

Indian Journal of Modern Research and Reviews

This Journal is a member of the 'Committee on Publication Ethics'

Online ISSN:2584-184X



Research Article

Strategic Motives Behind Bank Mergers

Jyoti ^{1*}, Dr. Sukhdev Singh ²

¹ Research Scholar, Desh Bhagat University, Mandi Gobindgarh, Punjab, India

² Professor, Department of Business Management and Commerce, Desh Bhagat University, Mandi Gobindgarh, Punjab, India

Corresponding Author: Jyoti *

DOI: <https://doi.org/10.5281/zenodo.20917173>

Abstract

The banking sector plays a pivotal role in a country's financial system and economic development. In an increasingly competitive environment shaped by liberalisation, technological advancement, and global integration, mergers and acquisitions (M&As) have emerged as critical strategic tools for Indian banks to enhance scale, efficiency, and competitive strength. This study examines the strategic motives behind bank mergers and evaluates their impact on post-merger financial performance. Using a mixed-method research design, the study analyses three major Indian banks — Punjab National Bank (PNB), Bank of Baroda (BOB), and ICICI Bank — over a period spanning five years before and five years after their respective mergers. Secondary data from annual reports and financial statements are analysed using mean, standard deviation, paired t-test, and compound growth rate. The findings reveal that post-merger performance improved significantly across key financial indicators, including total assets, total deposits, total loans, capital adequacy ratio, net profit, return on assets (ROA), and return on equity (ROE). Strategic motives such as competitive advantage, economies of scale, technological upgradation, operational efficiency, and customer-centric universal banking were largely achieved after consolidation. However, compound growth rates declined in some cases, particularly for ICICI Bank, suggesting that rapid expansion stabilized post-merger. The study concludes that bank mergers are effective instruments for strengthening financial stability, improving operational efficiency, and enhancing the long-term competitiveness of Indian banks.

Manuscript Information

- ISSN No: 2584-184X
- Received: 17-05-2026
- Accepted: 20-06-2026
- Published: 26-06-2026
- IJCRM:4(6); 2026: 260-271
- ©2026, All Rights Reserved
- Plagiarism Checked: Yes
- Peer Review Process: Yes

How to Cite this Article

Jyoti, Singh S. Strategic motives behind bank mergers. Indian J Mod Res Rev. 2026;4(6):260-271.

Access this Article Online



www.mrrjournal.in

KEYWORDS: Bank mergers, mergers and acquisitions (M&As), Indian banking sector, post-merger performance, strategic motives, economies of scale, financial performance, Punjab National Bank, Bank of Baroda, ICICI Bank, capital adequacy ratio, return on assets, return on equity, operational efficiency, banking consolidation.

1. INTRODUCTION

The banking sector constitutes a fundamental component of a country's financial system and plays a central role in shaping economic growth and development. A robust banking system reflects a strong financial foundation and facilitates sustainable economic progress. In the Indian context, the banking sector has demonstrated significant advancement and resilience, often performing better than many global counterparts, particularly during periods of economic instability. However, rapid changes in financial markets and technological innovation have intensified competition among banks, compelling them to adopt strategic measures to expand their market presence. One such strategy is mergers and acquisitions (M&As), which have emerged as critical tools for growth and consolidation. A merger involves the combination of two entities into a single organization, resulting in the dissolution of one entity's independent existence. In contrast, an acquisition refers to the process whereby a larger entity gains controlling ownership over a smaller institution. Globally, banking institutions have extensively utilized M&As to enhance market share, enter new markets, and acquire existing customer bases and technological capabilities. In the contemporary corporate environment, M&As are also employed to overcome financial challenges arising from economic slowdowns and to achieve operational efficiency. Following economic liberalization, Indian industries, including the banking sector, faced increased domestic and international competition. This shift necessitated structural reforms, with M&As playing a pivotal role in strengthening competitiveness and expanding global outreach. Evidence suggests that post-merger performance of acquiring banks in India has improved in terms of efficiency and financial stability, as also noted by the Reserve Bank of India in its studies.

Historically, India has experienced numerous bank mergers, particularly since 1969. Many of these consolidations were driven by the need to support financially weak banks through integration with stronger institutions. Major public sector banks have been actively involved in this process, contributing to the restructuring of the banking landscape. The nationalization of banks in 1969, initiated by the government, marked a significant turning point. The objective was to address issues such as unequal competition from private banks, concentration of banking services in urban areas, and limited access for rural populations. Nationalization led to a substantial expansion of public sector banks and improved financial inclusion.

Despite these efforts, challenges related to operational and distribution efficiency persisted, prompting the establishment of various committees to recommend reforms. The Banking Commission (1972) and the Committee for the Functioning of Public Sector Banks (1978) emphasized structural reorganization to improve credit delivery. Subsequently, the Narasimhan Committee (1997) strongly advocated for consolidation and convergence within the banking sector. It recommended the creation of a few globally competitive banks alongside a network of national and local banks to ensure both international competitiveness and rural outreach. The

committee also highlighted the importance of integrating private sector banks and non-banking financial institutions into the consolidation framework. Overall, mergers and acquisitions have played a transformative role in the evolution of the Indian banking sector by enhancing efficiency, promoting financial stability, and supporting long-term economic growth.

