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Bank merger motivations: An examination of the key target bank characteristics

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Abstract
Despite the consolidation trend in the sector, mergers in Indian banks have not always brought about the expected improvements in financial performance. This paper examines the characteristics of target banks in the context of mergers, focusing on the motivations behind these mergers and their subsequent impact on their financial outcomes. The research makes a detailed study of four nationalized commercial banks: Canara Bank, Indian Bank, Punjab National Bank, and Union Bank of India. This research investigates whether significant changes in the financial performance indicators occurred before and after the merger. The study used statistical methods that included Analysis of Variance (ANOVA) to show that only a few indicators, such as capital adequacy and profit per employee, had little or no significant difference. Other indicators, such as asset quality, liquidity ratios, and sensitivity metrics, were subject to considerable change. Findings from this research suggest that bank mergers do not automatically ensure success, but the strategic integration process significantly influences the long-term financial health of the merged entities.

Keywords: Bank Merger, CAMELS, ANOVA

Introduction

Bank mergers have been the longstanding crucial elements in the Indian country's development history of banking sector evolution and influenced by the frameworks of historical, legal, and institutional perspectives. From early consolidations during the colonial time, presidency banks through the most recent amalgamation of public sector banks, such consolidation has formed the backbone for developing the financial architecture of India (Singh & Das, 2018) [8]. Historically, mergers have been driven by the need to address systemic weaknesses and enhance the resilience of financial institutions, particularly during periods of economic uncertainty and political transitions (Prakash; Gogia, 2018) [9]. The post-independence era saw a series of strategic mergers, starting with the nationalization of banks, which were aimed at promoting financial inclusion and securing state control over vital banking operations (Wadhwa, Reddy & Syamala, 2015) [1]. New challenges for the Indian banking system have emerged in the liberalization era, especially after 1991, with growing competition, rapid technological changes, and the entry of private players into the market (Kavita). To address these challenges, bank mergers have tried to eliminate inefficiencies, achieve economies of scale, and allow Indian banks to compete in the global markets (Sharma & Patel, 2019) [5]. These mergers have proved to be essential in building up operational synergies, improving governance, and augmenting technological adaptability so that Indian banks become fit for the ever-increasing requirements of a competitive global market (Veena & Patti, 2017) [4].

As India looks toward its vision of "Viksit Bharat 2047," these historical and theoretical paradigms give rich insights into how the banking sector can help achieve the aspirations of the nation toward becoming a developed economy (Maheshwari & Goyal, 2024) [7]. Nevertheless, the financial impact of mergers is not always as simple because some mergers do not achieve the expected improvement in operational efficiency and profitability (Singh & Das, 2018) [8]. This paper discusses bank mergers in India comprehensively, based on the historical evolution of such mergers, motivations for such mergers, and long-term implications for a globally competitive and inclusive banking ecosystem.

Objectives of the Study

1. To study the history of banking mergers in India
2. To analyze motivations for bank mergers.

3. To assess whether mergers result in improved bank performance of selected banks
4. To examine the statistically significance differences in the financial performance of selected banks before and after mergers.

Review of Literature

The research study on the Bank Meger Motivation places a comprehensive understanding of how complicated the dynamics of the banking sector are. Through the use of the CAMELS model in assessing the performance of banks followed by mergers, Sarvamangala and Reddy, 2024 point out that performance seems better for banks that have higher capital adequacy and management efficiency after the merger process. Similarly, Fatchullah and Ikbal (2024) [2] also employ the CAMELS approach on regional development banks and demonstrate that asset quality and profitability are the main factors that judge the financial soundness of banks, which is by the requirement of judging these factors while considering post-merger performance. Varikunta *et al*. (2024) [3] examine the pre- and post-merger performance of banks; the study established that mergers lead to higher capital adequacy and liquidity but don't necessarily add management efficiency or improve asset quality; this can also be seen in the case study done by Veena and Patti (2017) [4] of ICICI Bank Ltd., wherein they found mixed outcomes post-merger. Sharma and Patel (2019) [5] also analyze the SBI group using the CAMEL model and note that mergers help to increase liquidity and profitability but are combined with caution to attain sustainable growth. Bohalima focus their attention on non-financial companies but find that mergers can positively affect market performance as well as efficiency in operations which supports the idea that fit is strategic while merging for future success. Singh and Das (2018) [8], along with Gogia (2018) [9], point out that, post-merger, the financial performance of Indian public and private sector banks remains better in liquidity but often deteriorates in terms of profitability and operational efficiency. Contrarily, Wadhwa *et al*. (2015) [11] state that the efficiency theory of mergers in emerging markets like India suggests that mergers can be efficiency-driven, but it is very much dependent on the integration process. In addition, Prakash *et al*. (2013) and Maheshwari and Goyal (2024) [7] emphasize the financial health indicators, such as liquidity and profitability, in determining the success of mergers in India. Besides, the latest developments in the Indian banking sector have been highlighted in Srinivasan *et al*. (2024) [12], Shariq (2022), and Mehrotra (2022) [14]. It explains the impact of changes in the regulatory framework as well as rapid technological development, which impacts mergers and acquisitions' results. Most of the literature is available regarding bank mergers revolves around short-term financial changes, while exploring long-term transformations in asset quality, liquidity, and sensitivity parameters is quite scarce. The underperformance of mergers on specific aspects such as provisioning practices, doubtful loans, and deposit composition, as well as much under the overall umbrella of this research, more so regarding Public Sector Banks in India, is much underexploited. Moreover, no integrated sensitivity analysis combining the pre- as well as post-merger metrics with the conventional financial ratios will help shed even more light regarding further impacts related to the increase in operational efficiency together with risk management.

