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Mergers of Public Sector Banks in India, Its Outcome and Challenges faced with Big Private Banks: A Comparative Study

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Abstract

The objective of this research paper is to determine the impact of M & As on the financial health of banks in India. In order to create globally competitive banks, the Government of India has initiated the consolidation of smaller public sector banks in bigger entities. The research is based on the quarterly financial statements of certain banks that are scheduled to be released between 2019 and 2022. The CAMEL model is used for analysis, with ratings ranging from 1 to 5 depending on the results of the study. In order to derive conclusions from the data based on a comparison analysis, the t-test was used as an inferential statistic in this research. As the research showed, there is a notable performance gap between certain combined public sector banks and private banks, and the public sector is still unable to compete with the private sector even after the merging of public sector banks. To keep their investment in these institutions, different parties, including investors, banking sectors, government, workers, consumers, management, and society at large, would find this research useful and realistic.

Keywords: Public Sector Banks, Bank Performance, CAMEL Model, Merger, Private Sector Banks.

1. Introduction

The merger of public sector banks in India has unfolded against a backdrop of economic reform and liberalization. With the aim of enhancing the resilience and competitiveness of the nation's banking system, the government embarked on a journey to consolidate these public sector entities. These mergers have aimed to create larger and more robust financial institutions that can weather economic storms, drive financial inclusion, and provide a solid foundation for the country's growth aspirations. Because banks are essential to the functioning of any economy, they need to be restructured so that they can do their jobs more effectively. the number of institutions, ownership structure, and scope of activities have all changed significantly over the years, yet fundamentally the sector's soundness remains unchanged.

The strength of a nation's financial sector is a leading predictor of the economy's overall health. The pace of economic growth is significantly affected by a bank's capacity and independence to borrow from other banks and lend to corporations. The banking industry is very crucial to economic growth and development of every nation. The banking industry has seen significant transformation after globalization, economic liberalization, and technological advancement. Consolidation, corporate reorganization, and strengthening are methods the banking industry is using to adapt to the dynamic and unpredictable market. As a result, merger and acquisition (M&A) became a common tactic for expanding the scale of banks, that has played an increasingly significant role for them in breaking into the international financial market. Market expansion, increased productivity and profitability, fortified capital base, cost reduction, economies of scale, and more efficient use of available labor are just some of the goals that companies pursue via mergers and acquisitions.

In common parlance, a "bank" is any institution or company that is legally permitted to collect deposits, provide loans, and invest in securities on behalf of its customers. One of the primary functions of banks is to promote economic expansion by means of loaning money for investment purposes. Many regulatory and globalization-related changes have recently occurred in the banking industry. These shifts have had strategic and even structural effects on the industry. Many diverse techniques have been used by this industry as a whole to keep up with the ever-shifting global environment and come out on top. Consolidating financial institutions is one such successful tactic. Many banks have resorted to mergers as one method of industry consolidation. When compared to encouraging internal development, a merger between two weaker banks or a merger between a good bank and a poor bank might be seen as a speedier and less expensive strategy to boost profitability. To reap the benefits of economies of size and breadth is the primary goal of the banking industry's penchant for mergers and acquisitions. In addition to reducing overall risk, mergers help diversify goods.

2. Review of Literature

Researchers in this field have conducted several studies on M&A in the banking sector. It has been highlighted that M&As serve as a means of reforming the corporate world, leading to business expansion and diversification (Gupta, 2015; Arora, 2014). These transactions have been found to be beneficial not only for banks but also for the broader economy across various sectors (Devarajappa, 2012; Tamragundi, 2016). The goodwill of the anchor banking company has been identified as a crucial factor in M&As. It has been observed that M&A procedures can be complex and time-consuming due to the involvement of legal, accounting, and taxation processes (Rewadikar, 2015). The motive behind forcefully merging weaker banks is to enhance the efficiency of banks and stimulate overall economic improvement (Joshi and Vyas, 2016). Additionally, such mergers aid in restoring and enhancing the financial status of weak banks (Barnor, 2015). They serve as a lifeline for struggling or underperforming units (Saw Imm Song, 2010; Malik, 2014; Veena, 2016). A number of research studies have provided evidence that M&As contribute to increased production capacity and reduced operating costs, ultimately leading to revenue growth (Koi-Akrofi, 2014; Aslanbekovich, 2015).

