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A Study on Impact of Merger on Performance of Selected Private Sector and Public Sector Banks

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Abstract*: This study examines the impact of mergers on the performance of four public sector and two private sector banks in India using seven years of pre- and post-merger data. The research evaluates financial metrics such as profitability, operational efficiency, and market share to assess the effectiveness of these mergers in achieving their intended goals. A comparative analysis highlights the differential outcomes of mergers in public and private sector banks, offering insights into the synergies and challenges experienced during consolidation. The findings provide valuable implications for policymakers and stakeholders in designing strategies for future mergers in the banking sector.*

Keywords: Merger and acquisition, Profitability, Performance evaluation, Financial stability, Earning per Share

I. INTRODUCTION

Mergers and Acquisitions (M&A) are crucial strategies for organizational growth, market expansion, and operational efficiency. The Indian banking sector has witnessed significant mergers in recent years, especially involving both public and private sector banks, driven by globalization, competition, and regulatory initiatives. These mergers aim to enhance economies of scale, improve financial stability, and create synergies through resource optimization. This study focuses on the impact of mergers on the performance of selected Indian banks—four from the public sector and two from the private sector—using data spanning seven years pre- and post-merger. Key financial parameters such as Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM) are analyzed to evaluate the effectiveness of mergers in achieving strategic goals. By adopting a comparative framework, the study investigates whether these consolidations have led to improved profitability, operational efficiency, and market competitiveness.

II. OBJECTIVES

- To evaluate the "financial performance" of the selected bank both before and after themerger.
- To research the banks' credit management, liquidity, and profitability.
- To evaluate how M&A affects the price of the bank's stock.
- To ascertain the post-merger worth.

III. LITERATURE REVIEW

Rithika thakur, Shabarisha N (2023)“ Effects of mergers and acquisitions on public sector banks' performance in India”. “Consolidation through bank mergers and acquisitions is one of the primary processes occurring through systemic financial restructuring. The government has chosen to combine the SBI with its affiliates and combine 10 of its public sector banks into 4. This decision was made in the middle of numerous problems with the Indian banking industry.”

KA Goyal, Vijay Joshi (2011) “Mergers in India's banking sector: A few new concerns” In a competitive environment, one must possess the strength to overcome competitors, akin to the way larger animals in the wild eat smaller ones. Research indicates that larger businesses have successfully assimilated their smaller competitors. This review article examines banking sector mergers and is motivated by the case of ICICI Bank Ltd. and Bank of Rajasthan Ltd.

J Ishwarya(2019) " An analysis of bank mergers and acquisitions, as well as a case study of SBI and its partners" This study looks at M&A transactions that have happened in the Indian banking sector to ascertain the long-term impacts and synergies that came about as a result of the merger. The research also examines novel trends and makes recommendations for future measures banks should consider.

Soni Singhani and Subhankar Das (2018) "Post-merger and acquisition operations' effects on banks' financial performance: An analysis of Indian public and private sector banks" The effect of M&A and the trends in M&A in banking are studied bythe author. Six-year intervals after the merger were used to analyze a variety of ratios using the parametric t-test

IV. RESEARCH METHODOLOGY

This study employes a quantitative approach to examine the financial performance before and after merger of banks like Punjab National Bank, Canara Bank, Bank of Baroda, and Indian Bank.

Statistical tool : Ratio analysis

V. DISCUSSION AND RESULTS

Table 1 Table showing ROA of Banks pre-merger and post-merger period

	2023	2022	2021	2020	2019	2018	2017
PNB	**0.26**	**0.16**	**0.04**	**-0.92667**	**-1.7033**	**-0.3333**	**-0.2466**
CNR	**0.78**	**0.46**	**0.22**	**-0.565**	**-0.475**	**-0.28**	**-0.17**
BOB	**0.96**	**0.56**	**0.07**	**-0.3833**	**-0.0433**	**-0.2566**	**0.23**

The data shows fluctuating financial performance across companies (Punjab National bank, Canara bank, Bank of Baroda, and Indian bank) from 2017 to 2023. Punjab national Bankand Canara Bank experienced losses in earlier years, but gradually improved by 2023. Bank of Baroda showed a positive trend, while Indian bank had strong performance in 2021 and 2022, followed by a dip in 2020.

Table 2 : Table showing ROE of Banks in pre-merger and post-merger period

	2023	2022	2021	2020	2019	2018	2017
PNB	**2.74**	**3.9**	**2.41**	**-7**	**-33.2**	**-12.69**	**-0.3667**
CNR	**16.03**	**9.85**	**5.05**	**-12.09**	**-11.45**	**-5.83**	**-5.68**
BOB	**14.36**	**8.46**	**1.07**	**-4.24667**	**-0.44333**	**-4.28333**	**4.8**
INB	**12.61**	**10.52**	**11.88**	**-65.4**	**-29.3**	**2.635**	**1.605**

The table reveals the financial performance of Punjab National Bank (PNB), Canara Bank, Bank of Baroda, and Indian Bank from 2017 to 2023. PNB experienced heavy losses in 2019 and 2020 but improved by 2023. Canara Bank showed steady growth, with notable gains in 2022 and 2023. Bank of Baroda faced losses in 2020 but rebounded in subsequent years. Indian Bank suffered severe losses in 2020 but recovered, peaking in 2021. Canara Bank was the most consistent performer.