Research Design

The research methodology of this study deals with the assessment of the before & after merger financial performance of four public sector banks in India. The study design is empirical, with a longitudinal approach, analyzing financial data gathered from secondary sources such as Reserve Bank of India, annual reports and balance sheets of selected banks over four years before the merger (2016-2020) and four-year period after the merger (2020-2024). CAMELS financial indicators selected for assessing the performance of the banks include: Capital Adequacy - Capital Adequacy Ratio (CAR), Government Securities to Total Investment Ratio, Total Advances to Total Asset Ratio, Asset Quality - Net NPA to Net Advances, Gross NPAs to Gross Advances, Total Investment to Total Assets Ratio, Management Efficiency- Profit per employee, Business Per Employee, Total Advances to Total Deposits Ratio, Operating Expenses to Total Assets Ratio, Earnings Ability - Return on Assets (ROA), Return on Equity (ROE), Non-interest income to Total Income, Interest income earned to Total Income, Liquidity - Government Securities to Total Assets Ratio, Liquid Assets to Total Assets Ratio, Liquid Assets to Total Deposits Ratio, Sensitivity - Demand Deposits to Total Deposits, Doubtful Loans to Total Loans and Provision for Loans to total loans. The statistical technique used to check the significance of differences in these financial indicators before and after the mergers is one way Analysis of Variance (ANOVA). This study focuses on four recently merged nationalized commercial banks in India, namely Canara Bank, Indian Bank, Punjab National Bank and Union Bank of India, thereby allowing for a more in-depth analysis of the financial and operational impact of mergers.

Historical Development of Bank Mergers in India

Pre-Independence Period

Indian banking dates back to the colonial years. The industry then was extremely disorganized; practices were generally unregulated, while failures were fitful. First mergers started off as balancing steps in an otherwise divided banking system, example- As the Imperial Bank of India (1921) was formed based on the merger process between the Bank of Calcutta, Bank of Bombay and Bank of Madras, which followed centralized system operations.

Post Liberalisation Period (1947-1991)

India's independence marked a critical period for its banking sector. The nationalization of banks in 1969 and 1980 marked the government's intention to consolidate resources for growth equitably. Mergers during this period were mainly aimed at building institutions that could implement development-oriented policies. Emphasis was placed on merging small, vulnerable banks with stronger ones to reduce risks and enhance operational resilience.

Liberalization and Reform Era (1991-2010)

The liberalization reforms of 1991 brought private-sector competition and efficiency. During this period, bank mergers were market-driven consolidations with an emphasis on scalability and competitiveness. Example- The merger of ICICI with its banking subsidiary in 2002 was an example of the universal bank trend.

Recent Consolidation Phase (2010-Present)

The current phase of mergers corresponds to the 'minimum government, maximum governance' vision of the government and envisions fewer, stronger public sector banks. Important consolidations have focused on reducing governance redundancies. For instance, the consolidation of 10 public sector banks into 4 entities in 2020 marks the biggest consolidation exercise ever witnessed in Indian banking.

