International Journal of Scientific Research in Engineering and Management (IJSREM)
Volume: 07 Issue: 03 | March - 2023 Impact Factor: 7.185 ISSN: 2582-3930

Bank Mergers Unveiled: A Deep Dive into the Performance of Public Sector Banks

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Abstract

This research paper presents a comprehensive review of the performance of India's merged public sector banks using a pre and post comparative analysis of financial ratios such as liquidity, profitability, return, and solvency. The study's findings show that mergers have a major influence on the financial performance of public-sector banks, and there is a notable improvement in financial ratios post-merger. The paper also discusses the implications of the results for the banking industry and suggests possible strategies for the government and financial institutions to boost the performance of merging public sector banks. The findings of this study are anticipated to help regulators, bank executives, and investors evaluate the success of a merger or acquisition in the banking industry.

Key Words: Mergers and Acquisitions, Public Sector Banks, Indian Banking Industry, Performance, Ratio analysis, Profitability

Section I

Introduction

The Indian financial sector serves as the heart and brain of the country's economic growth. It consists of numerous supporting systems, including financial institutions, financial services, and so forth. Since its founding in the 18th century, the Indian banking sector has evolved along a bumpy growth path. The banking industry is a major driver of India's economic growth.

The Indian banking industry has changed during the last two decades because of the country's economic development and financial sector liberalization. With the understanding of the importance of private and global companies in the Indian market, the industry has experienced significant growth and investment. In the current competitive environment, private sector banks are concentrating on faster increasing retail loans, whilst public sector banks insisting on recovery of nonperforming loan and on larger loan upgrades.

With the reforms the Indian government has been implementing since 1991, which have had an impact on the way Indian institutions and businesses are run and function, mergers, and acquisitions in the banking sector in India have picked up steam. As a result, various growth and expansion strategies have been adopted. Institutions in India began to emphasis on core competencies, market share, international competitiveness, and consolidation. The arrival of international rivals accelerated this process of refocusing even more.

A variety of committees, including the Raghuram Rajan Committee and the Narasimham Committee, which emphasised the significance of bank mergers, were established to submit reports on the Indian banking system.

The banking industry in India is an important aspect of the country's economy, and public sector banks contribute significantly to the financial sector by offering banking services to a variety of customers. Different methods are used in the banking industry today due to the ever-changing environment and increased competition. Mergers and acquisitions are one such well-known tactic. Mergers and acquisitions are a crucial step for a company's growth and expansion in today's globalised economy.

India's banking system has made incredible progress in a relatively short period of time. The major pillars that helped this sector expand are the effective mergers and acquisitions that occurred in 1993. The New Bank of India and Punjab National Bank joined to form the first bank merger in 1993. (PNB).

The Indian government recently moved to merge several smaller banks into larger ones to increase the efficiency and profitability of the public sector banks. Researchers and decision-makers are now keenly interested in the performance of these merged banks. In this paper, we analyse the performance of India's merged public sector banks and assess how the mergers impacted several financial parameters such as profitability, liquidity, solvency, and operational efficiency. Through a pre and post comparative ratio analysis, this research paper attempts to give a detailed examination of the performance of India's merged public sector banks.

M&As (mergers and acquisitions) are transactions in which two or more businesses are combined to form a single organisation. M&A transactions are frequent in many sectors, including banking, and they can have a significant impact on the companies involved, the sector, and the economy. M&As' might be motivated by a variety of goals, such as the need to boost market share, enhance operational effectiveness, or realise economies of scale. M&As' can have a big impact on the industry as a whole and the companies involved, changing things like how the sector is organised, how big and powerful the companies are in the market, and how much credit is available and how much it costs. The evaluation of the effects of M&As necessitates a detailed examination of the companies involved, the sector, and the overall economy, considering the objectives of the deals and the major success elements that influence results of the merger.

