

## **A PROJECT REPORT ON IMPACT OF MERGERS AND ACQUISITIONS ON FINANCIAL PERFORMANCE AND RISK MANAGEMENT IN INDIAN BANKING SECTOR.**

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ABSTRACT**

*The Indian banking sector has undergone significant structural transformation over the past tree decades, particularly through mergers and acquisitions aimed to strengthen the financial stability, improve efficiency and enhance the competitiveness. The research analyses the selected banks in India by evaluating the key financial indicators. In addition it also examines the risk factors that arise after the mergers. Understanding these risks factors will help evaluate whether the mergers strengthen the stability of the banking system or create the operational challenges.*

*The study primarily relies on the secondary data collected from annual reports, research articles, and published financial reports. Through the comparative analysis of pre – merger and post – merger performance the research aims to assess whether the mergers generated the expected synergies and efficiency gains in the banking sector.*

**Keywords:** *Mergers and Acquisitions, Banking sector, Financial performance, Risk Analysis, Long – term analysis, Banking stability.*

### **INTRODUCTION**

A merger legally fuses two firms into one entity, often of similar size, while an acquisition involves one company (acquirer) buying another's shares or assets, with the target typically absorbed or ceasing independently. These transactions involve multiple industries and can be amicable ( mutual agreement) or hostile (unsolicited acquisitions).

M&A activity surged in waves, starting with the 1890s U.S. trusts era, followed by 1960s conglomerates, 1980s leveraged buyouts, and post – 200 tech – driven booms. Globally, deal values hit record highs around \$3.6 trillion in 2021 before moderating, with 2025 seeing renewed cross border momentum amid economic recovery.

### **REVIEW OF LITERATURE**

Kuriakose & Gireeshh Kumar (2010) : Studied financial and strategic compatibility between merging banks. Their research suggested that private sector banks were generally more willing

to pursue mergers compared to public sector banks. Target banks were often financial weaker, with high leverage and poor asset quality.

Sinha pankaj and Gupta Sushhannt (2011) : analyzed financial performance indicators before and after mergers. Their study revealed that profitability indicators such as EBIT, profit margin, and interest coverage ratio improved after mergers, while liquidity levels declined.

Goyal and Joshi (2011) : Examined mergers across seventeen banks and concluded that expanding geographical presence and branch networks were key motivations behind mergers.

Goyal and Joshi (2012) : Conducted a detailed case study of ICICI bank, analysing nine acquisitions including Bank of Rajasthan and Bank of Sangli. The authors proposed a three – stage framework for mergers.

## **RESEARCH METHODOLOGY**

### **Research design:**

The research adopts a descriptive and analytical design to examine the impact of mergers and acquisition in the Indian banking sector. The study analyses the financial performance of the selected banks pre and post – merger and evaluates the financial stability as well as the risk factors post the integration. The descriptive approach helps analyse the overall trends in the banking sector and the analytical approach is used to evaluate the financial performance and the risk factors affecting the performance of merged banks.

### **Data collection**

**Secondary data:** Annual reports of selected banks, Research articles, reports published by the banks, books, previous research studies related to bank mergers.

**Sample collection :** The study is mainly focused on the merger of Union bank of India, Andhra bank, and corporation bank.

### **Tools and Techniques for analysis**

To evaluate the impact of the merger of the banks various financial and analytical tools are used including:

### **Sample Size**

Sample size : 3 banks

Sampling Unit : Union bank of India,, Andhra bank, Corporation bank.

Study period : 2017 – 2025

Nature of sample : Purposive/ judgemental sample, due to banks being selected specifically for this merger.

## DATA ANALYSIS AND INTERPREATION

### Comparative analysis

This part of the study focuses on the pre- merger comparison of banks. This will help us evaluate the decision on why the banks were merged. This study focuses from the year 2016 – 2019 the pre merger period of the banks.

	Liquidity (Cash flow statement)		
	union bank of India	Andhra bank	Corporation bank
2016	22603	7975.2	12738.9
2017	29616.8	9369.1	15181.2
2018	329.1	18179.4	25049.9
2019	49480.4	16457.9	11317.5

### Interpretation:

The data presents a comparative analysis of liquidity positions of Union Bank of India, Andhra Bank, and Corporation Bank during the pre-merger period from 2016 to 2019, highlighting important trends and variations among the three banks. Liquidity, being a crucial indicator of a bank's ability to meet its short-term obligations, shows significant fluctuations across the years for all banks. Union Bank of India demonstrates a generally strong liquidity position, starting at 22,603 in 2016 and increasing to 29,616.8 in 2017

	Profitability (Income statement)		
	union bank of India	Andhra bank	Corporation bank
2016	1351.6	540	-502
2017	555.21	174	565.81
2018	-5247.37	7409	-4049.93
2019	-2947.45	-2786	-6325.3

### Interpretation:

The data presents a comparative analysis of profitability (income statement) of Union Bank of India, Andhra Bank, and Corporation Bank during the pre-merger period from 2016 to 2019, revealing significant fluctuations and financial instability among the banks. Profitability is a key indicator of a bank's operational efficiency and financial health, and the figures clearly show

inconsistent performance across all three banks over the four-year period. Union Bank of India starts with a strong positive profit of 1351.6 in 2016, indicating healthy operations,

## **FINDINGS**

### **Performance of the bank pre and post merger.**

The data shows that the merger had an overall positive effect on financial performance. Net profit, ROA, ROE, operating profit, and ROCE all improved steadily after 2020, especially from 2021 onward, which suggests better profitability and efficiency after integration.

### **Risk analysis of union bank of India pre and post merger.**

The risk indicators also show mixed but generally improving results. GNPA declined sharply after the merger, CAR improved consistently, and credit-deposit ratio remained within a manageable range, which indicates stronger credit quality, better capital strength, and improved liquidity management ♦. However, market risk rose sharply in some years, showing that asset-liability mismatch and interest rate sensitivity remained important concerns.

Compliance risk did not disappear after the merger; the bank still faced penalties related to fraud reporting, agriculture loan norms, transfer of funds, and cash handling issues, which suggests that integration brought operational and regulatory challenges.

## **SUGGESTIONS**

- The bank should strengthen post-merger integration planning to reduce operational disruption and improve coordination across branches and systems.
- It should improve risk monitoring systems for credit, market, and compliance risk, especially through stronger internal controls and early warning mechanisms..
- The bank should focus on reducing market risk by better asset-liability matching and more careful interest-rate risk management.
- More employee training is needed to reduce compliance lapses, reporting delays, and operational errors after consolidation.
- Future studies should include more banks and a longer post-merger period to make the conclusions more generalizable.

## **CONCLUSION**

Based on the analysis provided in the research paper, the merger of Andhra Bank and Corporation Bank into Union Bank of India has yielded a positive long-term impact on the financial health and stability of the merged entity . The study reveals that the initial post-merger period (2020) was

marked by transitional challenges, such as integration costs and operational alignment, which temporarily affected key performance indicators .

In conclusion, the amalgamation has successfully transformed the entity from a phase of instability into a profitable and financially sound institution . The study demonstrates that strategic consolidation, when coupled with effective management practices and disciplined risk oversight, remains a powerful mechanism to improve banking sector performance and long-term sustainability .

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