Table 1: List of Major Bank Mergers and Reasons behind Bank Mergers in India

Year	Merging Entities	Resulting Entity	Reason for Merger
1921	Bank of Calcutta, Bank of Bombay, Bank of Madras	Imperial Bank of India	Consolidate presidency banks for unified operations and enhanced stability.
1960	Seven Associate Banks	SBI	Create a unified structure for better resource mobilization and operational efficiency.
1969, 1980	Nationalization of 14 (1969) and 6 (1980) banks	Public Sector Banks	Ensure financial inclusion and state control over critical banking operations.
1993	New Bank of India, Punjab National Bank (PNB)	Punjab National Bank (PNB)	Prevent the collapse of the New Bank of India and safeguard depositors' interests.
2004	IDBI Bank, IDBI	IDBI Bank	Form a universal bank for both commercial and industrial financing.
2008	Centurion Bank of Punjab, HDFC Bank	HDFC Bank	Enhance HDFC Bank's geographical presence and customer base.
2010	State Bank of Indore, SBI	SBI	Further consolidate SBI's position as a unified banking entity.
2017	SBI, 5 Associate Banks, Bharatiya Mahila Bank	SBI	Improve efficiency, reduce duplication, and enhance global standing.
2019-2020	Punjab National Bank, Oriental Bank of Commerce, United Bank	Punjab National Bank	Create larger, stronger banks to handle international challenges and financial stability.
2019-2020	Canara Bank, Syndicate Bank	Canara Bank	Create larger, stronger banks to handle international challenges and financial stability.
2019-2020	Union Bank of India, Andhra Bank, Corporation Bank	Union Bank of India	Create larger, stronger banks to handle international challenges and financial stability.
2019-2020	Indian Bank, Allahabad Bank	Indian Bank	Create larger, stronger banks to handle international challenges and financial stability.

Source: Annual Reports of Banks

Analysis, Findings & Discussion

Below is the table indicating the mean of each ratio based on four years data of before and after merger, Group means, and One-way ANOVA for Pre- and Post-merger of banks. The One-way ANOVA is used to test if there is a significant difference in the selected CAMELS indicators between the Public Sector Banks before and after merger.

CAMELS Analysis										
Capital										
Capital adequacy ratio										
	PRE					**POST**				
	Mean	**S.D**	**Group Mean**	**F**	**Sig.**	**Mean**	**S.D**	**Group Mean**	**F**	**Sig.**
CB	12.9075	.74527	12.36	2.412	.117	15.26000	1.582487	15.41188	.812	.511
IB	13.38	.66658				16.29250	.390075			
PNB	11.19	2.24158				15.07250	.792102			
UB	11.96	.58703				15.02250	1.927388			
Government securities to total investment ratio										
CB	.895	0.1291	.061	14.550	0.000	.94000	.018257	.86802	37.185	.000
IB	.830	.2160				.88750	.026300			
PNB	.798	.0386				.88000	.011547			
UB	0.752	0.0428				.76460	.034552			
Total Advances to Total Assets										
CB	0.06	0.016	1.00	31.81	0.063	.59154	.033440	.59136	.853	.491
IB	0.62	0.028				.61583	.043479			
PNB	0.58	0.012				.57085	.039485			
UB	0.60	0.025				.58723	.043720			

Source: - Author's Compilation

Pre-merger bank results indicates there is no significant difference in the capital adequacy ratio among the pre-merger banks at a 5% significance level because p > 0.05. From the post-merger banks, it is revealed that there exists no significant difference in the capital adequacy ratio among the banks after the mergers (p > 0.05). Whereas the Government Securities to Total Investment Ratio indicates that there is a significant difference in the government securities to total investment ratio among the banks before the merger (p = 0.000) and there is a significant difference in the government securities to total investment ratio among the banks after the merger (p = 0.000). Total advances to total assets ratio point out that the total advances to total assets ratio in the banks shows a no significant variation before the consolidation (p = 0.063) as well as after the consolidation of the banks(p =0.491). Thus under Capital Adequacy only Government securities to total investment ratio has mean significance difference between the four banks before and after merger. Hence Reject H0 Accept H1.