The Indian banking industry has lately seen significant changes because of an increasing trend of bank mergers and acquisitions (M&A). The size and market power of banks, the availability and cost of lending, and the structure of the banking industry can all be significantly impacted by M&A activity. This study seeks to close this gap by offering a thorough examination of the M&A environment in the Indian banking industry. The goal is to investigate the causes of the trend, the advantages and disadvantages of these transactions, and their effects on the economy and banking. The study will contribute to the body of literature by analysing the important aspects that contribute to the success of M&As in the Indian banking industry and forecasting the trajectory of M&A activity in this market.

Section II

Review of Literature

The Mergers and Acquisitions of Indian Banking System is covered extensively in the literature. The following is a study of a few selected publications that analyse various aspects of mergers and acquisitions activity in the Indian banking sector. These research articles provide vast insightful findings and inference on how mergers and acquisitions affect the company's financial performance in general and with respect to the banks in India in specific.

Dash (2022) used ratio analysis to examine five case studies of mergers and acquisitions of Indian banks in the post-liberalisation period to comprehend the influence of mergers and acquisitions on the performance and profitability of these institutions. Ratio Analysis provided a comparison of pre- and post-merger profitability, which is essential to understand the change in profitability. The analysis concluded that mergers and acquisitions increase the size of the acquirer bank but do not guarantee increased profitability.

The paper examines the post-merger financial performance of public and private sector banks, and it shows that there is no substantial difference. Individually, public, and private sector banks have improved their financial performance, but there have been no major advances in their overall financial performance. (Gandhi et al., 2020).

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Kuriakose and Kumar (2010) studied the similarities between the two merged banks to understand the post-merger performance. All relevant strategic and financial variables were considered to understand the similarity, especially of a voluntary merger. The study shows that the size of merging bank and target banks are dissimilar, which enhance the post-merger performance. There is a strong dissimilarity in cost to income ratio, which affects the post-merger performance. Whereas the profitability of the banks is similar. According to the findings, only private sector banks support voluntary mergers, while public sector banks oppose corporate restructuring.

Mantravadi and Reddy (2007) research indicates that the operating performance of a company either stays the same or declines after the merger for the merged company. In most of the cases, there was no change in the operating profit and gross profit ratio but a significant decrease in the net profit ratio. The mergers between same group of companies have a very negative impact post-merger due to increase in the interest cost, which leads to decrease in the net profits. The study also suggests that impact on operating performance post-merger differs from period to period for the companies in India.

Mehta and Kakani (2006) investigated the motivations underlying mergers and acquisitions in the Indian banking sector. The reasons for the mergers include poor global presence and position due to the fragmented nature of Indian banks, large intermediation costs and to meet international regulatory norms. The major motives for mergers are to create a universal bank and for technological expertise to be a good competition in the market as it is an era of survival of the fittest.

(Kuriakose et al., 2009) explains the valuation procedures of the banks and the industry level indicators used for the determination of the swap ratio, used in the voluntary amalgamations of Indian Banking Sector. Most cases the swap ratio determined was not reasonable with respect to the financials of the company.

There is no impact on stock returns of the companies with the announcement of mergers. The event study methodology analyses the pre- and post-event date stock returns, which considers -8, +8 days' stock returns from the date of announcement. The result show that there are no abnormal changes in the stock return due to the mergers Mall and Gupta (2019).

Varghese and Thaha (2017) analysed the performance merged Kotak Mahindra Bank. The bank had good financial stability but due to the increment cost of merging with ING Vysya, the bank showed a lower performance. The study states that the bank should try to benefit out of the economies of scale attached to the merger.

Joshi and Goyal (2015) studies the post-merger phenomena on the human resource. The employees expect the same level of recognition in the new organization.

Manokaran and Radharukkumani (2014) the major motivator driving mergers and acquisitions is synergy, or the belief that one plus one equals more than two, and it is this idea that tempts organizations to unite during difficult times. The research looks on the reasons behind mergers and acquisitions in the Indian banking business.

Section III

Methodology

The objective of the study is to compare and analyse the pre- and post-merger performance of merged public sector banks in India using a comparative ratio analysis.

The study is based on a case study approach on 2 major mergers as per the RBI rules, on 1 April 2020.

