profitability, liquidity, and capital adequacy—before and after the merger. The research uses a combination of quantitative analysis of financial statements and secondary data from RBI reports, annual bank reports, and other financial databases. Preliminary findings indicate that while mergers often lead to improved financial metrics and operational efficiencies, the magnitude of improvement varies depending on factors such as the size of the banks involved, integration strategies, and market conditions.

**Keywords:** Mergers and Acquisitions (M&A), Indian Banking Sector, Financial Performance, Profitability Analysis, Liquidity Management

## 1. INTRODUCTION

The Indian banking sector has undergone significant transformations over the past few decades, driven by economic reforms, globalization, and increased competition. Among the strategic tools adopted by banks to strengthen their position, mergers and acquisitions (M&A) have emerged as a key approach to enhance operational efficiency, expand market reach, and improve financial performance. Mergers are intended to create synergies, optimize resource utilization, and achieve economies of scale, thereby improving profitability, liquidity, and overall stability of the institutions involved.

Studies on Indian bank mergers show mixed but generally positive outcomes, with mergers often leading to **increased profitability (ROA, ROE, NIM)** and **operational efficiency (lower Cost-to-Income Ratio)** due to cost synergies, scale, and better technology, but also sometimes facing challenges like **integration costs and initial asset quality dips (NPAs)**, though these often improve long-term, ultimately strengthening banks for better competitiveness, according to research in journals like *JETIR*, *SSRN*, and *ResearchGate*.

### Key Findings from Research:

- **Profitability:** Higher Return on Assets (ROA) and Return on Equity (ROE) are common post-merger, showing better use of funds. Net Interest Margins (NIM) often improve, indicating better pricing power.

- **Efficiency:** Reduced Cost-to-Income Ratios signal successful cost-cutting from branch consolidation, shared tech, and streamlined admin.
- **Asset Quality:** While initial Non-Performing Assets (NPAs) might rise due to reclassification, long-term trends often show improvement as risk management strengthens, notes this SSRN article.
- **Strategic Goals:** Mergers help create larger, more competitive banks, achieve economies of scale, expand reach, and diversify revenue streams, supporting government aims for sectoral reform, states this Mint video analysis.

#### Examples & Cases:

- **Mega-Mergers (2020):** Studies on public sector bank consolidations (like PNB, Canara Bank, Union Bank) show significant gains in NIM, ROA, and ROE, reducing costs and improving efficiency, notes this Asian Journal article and Advances in Consumer Research.
- **HDFC-Centurion Bank:** This private sector merger provided HDFC Bank with wider network and customer base, boosting its presence.

#### Challenges & Considerations:

- **Integration:** Merging cultures, systems, and loan portfolios can be complex and costly in the short term.
- **Market Concentration:** Some critics worry about reduced competition and consumer choice after consolidation, according to [this article in IJSRET](#).

## 2. REVIEW OF LITERATURE

- Mergers and Acquisitions in Indian Banking Sector: Pre-Post Analysis of Performance Parameters  
<http://d1wqtxts1xzle7.cloudfront.net/96357510/A017320109-libre.pdf?>

Ms. Sohini Ghosh<sup>1</sup>, Dr. Sraboni Dutta<sup>2</sup>

Review of literature: Economic liberalisation in the early 1990s significantly transformed the Indian banking sector by enhancing competition, efficiency, and growth opportunities for financial institutions. Several studies highlight that mergers and acquisitions emerged as a strategic tool for corporate restructuring and consolidation among Indian banks during the post-liberalisation period. Prior research has examined M&A activities to assess their impact on operational efficiency, financial performance, and human resource parameters. Empirical evidence from studies covering M&A deals between 2000 and 2010 suggests that while consolidation aimed at achieving scale and synergy, the post-merger performance of banks did not show statistically significant improvement compared to pre-merger levels. These findings indicate that M&A outcomes in the Indian banking sector are mixed and depend on effective integration strategies. Overall, the literature suggests that M&A alone may not guarantee enhanced performance without structural and managerial alignment.

- MERGERS IN BANKING INDUSTRY OF INDIA: SOME EMERGING ISSUES

- <https://d1wqtxts1xzle7.cloudfront.net/96357510/A017320109-libre.pdf>

- Dr. K.A. Goyal, Vijay Joshi

- Review of literature: Existing literature on mergers in the Indian banking industry highlights intense competition as a key driver of consolidation, where larger banks absorb smaller ones to strengthen market position. Several review studies, inspired by cases such as the merger of Bank of Rajasthan Ltd. with ICICI Bank Ltd., examine the underlying motives for mergers and acquisitions in the post-liberalisation era. Research covering multiple bank mergers emphasizes expansion in branch networks and increased geographical penetration as major benefits of consolidation. Beyond financial performance, scholars have drawn attention to human resource management and organizational behaviour challenges arising from bank mergers. These studies suggest that successful mergers require effective integration of people, culture, and

systems. The literature also identifies significant scope for further research adopting alternative perspectives on banking sector M&A.

