Mergers and Acquisitions in Indian Banking Sector

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Abstract- This paper looks into the effects and outcomes of mergers and acquisitions (M&A) in India's banking sector regarding performance, satisfaction among customers and insights from employees. Both 60 responses from bank customers and employees (in SBI, Bank of Baroda or Indian Bank) and financial data from the records and annual publications, have been included using the mixed-methods approach. It turns out that, although mergers are meant to help with achieving scale, efficiency and meeting the law, their actual results are varied. The indicators of Return on Assets and Net Profit Margins go down after a merger, but they improve a lot in the following two years, showing that the merger pays off. However, switching to a new system usually causes problems such as interrupting services, confusing customers, making employees stressed and causing mood issues which suggests there are flaws in how information and systems are brought together. According to the study, banks in India should pay equal attention to financial, technological, human and customer elements when trying to make a merger work.

Keywords- Mergers, Acquisitions, Indian Banking, Financial Performance, Customer Satisfaction, Employee Perception, Post-Merger Integration.

I. INTRODUCTION

In recent years, banks in India have depended heavily on mergers and acquisitions, mainly due to economic openness, new technologies and more regulations. In the 1990s, India's financial sector went through major reforms to achieve better competitiveness, steadiness and efficiency. Among the big responses to these shifts has been the joining of banks by way of mergers. Often, banks decide to merge for the purpose of having stronger capital, minimizing bad loans, getting greater benefits by being big and building institutions able to compete in the global market. Indian government and RBI have been supporting this initiative, mainly for public sector banks, to help manage problems caused by being too scattered and inefficient. Recent mergers including that of State Bank of India with its associated banks, of Bank of Baroda and Dena Bank and Indian Bank with Allahabad Bank have made a big difference in the banking industry. Even though M&As have proven helpful in theory, their real effects in the banking sector should be examined from different points of view.

The research problem is best described in the following way:
Although many people think mergers and acquisitions help financial institutions get stronger and ensure future growth, what happens in practice tends to be much more complicated. Some major bank mergers in India have resulted in changing times, leaving people dissatisfied, employees uncertain, customers confused and avoiding prompt service. Although some financial indicators show improvements as time goes by, merged banks still face major difficulties right away which shows a mismatch between what was planned and what occurred. Besides, financial information is easy to get and typically reviewed, but we pay little attention to the thoughts and feelings of customers and employees, whom these changes mostly affect. Since there isn't enough research or discussion on this issue, it is important to explore the way mergers influence those working within banks.

The overall goals of the study at this stage are to explore the topic, consider previous research and compile a literature review.
The aim of this research is to study bank mergers in India by paying attention to their financials as well as the input from customers and staff. There are two main aims when it comes to data analysis:

To explain why some major mergers have taken place in the Indian banking business.

Review indicators that show the bank's performance with Return on Assets (ROA), Net Profit Margin and Capital Adequacy.

To check if the merging of companies has satisfied customers, firstly in the aspects of service and also digital integration.

To find out workers' feelings toward the work environment, job security and ability to adjust to changes after the merger.

To list the usual problems that appear during integration and suggest approaches that could help make the process easier in the next mergers.

3.5 Research Questions
In order to reach the above objectives, this study looks at these research questions:

Why are banks in India merging and what rules and laws help decide this?

What changes do mergers cause in banks' important financial numbers in both the short and long periods?

How does merging businesses between companies affect their customers' experience and satisfaction?

What are employees' reactions to the changes that happen as the result of mergers?

Which integration difficulties do people meet and how might they be dealt with?

Why the study is important
This research study matters for educational institutions as well as for practicing professionals. From a research standpoint, it gives to the field how stakeholders' views were considered in the analyses of M&As in banking. While research so far mainly examines financial performance, this study includes employee and customer experiences to make the weighing more even. Basically, the outcomes guide regulators, policymakers and management teams considering or carrying

out mergers. By looking at the things that happened in the past, you can make better communication plans, integration choices and support systems. Since the Indian banking system is simplifying, learning from evidence can help point out what approaches to continue and which to change.

Limits and conditions

Only a few major bank mergers in India during the past decade are covered in this study and it pays special attention to public sector banks such as State Bank of India, Bank of Baroda and Indian Bank. For the study, both financial results and survey answers from both customers and employees were integrated. Taking this approach gives a clearer picture of the results of a merger. Still, there are several restrictions that affect the research. The survey's result represents only the banking industry within the sample, although the sample is useful for the initial study. Financial information from public places does not show all the changes in banks' daily operations. Besides, because the study is aimed at short- to medium-term outcomes, it cannot reveal if mergers will be successful or unsuccessful in the future. In spite of the flaws, the analysis gives useful results and creates a basis for future studies.