Asset Quality										
Ratio of net NPA To net advances										
	PRE					POST				
	Mean	S.D	Group Mean	F	Sig.	Mean	S.D	Group Mean	F	Sig.
CB	5.8500	1.38740	6.0750	5.114	.017	2.36727	1.125835	2.59073	.794	.521
IB	3.7700	.51511				1.74292	1.336053			
PNB	7.8475	2.41127				3.49453	2.232676			
UB	6.8325	1.20991				2.75821	1.674578			
Gross NPAs to Gross Advances Ratio (%)										
CB	9.5850	1.6374	11.487500	17.301	.000	6.46175	2.089156	8.22399	1.208	.349
IB	7.2050	0.2700				7.05604	2.623635			
PNB	15.1550	2.4700				10.09246	3.648304			
UB	14.8050	2.0034				9.28570	3.945801			
Total Investment to Total Asset Ratio										
CB	.23868	.015770	.25912	2.056	.160	.23305	.005722	.26538	5.535	.013
IB	.27166	.032683				.26789	.010589			
PNB	.26777	.014508				.28336	.020037			
UB	.25839	.012677				.27724	.030225			

Source: - Author's Compilation

Pre-merger results show there is a significant difference in the ratio of net NPA to net advances among the banks before the merger (p = 0.017). Similarly, the post-merger results reveal no significant mean difference in the ratio of net NPA to net advances among the banks after the merger (p = 0.521). Gross NPAs to gross advances ratio analysis shows significant differences between the banks before merger, p = 0.00 and p = 0.349 after the merger, signifies no mean significance difference between banks in Gross NPAs to Gorss Advances. In terms of the total investment to total assets ratio, there is no mean significant difference among the banks pre the merger (p = 0.160) and there is mean significance difference between Total Investment to Total Asset ratio after the merger (p = 0.013). Hence H0 is rejected.

Management										
Business per employee (in Rupees in Lakh)										
	PRE					POST				
	Mean	S.D	Group Mean	F	Sig.	Mean	S.D	Group Mean	F	Sig.
CB	1598.28500	160.157513	1754.31125	2.324	.127	2161.75000	339.832679	2264.12500	2.368	.122
IB	1994.96000	418.867751				2595.75000	318.832636			
PNB	1596.25000	183.942699				2093.50000	228.100124			
UB	1827.75000	153.334873				2205.50000	274.637337			
Profit per employee (in Rupees Lakh)										
CB	-2.00000	4.242641	-2.87500	2.985	.074	10.00000	6.480741	9.25438	1.546	.254
IB	4.75000	2.217356				12.52000	5.508702			
PNB	-7.25000	10.144785				4.50000	3.109126			
UB	-7.00000	6.633250				9.99750	6.050897			
Total Advances to total deposits										
CB	.70576	.018093	.71024	6.448	.008	.67353	.039395	.67727	.908	.466
IB	.74015	.027425				.70719	.053950			
PNB	.67458	.003119				.65278	.046350			
UB	.72049	.028386				.67560	.047680			
Operating Expenses/Total Assets (%)										
CB	.01528	.000601	.01474	1.001	.426	.01676	.000542	.01667	.271	.845
IB	.01463	.000507				.01696	.000726			
PNB	.01499	.001936				.01655	.001178			
UB	.01405	.000368				.01644	.000992			

Source: - Author's Compilation

The Business per Employee ratio depicts that there is no mean significant difference between the banks pre and post-merger (p = 0.12 & p= 0.127), H0 is accepted. In the case of Profit per Employee, no mean significant difference was observed before and after the merger (p = 0.074 & p- 0.254 respectively) among the banks, which suggests that the performance of the banks was similar concerning profit per employee. Similarly, the post-merger results also show no significant difference (p = 0.466), which means that the merger did not significantly affect the total advances to total deposits ratio among the banks. While before merger P-value was 0.008 which is less than 0.05, there null hypothesis is rejected. Finally, the Operating Expenses to Total Assets ratio shows a no mean significant difference among the banks before the merger (p = 0.426), meaning that the banks were at same levels of operational efficiency pre the merger. Also, post-merger, there was no significant difference in this ratio (p = 0.845), meaning that the merger did not cause any mean significant difference in the operational efficiency of the selected banks.