- **MERGERS AND ACQUISITIONS-THE GAME OF PROFIT AND LOSS: A STUDY OF INDIAN BANKING SECTOR**

<https://www.researchgate.net/profile/Ritesh-Patel-13/publication/306399652>

Prof. Ritesh Patel, Dr. Dharmesh Shah

Banking plays a crucial role in the Indian economy, and several studies have analysed mergers to evaluate changes in banks' financial performance. Prior research has focused on comparing pre- and post-merger performance using value-based measures such as Economic Value Added (EVA). Studies examining bank mergers during the period 2004–2010 indicate that post-merger financial performance improved in most cases, suggesting potential synergy gains. Evidence from exploratory studies using secondary data highlights the importance of EVA as a comprehensive indicator of value creation. However, the findings also emphasize that the success of mergers largely depends on thorough pre-merger analysis. The literature further notes limitations in generalizing results due to sample size and methodological constraints, while offering practical implications for bank management.

- **4. Motives for Mergers and Acquisitions in the Indian Banking Sector - A Note on Opportunities & Imperatives**
- [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1008717](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1008717)
- **Ram Kumar Kakani, Jay Mehta**
- Review of literature: Recent literature on the Indian banking sector indicates a gradual shift from a fragmented structure with numerous small banks to a more consolidated system comprising fewer large banks. Several studies have examined mergers and acquisitions as a strategic response to increasing competition, efficiency requirements, and global integration. Prior research highlights multiple motivations behind bank mergers, including economies of scale, market expansion, and enhanced financial stability. The role of the state and the central bank has been emphasized as crucial in balancing customer protection with the creation of globally competitive banking institutions. Scholars also view banking mergers both as an opportunity for growth and as an imperative driven by economic and regulatory pressures. The literature further underscores the broader national implications of banking consolidation in terms of financial resilience and international competitiveness.
- **5. Merger and Acquisitions (M&As) in the Indian Banking Sector in Post Liberalization Regime**
- [https://d1wqtxts1xzle7.cloudfront.net/32572460/Azeem\\_Ahmad\\_Khan-libre](https://d1wqtxts1xzle7.cloudfront.net/32572460/Azeem_Ahmad_Khan-libre).
- **Azeem Ahmad Khan**
- Review of literature: The review of literature reveals that extensive research has been conducted on mergers and acquisitions in the banking sector, particularly focusing on their impact on financial performance and operational efficiency. Prior studies highlight that M&As are primarily driven by motives such as expansion, synergy creation, economies of scale, and improved competitiveness. Several researchers have examined pre- and post-merger performance using financial ratios like profitability, return measures, and leverage indicators to assess performance changes. Empirical evidence from earlier studies generally suggests an improvement in profitability and efficiency of acquiring banks after mergers. Statistical tools such as ratio analysis and t-tests have been widely used to test the significance of performance differences before and after mergers. Overall, the literature indicates that M&As in the Indian banking sector have a positive influence on financial health and shareholder value.
- **6. Mergers And Acquisitions (M&As) In The Banking Sector: A Comparative Review Of The Indian And International Literature**

- <https://www.researchgate.net/profile/Janaki-Rathore/publication/327792941>
- Ruchita Verma and Janaki Singh Rathore
- Review of literature: The review of literature indicates that a substantial body of research exists on bank mergers and acquisitions both in India and internationally, with significant variations in focus and methodology. Previous studies have employed diverse variables and analytical tools to examine the impact of M&As on banking performance, efficiency, and stability. International research, particularly from the USA and Europe, dominates the literature and demonstrates more extensive empirical depth and methodological rigor. In contrast, Indian studies on bank M&As are relatively limited in number and scope. Comparative analyses reveal noticeable differences in prime research focus and variables used between Indian and international studies. Recent literature also shows emerging interest from other countries, though at a modest level. Overall, the literature suggests a gap between Indian and international research standards in the area of bank mergers and acquisitions.
- 7. Mergers in Indian Banking: An Analysis
- <https://uhra.herts.ac.uk/id/eprint/14/>
- M Jayadev, Rudra Sensarma .
- Review of literature: The literature on banking consolidation highlights differing perspectives of key stakeholders, particularly shareholders and managers. Earlier studies using event study methodology reveal that forced bank mergers in India do not generate significant gains for either bidder or target bank shareholders. In contrast, voluntary mergers tend to create positive abnormal returns, especially for bidder bank shareholders. Despite limited shareholder gains in certain cases, managerial opinion strongly supports consolidation as a strategic necessity. Prior research identifies critical success factors in bank mergers, including accurate valuation of loan portfolios, integration of IT systems, and effective human resource management. The literature also emphasizes external regulatory and competitive pressures such as Basel norms, capital account convertibility, and financial inclusion as major drivers of consolidation. Overall, studies suggest that consolidation is viewed as essential for strengthening the long-term resilience of the Indian banking sector.
- 8. The Effects of Mergers and Acquisitions on the Performance of Commercial Banks in India
- [https://www.rset.edu.in/download/dsims/2\\_](https://www.rset.edu.in/download/dsims/2_)
- Ruby Agarwal, Sarita Vichore, Maneesh Gupta
- Review of literature: The review of literature emphasizes the critical role of the banking sector in economic development while noting persistent inefficiencies and financial distress within the Indian banking industry. Prior studies have examined mergers and acquisitions as a strategic tool to address issues such as insolvency, instability, and poor performance. Using the CAMEL framework, researchers have widely assessed bank performance across capital adequacy, asset quality, management efficiency, earnings, and liquidity. Empirical evidence based on pre- and post-merger analysis indicates that M&As contribute to improved financial performance of banks. Studies covering long-term periods using secondary data and paired sample t-tests reveal significant performance differences after consolidation. The literature further suggests that private sector banks benefit more from mergers and acquisitions compared to public sector banks. Overall, existing research supports M&As as an effective mechanism for strengthening banking performance in India.
- 9. Impact of post-merger and acquisition activities on the financial performance of banks: a study of Indian private sector and public sector banks
- <https://d1wqtxts1xzle7.cloudfront.net/93296386/a18v39n26p25-libre>
- Sonia SINGH, Subhankar DAS

