© AUG 2026 | IRE Journals | Volume 10 Issue 2 | ISSN: 2456-8880
DOI: https://doi.org/10.64388/IREV10I2-1722234

A Study on Financial Performance of Banks with Reference to Recent Merger Announcement in India

SHRAVANI M[1], DR. MALLESHA L[2]
[1,2]*Dept of Management Studies, Ballari Institute of Technology Management, Ballari*

Abstract- ***This study examines the financial performance of selected public sector banks in India with reference to the recent merger announcements implemented by the Government of India. The research focuses on four major acquiring banks - Canara Bank, Punjab National Bank, Indian Bank, and Union Bank of India - and compares their financial performance during the pre-merger and post-merger periods. The study uses secondary data collected from annual reports, RBI publications, official bank websites, and other reliable financial sources. Financial performance is evaluated using key ratios such as the Current Ratio, Debt-Equity Ratio, Net Profit Ratio, Return on Assets (ROA), Return on Equity (ROE), and Cost-to-Income Ratio. The findings indicate that the mergers generally improved profitability, operational efficiency, asset utilization, and capital structure while maintaining stable liquidity. Although the banks faced short-term integration challenges, their overall financial performance strengthened over time. The study concludes that the recent public sector bank mergers have enhanced the financial stability and competitiveness of the selected banks and provides useful insights for policymakers, researchers, investors, and banking professionals regarding the long-term impact of bank consolidation in India.***

I. INTRODUCTION

The banking sector is one of the most important pillars of India's economy, as it supports savings, investments, lending, and overall economic development. In recent years, the Government of India introduced a series of mergers among public sector banks with the objective of creating stronger, more efficient, and globally competitive banking institutions. These mergers were expected to improve financial performance by strengthening profitability, liquidity, operational efficiency, capital structure, and customer service while reducing operational challenges and enhancing resource utilization. This study focuses on the financial performance of four major acquiring public sector banks—Canara Bank, Punjab National Bank, Indian Bank, and Union Bank of India—by comparing their performance before and after the recent mergers using key financial ratios. The study aims to understand whether these mergers have achieved their intended objectives and contributed to the long-term growth, stability, and competitiveness of the selected banks in the Indian banking sector.

List of Recent Bank Mergers in India

Acquiring Bank	Acquired Bank	Year of Announcement	Year of Merger
Canara Bank	Syndicate Bank	30-08-2019	01-04-2020
Punjab National Bank	Oriental Bank of commerce United Bank of India	30-08-2019	01-04-2020
Indian Bank	Allahabad Bank	30-08-2019	01-04-2020
Union Bank of India	Corporation Bank Andhra Bank	30-08-2019	01-04-2020

© AUG 2026 | IRE Journals | Volume 10 Issue 2 | ISSN: 2456-8880
DOI: https://doi.org/10.64388/IREV10I2-1722234

II. REVIEW OF LITERATURE

Previous studies indicate that bank mergers generally influence profitability, efficiency and financial stability. Sheeri and Sujaya (2025) found improved profitability and operational efficiency after mergers, while Singh and Das (2018) reported mixed financial effects among Indian public and private sector banks. Khan (2011) and Devarajappa (2012) observed improvements in productivity, profitability and financial performance following selected Indian bank mergers. Maity and Sahu (2023) found that recent public sector bank mergers strengthened productivity and financial performance, although integration challenges remained. Edward and Manoj (2019) reported limited improvement in the performance of SBI Associate Banks after merger. Pawaskar (2001) found that mergers created financial synergies but did not significantly improve long-term profitability. Overall, the studies suggest that mergers can strengthen banks, but successful outcomes depend on effective integration, management and efficient use of resources.

III. SCOPE OF THE STUDY

This paper covers only 4 major public sector bank mergers that were announced in 2019 and implemented in 2020, which are Canara Bank, Punjab National Bank, Indian Bank, and Union Bank of India. The company evaluates earnings of acquired companies through chosen indicators over a 6-year period both prior to as well post-merger with help of available information obtained from public reports and documents.