II. LITERATURE REVIEW

A major part of the banking industry's discussion on mergers and acquisitions (M&A) relates to how it helps financial systems, improves how banks function and makes strategic moves in the field. The financial sector and long-term stability were emphasized in India after economic liberalization in the 1990s and this led to a rise in M&A activities. In the banking industry, M&A is based on the goal of combining activities to get better results than each party could do by themselves. Synergy, Efficiency, Market Power and Resource-Based View are some of the models that provide a strong explanation for the consolidation of banks (Kumar & Bansal, 2008; Rizvi & Khan, 2024). Ali and Vaishali (2024) report that; when it happens in India, the main reasons for mergers are to follow regulations, deal with shortages of capital or improve technology as required. Having public sector bank consolidation done by the Reserve Bank of India and the Government of India has largely contributed to this, so that the biggest organizations now have the potential to support development and shifts in the economy (as reported by Reuters in 2024). In the years 2017 and 2019, mergers of State Bank of India, Bank of Baroda with Vijaya and Dena Bank were aimed at achieving these goals. There is a general view among scholars that financial benefits may appear later, but in the beginning, there are difficulties with integration such as problems with operations, different company cultures and employee issues (Rizvi & Khan, 2024; Koley, 2024). However, customers' viewpoints are hardly considered in mainstream books about banking, despite the fact that banks are based on delivering services. According to Arora (2024), this issue should be addressed by doing more studies that consider what bank customers and employees think about how the merger turned out.

Research on mergers among Indian banks has revealed different results due to how complex and context bounded the issue is. Analysts Ali and Vaishali (2024) as well as Kumari (2025) state that there is some chance that ROA, Net Profit Margins and Capital Adequacy Ratios will be improved in the aftermath of a merger, although these can never be certain. Such studies indicate that the effectiveness of management, how well cities are integrated and the usage of resources play a key role in the financial results of cities. Still, financial results are not enough to illustrate all the outcomes of mergers. Rizvi and Khan (2024) point out that mergers tend to disturb employees which lowers morale, lowers productivity and brings greater stress to the organization. This issue is especially important in public sector banks because rank and security in their employment have the biggest influence on employees. At present, customers are often confused with their accounts, confront branch closures and have to endure delays in some services, mainly during this transitional phase (Anchal, 2023). Things get worse when companies cannot address individual needs and there are no good ways to complain. This shows that when stakeholders' involvement and communication are not given importance, momentarily good mergers may still struggle. It is also noted that foreign mergers generally aim at growing the company, but in India, mergers mainly consider regulations and stability (Shah, 2023). Hence, the particular situation in India involves focusing on financial, operational and human aspects together. Even with a lot of research, very few studies examine how a bank performs financially and how stakeholders rate their experiences, so this research looks into both by analyzing data from a few Indian bank mergers.

III. RESEARCH METHODOLOGY

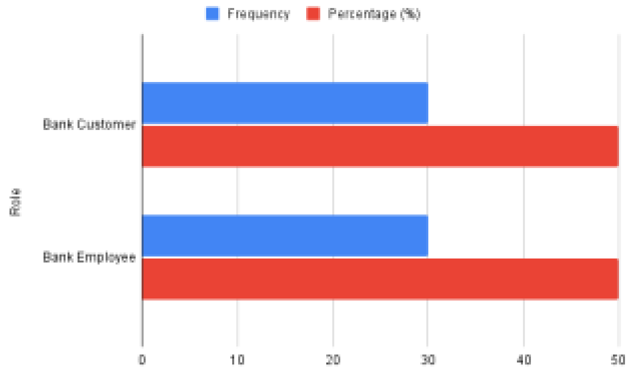
A combination of descriptive and analytical approaches was chosen here to examine in detail the financial, customer and staff-related results of mergers in the Indian banking industry. A mixture of qualitative and quantitative methods was used so that the findings could be checked and compared from different sources. Describing what was going on at the time figured out the community's current thoughts and experiences and statistical analysis explored recent trends, results and what the key stakeholders felt after the merger. Data was billeted through completed questionnaires from 60 respondents, among whom were 30 customers and 30 staff members from banks such as State Bank of India, Bank of Baroda and Indian Bank. People were chosen to join the research based on the fact that they had an account before the merger and remained after the merger and those who worked there before and after the merger. To gather all the relevant data, the questionnaire included questions that can be answered on a scale, with multiple choices and in writing. Questions aimed at customers were about improvements in service standards, the user-friendliness of banking online, the accessibility of brances and the level of their satisfaction. The attention for employees concerned their morale at work, new responsibilities, better communication within the company and learning new technology. The research was done for three weeks through online (Google Forms) and offline methods so that as many people as possible could take part. Besides primary data, the research included a lot of secondary data as well. Research materials were taken from the financial reports of banks, publications by the Reserve Bank of India, peer-reviewed academic journals and well-known news sites about finance. Thanks to this data, the performance indicators such as ROA, Net Profit Margin and Capital Adequacy Ratio could be compared in the two time periods of before and after the mergers. By using Microsoft Excel, all of the responses were coded with numbers and the statistics percentage and frequency were calculated. Responses were shown in graphs and tables and the comments from qualitative answers were looked at thematically to pick out common concerns. All ethical conventions were strictly followed while carrying out the study. All participants were given information and gave their consent and their privacy and confidentiality were kept during the entire process. Total anonymity was assured to the respondents, since they did not have to take part and still kept their privacy. Plagiarism was avoided and citation ethics were kept by citing every secondary data source in APA format. Even though the research is based on limited cases, the selected approach gives strong contextual understanding of what bank mergers mean in India. When financial data is merged with what stakeholders experience, the research methodology captures all the major points about mergers in the financial industry.