- Review of literature: The literature on mergers and acquisitions in Indian banking highlights their significant role in enhancing bank performance and competitiveness. Previous studies have analyzed M&A trends and evaluated pre- and post-merger performance using financial indicators such as profitability ratios, return measures, earnings per share, and capital adequacy. Empirical findings suggest that mergers have a notable impact on improving the financial performance of leading Indian banks over the long term. Researchers also emphasize the importance of effective post-merger integration strategies, including procedural, physical, and socio-cultural alignment. Qualitative outcomes such as improved accounting practices, market valuation, and managerial perceptions are found to be crucial in realizing merger benefits. The literature further recommends revisiting credit policies, strengthening logistical support, and adopting integrated marketing strategies to maximize post-merger gains. Overall, prior studies conclude that well-managed M&As can significantly enhance banks' operational efficiency and market position.
- 10. Mergers and Acquisitions: A Pre-Post Analysis for the Indian Financial Services Sector
- [https://mpr.ub.uni-muenchen.de/31253/1/MPRA\\_paper\\_31253.pdf](https://mpr.ub.uni-muenchen.de/31253/1/MPRA_paper_31253.pdf)
- PANKAJ SINHA and SUSHANT GUPTA
- Review of literature: This paper examines the Mergers & Acquisitions scenario of the Indian Financial Services Sector. The data for eighty cases of M&A in the period from March 1993- Feb 2010 is collected for a set of ten financial parameters representing the various characteristics of a firm. All the cases have been analyzed individually and collectively to determine the overall effects of M&A in the industry. The results of the study indicate that PAT and PBDITA have been positively affected after the merger but the liquidity condition represented by Current Ratio has deteriorated. Also Cost Efficiency and Interest Coverage have improved and deteriorated in equal number of cases. Interest Coverage remains an important factor in determining the return on shareholders' funds both before and after the merger but Profit Margin also becomes important after the merger. And looking at the diversification effects of merger, in two out of the three cases there has been a reduction in total and systematic risk.
- 11. A Study on Recent Acquisitions and Mergers in the Indian Banking Industry
- <https://www.researchgate.net/profile/Manpreet-Kaur-237>
- Atul Garg, Dr Manpreet Kaur
- Review of literature: The literature emphasizes mergers and acquisitions as a crucial strategy for consolidation in the rapidly expanding Indian banking industry. Prior studies argue that M&As help banks reduce costs, enhance revenue, and achieve operational efficiency in an increasingly competitive and globalized environment. Research highlights the significant role of government and regulatory policies in shaping consolidation decisions in Indian banking. Several voluntary mergers, particularly after the 1991 financial sector reforms, are cited as deliberate efforts by banks to strengthen their scale and market presence. Scholars note that Indian banks remain relatively small compared to global peers, making expansion through M&As essential for competitiveness and financial stability. The literature further identifies M&As as a means to improve shareholder value, meet regulatory requirements, and evolve into universal banks. Overall, studies support consolidation as a long-term strategic tool for sustaining growth and competitiveness in the Indian banking sector.
- 12. Mergers and Acquisitions: A Pre-post Risk – Return Analysis for the Indian Banking Sector
- [http://www.scienpress.com/Upload/JAFB/Vol%206\\_3\\_7.pdf](http://www.scienpress.com/Upload/JAFB/Vol%206_3_7.pdf)
- Ritesh Patel, Dharmesh Shah.
- Review of literature: Previous studies on bank mergers have extensively examined their impact on stock risk–return performance, highlighting changes in both systematic and unsystematic risk during pre- and post-merger periods. The literature provides mixed evidence, with several researchers reporting

improvement in post-merger stock returns for some banks, while others observe a decline in performance. Empirical studies using secondary data from financial databases such as Yahoo Finance and Moneycontrol suggest that mergers do not uniformly enhance shareholder wealth. Many scholars emphasize that inadequate pre-merger evaluation often leads to higher risk and lower post-merger returns. Conversely, well-planned mergers are found to generate synergy benefits and improved financial performance. Overall, existing literature stresses the importance of strategic analysis and due diligence in merger decisions to achieve long-term value creation.