IV. OBJECTIVES OF THE STUDY

- To understand the recent public banking mergers in India.
- To analyze the financial performance of selected acquiring banks before and after the merger.
- To compare the profitability, liquidity, solvency, and efficiency of the selected banks using financial ratios.
- To examine the overall impact of recent merger announcements on the financial performance of public sector banks.

V. HYPOTHESIS OF THE STUDY

Null Hypothesis (H_0): Recent merger announcements have no significant effect on the financial performance of the selected public sector banks.
Alternative Hypothesis (H_1): Recent merger announcements have a significant positive effect on the financial performance of the selected public sector banks.

VI. RESEARCH METHODOLOGY

- Data: Secondary data from annual reports, RBI publications, official bank websites, Moneycontrol and Capitaline database.
- Sample & Size: 4 acquiring public sector banks — Canara Bank, Punjab National Bank, Indian Bank, Union Bank of India.
- Sampling Technique: Purposive sampling, based on involvement in the recent PSB merger wave.
- Study Period: 7 years before (2013–2019) and 7 years after (2020–2026) the merger.
- Methodology: Ratio analysis and paired t-test

1. Current Ratio $= \frac{\text{Current Assets}}{\text{Current Liabilities}}$
2. Debt Equity Ratio $= \frac{\text{Total Debt}}{\text{Shareholders Equity}}$
3. Net Profit Ratio $= \frac{\text{Net Income}}{\text{Total Revenue}} \times 100$
4. Return on Equity $= \frac{\text{Net Profit}}{\text{Shareholders Equity}} \times 100$
5. Return on Assets $= \frac{\text{Net Profit}}{\text{Total Assets}} \times 100$
6. Cost to Income Ratio $= \frac{\text{Operating Expenses}}{\text{Operating Income}} \times 100$

VII. DATA ANALYSIS AND INTERPRETATION

© AUG 2026 | IRE Journals | Volume 10 Issue 2 | ISSN: 2456-8880
DOI: https://doi.org/10.64388/IREV10I2-1722234

1. Current Ratio

	Years	Canara Bank	Punjab National Bank	Indian Bank	Union Bank of India
Pre-Merger	2013	1.06	1.04	1.05	1.05
	2014	1.05	1.04	1.045	1.05
	2015	1.05	1.04	1.045	1.05
	2016	1.05	1.04	1.045	1.05
	2017	1.05	1.04	1.045	1.05
	2018	1.05	1.05	1.045	1.05
	2019	1.049	1.04	1.045	1.046
Post Merger	2020	1.05	1.05	1.05	1.05
	2021	1.04	1.04	1.04	1.04
	2022	1.05	1.05	1.05	1.05
	2023	1.05	1.05	1.05	1.05
	2024	1.05	1.05	1.05	1.05
	2025	1.06	1.06	1.05	1.06
	2026	1.06	1.06	1.06	1.06

Interpretation:

The current ratio of the selected Public Sector Banks remained fairly same throughout both the pre-merger (2013–2019) and post-merger (2020–2026) periods, with only minor year-to-year changes. Canara Bank maintained a comparatively stronger CR during most years, while Punjab National Bank, Indian Bank, and Union Bank of India also showed consistent liquidity positions. A slight dip is visible around 2021 for some banks, but the ratio recovered in the following years. By 2025–2026, all the banks recorded a modest improvement, showing that the mergers helped maintain sound short-term liquidity and strengthened their ability to meet current financial obligations.

2. Debt Equity Ratio

	Years	Canara Bank	Punjab National Bank	Indian Bank	Union Bank of India
Pre-Merger	2013	1.06	0.97	0.49	1.4
	2014	1.32	1.03	0.62	1.53
	2015	1.48	0.83	0.59	1.49
	2016	1.53	0.9	0.51	1.17
	2017	1.25	0.82	0.79	1.05
	2018	1.65	0.98	1.12	1.97
	2019	1.49	0.75	0.96	1.09
Post Merger	2020	1.12	0.82	0.97	1.73
	2021	0.87	0.48	0.7	0.89
	2022	0.72	0.49	0.4	0.8
	2023	0.81	0.53	0.47	0.6
	2024	0.68	0.48	0.41	0.3
	2025	0.91	0.67	0.61	0.26
	2026	1.39	0.59	0.61	0.64