Munshi, Sahin and Das (2022) The banking industry is one of the most dynamic and vital parts of any economy. Over the years, the Indian economy has seen a great deal of change. M & A in the banking sector are becoming an increasingly commendable trend in today's extremely competitive contemporary day. Biggest and largest banks in India are set to combine on August 30, 2019, according to a government announcement. The current research examines the motivations, goals, benefits, and disadvantages, and indicators of public sector bank mergers. Consequences of the merger for various interested parties are also considered.

Rathi and Bhati (2022) Banks often use mergers, but there are other options for company consolidation. The inability of non-performing banks to generate benefits, sell their banking products, attract and keep clients, and so on has increased the burden on the Indian economy, making this consolidation strategy essential for its growth. Furthermore, mergers are now essential tools in the economic world for creating significant monetary advantages and enhancing economies of scale. Since this is the case, banks will have a better opportunity to not only expand their customer base via the purchase of well-known brands, geographical expansion, and the addition of complementary products, but they will also have more opportunities to cross-sell to their newly acquired clientele. In the aftermath of a merger, one company will survive while the other will eventually disappear. Mainly, banks should promote growth and expansion of economies and make investment money available to businesses and individuals. These days, M & A are a standard part of doing business across the world and a powerful instrument for expanding and improving existing businesses. It is a success tale, but getting there involves facing and conquering a number of obstacles. The main objective of this study is to examine the results of M & A in the Indian services sector, with a focus on the banking sector. Ratios such as Capital Adequacy Ratio, Return on Assets, Return on Equity, Loan- to - Assets Ratio, and Net Interest Margin are analyzed both before and after the merger to determine whether or not the target had been reached. Regression analysis and statistical means are the primary instruments of analysis. Most financial parameters showed little improvement following the M & A. On 30 Aug 2019, our finance minister declared that 10 public sector banks will be merged into four, reducing the total number of Nationalized Public Sector banks from 27 in 2017 to 12. The Indian government is injecting a total of Rs 55,250 crores (about $7.2 billion) into the economy during the current fiscal year. It would be beneficial financially for these banks to combine since it would result in savings due to economies of scale (Mukund, 2021). Ladha (2017) uses a model based on the rule of reason concept from the field of antitrust law to examine the potential consolidation of the Indian banking market via M&A. It provides public sector banks with a strategic viewpoint from which they may achieve social objectives or transform into sophisticated worldwide players via mergers. Banerjee & Dey (2022) tried to analyse the impact of mergers on the share cost of merged public sector banks that took place recently. They considered five complete cases of mergers. They applied the event study methodology, and the data was collected from the official website of the National Stock Exchange. The study revealed that frequent mergers always affect the banking environment either directly or indirectly. Constant fluctuations in the share prices are observed pre and post -announcement of mergers. It is also found that merger announcements mostly had a significant impact on stock returns in all the cases.

As a developing market, India's banking system must take two major steps forward:

(i) providing proactive service to rural regions and priority sectors, and (ii) establishing a significant presence in foreign markets to compete with bigger global banks. In order to help with both of these goals, this paper proposes a methodology for analyzing and assessing banking mergers in India. In order to get public sector banks to comply with the government's crucial domestic agenda and performance criteria, the merger threat is proposed. Those who help society progress toward its objectives may be allowed to keep the status quo advantages they now enjoy. Those that don't unite to establish a single organization that can raise capital, accept deposits, lend money, and sell products all over the world and compete successfully.

Mergers of Public Sector Banks in India

a) Merger of State Bank of Bikaner, State Bank of India and State Bank of Mysore into State Bank of India (SBI):

The above data shows that thanks to this strategy, SBI has become the world's second-largest commercial bank by assets and number of branches. After absorbing State Bank of Bikaner and State Bank of Mysore, SBI now has a combined business of 17.94 lakh crore and a branch network of 12,236.