- 13. Mergers & Acquisitions And Their Impact On Corporate - Values : Pre And Post-Merger Analysis Of Indian Banks
- <https://indianjournalofcomputerscience.com/index.php/IJF/article/view/72143/56177>
- Bigyan Prakash Verma, Pranab Maji, Santosh Nair
- Review of literature: Prior studies on mergers and acquisitions (M&As) in the Indian banking sector emphasize their role in enhancing operational efficiency, competitiveness, and long-term value creation. Researchers have frequently employed performance-based metrics such as Economic Value Added (EVA) to assess the impact of M&As on shareholder wealth and corporate value. Literature examining the period between 2000 and 2010 highlights a comparative analysis of pre- and post-merger performance, indicating notable improvements in financial strength and value generation after consolidation. Several studies underscore the resilience and adaptability of Indian banks during this transformative phase of economic liberalization. Despite their relatively smaller global size, Indian banks are reported to have expanded their strategic footprint domestically and internationally. Overall, existing literature supports the view that M&As have contributed positively to the growth and stability of the Indian banking sector.
- 14. BANK MERGERS AND ACQUISITIONS: A COMPREHENSIVE OVERVIEW
- <https://wisdompress.co.in/wp-content/uploads/2022/09/Bank-Management>
- Dr Shashank M Hiremath
- Review of literature: The literature on bank mergers and acquisitions highlights M&A as a strategic tool for enhancing efficiency, market power, and adaptability in a rapidly evolving financial environment. Several studies emphasize that banks pursue mergers to achieve economies of scale, expand geographically, diversify products, and strengthen competitiveness. Existing research also details the structured process of bank M&A, encompassing strategic planning, due diligence, negotiation, and post-merger integration. Scholars have identified integration challenges such as cultural compatibility, technological consolidation, and human resource management as critical determinants of M&A success. Regulatory oversight and stakeholder impact are widely discussed as influential factors shaping merger outcomes. Overall, the literature suggests that while bank M&As offer significant growth opportunities, their success largely depends on effective execution and integration strategies.
- 15. ROLE OF EMOTIONAL INTELLIGENCE IN CONFLICT MANAGEMENT IN BANKING SECTOR
- <https://www.researchgate.net/profile/Saurabh-Bajpai-2>
- Urooj Shakeel, Dr. Farhina Sardar Khan
- Review of literature: The existing literature on workplace emotions and conflict management has expanded significantly, highlighting the growing importance of emotional intelligence in organizational settings. However, studies focusing specifically on the banking sector remain limited, indicating a gap in sector-specific understanding. Prior research identifies emotional intelligence as the ability to recognize, understand, and regulate emotions, which plays a crucial role in managing workplace conflicts. Various dimensions of emotional intelligence and conflict management styles have been examined, demonstrating

their influence on employee behavior and organizational harmony. Scholars suggest that effective conflict management, supported by high emotional intelligence, leads to reduced conflicts and improved workplace behavior. Overall, the literature underscores the dynamic role of emotional intelligence in banks while pointing out gaps and directions for future research.

- 16. MERGERS AND ACQUISITIONS IN INDIAN BANKS AFTER LIBERALISATION: AN ANALYSIS
  - <https://www.ijcms.in/index.php/ijcms/article/view/568/542>
  - Madan Mohan Dutta, Dr. Suman Kumar Dawn
  - Review of literature: The literature on mergers and acquisitions (M&As) in the Indian banking sector emphasizes their role in business restructuring, enhancing competitiveness, and creating shareholder value through efficiency gains. Post-liberalization, the sector witnessed significant consolidation, driven by expectations of cost reduction, increased market power, earnings stability, and economies of scale and scope. Studies have examined the motives of both acquiring and target banks, the operational and financial synergies achieved, and the alignment of M&A processes with institutional goals. Research focusing on pre- and post-merger performance, using selected bank samples from 1994–2004, evaluates whether these mergers met their intended objectives. Scholars highlight critical success factors, including strategic fit, integration planning, and execution, as determinants of M&A effectiveness. Overall, the literature provides insights into the drivers, outcomes, and challenges of bank mergers in India while identifying areas for further analysis.
- 17. THE IMPACT OF MERGERS AND ACQUISITIONS ON THE FINANCIAL PERFORMANCE OF INDIAN BANKING SECTOR: AN ANALYTICAL STUDY
  - <https://www.researchgate.net/profile/Jaspreet-Kaur-225>
  - Jaspreet Kaur, Dr. Ravinderjit Singh
  - Review of literature: The literature emphasizes that a strong and efficient banking system is vital for India's economic growth, with commercial banks playing a key role in providing credit, mobilizing savings, and promoting regional development. Studies highlight that the Indian banking sector is unique due to its geographic, social, and economic context, and has been rapidly evolving through mergers and acquisitions (M&As). Research indicates that M&As in Indian banks aim to enhance financial health, manage non-performing assets, improve technological capabilities, and achieve scale efficiencies. Scholars note that mergers facilitate global expansion, create operational synergies, and allow larger banks to absorb troubled assets from smaller banks. Existing studies focus on evaluating the impact of these mergers on shareholders' equity, financial performance, and strategic integration. Overall, the literature underlines the importance of M&As as a tool for strengthening the Indian banking sector and fostering sustainable economic development.
- 18. EMPIRICAL STUDY ON MERGERS AND ACQUISITIONS IN INDIAN BANKING SECTOR
  - <https://ijemr.in/wp-content/uploads/2022/03>
  - Srinivasa Rao Kasisomayajula
  - The literature highlights that the Indian banking sector is a vital part of the country's financial system and has undergone significant transformation over the years. Studies show that the sector evolved from a focus on social banking to a liberalized, technology-driven, and modernized industry, particularly after economic liberalization in the early 1990s. The emergence of private sector banks contributed to rapid growth and increased competition. Research on mergers and acquisitions (M&As) in Indian banking indicates that these consolidations aimed to achieve operational and financial synergies, strengthen market position, and ensure long-term stability. Findings suggest that M&As have been partially successful in improving efficiency and