I. Strategic Motives Behind the Merger in Banking Industry

1. Competitive Advantage and Strengthening Market Position:

One of the major strategic motives behind the merger of Punjab National Bank was to expand its market reach and improve its competitiveness in the rapidly changing banking environment. The banking sector in India was facing intense competition from private banks, foreign banks, FinTech companies, and large technology firms entering the financial services industry. To remain relevant and financially strong, PNB needed to increase its scale of operations and strengthen its market presence. Through the merger, the bank aimed to achieve economies of scale by combining resources, branch networks, customers, and business operations into a single larger institution. This helped the bank reduce operational duplication, improve efficiency, and strengthen its ability to compete in the banking industry. The merger also increased PNB's customer base, geographical coverage, and overall business volume, making it one of the largest public sector banks in India. As a result, the bank was better positioned to offer diversified financial products, improve digital banking services, and compete effectively with private sector and foreign banks while supporting the economic growth of the country. (https://slbcdelhi.pnb.bank.in/webroot/upload/media/20210210124015_Image.pdf). The strategic motive of expanding market reach and improving competitiveness after the merger of Punjab National Bank can be evaluated through several important financial indicators. These indicators reflect whether the merger helped the bank increase its scale, efficiency, profitability, and market strength. The major financial indicators include Total Assets, which show the expansion in the overall size and financial strength of the bank after the merger. Total Deposits and Total Loans/Advances indicate the increase in customer base and business operations, reflecting wider market coverage and improved lending capacity.

2. Strengthening Financial Position and Scale:

One of the key strategic motives behind the merger of ICICI Bank with ICICI Limited was to strengthen the financial position and expand the overall scale of the institution. Before the merger, ICICI Limited mainly functioned as a development financial institution, while ICICI Bank operated as a private sector commercial bank. By combining both entities in 2002, the organization was able to create a larger capital base and a stronger financial structure capable of supporting rapid business growth and large-scale banking operations. The merger improved the

bank's balance sheet strength, enhanced its ability to mobilize deposits and raise funds at lower costs, and increased its lending capacity across retail, corporate, and commercial segments. It also enabled the bank to expand its physical and digital presence through a wider branch and ATM network, helping it reach customers across urban and rural markets more effectively. The annual report shows that the bank later expanded to thousands of business centres and one of the largest ATM networks in India, reflecting the long-term success of this strategy (https://rdxuat.com/icici-bank2025/assets/pdf/ICICI%20Bank%20AR%202025_050825_C2C.pdf). In addition, strong financial indicators such as total assets, total deposits, and capital adequacy ratio, demonstrate how the merger contributed to building a financially stable and competitive banking institution. The strengthened financial position allowed ICICI Bank to compete effectively in India's liberalized and highly competitive banking sector while supporting long-term sustainable growth.

3. **Achieving Economies of Scale and Business Growth:**

The merger strategy of Bank of Baroda was primarily aimed at strengthening its market position, improving operational efficiency, expanding its customer base, and creating a larger and more competitive public sector banking institution. Through amalgamation and consolidation of regional rural banks and banking operations, the bank sought to achieve economies of scale, better financial stability, and wider geographical reach. Then amalgamation of Regional Rural Banks (RRBs) sponsored by Bank of Baroda further reflects the motive of achieving wider rural penetration and operational consolidation. The report states that multiple RRBs in states such as Gujarat, Rajasthan, and Uttar Pradesh were merged into single regional rural banks effective from May 1, 2025. This consolidation was intended to reduce duplication of operations, improve administrative efficiency, strengthen rural banking services, and increase financial inclusion across underserved regions (<https://bankofbaroda.bank.in/-/media/Project/BOB/CountryWebsites/India/pdfs2/2025/25-05/QFR-Q4/Result/Financial-Results>). Therefore, the merger strategy of Bank of Baroda was mainly focused on strengthening financial performance, increasing operational scale, promoting digital and retail banking growth, and building a stronger competitive position in the Indian banking industry. The achievement of the strategic motives behind the merger and consolidation efforts of Bank of Baroda can be evaluated through several important financial indicators presented in the annual report. The bank's total assets increased, while total deposits and advances also grew, which showing enhanced business scale, stronger customer confidence, and greater lending capacity. The merger strategy also strengthened the bank's financial stability, as reflected in the Capital

Adequacy Ratio, which indicates a strong capital base and better ability to absorb financial risks.

4. **Enhancing Customer-Centric Universal Banking Services:**

One of the major strategic motives behind the merger of ICICI Bank was to create a customer-centric universal banking institution capable of providing complete financial solutions under one integrated platform. After the merger, the bank adopted a "Customer-360°" strategy, which focused on "taking the entire bank to the customer" by offering a wide range of banking and financial services across different customer segments, ecosystems, and micro markets. The merged entity was able to provide savings accounts, deposits, retail and corporate loans, insurance services, investment products, trade finance, and advanced digital banking facilities through a single institution. This integration improved customer convenience and strengthened long-term relationships with customers. The strategy also enabled the bank to increase cross-selling opportunities by serving multiple financial needs of the same customer through various products and subsidiaries. As a result, the merger contributed significantly to customer retention, business growth, higher profitability, and sustainable competitive advantage in the Indian banking sector (https://rdxuat.com/icici-bank2025/assets/pdf/ICICI%20Bank%20AR%202025_050825C2C.pdf). The success of the merger strategy can be understood through several important financial indicators of ICICI Bank. The bank's total deposits increased in FY 2025, which reflecting strong customer confidence and a growing banking relationship base. Loans and advances increased, indicating the bank's ability to provide diversified credit facilities such as retail loans, corporate loans, business banking, and trade finance services to customers across different sectors. The bank's total assets also showing the significant expansion in the scale of operations and financial strength achieved after the merger. The bank also recorded a strong Profit After Tax which demonstrates improved profitability and efficient management of deposits and lending activities.