Swap Ratio: In exchange for every 1,000 shares owned at OBC or State Bank of Mysore, shareholders will get 1,150 shares or 121 shares, respectively, at SBI. Bank of Bikaner each have a face value of Rs 10 per share, whereas State Bank of Mysore has a face value of Rs 2.

Table 1 - Merger of State Bank of India

Head	State Bank of India	State Bank of Bikaner and Jaipur	State Bank of Mysore	Amalgamated Bank
Total Business (in crore Rs)	11,82,226	4,04,194	2,08,106	17,94,526
Gross Advances (in crore Rs)	4,71,827.72	1,57,958.67	67,523.33	7,97,309.72
Deposits (in crore Rs)	7,03,846.32	2,30,108.23	1,37,614.64	10,71,569.19
CASA Ratio	42.97%	30.61%	50.91%	41.49%
Domestic Branches	7,175	2,814	2,049	11,437
PCR	61.72%	56.53%	51.17%	59.59%
Employees	68,781	21,729	13,804	1,00,649

Source: Author's Computation

With more than 11,000 branches, more than 13,000 ATMs, and over 100,000 staff, and a business mix of over Rs. 17 lakh crores, the newly merged State Bank of Bikaner and State Bank of Mysore of India will be able to serve clients more effectively and efficiently than ever before thanks to the merger. The current and saving account (CASA) ratio, which is a key measure of a bank's financial health and represents the bank's saving and demand deposits, seems to have increased in the merged bank. Customers of both State Bank of Bikaner and State Bank of Mysore will benefit from the merger, as the larger bank will have a wider network across

India, a stronger capital base, and better products and services for their customers. Both banks' gross advances and gross deposits were lower on the date of the merger.

b) Merger of Canara Bank and Syndicate Bank into Canara Bank

Syndicate Bank and Canara Bank have combined to become the fourth biggest public sector bank in terms of business volume, at 15.20 lakh crore, and in terms of the number of branches, at 10,324. The combined assets of Canara Bank and Syndicate Bank are at Rs 10.4 trillion, whereas Syndicate Banks are worth Rs 4.7 trillion.

Swap Ratio: If you own 1,000 shares of Syndicate Bank, you will get 158 shares of Canara Bank in exchange for your shares.

Table 2 - Merger of Canara Bank

Head	Canara Bank	Syndicate Bank	Amalgamated Bank
Total Business (in crore Rs)	10,43,249	4,77,046	15,20,295
Gross Advances (in crore Rs)	4,32,175.20	1,84,398.78	6,16,573.98
Deposits (in crore Rs)	6,25,351.17	2,81,269.82	9,06,620.99
CASA Ratio	31.37%	33.47%	30.21%
Domestic Branches	6,634	4,291	10,925
PCR	41.48%	48.83%	44.32%
EmploSyees	58,629	30,381	89,010

Source: Author's Computation

This merger benefited both banks by reducing costs due to network overlap, creating a similar operating atmosphere to facilitate a smoother consolidation process, and opening up more income opportunities for Joint Ventures and Subsidiaries because of the combined companies' scale and geographic reach throughout the South. The new combined business is sizable, covering a wider area, and focusing heavily on community banking, customer happiness, and the like. The combined bank will be bigger, stronger, and able to serve a wider customer base, all of which will help expand existing efforts to increase financial inclusion. It is clear from the above table that the merger between Canara Bank and Syndicate Bank of India is beneficial for both parties' consumers. The merged bank would have a larger presence in more locations, with over 10,000 branches, over 90,000 staff, and a business mix of over Rs 15 lakh crore.

c) Merger of Bank of Baroda, Dena Bank and Vijaya Bank into Bank of Baroda:

With a total of 9,951 locations and a combined annual revenue of 14.59 lakh crore, the merger of Dena Bank and Vijaya Bank with Bank of Baroda of India formed India's fifth-largest public sector bank.

Swap Ratio: According to the statement with the exchange, for every 1,000 shares of Dena Bank or Vijaya Bank, owners received 325 and 330 shares, respectively, of Bank of Baroda of India as part of the merger. Bank of Baroda of India and Dena Bank each have a face value of Rs 10 per share, whereas Vijaya Bank has a par value of Rs 2.