Table 3 : Table showing pre-merger and post-merger CASA ratio of banks

	2023	2022	2021	2020	2019	2018	2017
PNB	**41.99**	**46.55**	**44.54**	**41.27**	**40.76**	**39.6**	**36.32**
CNR	**31.08**	**33.94**	**32.73**	**31.98**	**29.33**	**30.47**	**28.1**
BOB	**39.47**	**41.45**	**40.15**	**35.28**	**35.03**	**35.81**	**32.15**
INB	**41.98**	**41.76**	**42.29**	**42.06**	**40.39**	**41.16**	**36.49**

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The data shows the annual performance of four Indian banks from 2017 to 2023, with values likely representing a key financial metric, such as return on equity or net profit margin. Punjab National Bank consistently leads in performance, though its value decreased slightlyin 2023. Canara Bank and Indian Bank show relatively stable trends, while Bank of Baroda's performance fluctuates. All banks generally demonstrate positive growth compared to 2017, indicating a gradual improvement in their financial health over time.

Table 4 : Table showing pre-merger and post-merger Net profit margin ratio of banks

	2023	2022	2021	2020	2019	2018	2017
PNB	**2.94**	**4.61**	**2.5**	**-8.71**	**-23.54**	**-9.733**	**0.2467**
CNR	**12.56**	**8.18**	**3.69**	**-8.235**	**-7.025**	**-4.335**	**-2.185**
BOB	**15.74**	**10.4**	**1.17**	**-5.017**	**-0.517**	**-3.733**	**3.0133**
INB	**11.75**	**10.15**	**7.68**	**-22.95**	**-13.45**	**2.79**	**2.415**

The data highlights the annual profit or loss margins of four Indian banks from 2017 to 2023. Punjab National Bank saw a significant recovery in 2023 after years of losses, particularly in 2020. Canara Bank consistently improved, with a strong 2023 performance. Bank of Baroda also showed positive growth, while Indian Bank experienced fluctuations, with notable lossesin 2020 but a recovery in subsequent years. Overall, 2023 marks a positive trend for most banks, indicating a return to profitability after years of financial challenges.

Table 5 : Table showing pre-merger and post-merger EPS of banks

	2023	2022	2021	2020	2019	2018	2017
PNB	**2.28**	**3.16**	**2.08**	**-1.88333**	**-69.56**	**-28.45**	**2.763333**
CNR	**58.45**	**32.49**	**16.91**	**-21.81**	**-14.645**	**-33.13**	**-2.095**
BOB	**27.28**	**14.06**	**1.78**	**1.36**	**-3.19667**	**-4.95**	**-1.68667**
INB	**42.41**	**32.38**	**26.61**	**-25.505**	**-26.465**	**10.925**	**8.295**

The data shows the annual profit or loss margins of four Indian banks from 2017 to 2023. Punjab National Bank experienced a recovery in 2023 after severe losses in 2020 and 2019. Canara Bank saw significant improvement, reaching strong profits in 2023. Bank of Baroda also showed positive growth, reversing prior losses. Indian Bank displayed consistent profitability, particularly in 2023. Overall, 2023 marks a positive recovery for most banks, following challenging financial years, indicating improved financial health.

VI. KEY FINDINGS

- With the greatest return on assets (ROA) of 0.96, Bank of Baroda is able to turn its investments into higher net income, which boosts profitability..
- Canara Bank has the greatest ROE ratio (16.03%), indicating that it is managing shareholder wealth more effectively and generating returns from it.
- With a CASA ratio of 46.55%, NB has increased, indicating that it has steady depositsavailable for customer loans.
- The Bank of Baroda has a favorable net present value (NPM) ratio, indicating its profitability and operational efficiency. This ratio takes into account residual income, which remains after all expenses, including interest, taxes, and operational costs, havebeen deducted from the total revenue. The ratio is 15.74 to 1.
- In the post-merger period, banks' earnings per share to investors were higher than theywere prior to the merger, indicating their profitability. And the highest, with an EPS of58.45, is Canara Bank.

VII. CONCLUSION

The industry has recently seen a number of significant mergers and acquisitions in an effort to achieve bank consolidation. Canara Bank has left a lasting impression in a number of fields, such as growing financial inclusion and corporate social responsibility. Before and after the merger, Bank of Baroda's performance was consistent. Since the merger, Indian Bank has performed well, and PNB's lending to deposit ratio has remained stable

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VIII. LIMITATIONS

- The data was collected for a specific amount of time and is restricted to a single bank.
- Other factors: outside just M&A, may also have a implication regarding the bank's share price moments plus more financial characteristics.
- Time restriction due to that some years data may not be available.
- Some private banks do not share the complete data that is required for analysis.

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