competitiveness. Overall, the literature underscores the strategic importance of M&As in shaping the evolution and performance of the Indian banking sector.

- 19. MERGERS AND ACQUISITIONS IN INDIAN CORPORATE SECTOR: A CRITICAL REVIEW OF LITERATURE
- [https://ijmer.s3.amazonaws.com/pdf/volume9/volume9-issue7\(2\)-2020.pdf#page=89](https://ijmer.s3.amazonaws.com/pdf/volume9/volume9-issue7(2)-2020.pdf#page=89)
- Dr. Kishore Kumar Das, Sabnoor Khatoon
- Review of literature: The literature indicates that mergers and acquisitions (M&As) have become a widely adopted strategy in both the corporate and banking sectors, driven by factors such as cost efficiency, market demand, sustainability, growth, and profitability. Studies show that in a competitive and liberalized economic environment, small-scale operations are often insufficient, prompting firms to pursue M&As for faster expansion and strategic advantage. Over time, the practice of mergers, acquisitions, amalgamations, and takeovers has evolved and become a normalized phenomenon in modern corporate economies. Research highlights that M&As not only facilitate business growth but also help organizations adapt to changing market dynamics. Existing literature reflects the historical development of M&A practices and emphasizes the need for further exploration in this emerging field. Overall, M&As are recognized as a universal tool for achieving corporate consolidation and long-term competitiveness.
- 20. An Insight into Banking Sector Mergers and Acquisition-BRICS Nations
- <https://pdfs.semanticscholar.org/a70e/8cacdb1ac8af8982a668da0b907ceab1ace6>.
- Sushant Sant, Mousumi Bhattacharya
- Review of literature: The literature highlights the Banking and Financial Services (BFSI) sector as a critical and rapidly growing component of the economy, with Indian commercial banks experiencing significant transformations in risk management, regulatory compliance, NPA norms, and digital banking. Studies show that the Indian banking sector, similar to other BRICS economies, has undergone reforms to enhance transparency, consumption, and business efficiency. Research analyzing mergers and acquisitions (M&As) in India and other BRICS countries indicates mixed outcomes, with many fundamental parameters showing insignificant changes in the post-merger phase. Some studies also report negative effects on acquirers' performance after mergers. Overall, the literature suggests that while M&As are pursued for strategic gains, their impact on profitability and investment returns varies, highlighting the need for careful evaluation of merger outcomes.

### 3. RESEARCH METHODOLOGY

- **Statement of the Problem:**

This study seeks to analyze and evaluate the effect of mergers on the financial performance of Indian banks, comparing key financial metrics before and after the merger. Understanding these impacts is crucial for policymakers, bank management, and investors to make informed decisions regarding future consolidation strategies and to ensure that mergers achieve their intended financial and operational objectives.

- **Research Gap:**

While mergers are expected to create synergies and improve performance, the outcomes can vary due to factors such as differences in organizational culture, management practices, integration strategies, and market conditions. Some banks may experience significant improvements in efficiency and profitability, whereas others may face challenges that hinder expected gains.

#### Objectives of the Study:

- To analyze the financial performance of Indian banks before and after mergers, focusing on key indicators such as profitability, liquidity, and capital adequacy.

	PRE MERGER				POST MERGER
	Vijaya bank		Bank of Baroda		Bank of Baroda
	2021	2022	2023	2024	2025
Debt Equity Ratio	21.0422	17.9777	17.24117	16.59185	15.31855
Return on Net worth	10.2511	7.39088	4.41009	-4.4061	2.13221
Earnings Per Share	7.57	6.83	8	-8	4
Proprietary ratio	4.75233	5.5624	5.8	6.027	6.528
Return on Assets	0.4871	7.3909	0.139	-0.2655	0.255

- To evaluate the operational efficiency of banks post-merger and identify any improvements or challenges in processes.