Table 3 - Merger of Bank of Baroda of India

Head	Bank of Baroda	Dena Bank	Vijaya Bank	Amalgamated Bank
Total Business (in crore Rs)	7,41,307	3,98,511	3,19,616	14,59,434
Gross Advances (in crore Rs)	3,15,049.41	1,57,742.33	1,27,399.06	6,00,190.80
Deposits (in crore Rs)	450668.45	212609.38	205354.78	868632.61
CASA Ratio	50.92%	34.54%	30.57%	38.67%
PCR	58.27%	68.62%	66.60%	63.07%
Employees	37,318	20,364	18,486	76,168
Branches	4438	2961	2552	9951

Source: Author's Computation

With the merger, the bank gained even more clout in the lucrative southern Indian sector. Over the next three years, the merged business is projected to realize cost and revenue synergies of Rs 2,500 crore via branch reduction and savings on technology. There was little disruption to the operations of both Dena Bank and Vijaya Banka's a result of the merger's execution. There are more than 9,500 branches and 12,000 ATMs in the merged entity's service area, with 700 or more branches being closed due to proximity savings. The merged entity's capital adequacy ratio will be between 12.5 and 13%, while its gross nonperforming assets (NPAs) and net NPAs will be 14% and less than 6%, respectively. There would be 75,000 workers after the merger, with 37,000 coming from Dena Bank and 20,000 from Vijaya Bank.

d) Merger of Indian Bank and Allahabad Bank into Indian Bank:

By combining their resources, Allahabad Bank and Indian Bank have become the country's seventh-largest public sector bank, with combined assets of 8.08 trillion rupees and extensive branch networks throughout the country's southern, northern, and eastern regions.

Swap Ratio:

If you have 1,000 equity shares in Allahabad Bank, you may exchange them for 115 equity shares in Indian Bank (the transferee bank) at a price of Rs 10.00 per share. (Transferor bank).

Table 4 - Merger of Indian Bank

Particulars	Indian Bank	Allahabad Bank	Amalgamated Bank
Total Business (in crore Rs)	4,29,972	3,77,887	8,07,859
Gross Advances (in crore Rs)	1,97,887.01	1,42964.78	3,40,851.79
Deposits (in crore Rs)	2,60,225.90	2,28,608.51	4,88,534.41
CASA Ratio	34.64%	47.82%	41.23%
Domestic Branches	2,953	3,410	6,363
PCR	49.13%	74.15%	66.21%
Employees	18,691	23,356	42,047

Source: Author's Computation

In accordance with the RBI's instructions, all Allahabad Bank branches have merged with Indian Bank and begun operating as Indian Bank branches. The combined strengths of the 113-year-old Indian Bank and the 155-year-old Allahabad Bank will allow them to better serve customers throughout India. The merger resulted in a financially stable and widely accessible institution with over 6,000 locations, 4,800 automated teller machines (ATMs), 42,000 workers servicing 120 million clients, and a business mix of over Rs 8 Cr/ Trillion and a notable increase in CASA and PCR ratios. Both banks' 120 million or more clients will benefit from the expanded geographic reach that the addition of these branches will provide to Indian Bank's existing network in the northern, central, and eastern states. There were synergies in the areas of operations, revenues, and costs for the banks as a result of the merger. With this newfound ability to lend, we will better assist our Corporate and MSME clients. There will be more options for both companies' customers.

3. Research Methodology

This work employs an analytical research strategy for its investigation. Increasing nonperforming loans in the banking industry is the primary focus of this study. Bank of Baroda of India, Canara Bank, Indian Bank, and State Bank of India are the only four newly merged public sector banks included in this analysis, and their results are compared to those of the four leading private banks in India (Axis Bank, HDFC Bank, ICICI Bank and Karnataka Bank). The CAMEL approach has been used to analyze the overall performance of certain banks. It uses accounting ratio analysis and statistical t-test to examine data from the quarterly financial statements of certain banks throughout the course of 2019–22. Banks were ranked according to their capital sufficiency, asset quality, management quality, earnings quality, and liquidity ratio averages. In order to derive conclusions from the data based on a comparison analysis, the t-test was used as an inferential statistic in this research. The last step is a rating out of five based on the analysis of previous ratings.