5. **Technological Upgradation and Digital Capability:**

One of the major strategic motives behind the merger of ICICI Bank was to promote technology-driven banking growth. The annual report highlights that the bank played a pioneering role in introducing internet banking, ATMs, mobile banking applications, and various digital banking services in India. Through the merger of ICICI Limited with ICICI Bank in 2002, the institution aimed to transform itself into a modern technology-oriented private sector bank capable of serving customers more efficiently and competitively. The merger enabled the bank to combine financial strength with advanced technological capabilities, helping it expand digital banking infrastructure and improve service delivery. By adopting innovative digital platforms, the bank was able to reduce

operational costs, increase transaction speed, enhance customer convenience, and provide banking services anytime and anywhere. This strategy also helped ICICI Bank strengthen customer relationships, improve operational efficiency, and gain a competitive advantage in the rapidly evolving Indian banking sector (https://rdxuat.com/icici-bank2025/assets/pdf/ICICI%20Bank%20AR%202025_050825_C2C.pdf). Operational efficiency was further strengthened through platforms such as iCRM, DigiEase, InstaBIZ, and iLens, which simplified customer onboarding, reduced turnaround time, and enhanced service quality. The bank also maintained a healthy Capital Adequacy Ratio, showing financial stability while investing heavily in digital infrastructure and cybersecurity. These indicators demonstrate that the merger successfully supported ICICI Bank's strategic objective of becoming a technology-oriented and operationally efficient private sector bank.

6. **Achieving Operational Efficiency and Service Quality:**

Another important strategic motive behind the merger of Punjab National Bank was to improve operational efficiency and service quality in order to remain competitive in the changing banking environment. The banking sector was undergoing rapid transformation due to technological advancements, changing customer expectations, and increasing competition from private banks and FinTech companies. Therefore, banks needed to rework their business strategies, design customer-oriented products, and improve the efficiency of their services. Through the merger, PNB aimed to reduce duplication of operations by consolidating branch networks, management systems, technology platforms, and administrative functions into a single integrated structure. This consolidation helped the bank reduce unnecessary operational costs and improve coordination among different departments. The merger also enabled PNB to strengthen its digital banking services, offer integrated financial products, and provide faster and more efficient customer service. With a larger operational scale and better technological infrastructure, the bank was able to improve decision-making, enhance service delivery, and increase overall productivity. As a result, the merged entity became more capable of serving customers efficiently while maintaining cost effectiveness and operational stability (https://slbcdelhi.pnb.bank.in/webroot/upload/media/20210210124015_Image.pdf). The achievement of this motive can be measured through several important financial indicators. Operating Cost, that show whether the bank succeeded in reducing expenses and improving operational efficiency after the merger. Net Profit indicates whether improved efficiency contributed to higher profitability. Return on Assets (ROA) and Return on Equity (ROE) measure how effectively the bank

utilized its assets and shareholders' funds to generate earnings.

7. **Capturing Synergies from Amalgamation:**

One of the important strategic motives behind the merger of Bank of Baroda with Vijaya Bank and Dena Bank was to capture synergies arising from amalgamation. The merger enabled the bank to integrate the operations, branch networks, ATMs, technology platforms, and administrative functions of the three banks into a single unified institution. According to the annual report, branches and ATMs located near each other were consolidated under one roof, which helped the bank reduce duplication of services and lower operational expenses. The amalgamation also allowed the bank to benefit from economies of scale by increasing business volume, strengthening market presence, and improving resource utilization. Through integration, the bank was able to improve operational efficiency, enhance profitability, optimize costs, and provide better customer services through a wider and technologically advanced banking network (<https://bankofbaroda.bank.in/shareholders-corner/financial-reports/financial-report-2019-20>). The merger synergies also contributed to stronger financial performance, improved capital position, and better asset quality of the bank. Increase in the Capital Adequacy Ratio (CRAR) showing that the merged entity became financially stronger and better equipped to absorb risks and support future business expansion. The decline in operating expenses further indicates that the bank successfully achieved economies of scale by consolidating overlapping branches and ATMs and reducing duplication of administrative activities.

2. **REVIEW OF LITERATURE**

Bhan (2009) in his study "Mergers in Indian banking Sector-motives and benefits" examine that bank mergers in India between 1999 and 2006 during the post-reform period. It examines why these mergers happened and what benefits they brought. Using tools like the t-test and Economic Value Added (EVA), the study analyses whether mergers improved performance and created value for shareholders by comparing results before and after the merger. The findings show that mergers generally benefited the acquiring banks and improved their efficiency over time. However, the impact is not immediate. Stock market returns around the merger period do not show significant short-term changes. EVA is found to be a useful measure for understanding long-term gains, since merger benefits (synergies) take time to appear. The study also notes that EVA tends to drop in the year of the merger due to costs involved, but increases in the following years as the benefits of the merger begin to materialize.

Kaur & Singh (2016) in their study "Bank merger motivations and post-merger productivity" analyse that bank mergers are more successful when they occur within the same sector, as most such mergers have performed better. It also shows that,

except for Return on Assets (ROA), nearly all the variables examined improved significantly after the merger for the acquiring banks. The study suggests that acquiring banks should limit the size of their assets in the post-merger period and focus on managing them efficiently. Among public sector banks, the merger of Bank of Baroda with BSB is considered the most successful, while in the private sector, the ICICI Bank and Bank of Madura merger stands out. In both cases, the acquiring banks adopted a strategy of reducing the number of branches and employees even before the merger and continued this approach afterward. It was also observed that immediately after the merger, the growth rate of branches and employees tends to slow down. Additionally, when the size of branches increases, the growth rate of ROA tends to decline. Therefore, banks are advised not to expand their branch size immediately after a merger, as it can negatively impact their profitability.

Grover (2022) in his research “Motives of mergers and acquisitions (M&As) in Indian banking sector” states After economic reforms and the wave of mergers, the banking sector experienced major changes. Banks also made efforts to stay competitive in an increasingly global market. The government supported this process by encouraging mergers and acquisitions (M&As) and continues to promote consolidation. His study confirms that synergy (combined benefits) emerged as the main reason for mergers, but also highlights other important factors such as diversification benefits and quicker entry into new markets. To expand market share, three key drivers were identified: strategic goals, performance improvement, and growth objectives. His study also helps in understanding why banks pursue mergers and can guide future decision-making. It can assist regulators in designing better competitive policies and help managers plan more effective expansion strategies.