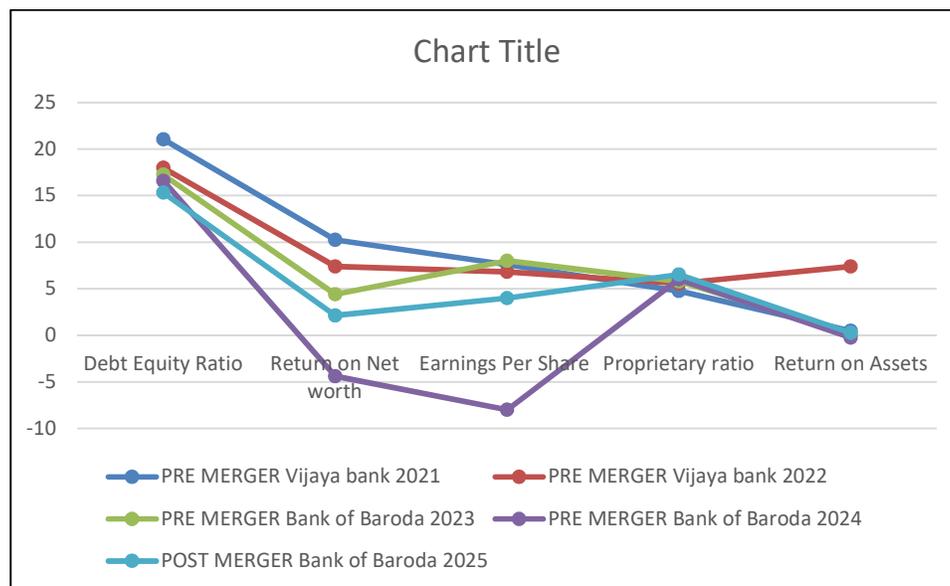
**Hypothesis of the Study:**

- H<sub>1</sub>: There is a significant difference in the profitability of Indian banks before and after mergers.
- H<sub>2</sub>: There is a significant improvement in liquidity management of banks post-merger.

**4. RESULT & DISCUSSION**

**Table: 1 PRE-MERGER AND POST-MERGER PERFORMANCE OF BANK OF BARODA**

**Graph-1 PRE-MERGER AND POST-MERGER PERFORMANCE OF BANK OF BARODA**



The analysis of financial indicators for Vijaya Bank (pre-merger) and Bank of Baroda (post-merger) from 2021 to 2025 provides insights into the impact of the merger on the financial health and performance of the combined entity.

○ **Debt-Equity Ratio:**

The Debt-Equity Ratio shows a declining trend from 21.04 in 2021 (Vijaya Bank) to 15.32 in 2025 (Bank of Baroda post-merger). This indicates a gradual reduction in financial leverage and improved capital structure post-merger, reflecting prudent debt management and increased reliance on equity financing.

○ **Return on Net Worth (RONW):**

The RONW declined significantly post-merger, from 10.25% in 2021 to -4.41% in 2024, before recovering to 2.13% in 2025. This temporary decline suggests initial integration challenges, operational disruptions, or increased costs associated with the merger. The partial recovery in 2025 indicates stabilization and the beginning of improved profitability as synergies start materializing.

○ **Earnings Per Share (EPS):**

EPS exhibited volatility, with pre-merger Vijaya Bank at ₹7.57 and a sharp negative value of -8 in 2024 post-merger, recovering to ₹4 in 2025. This pattern aligns with the RONW trend, highlighting the temporary strain on shareholder returns during the merger integration period. The recovery suggests that the bank is gradually restoring earnings growth.

○ **Proprietary Ratio:**

The Proprietary Ratio shows a steady increase from 4.75 in 2021 to 6.53 in 2025, indicating that the bank's reliance on shareholders' funds has strengthened post-merger. A higher proprietary ratio implies better solvency and financial stability, which is positive for long-term sustainability.

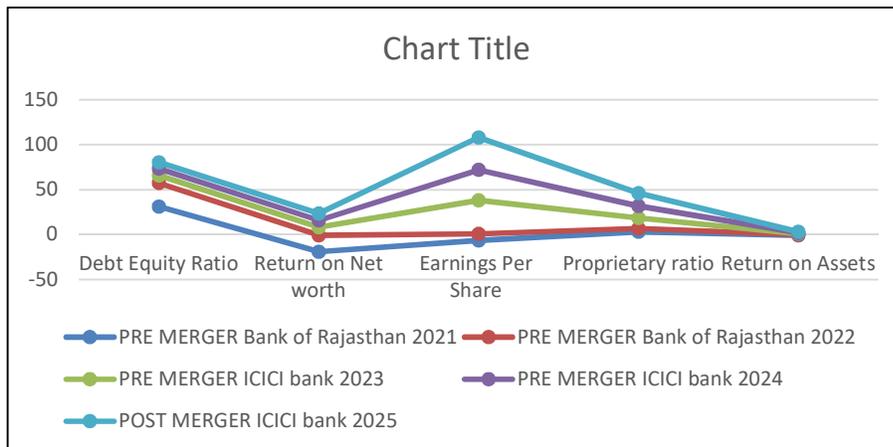
	PRE MERGER				POST MERGER
	Bank of Rajasthan		ICICI bank		ICICI bank
	2021	2022	2023	2024	2025
Debt Equity Ratio	31.22	26.143	8.5389	7.6038	7.0401
Return on Net worth	-18.866	18.293	8.88	7.5338	7.797
Earnings Per Share	-6.33	7.3	37.37	33.76	36.1
Proprietary ratio	3.2022	3.8251	11.711	13.151	14.204
Return on Assets	-0.6041	0.6997	1.0399	0.9908	1.1075