- Indian Bank and Allahabad Bank
- Punjab National Bank and Oriental Bank of Commerce and United Bank of India

Data Source: the study is solely based on secondary data. The data is primarily taken from the banks' annual report for the years 2018 to 2022. The details on the key financial ratios and financial statements of Indian Bank were also collected from company website as well as annual reports (www.indianbank.in/departments/annual-reports-ib) and moneycontrol website (www.moneycontrol.com/financials/indianbank/ratiosVI/IB04) accessed during the month of February.

Ratios and financial statements of Punjab national bank was retrieved from the company website (www.pnbindia.in/annual-reports.html) and moneycontrol website (www.moneycontrol.com/financials/punjabnationalbank/ratiosVI/PNB05) accessed during the month of February.

The year 2020 is considered as the base year, as it is the year in which the banks merged. Then pre- and post-merger analysis is done using comparative ratio analysis method. The study takes into consideration the overall performance of the bank using liquidity, profitability, return and solvency ratios. The various ratios are:

Liquidity: Current Ratio, Quick Ratio

Profitability: Net Profit Margin, Interest Spread, Operating Profit Margin

Table 1: Liquidity Ratios of Indian Bank

Liquidity Ratio	March-22	March-21	March-20	March-19	March-18
Quick Ratio	25.21	17.8	**34.19**	31.38	28.24
Current Ratio	0.03	0.04	**0.05**	0.04	0.04

Table 2: Comparative Liquidity – Indian Bank

% Change After Merger (2022 - 21)	% Change After Merger (2021-20)	% Change before Merger (2020- 19	% Change before Merger (2019-18)
41.63%	-47.94%	8.95%	11.12%
-25.00%	-20.00%	25.00%	0.00%

Return: ROCE, Return on Assets, Return on Long Term Funds, Return on Networth, Total Asset Turnover Ratio

Solvency: Financial Charges Coverage ratio, Total Debt to Owners Fund, Credit Deposit Ratio, Investment Deposit Ratio, Cash Deposit Ratio.

Section IV

Ratio Analysis of Public Sector Banks

Indian Bank

Indian Bank is an Indian public sector bank headquartered in Chennai. It was established in 1907 and nationalized in 1969. It has also expanded its operations globally with branches in Singapore, Colombo, and other countries. The Indian Bank and Allahabad Bank merged on April 1, 2020. At a time when organised industry, trade, and banking were beginning to take shape in India, a group of Europeans established Allahabad Bank on April 24, 1865, making it the oldest Joint Stock Bank in the nation.

Liquidity Ratios

Liquidity position of the bank is almost the same before and after the merger, in fact the current ratio has been decreased in the year 2022 when compared to the other years. The bank has only 0.3 times current

Table 4: Comparative Profitability – Indian Bank

% Change After Merger (2022 - 21)	% Change After Merger (2021-20)	% Change before Merger (2020- 19	% Change before Merger (2019-18)
-3.49%	11.51%	1.90%	-6.15%
-2.80%	-34.23%	46.99%	21.34%
32.16%	118.80%	110.18%	-77.28%

assets than its loans. The bank does not have enough assets to cover all their short-term liabilities and payments as the ideal ratio is 2:1.

There is a huge increase in the liquid assets by 41.63% in the year 2022. The banks have more than enough Cash and Cash equivalents and reserves, which is the result for such high quick assets. The bank meets the SLR and CRR liquidity position of the bank is good with more funds as Cash and Cash equivalents.

Profitability Ratios

Table 3: Profitability Ratios of Indian Bank

Profitability Ratio	March-22	March-21	March-20	March-19	March-18
Interest Spread	6.36	6.59	**5.91**	5.8	6.18
Operating Profit Margin	-7.64	-7.86	**-11.95**	-8.13	-6.7
Net Profit Margin	10.15	7.68	**3.51**	1.67	7.35

The net profit of the bank has been increased by 32.16% in the year 2022. Post-merger there is evident increase in the profits of the banks. In the year 2020, merger year, the profits increased by 110.18%, which is a huge when compared with the previous year profits.