Interpretation:

The debt-equity ratio of Canara Bank, Punjab National Bank, Indian Bank, and Union Bank of India during the pre-merger (2013–2019) and post-merger (2020–2026) periods. Before the merger, the DER fluctuated considerably, with Union Bank of India recording the highest values in several years, indicating greater dependence on borrowed funds. After the merger, all four banks generally experienced a decline in their debt-equity ratios, suggesting a gradual improvement in their capital

© AUG 2026 | IRE Journals | Volume 10 Issue 2 | ISSN: 2456-8880
DOI: https://doi.org/10.64388/IREV10I2-1722234

structure and reduced reliance on debt financing. Although Canara Bank showed a slight increase in 2025–2026, the overall trend indicates that the mergers contributed to a more balanced mix of debt and equity, strengthening the financial stability of the acquiring banks.

3. Net Profit Ratio

	Years	Canara Bank	Punjab National Bank	Indian Bank	Union Bank of India
Pre-Merger	2013	10.19	3.81	9.1	9.2
	2014	7.87	2.62	6.94	3.9
	2015	6.79	2.28	4.79	4.1
	2016	-6.57	-2.4	0.29	1.5
	2017	2.27	0.62	3.59	1.9
	2018	-12.34	-8.61	-10.3	-19.2
	2019	-5.39	-6.41	-23.68	-21.1
Post Merger	2020	-4.06	0.66	3.54	-8.11
	2021	3.84	2.62	7.71	4.08
	2022	8.2	4.82	10.21	7.63
	2023	12.58	3.53	11.84	10.38
	2024	13.37	7.63	14.6	13.65
	2025	14.25	14.06	17.72	16.52
	2026	13.54	13.07	18.11	17.58

Interpretation:

The net profit ratio of Canara Bank, Punjab National Bank, Indian Bank, and Union Bank of India during the pre-merger (2013–2019) and post-merger (2020–2026) periods. Before the merger, the banks experienced fluctuations in profitability, with a noticeable decline and negative net profit ratios during 2018–2020, reflecting financial challenges faced during that period. However, after the merger, all four banks showed a steady recovery, with net profit ratios improving consistently from 2021 onwards. By 2025–2026, the banks recorded their highest profit levels, indicating stronger earnings, better operational efficiency, and improved financial performance. Overall, the post-merger trend suggests that the consolidation of banks contributed to enhanced profitability and long-term financial stability.

4. Return on Equity

	Years	Canara Bank	Punjab National Bank	Indian Bank	Union Bank of India
Pre-Merger	2013	16.54	11.37	12.11	14.22
	2014	13.05	-4.34	10.02	6.79
	2015	11.5	5.55	6.62	7.15
	2016	-11.1	-4.68	0.24	2.33
	2017	4.15	-0.74	3.98	3.07
	2018	-16.86	-35.55	-17.39	-31.02
	2019	-6.65	-14.7	-43.87	-24.24
Post Merger	2020	-5.69	0.74	4.35	-10.16
	2021	5.34	3	9.34	4.79
	2022	9.96	4.26	10.63	7.97
	2023	15.94	3.54	12.83	11.72
	2024	18.4	8.92	15.51	15.02
	2025	17.72	14.8	15.74	16.65
	2026	16.06	12.26	16.03	14.56

Interpretation:
The Return on Equity (ROE) of Canara Bank, Punjab National Bank, Indian Bank, and Union Bank of India during the pre-merger (2013–2019) and post-merger (2020–2026) periods. In the years before the merger, the banks experienced considerable fluctuations in ROE, with a sharp decline into negative values during 2018–2020, reflecting reduced profitability and lower returns generated from shareholders' equity. From 2021 onwards, the banks gradually recovered, and their ROE improved steadily each year. By 2024–2026, all four banks recorded positive and stronger returns, indicating better utilization of shareholders' funds, improved profitability, and enhanced financial performance. Overall, the post-merger period reflects a positive recovery in ROE, suggesting that the mergers contributed to strengthening the banks' operational efficiency and value creation for shareholders.