Mohammed (2022) in his study “Critical analysis of banking sector reforms in India with special emphasis on technological advancement” states that technological advancements and banking reforms have significantly improved banking services. New and better services have been introduced, and banking staff have become more efficient and cooperative due to reduced manual work. These advancements have also minimized difficulties faced by customers, increased transparency, and reduced transaction time and errors. Technology has lowered service time and, to some extent, transaction costs, although private banks may still have higher charges. Core banking systems have transformed banking by offering multiple services under one roof, such as insurance, investments, and trading. Banking has also become more secure and customer-friendly. Most customers now use ATM services, but many still do not use advanced ATM features like deposits, payments, or recharge facilities. Overall, both public and private sector banks have improved service quality, making banking faster, safer, and more reliable while encouraging customers to adopt digital banking methods like mobile and internet banking.

Kumar & Agarwal (2023) in their paper “Reasons for bank merger in the Indian banking system” states that bank mergers in India are mainly driven by the need to become financially

stronger, lower operating costs, achieve synergy benefits, diversify business activities, improve risk management, and support or absorb weaker banks. Such mergers can enhance efficiency and strengthen the stability of operations. However, they also bring challenges, especially in terms of integrating systems and managing differences in organizational culture. Therefore, careful planning, effective execution, and strong support from regulatory authorities are crucial to ensure the success of bank mergers in India.

R.Y & Paramashivaiah (2025) in their study “Motives for mergers and acquisitions of public sector banks in India: an analysis of employees opinion” provides important insights into how employees view such strategic decisions. It shows that most employees believe mergers and acquisitions help improve efficiency, lower costs, and strengthen the bank’s competitive position in a changing banking environment. The findings also indicate that employees at different levels and across various banks hold similar opinions about these key motives, highlighting the role of proper strategy and synergy in making mergers successful. At the same time, the study points out certain concerns among employees, such as fear of job loss, difficulties in adjusting to new organizational cultures, and possible disruptions in customer service. These issues emphasize the need for clear communication and effective management of change during the merger process. The results of the study are useful for policymakers, bank management, and employees. By understanding both the expectations and concerns of employees, banks can handle mergers more effectively, ensure a smooth transition, and achieve better outcomes from these strategic moves.

Chandrappa & Chandramma (2025) in their research “Bank merger motivations: An examination of the key target bank characteristics” they compared financial performance of selected banks before and after mergers to understand their impact. They found that capital adequacy remained stable, meaning the banks’ financial strength did not change much. However, several areas showed noticeable changes after the merger. Investment patterns shifted, as seen in the Government Securities ratio, and lending capacity also changed based on advances to assets. Asset quality indicators (like NPAs and investments) showed significant differences, indicating that the quality of assets was affected. Operational efficiency improved in terms of business generated per employee, but profit per employee and operating expenses stayed largely the same. The sources of income changed as well, with differences in interest and non-interest income. Liquidity positions also shifted significantly, showing that banks adjusted how they managed liquid assets and deposits. Other factors, such as deposit composition, loan quality, and provisioning practices, also changed after mergers. Overall, while some indicators remained unchanged, most areas—like asset quality, income structure, liquidity, and risk—were impacted. The study suggests that better integration, risk management, and long-term strategies are important for achieving lasting benefits after merger.

3. OBJECTIVES

1. To examine the impact of motives of merger on the performance of merging bank.
2. To evaluate whether the strategic motives are successfully achieved in the post-merger period.

4. RESEARCH METHODOLOGY

This study follows a mixed-method research design, combining both qualitative and quantitative techniques.

HYPOTHESES OF STUDY

H01: There is no significant change in the total assets during the pre- and post-merger period.

HA1: There is a significant change in the total assets during the pre- and post-merger period.

H02: There is no significant change in the total deposits during the pre- and post-merger period.

HA2: There is a significant change in the total deposits during the pre- and post-merger period.

H03: There is no significant change in the total loans during the pre- and post-merger period.

HA3: There is a significant change in the total loans during the pre- and post-merger period.

H04: There is no significant change in the capital adequacy ratio during the pre- and post-merger period.

HA4: There is a significant change in the capital adequacy ratio during the pre- and post-merger period.

H05: There is no significant change in the net profit during the pre- and post-merger period.

HA5: There is a significant change in the net profit during the pre- and post-merger period.

H06: There is no significant change in the return on assets during the pre- and post-merger period.

HA6: There is a significant change in the return on assets during the pre- and post-merger period.

H07: There is no significant change in the return on equity during the pre- and post-merger period.

HA7: There is a significant change in the return on equity during the pre- and post-merger period.

H08: There is no significant change in the operating expenses during the pre- and post-merger period.

HA8: There is a significant change in the operating expenses during the pre- and post-merger period.

Period of Study

The study covers a total period of ten years, which is divided into two phases: five years preceding the merger and five years following the merger.

Table V.1. Pre-Post Merger Period of Selected Banks

S. No.	Bank	Associate Banks	Pre-Merger Period	Post-Merger Period
1	Punjab National Bank	• Nedungadi Bank Ltd. • United Bank of India • Oriental Bank of Commerce	2015–2019	2021–2025
2	Bank of Baroda	• Benares State Bank Ltd. • South Gujarat Local Area Bank • Nainital Bank • Vijaya Bank • Dena Bank	2014–2018	2020–2024
3	ICICI Bank	• ICICI Ltd. • Sangli Bank • Bank of Rajasthan Ltd.	2005–2009	2011–2015

Source of Data

This study mainly relies on secondary data that has already been published and publicly available, like annual reports, financial statements and government bodies that provide detailed and authentic datasets on banking performance and merger activities.

Tools and Techniques

Both qualitative and quantitative tools are used for the purpose of analysis, because the first objective is exploratory, while the second is evaluative in nature. So, mean, standard deviation, t-test, and compound growth rate methods have been computed to measure the performance of selected banks.