The operating expenses of the bank has increased post-merger the major reasons being increase in the rent, taxes and lighting, payment to and provisions for employees and repairs and maintenance. This led to a decrease in the operating profit margin, but the bank has increased its operating profit margin in the year 2022.

The interest spread post-merger is improving compared to the pre-merger. The bank collects more on the loans than what it pays on the deposits. It is almost constant for pre and post the merger, there is not many variations.

Overall profitability of the bank has grown because of the merger The interest spread is also improving, and the bank was able to reduce their operating profits to a good extent.

Return Ratios

Table 5: Return Ratios of Indian Bank

% Change After Merger (2022 - 21)	% Change After Merger (2021-20)	% Change before Merger (2020- 19	% Change before Merger (2019-18)
-33.26%	31.18%	3.94%	1.41%
-11.45%	201.52%	100.00%	-75.22%
23.40%	95.83%	118.18%	-77.55%
-25.00%	14.29%	0.00%	0.00%
2.65%	-11.68%	20.22%	-11.88%

Table 6: Comparative Returns – Indian Bank

Return Ratio	March-22	March-21	March-20	March-19	March-18
Return on Long Term Fund – (ROLTF)	69.53	104.18	**79.42**	76.41	75.35
Return on Net Worth	10.52	11.88	**3.94**	1.97	7.95
ROA	0.58	0.47	**0.24**	0.11	0.49
Total Assets Turnover Ratios	0.06	0.08	**0.07**	0.07	0.07
ROCE	1.94	1.89	**2.14**	1.78	2.02

Return on Capital Employed was good pre-merger but ROCE has improved to a good extent in the year 2022. ROCE is less for Banks as they have high cash and cash equivalents, which will skew this metric. Compared to competitors Indian Bank is having good ROCE. The Return on Assets ratios is constantly increasing for the past three years from the year of merger in 2020. The major reason being bank's merger with Allahabad Bank, which brought in more assets to the Indian Bank's balance sheet. The industry average of ROA is 1 to

1.5%, the bank can try to improve their ROA. The bank is using the assets relatively in an efficient manner to generate profits.

The decrease in Return on Long Term Debt ratio in the year 2022 indicate that the bank is becoming less dependent on long term debts to expand its business. Post-Merger there was a huge increase in the ROLTD, but the bank is trying to decrease its dependency on Long Term Debts.

Return on Networth shows the shareholders ability to generate profit. Post-Merger the Return on Networth has increased to a great extent which indicates that the shareholder's money is put into use more efficiently when it is compared to the period before the merger.

Total Assets Turnover during pre-merger period was constant at 0.7 whereas there was a minor increase in the year following the merger in 2021. There is a decrease by 25% in the year 2022 the major reason being the percentage increase in assets is more when compared to the percentage increase in the net income of the bank. The bank can try to use its assets more efficiently to generate more profits.

Solvency Ratio

Table 7: Solvency Ratios of Indian Banks

Solvency Ratio	**March-22**	**March-21**	**March-20**	**March-19**	**March-18**
Financial Charges Coverage Ratio	1.6	1.51	**1.49**	1.42	1.48
Total Debt to Owners Fund	16.29	22.31	**14.71**	15.6	14.41
Credit Deposit Ratio	66.56	70.39	**75.48**	75.01	72.74
Investment Deposit Ratio	31.02	32.29	**29.11**	30.28	35.55
Cash Deposit Ratio	4.56	4.17	**3.47**	4.93	4.12

The Financial Charges Coverage Ratio has increased post-merger, the banks' profits are sufficient to meet all its financial obligations. Increase in the financial charges coverage ratio indicate that the bank is less likely to default on any borrowings or interest payment. It indicates a strong financial position and credit worthiness of the bank. Total Debt to Owners Fund had increased post-merger in the year 2021 and is decreasing in the year 2022 compared to 2021. The company is trying to decrease its total debt to owner's fund, which is a good sign. company The is relying more on debt rather than equity finance to its operations. The interest payments of the bank will increase due to this. The bank is generating sufficient funds to meet its obligations, therefore there is no major threat for investors or creditors to the company.