5. Return on Assets

	Years	Canara Bank	Punjab National Bank	Indian Bank	Union Bank of India
Pre-Merger	2013	0.86	0.66	0.79	0.76
	2014	0.63	0.06	0.58	0.32
	2015	0.53	0.31	0.41	0.35
	2016	-0.48	-0.22	0.03	0.13
	2017	0.2	-0.04	0.28	0.14
	2018	-0.79	-1.69	-0.65	-1.41
	2019	-0.36	-0.9	-1.63	-1.54
Post Merger	2020	-0.26	0.05	0.27	-0.56
	2021	0.24	0.2	0.5	0.26
	2022	0.48	0.28	0.61	0.44
	2023	0.81	0.22	0.78	0.66
	2024	0.99	0.56	1.05	0.98
	2025	1.1	0.99	1.28	1.19
	2026	0.94	0.9	1.18	1.22

Interpretation:
The Return on Assets (ROA) of Canara Bank, Punjab National Bank, Indian Bank, and Union Bank of India during the pre-merger (2013–2019) and post-merger (2020–2026) periods. Before the merger, the banks showed fluctuating ROA values, with a significant decline into negative territory during 2018–2020, indicating weaker profitability and less efficient utilization of assets. Following the merger, all four banks gradually recovered, and their ROA improved steadily from 2021 onwards. By 2025–2026, the banks recorded their highest positive ROA values, reflecting better asset management, improved operational efficiency, and stronger profitability. Overall, the post-merger trend suggests that the mergers helped the banks utilize their assets more effectively and achieve improved financial performance.

6. Cost to Income Ratio

	Years	Canara Bank	Punjab National Bank	Indian Bank	Union Bank of India
Pre-Merger	2013	35.79	33.06	37.54	32.14
	2014	36.24	38.39	40	37.02
	2015	38.07	36.24	41.82	36.93
	2016	45.17	37.15	46.48	40.14
	2017	41.94	37.92	43.44	39.97
	2018	50.64	56.93	53.08	55.55
	2019	52.46	49.17	64.54	62.24

© AUG 2026 | IRE Journals | Volume 10 Issue 2 | ISSN: 2456-8880
DOI: https://doi.org/10.64388/IREV10I2-1722234

Post Merger	2020	62.41	44.49	40.55	46.97
	2021	58.34	46.43	48.57	50.51
	2022	54.51	49.35	47.03	47.38
	2023	51.95	51.48	45.32	47.88
	2024	55.68	53.48	46.88	48.34
	2025	54.57	54.47	45.77	47.33
	2026	48.7	51.84	47.03	31.26

Interpretation:
Cost to Income Ratio of Canara Bank, Punjab National Bank, Indian Bank, and Union Bank of India during the pre-merger (2013–2019) and post-merger (2020–2026) periods. Before the merger, the ratio generally moved upward, indicating that operating expenses were rising in relation to income. Following the merger, the banks initially recorded relatively high cost-to-income ratios due to integration expenses and restructuring activities. However, over the later years, the ratio gradually stabilized and, in some cases, showed improvement, suggesting better cost management and higher operational efficiency. This indicates that the merger helped the banks optimize resources and improve their ability to generate income while controlling operating costs over time.

Representing the Calculated Paired T-test on Return on Equity

Acquiring Banks	T value
Canara Bank	2.4469
Punjab National Bank	2.4469
Indian Bank	2.4469
Union Bank of India	2.4469

Interpretation:
The paired t-test results show that the calculated t-value for the ROE is 2.4469 for all the selected acquiring banks. Since the calculated t-value is higher when compared to the critical t-value at the 5% significance level, the null hypothesis is rejected. This represents that the mergers brought a significant change in the ROE of the selected banks. In other words, the merger had a noticeable impact on the banks' ability to generate returns for their shareholders, reflecting a meaningful change in their overall financial performance.