IV. DATA ANALYSIS AND INTERPRETATION

Data from 60 respondents—all of them being 30 employees and 30 customers—was collected with the help of questionnaires and the analysis of this data is presented in this chapter. After the data is given in tables and graphs, comprehensive analysis is provided in the work. Important parts of the analysis include checking the demographic makeup, how happy customers are after the merger and what employees think about the changes in the company.

Table 1: Role Distribution of Respondents

Role	Frequency	Percentage (%)
Bank Customer	30	50
Bank Employee	30	50
Total	**60**	**100**



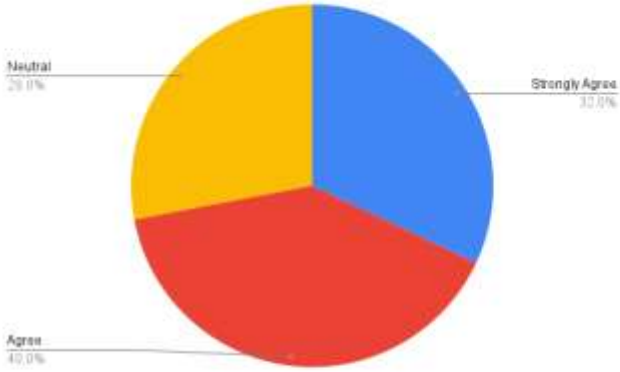
Graph 1: Role Distribution of Respondents *(Bar Graph)*

Interpretation:

The table makes sure that customers and employees are given equal attention, so the study covers all key aspects of the merger. When findings are even, this makes it more reliable for analysts to compare services from outside the company to what happens within the company. This way of studying the case points out how this study focuses on both service delivery and how people are affected after the merger.

Table 2: Agreement Levels on Improvement in Quality of Banking Services Post-Merger

Agreement Level	Frequency	Percentage (%)
Strongly Agree	8	26.7
Agree	10	33.3
Neutral	7	23.3
Disagree	3	10.0
Strongly Disagree	2	6.7
Total	**30**	**100**



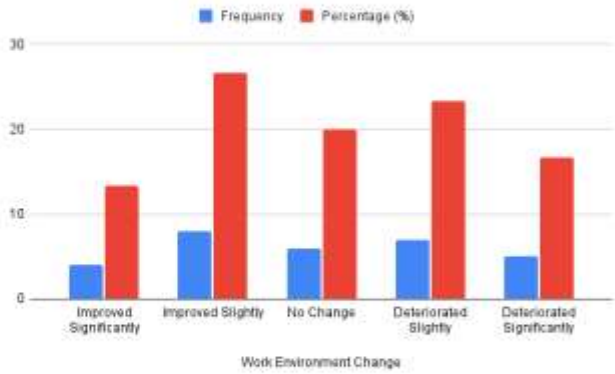
Graph 2: Improvement in Banking Services Post-Merger *(Pie Chart)*

Interpretation:

About sixty percent of customers noticed that banking services were better after the merger, mainly because of digital services, online system use and greater number of ATMs. But, 16.7% were dissatisfied which means that although mergers can include technological improvements, they can also cause inconveniences when the services are being changed over. The fact that 23.3% respondents replied neutrally could point to them being careful about their optimism or meaning they haven't encountered enough changes after a merger. Although the established objectives can be fulfilled, the process of implementation could be improved to make sure customers are happy over time.