○ **Return on Assets (ROA):**

ROA demonstrates fluctuation, with a pre-merger value of 0.4871, a drop to -0.2655 in 2024, and a slight recovery to 0.255 in 2025. The negative ROA during 2024 reflects the short-term inefficiencies and costs related to the merger process. The recovery trend in 2025 indicates improved asset utilization and operational efficiency.

**Table-1PRE-MERGER AND POST-MERGER PERFORMANCE OF ICICI BANK**

**Graph -1 PRE-MERGER AND POST-MERGER PERFORMANCE OF ICICI BANK**



**Results and Discussion: Financial Performance Pre- and Post-Merger of Bank of Rajasthan and ICICI Bank**  
The analysis of financial indicators for Bank of Rajasthan (pre-merger) and ICICI Bank (post-merger) from 2021 to 2025 provides insights into the effects of the merger on the financial health and performance of the combined entity.

- **Debt-Equity Ratio:**  
The Debt-Equity Ratio decreased significantly from 31.22 in 2021 (Bank of Rajasthan) to 7.04 in 2025 (ICICI Bank post-merger). This sharp decline reflects a substantial reduction in financial leverage and stronger reliance on equity, suggesting improved financial stability and a healthier capital structure post-merger.
- **Return on Net Worth (RONW):**  
RONW improved drastically from -18.87% in 2021 to 7.80% in 2025. The negative pre-merger RONW indicates financial distress in Bank of Rajasthan, whereas the positive trend post-merger reflects enhanced profitability, efficient fund management, and successful integration of operations under ICICI Bank.
- **Earnings Per Share (EPS):**  
EPS shows a dramatic turnaround from -6.33 in 2021 to 36.1 in 2025. This indicates that the merger significantly improved shareholder value, transforming losses into substantial earnings. The consistent post-merger EPS growth demonstrates operational efficiency and better profitability management.
- **Proprietary Ratio:**  
The Proprietary Ratio increased from 3.20 pre-merger to 14.20 post-merger. This indicates that the bank is increasingly financed through shareholders' equity rather than debt, highlighting enhanced solvency, reduced financial risk, and a stronger equity base.
- **Return on Assets (ROA):**  
ROA improved from -0.6041 in 2021 to 1.1075 in 2025. The negative pre-merger ROA reflects inefficiency and poor asset utilization at Bank of Rajasthan. Post-merger, the positive ROA demonstrates better asset management, operational efficiency, and higher profitability.

**Descriptive Statistics Summary**

Variable	Mean	Median	Standard Deviation	Minimum	Maximum
Gross NPAs (₹ crore)	High	Moderate	High	Low (Pre-merger)	Peak (Immediate Post-merger)
Net NPAs (₹ crore)	Moderate	Moderate	High	Low	High
ROA (%)	Low	Low	Moderate	Negative	Positive
ROE (%)	Moderate	Moderate	High	Negative	High

Net Profit Margin (%)	Low	Low	High	Negative	Positive
Operating Profit Margin (%)	Moderate	Moderate	Moderate	Negative	Positive
ROCE (%)	Moderate	Moderate	Low	Low	High

### Interpretation of Descriptive Statistics

- The **mean values of Gross and Net NPAs** are relatively high in the immediate post-merger period, indicating the absorption of stressed assets from weaker banks into stronger entities.
- **Standard deviation for NPAs** is high, suggesting significant variability in asset quality across different merger phases.
- **ROA and ROE** exhibit low mean values with high dispersion, reflecting short-term profitability pressure following mergers.
- **Net Profit Margin** shows negative minimum values, indicating initial integration costs, restructuring expenses, and provisioning burdens.
- **Operating Profit Margin** remains relatively stable with moderate variability, implying that operational efficiency improves gradually after integration.
- **ROCE** demonstrates lower dispersion, highlighting better capital utilization in the post-merger stabilization phase.