Analysis of Secondary Data: Mean, standard deviation, t-test, and compound growth rate methods have been computed to measure the performance in terms of various indicators taken for the study for selected banks.

The following formulas have been used for analysis

- **Mean:** Mean is a measure of central tendency that represents the average value of a dataset. It is calculated by dividing the sum of all observations by the total number of observations. The mean helps in understanding the overall trend and average performance of the data collected for the study.

$$\bar{X} = \sum X / N$$

$$\bar{X} = \text{Mean}$$

$$\sum X = \text{Sum of all observations}$$

N = Number of observations

- **Standard Deviation:** Standard deviation measures the dispersion of data values from the mean and indicates the degree of variability in the dataset.

$$\sigma = \sqrt{\frac{\sum(X - \bar{X})^2}{N}}$$

Where:

σ = Standard deviation
 X = Individual observation
 \bar{X} = Mean of observations
 N = Total number of observations
 Short Version for Research Paper

- **t- Test:** A t-test is a statistical tool used to determine whether there is a significant difference between the means of two groups or two periods. It helps researchers examine whether the observed differences are statistically meaningful or occurred by chance. The t-test is widely

used in research studies for hypothesis testing and comparative analysis.

$$t = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{\frac{s_1^2}{n_1} + \frac{s_2^2}{n_2}}}$$

Where:

- t = t-test value
- \bar{X}_1, \bar{X}_2 = Means of two groups
- s_1^2, s_2^2 = Variances of two groups
- n_1, n_2 = Number of observations in each group

5. DATA ANALYSIS AND DISCUSSION

Total Assets: Mergers achieved the strategic motive of expansion, market growth, and strengthening the financial position of the banks. Total assets represent the overall size and financial strength of a bank. An increase in total assets after a merger generally indicates business expansion, higher market share, improved lending capacity, and stronger competitive position.

Table 1: Pre-Post Merger Changes in Total Assets (Billion)

Bank with its Associate Banks	Period	Mean	Standard Deviation	t-value	Compound Growth Rate
PNB with its Associate Banks	Pre	6850	981.48	-9.82	8.92%
	Post	14056	1315		5.97%
BOB with its Associate Banks	Pre	7200.03	845.55	-6.4	6.47%
	Post	14448.64	2388.34		10.55%
ICICI with its Associate Banks	Pre	2519.6	1025.29	-5.62	29.61%
	Post	8080.06	1962.31		0.56%

The comparative analysis of total assets before and after mergers shows a significant improvement in the financial performance of all three banks. In the case of Punjab National Bank (PNB) with its associate banks, the mean value increased from 6850 during the pre-merger period to 14056 in the post-merger period, indicating substantial growth in profitability after consolidation. The standard deviation also increased from 981.48 to 1315, reflecting higher fluctuations in earnings after the merger. The negative t-value of -9.82 indicates a statistically significant difference between pre- and post-merger performance. However, the compound growth rate declined from 8.92% to 5.97%, suggesting that although profitability improved, the growth pace became comparatively moderate after the merger.

Similarly, Bank of Baroda (BOB) experienced a considerable rise in mean profitability from 7200.03 in the pre-merger period to 14448.64 in the post-merger period. The standard deviation increased from 845.55 to 2388.34, showing greater variability in financial performance after amalgamation. The t-value of -6.4 also confirms a significant difference between the two periods. Unlike PNB, BOB recorded an improvement in compound growth rate from 6.47% to 10.55%, indicating that

The merger positively accelerated its growth and operational performance.

In the case of ICICI Bank with its associate banks, the mean value rose sharply from 2519.6 during the pre-merger period to 8080.06 in the post-merger period, highlighting strong post-merger profitability. The standard deviation nearly doubled from 1025.29 to 1962.31, indicating increased fluctuations in profits. The t-value of -5.62 signifies a statistically significant improvement after the merger. However, the compound growth rate declined drastically from 29.61% in the pre-merger period to 0.56% in the post-merger period, implying that despite higher profitability levels, the rate of growth stabilised considerably after the merger.

1. **Total Deposits:** Total deposits are a major source of funds for banks, and growth in deposits after merger reflects increased public confidence, wider market reach, and improved ability to support lending and investment activities. The following table helps in evaluating whether the mergers achieved the strategic motive of increasing financial resources, expanding customer base, and strengthening liquidity position of the banks.

Table 2: Pre-Post Merger Changes in Total Deposits (Billion)

Bank	Period	Mean	Standard Deviation	t-value	Compound Growth Rate
PNB with its Associate Banks	Pre	6.12	0.67	-6.881	7.81%
	Post	13.21	2.21		9.10%

BOB with its Associate Banks	Pre	6409.91	637.36	-5.73	4.83%
	Post	119777.61	2077.46		11.34%
ICICI with its Associate Banks	Pre	2134.90	911.08	-4.23	35.66%
	Post	6838.05	2314.34		-10.6%

The analysis of total deposits before and after mergers indicates that the mergers significantly influenced the deposit base of all three banks. In the case of Punjab National Bank (PNB) with its associate banks, the mean total deposits increased from 6.12 billion in the pre-merger period to 13.21 billion in the post-merger period, showing a strong expansion in deposit mobilization after the merger. The standard deviation also rose from 0.67 to 2.21, indicating higher variation in deposits during the post-merger phase. The negative t-value of -6.881 reflects a statistically significant difference between pre- and post-merger performance. The compound growth rate improved from 7.81% to 9.10%, suggesting enhanced growth in deposits after consolidation.

Similarly, Bank of Baroda (BOB) recorded a remarkable increase in mean deposits from 6409.91 to 119777.61 during the post-merger period, indicating a substantial strengthening of its deposit base. The standard deviation increased from 637.36 to 2077.46, showing greater fluctuations in deposit levels after the merger. The t-value of -5.73 confirms a significant difference between the two periods. The compound growth rate

also rose from 4.83% to 11.34%, reflecting improved deposit growth and stronger market presence following the merger.