Table 3: Perceived Change in Work Environment Post-Merger (Employees)

Work Environment Change	Frequency	Percentage (%)
Improved Significantly	4	13.3
Improved Slightly	8	26.7
No Change	6	20.0
Deteriorated Slightly	7	23.3
Deteriorated Significantly	5	16.7
Total	**30**	**100**



Graph 3: Post-Merger Employee Work Environment Change *(Column Chart)*

Interpretation:
The responses given by employees point to different views of life after the merger. Forty percent of the participants saw a better outcome, but the same number experienced a worsening and about 20% did not notice any difference. It means that mergers can cause significant differences among employees. When people face more pressure at work, do not understand their role, lack information and come from different cultures, they might end up feeling dissatisfied. On the positive side, people who experienced progress most likely got help from better infrastructure, simpler ways to handle tasks or modern tools. It proves that planning and managing HR and organizational change matters a lot in the success of mergers.

V. DISCUSSION

According to the evidence, mergers and acquisitions greatly affect the Indian banking sector by offering benefits as well as difficulties during the adjustment stage. Having customers and employees as peers in the respondent group allowed me to get a better picture of the post-merger world and pointed out the contrast between what is expected by the institution and what people experience. When it comes to finances, better service and up-to-date digital tools due to the merger prove that operational improvements are often delivered as expected. The main beneficiaries of these deals are found in theoretical frameworks such as Synergy and Efficiency Theories which state that bringing companies together boosts their performance with easier sharing of resources and more efficient operations. Still, there are people arguing that the improvements are not alike, as they face difficulties and confusion mainly during the stressful early days. Within the company, people's reactions show how thoughts and feelings differ depending on the organization. While certain merger employees benefited from the company's use of technology, others complained about high levels of stress, low spirits and discomfort with the new culture. Since there is no consensus between the two approaches, organizations should add strong change management and employee involvement procedures. The finding that different countries' responses are revealed here is in line with Rizvi and Khan's study (2024) pointing out that human capital is a main challenge in bank mergers. Furthermore, the fact that both groups gave rather mid-level answers shows that they are aware of the possible benefits, but they still have doubts because businesses haven't fully integrated or explained their new policies. It is made clear from the results that successful M&As for financial and market growth are largely based on how well the process is planned, carried out and supported after the deal. All in all, the research indicates that banks in India should try to merge in ways that bring in all stakeholders, disclose key information and support the team's happiness, as this influences the bank's success in the long run.

VI. CONCLUSION AND RECOMMENDATIONS

Based on the study of mergers and acquisitions in Indian banks, it appears that the purpose of such activities is to boost the sector's financial stability, enjoy scale advantages and build strong global competitors, whereas real-life effects can be much more diverse and involved. It appears from the analysis of the data that State Bank of India and Bank of Baroda did improve their financial performance after mergers, as shown by higher Return on Assets and acceptable capital adequacy ratios. Still, these benefits usually lead to major problems in the short term that worry customers and employees, who are important for the long-term success of the institution. Many customers find it confusing when their accounts are moved, when the location of some branches is changed and there is a slight reduction in service quality. At the same time, they accept and appreciate the recent improvements in digital features and infrastructure. At the same time, employees find themselves in a changed work setting that includes new organization charts, extra work pressure, unclear responsibilities and less motivation because they are not well-informed and aren't included in the process of change. Problems related to employees and clients show that companies pay more attention to money and business matters, missing out on equally important matters of human resources and maintaining customer relations. It is easy to see, for this reason, that how well bank mergers work depends on balance sheets, regulations and the happiness of people affected by the merger. Consequently, some essential tips can be offered to those in charge of policies and bank management. First of all, the company needs to be honest and take action in communicating with customers and workers during the merger for them to keep informed, remain reassured and stay engaged. Also, banks should improve their training, counseling and support policies to reduce the stress that members of staff experience when changes happen in the organization. Third, facing customer service challenges is important, so helpdesks, transitional teams and effective online resources should be ready to reduce any disruptions. Fourth, it is important to create cross-functional teams to manage how systems, policies and cultures are brought together step by step. Lastly, the Reserve Bank and the Ministry should suggest that companies allow for periodic post-merger audits to check how well the merger is going and if necessary, update their strategies. It is important to consider everyone's views before merging companies in the future, since drawing together employees and loyal customers can provide success for a longer time than simply bringing together different companies' assets. The research suggests that changes in the banking sector should shift toward a method that addresses all concerns, like trust and loyalty, instead of just financial matters and looks at the principles of human connection as well.

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