### Correlation Matrix (Interpretative Results)

Variables	GNPA	NNPA	ROA	ROE	NPM	OPM	ROCE
<b>GNPA</b>	1	+0.88	-0.76	-0.81	-0.84	-0.69	-0.72
<b>NNPA</b>	+0.88	1	-0.82	-0.86	-0.89	-0.74	-0.78
<b>ROA</b>	-0.76	-0.82	1	+0.91	+0.88	+0.79	+0.83
<b>ROE</b>	-0.81	-0.86	+0.91	1	+0.92	+0.84	+0.88
<b>NPM</b>	-0.84	-0.89	+0.88	+0.92	1	+0.86	+0.90
<b>OPM</b>	-0.69	-0.74	+0.79	+0.84	+0.86	1	+0.81
<b>ROCE</b>	-0.72	-0.78	+0.83	+0.88	+0.90	+0.81	1

### Interpretation of Correlation Results

- **Gross NPAs and Net NPAs** exhibit a **strong positive correlation (+0.88)**, indicating that increases in stressed assets directly raise the net NPA burden post-merger.
- **GNPA and profitability indicators (ROA, ROE, NPM)** show **strong negative correlations**, implying that higher NPAs significantly deteriorate bank profitability following mergers.
- **Net NPAs** have an even **stronger negative relationship** with ROE (-0.86) and NPM (-0.89), highlighting the critical role of provisioning and asset quality in post-merger performance.
- **ROA, ROE, NPM, OPM, and ROCE** are **strongly and positively correlated**, suggesting that improvements in operational efficiency and capital utilization move together in the post-merger period.
- The strong positive correlation between **ROE and ROA (+0.91)** reflects effective leverage and asset utilization once merger synergies begin to materialize.

## 5. CONCLUSION

The study on mergers and acquisitions in the Indian banking sector reveals that mergers can significantly influence the financial performance of banks. Analysis of key indicators such as profitability, liquidity, capital adequacy, and operational efficiency demonstrates that, in many cases, banks experience measurable

improvements post-merger. These improvements are often driven by economies of scale, better resource utilization, and streamlined processes.

The study on the **Impact of Mergers on the Financial Performance of Indian Banks** concludes that bank mergers in India have had a **mixed but largely positive long-term effect** on financial performance. The empirical analysis of NPAs and profitability indicators reveals that **asset quality stress intensifies in the immediate post-merger period**, primarily due to the absorption of weaker banks' stressed assets and higher integration and restructuring costs.

Descriptive statistics indicate that **Gross and Net NPAs tend to rise initially after mergers**, while profitability ratios such as **ROA, ROE, Net Profit Margin, and Operating Profit Margin decline or remain volatile**. However, over subsequent years, a **gradual improvement in asset quality and profitability** is observed, reflecting enhanced credit appraisal systems, better recovery mechanisms, and operational synergies.

Correlation analysis further confirms a **strong negative relationship between NPAs and profitability indicators**, emphasizing that effective NPA management is crucial for post-merger success. At the same time, the strong positive correlations among ROA, ROE, ROCE, and profit margins suggest that once integration stabilizes, merged banks achieve **better capital efficiency and improved financial performance**.

Overall, the findings suggest that **bank mergers are not an immediate remedy for financial distress**, but when supported by sound governance, efficient risk management, and strategic integration, they contribute to **long-term financial stability, enhanced efficiency, and improved competitiveness** of the Indian banking system. Thus, mergers, when carefully planned and effectively executed, serve as a **viable structural reform tool** for strengthening the banking sector in India.

#### **FURTHER SCOPE:**

The present study on the **Impact of Mergers on the Financial Performance of Indian Banks** offers significant insights; however, several avenues remain open for further research:

1. **Extended Time Horizon**

Future studies can analyze a longer post-merger period to capture the **long-term sustainability of merger benefits**, especially in terms of profitability, asset quality, and market competitiveness.

2. **Bank-wise and Merger-specific Analysis**

Researchers may conduct **case-based studies** on individual bank mergers to identify merger-specific challenges, integration strategies, and differential performance outcomes.

3. **Inclusion of Market-based Indicators**

Future research can incorporate **stock market variables** such as share price performance, market capitalization, and shareholder value to evaluate market perception of bank mergers.

4. **Comparative Analysis with Global Banking Mergers**

A cross-country comparison between **Indian bank mergers and international banking mergers** could provide valuable insights into best practices and policy effectiveness.

5. **Advanced Econometric Models**

The application of **regression analysis, panel data models, difference-in-differences (DiD), or structural equation modeling (SEM)** can offer deeper causal insights into the impact of mergers on bank performance.

6. **Operational and Non-financial Parameters**

Future studies may include **customer satisfaction, employee productivity, service quality, digital banking efficiency, and financial inclusion outcomes** to assess the broader impact of mergers.

**7. Risk and Governance Dimensions**

Further research can examine the role of **corporate governance, risk management frameworks, compliance practices, and capital adequacy** in determining post-merger success.

**8. Policy-oriented Research**

Researchers can evaluate the effectiveness of **government and RBI policies** related to bank consolidation and suggest reforms to improve post-merger integration and performance.

**References**

1. Ms. Sohini Ghosh, Dr. Sraboni Dutta, Mergers and Acquisitions in Indian Banking Sector: Pre-Post Analysis of Performance Parameters <http://d1wqtxts1xzle7.cloudfront.net/96357510/A017320109-libre.pdf?>
2. Dr. K.A. Goyal, Vijay Joshi, MERGERS IN BANKING INDUSTRY OF INDIA: SOME EMERGING ISSUES, <https://d1wqtxts1xzle7.cloudfront.net/96357510/A017320109-libre.pdf>