Table 8: Comparative Solvency – Indian Bank

% Change After Merger (2022 - 21)	% Change After Merger (2021-20)	% Change before Merger (2020- 19)	% Change before Merger (2019-18)
5.96%	1.34%	4.93%	-4.05%
-26.98%	51.67%	-5.71%	8.26%
-5.44%	-6.74%	0.63%	3.12%
-3.93%	10.92%	-3.86%	-14.82%
9.35%	20.17%	-29.61%	19.66%

Credit deposit ratio shows the portion of deposit lend out as loans and there is a decrease in the CDR post-merger. The reason could be because bank is trying to reduce the default risk.

Investment Deposit ratio is almost constant around 30%, pre- and post-merger. This indicates that bank also invest around 30% of its total deposit in the government securities. The rest portion of the total deposits are held as cash or lend out as loans, which will ensure better returns for the bank.

Cash Deposit ratio is also constant around at 4% Pre- and Post-Merger. It is required by the bank to maintain liquidity operations of the bank.

Overall, the performance of the bank increased with respect to liquidity, profitability, returns and solvency of the bank. The merger has increased the capacity of the bank to perform better and has added to the competitive strength of the bank.

Punjab National Bank

A public sector bank headquartered in New Delhi, India. The bank was founded in May 1894 and is now India's third-largest public sector bank by network and business volume. Indian public sector bank Oriental Bank of Commerce (OBC) had its main office in Gurgaon, Haryana. In India, it has 2625 ATMs and 2390 branches. United Bank of India (UBI) was a nationalised Indian bank that offered banking and financial services. The bank, which was founded in 1950 and had its headquarters in Kolkata, was nationalised by the Indian government in 1969 and became one of the nation's public sector banks.

International Journal of Scientific Research in Engineering and Management (IJSREM)
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The finance minister Nirmala Sitharaman announced the merger of Punjab National Bank, Oriental Bank of Commerce, and United Bank of India on August 30, 2019. Following the merger, the bank's assets were 17.95 lakh crore (US$220 billion), with 11,437 branches, elevating Punjab National Bank to the nation's second largest public sector bank. The merger went effective on April 1, 2020.

Liquidity Ratios

Table 10: Comparative Liquidity – Punjab National Bank

% Change After Merger (2022 - 21)	% Change After Merger (2021-20)	% Change before Merger (2020-19)	% Change before Merger (2019-18)
-18.82%	0.39%	8.37%	55.59%
0.00%	20.00%	0.00%	0.00%

The liquidity position of the bank is constant pre-merger and has increased slightly by 20% post-merger. The rationale for this would be a rise in cash and cash equivalents brought in by the merging banks. The bank's quick ratio grew from the year of merger and it to decline by 18.82% in 2022.

The bank has enough cash and cash equivalent and meets the SLR and CRR requirements as per RBI. As a bank it is important for PNB to have good quick asset ratio to meet any obligations that might come up.

Profitability Ratios

Net profit of the company decreased drastically in the year of merger. There is an increase in profits by 84.04% in the year 2022, the bank is trying to improve its profitability position.

Interest spread increased in the year of merger and in the year 2021. This is due to the bank's ability to charge more on loans lend out than what they pay for the deposits with the banks. In the year 2022, the interest spread is almost like the pre-merger period.

Operating profits ratio has been decreased to a huge extent from the year of merger to 2022. There is an increase in the operating expenses from 2018 to 2022, and the expended interest increased in the year 2021. This led to decrease in operating profits ratio, which indicates that the bank is experiencing challenges in managing its operating costs and generating revenue. There is a reduction in the total income of the bank for the year 2022.