In the case of ICICI Bank, the mean deposits increased considerably from 2134.90 in the pre-merger period to 6838.05 in the post-merger period, indicating improved financial scale and customer deposits after the merger. The standard deviation rose from 911.08 to 2314.34, reflecting increased variability in deposit performance. The t-value of -4.23 indicates a statistically significant change between the two periods. However, the compound growth rate declined sharply from 35.66% to -10.6%, suggesting that although total deposits increased overall, the post-merger growth momentum slowed and experienced negative growth during certain years.

- Total Loan:** Total loans represent the bank's ability to provide credit to customers and generate interest income. Growth in total loans after merger indicates expansion of banking operations, improved financial strength, and enhanced capacity to support economic activities.

Table 4. Pre-Post Merger Changes in Capital Adequacy Ratio (%)

Bank with its Associate Banks	Period	Mean	Standard Deviation	t-value	Compound Growth Rate
Punjab National Bank with its Associates Banks	Pre	10.89	1.34	-6.02	-5.52%
	Post	15.08	0.80		2.82%
Bank of Baroda with its Associates Banks	Pre	12.44	0.38	-7.7	-0.31%
	Post	15.97	0.95		4.04%
ICICI Bank with its Associates Banks	Pre	12.72	1.00	-1.43	4.70%
	Post	14.52	2.64		9.16%

The analysis of the Capital Adequacy Ratio (CAR) before and after mergers indicates that the mergers strengthened the capital position and financial stability of the banks. In the case of Punjab National Bank (PNB) with its associate banks, the mean CAR increased from 10.89% in the pre-merger period to 15.08% in the post-merger period, showing an improvement in the bank's ability to absorb financial risks and maintain regulatory capital requirements. The standard deviation declined from 1.34 to 0.80, indicating greater stability in capital adequacy after the merger. The t-value of -6.02 reflects a statistically significant difference between the pre- and post-merger periods. Additionally, the compound growth rate improved from -5.52% to 2.82%, suggesting a positive recovery in capital strength after consolidation.

Similarly, Bank of Baroda (BOB) recorded an increase in mean CAR from 12.44% during the pre-merger period to 15.97% in the post-merger period, reflecting a stronger capital base and improved financial resilience after the merger. The standard deviation increased slightly from 0.38 to 0.95, indicating moderate fluctuations in CAR levels. The t-value of -7.7

confirms a statistically significant improvement between the two periods. The compound growth rate also improved from -0.31% to 4.04%, showing enhanced capital growth after amalgamation.

In the case of ICICI Bank, the mean CAR increased from 12.72% in the pre-merger period to 14.52% in the post-merger period, indicating better capitalization and improved risk-bearing capacity after the merger. The standard deviation rose from 1.00 to 2.64, reflecting greater fluctuations in capital adequacy during the post-merger phase. The t-value of -1.43 indicates a comparatively lower but noticeable difference between the two periods. The compound growth rate increased from 4.70% to 9.16%, suggesting continuous improvement in capital adequacy and financial stability after the merger.

Net Profit: Net profit is one of the most important indicators used to measure the success of a merger because the main strategic objective behind bank mergers is usually to increase operational efficiency, market strength, and earnings capacity.

Table 5. Pre-Post Merger Changes in Net Profit (Billion)

Bank	Period	Mean	Standard Deviation	t-value	Compound Growth Rate
PNB with its Associates Banks	Pre	-31.27	74.3	-2.25	Not impactful
	Post	65.72	61.42		69.35%
BOB with its Associates Banks	Pre	-22.86	48.12	-2.62	Not impactful
	Post	87.14	80.56		120.46%
ICICI with its Associates Banks	Pre	33.57	12.48	-6.26	26.62%
	Post	89.36	15.52		11.37%

The analysis of the net profit before and after mergers shows a noticeable improvement in the performance of all three banks during the post-merger period. In the case of Punjab National Bank (PNB) with its associate banks, the mean value increased significantly from -31.27 in the pre-merger period to 65.72 in the post-merger period, indicating a strong recovery and improvement after consolidation. The standard deviation declined from 74.3 to 61.42, reflecting comparatively better stability in performance. The t-value of -2.25 indicates a statistically significant difference between the two periods. While the pre-merger compound growth rate was not impactful, the post-merger growth rate improved substantially to 69.35%, showing strong financial progress after the merger.

Similarly, Bank of Baroda (BOB) recorded a sharp increase in the mean value from -22.86 during the pre-merger period to 87.14 in the post-merger period, reflecting considerable improvement in operational and financial performance. The standard deviation increased from 48.12 to 80.56, indicating higher fluctuations after the merger. The t-value of -2.62 confirms a significant difference between pre- and post-merger

periods. The compound growth rate, which was not impactful before the merger, rose dramatically to 120.46% in the post-merger period, highlighting exceptional growth after amalgamation.

In the case of ICICI Bank, the mean value increased from 33.57 in the pre-merger period to 89.36 in the post-merger period, indicating improved financial performance and operational efficiency after the merger. The standard deviation rose from 12.48 to 15.52, showing moderate variability in performance. The t-value of -6.26 indicates a statistically significant improvement between the two periods. However, the compound growth rate declined from 26.62% in the pre-merger period to 11.37% in the post-merger period, suggesting that although overall performance improved, the rate of growth moderated after the merger.

1. Return on Assets: Return on Assets (ROA) measures how efficiently a bank uses its total assets to generate profits. A higher ROA indicates better managerial efficiency and stronger financial performance after the merger.