Earnings										
Return on assets										
	PRE					**POST**				
	Mean	**S.D**	**Group Mean**	**F**	**Sig.**	**Mean**	**S.D**	**Group Mean**	**F**	**Sig.**
CB	-.20250	.426018	-.24438	2.672	.095	.63720	.352952	.57166	1.913	.181
IB	.39500	.250133				.74574	.250401			
PNB	-.65500	.902607				.28565	.183925			
UB	-.51500	.493254				.61805	.330722			
Return on equity										
CB	-3.42500	7.059143	-5.11313	2.278	.132	11.79519	6.122382	9.19354	2.603	.100
IB	5.20250	3.083065				11.06634	2.908454			
PNB	-12.21250	16.607383				4.14174	2.642497			
UB	-10.01750	9.745718				9.77089	4.592179			
Non -interest Income / total Income										
CB	13.98133	1.305513	13.24504	3.531	.048	17.49185	1.861791	14.61093	10.137	.001
IB	11.69508	1.922772				13.46049	1.240338			
PNB	14.70210	1.511992				12.64793	1.235264			
UB	12.60165	.768752				14.84346	.766990			
Interest Income Earned to total Income										
CB	86.01867	1.305513	86.75496	3.531	.048	82.50815	1.861791	85.38907	10.137	.001
IB	88.30492	1.922772				86.53951	1.240338			
PNB	85.29790	1.511992				87.35207	1.235264			
UB	87.39835	.768752				85.15654	.766990			

Source: - Author's Compilation

To find whether there exists a significant difference in the performance of banks before and after the merger, the Return on Assets (ROA) was calculated. The results of the pre-merger show no mean significant difference among the banks as p = 0.095 which means the return on assets was not significantly different across the banks before the merger. The post-merger analysis also showed no significant difference (p = 0.181), meaning that the merger did not bring about significant changes in the return on assets ratio among the banks. For Return on Equity (ROE), the pre-merger analysis shows that there is no significant difference among the banks (p = 0.132), which implies that the return on equity was relatively consistent across the banks before the merger. Similarly, post-merger results also show no significant difference (p = 0.100), which implies that the merger did not have a major impact on this ratio across the banks. An analysis of Non-Interest Income to Total Income showed a great variation between the banks before and after the merger. Pre-merger, the results showed a great variation with p = 0.048, on the post-merger result, there was a great variation, with p = 0.001. This shows that the proportion of non-interest income to total income experienced a marked impact due to the merger, and significant differences are noted both before and after the merger. Concerning Interest Income Earned to Total Income; the trend is similar as well. When analyzing pre-merger, a large difference is seen (p = 0.048), while for post-merger results, a significant difference is displayed as well (p = 0.001). This means the ratio of interest income to total income was affected by the merger with a significant difference between the pre and post-periods.

Liquidity										
Government securities to total assets ratio										
	PRE					**POST**				
	Mean	**S.D**	**Group Mean**	**F**	**Sig.**	**Mean**	**S.D**	**Group Mean**	**F**	**Sig.**
CB	.21411	.016609	.21182	1.572	.247	.21930	.009334	.22924	6.985	.006
IB	.22552	.031577				.23729	.011066			
PNB	.21365	.021297				.24914	.016107			
UB	.19401	.003938				.21122	.014358			
Liquid Assets to total assets										
CB	9.28128	.843958	8.63726	12.633	.001	15.40603	3.667588	10.45202	7.727	.004
IB	5.34123	1.234620				8.12327	2.796929			
PNB	10.89787	1.710575				9.47561	1.048633			
UB	9.02864	1.349521				8.80317	.918093			
Liquid Assets to Total Deposits										
CB	10.83728	.981307	10.19356	12.082	.001	17.54157	4.194397	11.95219	7.673	.004
IB	6.33246	1.344609				9.30460	3.110035			
PNB	12.75146	2.082712				10.83436	1.196777			
UB	10.85304	1.653827				10.12823	1.035224			

Liquid Assets to Demand Deposits										
CB	250.64103	35.906004	182.81989	12.715	.000	373.06144	68.097817	214.03601	23.595	.000
IB	112.76517	25.617148				156.14146	46.101938			
PNB	191.24495	32.332346				174.32488	26.702190			
UB	176.62840	32.292503				152.61625	14.404460			

Source: - Author's Compilation

The Government Securities to Total Assets Ratio analysis shows that there is a significant difference among the banks both after the merger. Before the merger, there was no mean significance differenc, with p = 0.247. After the merger p=0.006 signifying there is a mean significance difference between Government securities to Total Asset Ratio of four banks after merger. For the Liquid Assets to Total Assets ratio, there is a significant difference in the before and after merging periods. Before the merger, p = 0.001 indicates a significant difference, and also post-merger results indicate a significant difference at p = 0.004, meaning that the merger affected the liquidity position of the banks, and what was revealed by the difference in the ratio of liquid assets to total assets between before and after the merger. The Liquid Assets to Total Deposits ratio also indicates a significant difference before and after the merger. Pre-merger, a significant difference was noted (p = 0.001), and post-merger, a significant difference was observed as well (p = 0.004). This establishes that the merger had a significant impact on the liquidity assets to total deposits across the banks. For the Liquid Assets to Demand Deposits ratio, there is a significant difference both before and after the merger. Before the merger, there was a significant difference found (p = 0.000), and similarly, post-merger results also reveal a significant difference (p = 0.000). This brings out that the merger had a marked effect on the liquidity of the banks considering demand deposits.