Table 11: Profitability Ratios of Punjab National Bank

Profitability Ratios	**March-22**	**March-21**	**March-20**	**March-19**	**March-18**
Interest Spread	6.41	7.6	**6.58**	6.42	6.36
Operating Profit Margin	-11.83	-13.36	**-16.61**	-33.81	-44.09
Net Profit Margin	4.61	2.5	**0.62**	-19.44	-25.59

Table 12: Comparative Profitability – Punjab National Bank

% Change After Merger (2022 - 21)	**% Change After Merger (2021-20)**	**% Change before Merger (2020- 19)**	**% Change before Merger (2019-18)**
-15.66%	15.50%	2.49%	0.94%
-11.45%	-19.57%	-50.87%	-23.32%
84.40%	303.23%	-103.19%	-24.03%

Return Ratios

ROCE decreased by 12.97% in the year 2022. There was an increase in ROCE in the pre-merger period but post-merger in the year 2021 there was a slight increase by 2.78% and then a major drop in the year 2022. The bank is not able to generate as much profit as it used to generate from its invested capital pre-merger.

There is in an increase in the Return on Assets ratio post – merger. There is around 300% increase in the year 2021, this indicates that through the merger the bank had an increase in economies of scale, better utilization of assets, improved asset quality and increase in market share as the customer base increased with merger. Post-merger the bank is able to generate more profits for the investments in assets.

Return on long term fund decreased post- merger this shows that the banks were generating more profits on its long-term investments individually than as a merged entity. There was a steady increase in the ratio pre-merger, but it declined in both 2021 as well as 2022 post-merger. The changes in interest rates, integration

Table 13: Return Ratios of Punjab National Bank

Return Ratios (%)	March-22	March-21	March-20	March-19	March-18
Return on Long Term Fund – (ROLTF)	57.1	64.19	**64.41**	45.64	36.1
Return on Equity / Networth	3.9	2.41	**0.58**	-24.2	-32.85
ROA	0.26	0.16	**0.04**	-1.28	-1.6
Total Assets Turnover Ratios	0.06	0.08	**0.07**	0.07	0.06
ROCE	1.61	1.85	**1.8**	1.7	1.38

Table 14: Comparative Return – Punjab National Bank

% Change After Merger (2022 - 21)	% Change After Merger (2021-20)	% Change before Merger (2020- 19	% Change before Merger (2019-18)
-11.05%	-0.34%	41.13%	26.43%
61.83%	315.52%	-102.40%	-26.33%
62.50%	300.00%	-103.13%	-20.00%
-25.00%	14.29%	0.00%	16.67%
-12.97%	2.78%	5.88%	23.19%

issues in portfolio

Table 16: Comparative Solvency – Punjab National Bank

% Change After Merger (2022 - 21)	% Change After Merger (2021-20)	% Change before Merger (2020- 19)	% Change before Merger (2019-18)
-2.92%	9.11%	5.04%	-0.29%
-1.76%	-10.96%	10.61%	8.20%
-0.68%	4.23%	1.43%	5.26%
-1.75%	4.81%	-24.60%	-7.66%
-1.66%	-6.07%	-0.38%	0.22%

management system of the merged entity or changes in the investment portfolio, as the banks will have different investment strategies, and this will impact the profitability on long term investments for the merged entity.

Return on Equity or Networth increased drastically post-merger. There is increase of 315% in the year 2021, the merged entity is using the shareholders' investment in an efficient manner to generate more profits compared to pre-merger period.

Total Assets Turnover Ratio increased slightly post-merger, but it decreased in the year 2022. There is not much difference when comparing pre- or post-merger. The bank uses its assets efficiently to generate more net income. The bank has a Total Asset Turnover Ratio almost like its competitor banks.

Solvency Ratio

Table 15: Solvency Ratios of Punjab National Bank

Solvency Ratios	March-22	March-21	March-20	March-19	March-18
Investment Deposit Ratio	33.97	34.99	**32.07**	30.53	30.62
Cash Deposit Ratio	4.47	4.55	**5.11**	4.62	4.27
Financial Charges Coverage Ratio	1.47	1.48	**1.42**	1.4	1.33
Total Debt to Owners Fund	13.48	13.72	**13.09**	17.36	18.8
Credit Deposit Ratio	62.26	63.31	**67.4**	67.66	67.51

Financial charges coverage ratio increased post-merger compared to pre-merger period, this indicates that the bank has sufficient income to cover its fixed financial charges like interest expense, lease payments etc.