Table 6. Pre-Post Merger Changes in Return on Assets (%)

Bank	Period	Mean	Standard Deviation	t-value	Compound Growth Rate
PNB with its Associates Banks	Pre	-0.78	0.69	-3.66	Not impactful
	Post	0.46	0.32		59.47%
BOB with its Associates Banks	Pre	-0.27	0.65	-3.06	Not impactful
	Post	0.82	0.46		89.48%
ICICI with its Associates Banks	Pre	1.18	0.16	-1.05	-5.85%
	Post	1.42	0.48		19.90%

The analysis of Return on Assets (ROA) before and after mergers indicates that the mergers positively influenced the profitability and asset utilization efficiency of the banks. In the case of Punjab National Bank (PNB) with its associate banks, the mean ROA improved from -0.78% in the pre-merger period to 0.46% in the post-merger period, showing recovery from negative returns and better utilization of assets after the merger. The standard deviation declined from 0.69 to 0.32, indicating greater stability in profitability performance during the post-merger period. The t-value of -3.66 reflects a statistically significant difference between the two periods. While the pre-merger growth rate was not impactful, the post-merger compound growth rate increased significantly to 59.47%, highlighting strong improvement after consolidation.

Similarly, Bank of Baroda (BOB) recorded an increase in mean ROA from -0.27% during the pre-merger period to 0.82% in the post-merger period, indicating enhanced profitability and operational efficiency after amalgamation. The standard deviation decreased from 0.65 to 0.46, showing relatively stable returns after

the merger. The t-value of -3.06 confirms a statistically significant improvement between the pre- and post-merger periods. The compound growth rate, which was not impactful before the merger, improved substantially to 89.48% in the post-merger period, reflecting strong financial progress.

In the case of ICICI Bank, the mean ROA increased from 1.18% in the pre-merger period to 1.42% in the post-merger period, indicating improved profitability and more efficient use of assets after the merger. The standard deviation increased from 0.16 to 0.48, showing moderate fluctuations in returns during the post-merger phase. The t-value of -1.05 indicates a relatively lower difference between the two periods compared to the other banks. The compound growth rate improved from -5.85% in the pre-merger period to 19.90% in the post-merger period, suggesting that the merger contributed positively to the bank's profitability growth.

Return on Equity: Return on Equity (ROE) measures how effectively a bank uses shareholders' funds to generate profits. An increase in ROE after merger indicates better utilization of equity

capital, improved profitability, and enhanced value creation for shareholders.

Table 7: Pre-Post Merger Changes in Return on Equity (%)

Bank	Period	Mean	Standard Deviation	t-value	Compound Growth Rate
PNB with its Associate Banks	Pre	-10.58%	14.65	-2.91	Not impactful
	Post	10.02%	5.93		49.50%
BOB with its Associate Banks	Pre	-4.18	10.33	-3.06	Not impactful
	Post	13.36	7.59		94.71%
ICICI with its Associate Banks	Pre	16.04	1.38	1.79	-2.46%
	Post	14.6	1.15		-2.89%

The analysis of Return on Equity (ROE) before and after mergers indicates that the mergers had a positive impact on the shareholders' returns of most banks. In the case of Punjab National Bank (PNB) with its associate banks, the mean ROE improved significantly from -10.58% in the pre-merger period to 10.02% in the post-merger period, showing a strong recovery in profitability and better returns to shareholders after the merger. The standard deviation decreased from 14.65 to 5.93, indicating greater stability in equity returns during the post-merger phase. The t-value of -2.91 reflects a statistically significant difference between the two periods. While the pre-merger growth rate was not impactful, the post-merger compound growth rate increased substantially to 49.50%, highlighting improved financial performance after consolidation. Similarly, Bank of Baroda (BOB) recorded a considerable increase in mean ROE from -4.18 in the pre-merger period to 13.36 in the post-merger period, indicating enhanced profitability and improved shareholder value after amalgamation. The standard deviation declined from 10.33 to 7.59, showing relatively stable equity returns after the merger.

The t-value of -3.06 confirms a statistically significant improvement between the pre- and post-merger periods. The compound growth rate, which was not impactful before the merger, rose sharply to 94.71% in the post-merger period, reflecting substantial growth in returns to shareholders.

In the case of ICICI Bank, the mean ROE slightly declined from 16.04 in the pre-merger period to 14.6 in the post-merger period, indicating a moderate reduction in returns generated on shareholders' equity after the merger. The standard deviation decreased from 1.38 to 1.15, showing stable performance in both periods. The positive t-value of 1.79 suggests that the difference between the two periods was comparatively lower. Additionally, the compound growth rate declined slightly from -2.46% to -2.89%, indicating a marginal slowdown in equity return growth after the merger.

Operating Cost: Operating cost is an important indicator because mergers are generally undertaken to optimise resources, eliminate duplication of activities, and improve cost management. A reduction in the operating cost ratio or better control over operating expenses after the merger reflects improved efficiency and productivity

Table 8: Pre-Post Merger Changes in Operating Cost (Billion)

Bank with its Associate Banks	Period	Mean	Standard Deviation	t-value	Compound Growth Rate
Punjab National Bank with its Associate Banks	Pre	45.76%	7.25	6.458	0.18%
	Post	23.97%	2.10		5.78%
Bank of Baroda with its Associate Banks	Pre	97.48	17.94	-4.31	12.94%
	Post	229.63	66.17		18.87%
ICICI Bank with its Associate Banks	Pre	44.33	15.30	-6.93	26.41%
	Post	104.61	12.02		4.49%

The analysis of operating cost before and after mergers shows that the mergers significantly influenced the operational efficiency of the banks. In the case of Punjab National Bank (PNB) with its associate banks, the mean operating cost declined from 45.76% in the pre-merger period to 23.97% in the post-merger period, indicating improved cost efficiency and better control over operational expenses after the merger. The standard deviation also decreased from 7.25 to 2.10, reflecting greater stability in operating costs during the post-merger phase. The t-value of 6.458 indicates a statistically significant difference between the two periods. The compound growth rate improved from 0.18% to 5.78%, suggesting better operational management after consolidation. Similarly, Bank of Baroda (BOB) recorded an increase in mean operating cost from 97.48

billion during the pre-merger period to 229.63 billion in the post-merger period. The standard deviation increased substantially from 17.94 to 66.17, indicating higher fluctuations in operating expenses after the merger. The t-value of -4.31 confirms a statistically significant difference between the two periods. Despite the rise in operating costs, the compound growth rate improved from 12.94% to 18.87%, indicating expansion in operations and business activities after amalgamation.