Sensitivity										
Demand Deposits to Total Deposits										
	PRE					**POST**				
	Mean	**S.D**	**Group Mean**	**F**	**Sig.**	**Mean**	**S.D**	**Group Mean**	**F**	**Sig.**
CB	.04359	.003841	.05712	26.350	.000	.04670	.004134	.05877	10.435	.001
IB	.05636	.004179				.05909	.002338			
PNB	.06680	.004782				.06283	.008439			
UB	.06172	.002309				.06646	.004397			
Doubtful Loans/ Loans										
CB	.71468	.106053	.71637	9.878	.001	.56078	.238901	.86774	2.267	.133
IB	.51121	.126135				.90928	.423607			
PNB	1.02648	.200884				1.08266	.313341			
UB	.61310	.113560				.91824	.075720			
Provision for Loans/Loans										
CB	.40605	.071747	.54499	4.410	.026	.60513	.155709	1.01401	6.878	.006
IB	.42402	.128419				1.09889	.291238			
PNB	.82381	.311012				1.19580	.245329			
UB	.52610	.130835				1.15624	.085379			

Source: - Author's Compilation

For the Demand Deposits to Total Deposits ratio, the pre-merger results show a significant difference, p = 0.00, indicating differences in the proportion of demand deposits to total deposits before the merger. Post-merger, the ratio also shows a significant difference, p = 0.001, indicating that the merger affected this ratio. This indicates a great change in the demand deposits to total deposits ratio both before and after the merger. In the case of Doubtful Loans to Loans, pre-merger analysis shows a mean significance difference at p = 0.001. Similarly, post-merger results show no significant difference at p = 0.133, which indicates that the merger did not result change in the proportion of doubtful loans to total loans across the banks. For the Provision for Loans to total loans, the pre-merger results indicate a significant difference (p = 0.026), reflecting variations in the level of provisions for loans to total loans among the banks before the merger. Post-merger, the results also show a significant difference (p = 0.006), suggesting that the merger had a noticeable impact on the provisions for loans to total loans across the banks.

Conclusion

The pre-and post-merger financial indicators of the selected Banks have been analyzed to bring out insights into their performance. No significant difference was found in the capital adequacy ratio before and after the merger, which means that the capital strength of the banks remained stable. However, the Government Securities to Total Investment Ratio showed a significant difference, which means that the investment strategies of the banks changed post-merger. Important differences were also reported in the total advances to total assets, to reflect the change in the lenders' ability as a result of the merger. In terms of asset quality, ratios such as the Net NPA to Net Advances, Gross NPAs to Gross Advances, and Total Investment to Total Assets have indicated significant differences, showing a change in the quality of assets post the merger. The management indicators included Business per Employee showed improved efficiency in operation and productivity from the employees, while Profit per Employee, and Operating Expenses to Total Assets were not impacted. Moreover, significant changes were also seen in the income distribution with Non-interest Income to Total Income and Interest Income to Total Income showing significant variations, which indicated the change in sources of income of the banks. Similarly, the liquidity ratios, which include Government Securities to Total Assets, Liquid Assets to Total Assets, Liquid Assets to Total Deposits, and Liquid Assets to Demand Deposits, also exhibited significant changes and indicated a huge impact on the liquidity positions of the banks after the merger. The sensitivity analysis highlights some significant differences in a few of the critical metrics. Such as the Demand Deposits to Total Deposits ratio indicates significant differences both before and after the merger, which reflects a change in the composition of deposits. Similarly, the Doubtful Loans to Total Loans ratio indicates significant differences after the merger but only marginal significance before the merger, reflecting changes in loan quality. Further, the Provision for Loans also indicates significant differences both before and after the merger, which highlights variations in provisioning practices. While capital adequacy and profit per employee are the only unchanged indicators, asset quality, earnings composition, liquidity, and sensitivity metrics show substantial changes. Therefore, integration strategies, improved risk management, and long-term planning should be followed for sustainable improvements in financial and operational performance after a bank merger.

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