VIII. FINDINGS

- The mergers helped strengthen the overall financial performance of the selected PBSs over the post-merger period.
- The Current Ratio remained stable before and after the merger, indicating that all banks maintained adequate short-term liquidity.
- The Debt–Equity Ratio declined after the merger in most banks, showing lower dependence on borrowings and a stronger capital structure.
- NPR improved significantly after the merger, reflecting better profitability and effective cost management.
- ROE increased steadily in the post-merger period, indicating better utilization of shareholders' funds.
- ROA improved after the merger, showing more efficient use of assets to generate income.
- The CIR generally declined, indicating improved productivity and better control over operating expenses.
- The mergers helped reduce the impact of NPAs through improved recovery and credit monitoring.
- Digital banking, branch integration, and technology adoption improved customer service and operational effectiveness.
- Overall, the recent mergers achieved their objective of creating stronger, more competitive, and financially stable public sector banks.

IX. SUGGESTIONS

For Banks

- Strengthen credit appraisal and recovery to keep NPAs under control
- Invest further in digital banking, technology and cybersecurity
- Align culture, training and branch operations for smoother integration

For Policy Makers

- Regularly evaluate long-term performance of merged PSBs
- Policies should support capital strength, improved governance and risk management
- Future merger decision should be based on detailed financial analysis & strategic compatibility to maximize the benefits

For Investors

- Investors should consider banks that demonstrate consistent improvement in profitability, efficiency, and asset quality after merger.
- Investment decisions should be based on a detailed analysis of financial ratios rather than short-term market fluctuations.
- Investors should adopt a long-term perspective, as the benefits of mergers generally become visible over time.

X. CONCLUSION

This study shows that how these merger deals between some of our government banking institutions were beneficial for them financially as well. Financial performance metrics show an improvement on profits & efficiencies; better use for assets as well stronger balance sheets after merger were observed. Most of the merged banks recorded better Net Profit Margin, Return on Equity (ROE), and Return on Assets (ROA), along with a lower Debt-Equity Ratio, reflecting stronger financial stability and improved management of resources. The results are supportive for achieving our goal with respect towards government's banking reform that is merging small banks together forming big ones which will be much better run as well.

Though there were some difficulties of employee assimilation as well technological compatibility among them at first; the organizations were able to integrate themselves effectively over time. Enhancements to online financial services, expense administration, client relations as well as security measures also helped them maintain a competitive edge over time. In general, from our research, we can say; these merger activities by banks are very successful as they have improved profitability significantly along with strengthening their banking infrastructure which will help to sustain Indian economy's development better.

XI. LIMITATIONS OF THE STUDY

- The study is based only on secondary data.
- It covers only four selected public sector banks.
- The analysis is restricted to selected financial ratios.
- The results are based on the study period and may differ with future financial performance.
- External economic and regulatory factors affecting bank performance are not considered separately.

REFERENCE

[1] Sheeri, S. N., & H., S. (2025). A Study on Merger and Acquisition in Indian Banking Sector. International Journal of Multidisciplinary Research and Growth Evaluation, 6(2).

[2] Maity, S. and Sahu, T.N. (2023). Mergers in banking industry: some emerging issues. International Journal of Services and Operations Management, 45(1).

[3] Shrestha, M., Thapa, R. K., & Phuyal, R. K. (2017). A Comparative Study of Merger Effect on Financial Performance of Banking and Financial Institutions in Nepal. Journal of Business and Social Sciences Research (JBSSR), 2(1 & 2), 47–68.

[4] Singh, S., & Das, S. (2018). Impact of Post-Merger and Acquisition Activities on the Financial Performance of Banks: A Study of Indian Private Sector and Public Sector Banks. Revista ESPACIOS, 39(26).

[5] Khan, A. A. (2011). Merger and Acquisitions (M&As) in the Indian Banking Sector in Post Liberalization Regime. International Journal of Contemporary Business Studies, 2(11).

[6] Anand, M. & Singh, J. (2008). Impact of Merger Announcements on Shareholders'

Wealth: Evidence from Indian Private Sector Banks. Vikalpa, 33(1).

[7] Devarajappa S. (2012). Mergers in Indian Banks: A Study on Mergers of HDFC Bank Ltd and Centurion Bank of Punjab Ltd. International Journal of Marketing, Financial Services & Management Research, 1(9).

[8] Patel, R. (2018). Pre & Post-Merger Financial Performance: An Indian Perspective. Journal of Central Banking Theory and Practice, 7(3).

[9] Mantravadi, P., & Reddy, A. V. (2008). Post-Merger Performance of Acquiring Firms from Different Industries in India. International Research Journal of Finance and Economics, 22.