In the case of ICICI Bank, the mean operating cost increased from 44.33 billion in the pre-merger period to 104.61 billion in the post-merger period, reflecting expansion in operational scale and banking activities after the merger. However, the standard deviation declined from 15.30 to 12.02, indicating

relatively stable cost management during the post-merger period. The t-value of -6.93 shows a statistically significant difference between pre- and post-merger performance. The compound growth rate declined from 26.41% to 4.49%, suggesting that although operating costs increased overall, the pace of growth in expenses slowed considerably after the merger.

6. FINDINGS

The study found that bank mergers in India generally helped improve the financial and operational performance of the selected banks, namely Punjab National Bank, Bank of Baroda, and ICICI Bank. After mergers, all banks recorded significant growth in total assets, deposits, and loans, which indicates expansion in business operations, stronger market position, and improved lending capacity. Capital Adequacy Ratio (CAR) also improved in most cases, showing better financial stability and stronger risk-bearing capacity. Net profit, Return on Assets (ROA), and Return on Equity (ROE) improved considerably for PNB and Bank of Baroda, reflecting enhanced profitability and efficient utilization of resources after consolidation. Operating efficiency also improved, particularly in PNB, where operating costs reduced significantly after the merger.

The study further revealed that mergers helped banks achieve strategic motives such as economies of scale, technological upgradation, wider geographical coverage, customer-centric banking services, and stronger competitive advantage. However, in some cases, especially ICICI Bank, the compound growth rate declined after the merger despite improvements in overall performance, indicating that growth stabilized after rapid expansion. The statistical t-test results confirmed significant differences between pre-merger and post-merger performance for most indicators, proving that mergers had a measurable impact on bank performance.

7. CONCLUSION

The study concludes that mergers and acquisitions have played an important role in strengthening the Indian banking sector. The mergers helped banks increase their scale of operations, improve financial strength, enhance operational efficiency, and expand customer reach. The post-merger performance of most banks showed positive changes in profitability, deposits, loans, and capital adequacy, indicating that the strategic objectives behind mergers were largely achieved.

The research also concludes that mergers are not only tools for financial expansion but also strategic mechanisms for achieving long-term sustainability, technological modernization, and competitive advantage in the evolving banking environment. Although certain challenges such as integration costs,

fluctuations in operating expenses, and slower growth rates were observed in some cases, the overall impact of mergers remained positive. Therefore, bank mergers can be considered an effective strategy for improving the stability, efficiency, and global competitiveness of Indian banks.

8. SUGGESTIONS

1. Banks should focus on effective post-merger integration of technology, employees, and organisational culture to achieve maximum merger benefits.
2. Management should strengthen cost control mechanisms to reduce unnecessary operating expenses after mergers.
3. Banks should continue investing in digital banking infrastructure and customer-centric services to improve operational efficiency and customer satisfaction.
4. Proper risk management and monitoring systems should be implemented to maintain asset quality and financial stability after consolidation.
5. Regulatory authorities should provide continuous support and clear policy guidelines for smooth implementation of mergers in the banking sector.
6. Banks should avoid excessive branch expansion immediately after mergers and instead focus on efficient utilization of existing resources.
7. Employee training and communication programs should be strengthened to reduce resistance, improve coordination, and ensure smooth organizational transition after mergers.

REFERENCES

1. Bhan A. Mergers in Indian banking sector—motives and benefits. SSRN Social Science Research Network. 2009:1–38. Available from: <http://dx.doi.org/10.2139/ssrn.1467813>
2. Chandrappa TD, Chandramma M. Bank merger motivations: an examination of the key target bank characteristics. *Asian J Manag Commerce*. 2025;6(2):824–830. doi: 10.22271/27084515.2025.v6.i2i.754
3. Grover LK. Motives of mergers and acquisitions (M&As) in Indian banking sector. *EPRA Int J Multidiscip Res (IJMR)*. 2022;8(3):175–181. doi:10.36713/EPRA2013
4. Kaur D, Singh S. Bank merger motivations and post-merger productivity. *IOSR J Bus Manag*. 2016;18(7):1–11. Available from: <http://www.iosrjournals.org/A1807010111.pdf>
5. Kumar A, Agarwal DK. Reasons for bank merger in the Indian banking system. *Int J Innov Eng Res Manag*. 2023;10(04):8–11. Available from: <https://mmcmadinagar.ac.in/mmc/pdf/publication/commerce/Conference.pdf>

6. Mohammed S. Critical analysis of banking sector reforms in India with special emphasis on technological advancement. *Manag Dyn.* 2022;12(1):20–36. doi:10.57198/2583-4932.1128
7. R.Y I, Paramashivaiah P. Motives for mergers and acquisitions of public sector banks in India: an analysis of employee's opinion. *Int J Manag.* 2025;16(6):177–190. doi:10.34218/IJM_16_06_012

Creative Commons License

This article is an open-access article distributed under the terms and conditions of the Creative Commons Attribution–Non-commercial–No Derivatives 4.0 International (CC BY-NC-ND 4.0) License. This license permits users to copy and redistribute the material in any medium or format for non-commercial purposes only, provided that appropriate credit is given to the original author(s) and the source. No modifications, adaptations, or derivative works are permitted.

About the Corresponding Author

Jyoti is a Research Scholar at Desh Bhagat University, Mandi Gobindgarh, Punjab, India. Her research focuses on banking sector reforms, mergers and acquisitions, and financial performance analysis. She is actively engaged in exploring strategic aspects of the Indian banking industry to contribute to academic and policy discourse.