There is a decrease in operating expenses as well as decrease in income in the year 2022, which also led to slight decrease in Fixed financial coverage ratio in the year 2022 by 0.68% compared to the year 2021.

Total Debt to Owners Fund decreased post-merger, this indicates that the firm dependency on debt funds has been reduced post-merger. This would be a major reason for reduction in the interest payment. The company runs more on the owner's fund and has a strong financial position. The investors and creditors will have more confidence in the company, if it needs to raise additional capital.

Credit Deposit Ratio decreased after the merger when compared to the period before the merger. Credit Deposit ratio measures the portion of the total deposits being lend out as loans. The bank is becoming more conservative in its lending practices to reduce its risk exposure to defaulting borrowers as well as ensuring that is enough funds to meet the financial obligations to the bank's depositors.

Investment Deposit Ratio measures the portion of the total deposits used for making investments than keeping it as reserves. The bank makes an average of 30% of investment pre and post-merger. There is a slight increase in the percentage of investment post-merger, as the bank has an increase in deposits due to merger. The Bank is actively engaged in the purchase/sale of securities (issued by the Government of India, State Governments, PSUs, Corporates, and others that may be related or unrelated to the Bank) to maximize profits from its trading/investment portfolio by capitalizing on market opportunities, which is in the Bank's best interests.

Cash Deposit ratio increased in the year of merger by 10.61% as there was an increase in cash and cash equivalents due to the merger. Pre- and Post-merger the cash deposit is around 4.5%, which is required to meet the liquidity and day to day operations of the bank. The bank tried to decrease its Cash Deposit ratio by the year 2022, therefore more portion of deposit is either lend out as loans or used to make investments rather than to keep it as cash reserves.

Overall, the bank is doing well post-merger. The liquidity position of the bank increased post-merger; the bank has enough funds to meet any obligations that might come up. By the year of 2022, the bank's profitability has increased, merger helped the bank to improve its financial position. The returns post-merger requires improvement, as the bank had better return pre-merger compared to the post-merger period. The bank has good solvency position, efficient management of credit, investment, and cash deposits. The bank can meet the requirements of its depositors on time. Merger helped the bank to perform better.

Section V

Recommendations and Conclusions

The study reveals that the merger had a positive impact on the bank's performance.

Post-Merger, the cash and cash equivalents of the bank increased. This led to an increase in the current and liquid ratios of the banks. The banks are required to keep sufficient funds to meet the requirements of the depositors, this increases the tendency of the banks to keep the more deposits as cash deposits than lending out as loans, as the banks are trying to be more conservative in lending out the loans to reduce the defaults.

Mergers have an impact on the profitability of the banks. There is an increase in the net profits post-merger. The operating profits of the bank reduced post- merger compared to the pre-merger, the reason being either increase in the operating expenses or decrease in the net income of the bank. Post-Merger, the merged entity might find it challenging to manage its operational expenses and to generate profits due to increase in the customer base, assets, new market etc.

Post -merger it is seen that the Return on Assets ratio improves. The merged entity is able to generate more profits from the additional assets that is brought in by way of merger compared to the pre-merger period, where the banks generate returns individually. It is seen as return on Networth also improves post-merger, the banks can efficiently utilize the shareholder's fund to generate more profits.

Mergers have an impact on the way deposits are managed in the bank. There is tendency for the bank to keep more as Cash or Investment deposits than Credit Deposits. Banks are trying to reduce the default in loan payments by reducing Credit deposit ratio. Pre-merger, these banks had a better credit deposit ratio, when the bank used to lend individually. Merger entity has many challenges on managing the expenses and to generate better income, which makes it more stringent towards lending of loans to avoid losses.

Mergers have a positive impact on most of the banks. The study reveals that post-merger the public sector banks tends to perform better. There is a sudden boom in the financials of the merged entity due to increase in cash and cash equivalents and assets, efficient and effective management of these will lead to better profits for the banks.

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