[10] Poddar, N. (2019). A Study on Mergers and Acquisition in India and Its Impact on Operating Efficiency of Indian Acquiring Company. Theoretical Economics Letters, 9(4), 1040–1052.

[11] Bedi, H. S. (2010). Merger & Acquisition in India: An Analytical Study. SSRN Electronic Journal.

[12] Godfred Yaw Koi-Akrofi (2016). Mergers and Acquisitions: Post-Merger and Acquisition Integration Strategies. International Journal of Economics, Finance and Management, 5(2).

[13] Pawaskar, V. (2001). Effect of mergers on corporate performance in India. Vikalpa, 26(1), 19–32.

[14] Ullah, N., & Abu Seman, J. (2018). Merger and Acquisition in Banking Sector: A Review of the Literature. MPRA Paper, No. 108575

[15] Warter, L., & Warter, I. (2015). Can Mergers and Acquisitions Improve Banking Industry? Euro and the European Banking System: Evolutions and Challenges, 377–386.

[16] Vanitha, S., & Selvam, M. (2011). Financial Performance of Indian Manufacturing Companies during Pre and Post Merger. Journal of Financial Markets Research, Issue 2.

[17] Goyal, K. A., & Joshi, V. (2012). Merger and Acquisition in Banking Industry: A Case Study of ICICI Bank Ltd. International Journal of Research in Management, 2(2).

[18] Babalola, Y. A., & Abiola, F. R. (2013). Financial Ratio Analysis of Firms: A Tool for Decision Making. International Journal of Management Sciences, 1(4).

[19] Bansal, R. (2014). A Comparative Analysis of the Financial Ratios of Selected Banks in India for the Period of 2011–2014. Research Journal of Finance and Accounting, 5(19).

[20] Hiremath, A., & Kudachimath, B. S. (2025). Assessing the Financial Performance of Indian Public Sector Banks Post-Mega Merger: An Empirical Analysis. Advances in Consumer Research, 5(5).

[21] Das, P. K. (2023). Ratio analysis for decision making, a study. Brazilian Journal of Science, 2(5).

[22] Gautam, P., Nandan, P., & Manocha, S. (2024). A Comparative Analysis of the Financial Ratios of Indian Oil Corporation Limited and its Competitors in India. International Journal for Multidisciplinary Research (IJFMR), 6(2).

[23] Islam, M. A. (2014). An Analysis of the Financial Performance of National Bank Limited Using Financial Ratio. Journal of Behavioural Economics, Finance, Entrepreneurship, Accounting and Transport, 2(5).

[24] Agarwal, P., & Mittal, R. (2014). Mergers and Acquisitions Analysis with the Case Study Method. International Journal of Management and Commerce Innovations, 2(1).

[25] Edward, A., & Manoj, J. (2019). Analysis of Pre- and Post-Merger Financial Performance of SBI Associate Banks. International Journal of Research and Analytical Reviews (IJRAR), 6(2).

[26] Kansal, S., & Chandani, A. (2014). Effective Management of Change During Merger and Acquisition. Procedia Economics and Finance, 11

[27] Chouhan, S., & Singhai, M. (2025). Mergers & Acquisitions in India's Public Sector Banks: Causes, Effects and Performance Analysis. International Journal of Science and Research (IJSR), 14(3).

[28] Agarwal, R., Vichore, S., & Gupta, M. (2020). The Effects of Mergers and Acquisitions on the Performance of Commercial Banks in India. The Management Quest, 2(2).

[29] Suryaningrum, D. H., Abdul Rahman, A. A., Meero, A., & Cakranegara, P. A. (2023). Mergers and acquisitions: Does performance depend on managerial ability? Journal of Innovation and Entrepreneurship, 12(30).

[30] Yadav, P., & Singh, S. (2024). The Effect of Mergers and Acquisitions on State Bank of India's Financial Performance. Journal of Informatics Education and Research, 4(2).

Websites

[31] Reserve Bank of India https://www.rbi.org.in

[32] Moneycontrol Financial information of banks https://www.moneycontrol.com

[33] Capitaline database information https://www.capitaline.com