4. Data Analysis

The following analysis of the CAMEL model's components is based on data gleaned from the quarterly reports of the aforementioned sample banks. On the basis of the average ratio, all the factors are rated. Because of this, a better bank's performance may be inferred from a lower mean rank, and vice versa.

(C) Capital Adequacy Ratios (CAR): Banks' capacity to have enough capital on hand to cover unexpected losses is represented by this ratio. Consequently, a high CAR aids in a good degree of capital adequacy, whereas a low CAR hinders it.

Table 5 - Capital Adequacy Ratios

Banks	CAR 2019-20		CAR 2020-21	
	Avg.	Rank	Avg.	Rank
Canara Bank	13.37	6	13.10	7
Bank of Baroda of India	13.53	5	12.35	8
State Bank of India	13.32	7	13.67	6
Indian Bank	14.32	4	14.22	4
Mean		5.5		6.25
Axis Bank	17.45	2	18.50	2
HDFC Bank	17.85	1	18.93	1
ICICI Bank	16.24	3	17.91	3
Karnataka Bank	12.60	8	13.71	5
Mean		3.5		2.75

Source: Author's Computation

Data from 2019-20 are shown in Table 5, where private sector banks are rated far worse than public sector banks in terms of their average performance which is 3.5 and 5.5 respectively. Accordingly, privately owned banks are better able to sustain CAR than its government-owned counterparts. The private sector banks' average performance in 2020-21 is 2.75 which was far behind that of the combined public sector banks having 6.25. The study period saw HDFC Bank's CAR reach its highest point ever (18.93%) and Bank of Baroda's CAR drop to its lowest point ever (12.35%). In light of this, it is clear that privatized banks have fared better in preserving CAR than merged public sector banks. According to, private banks have higher capital adequacy relative to their risk-weighted assets than public sector banks.

(A) Asset Quality Ratios (AQR): This ratio emphasizes the significance of banks' asset quality. Low ratios indicate excellent quality banking assets due to decreasing non-performing assets, whereas high ratios indicate growing non-performing assets and a declining quality of loans.

Table 6 - Asset Quality Ratios

Banks	AQR 2019-20		AQR 2020-21	
	Avg.	Rank	Avg.	Rank
Canara Bank	4.945152	6	3.457763	6
Bank of Baroda of India	6.673519	8	4.245881	7
State Bank of India	5.214866	7	4.966483	8
Indian Bank	3.501276	5	3.109436	5
Mean		6.5		6.5
Axis Bank	2.050879	3	1.074708	2
HDFC Bank	0.421602	1	0.247996	1
ICICI Bank	1.745736	2	1.105535	3
Karnataka Bank	3.277395	4	2.533693	4
Mean		2.5		2.5

Source: Author's Computation

According to the information shown in Table 6, private sector banks had a far lower average performance (2.5) than public sector banks during 2019–20. (6.5). That's why it's clear that private banks have it easier when it comes to AQR maintenance than their government-sponsored counterparts. The private sector banks' average performance (2.5) in 2020-21 was much worse than that of the public sector banks (6.5). Private banks are superior than merging public sector banks with regards to AQR maintenance, as shown by.

(M) Management Quality Ratios (MQR): Management effectiveness lies at the heart of the concept of management quality. When this percentage is low, it indicates that the administration is unable to make use of its deposits to provide loans of a higher quality. Here a high ratio indicates high-quality management, whereas a low ratio indicates low-quality management.

Table 7 - Management Quality Ratios

Banks	MQR 2019-20		MQR 2020-21	
	Avg.	Rank	Avg.	Rank
Canara Bank	70.45615	6	65.30704	6
Bank of Baroda of India	69.22334	7	65.16874	7
State Bank of India	64.76086	8	61.0224	8
Indian Bank	75.37762	5	68.09807	5
Mean		6.5		6.5
Axis Bank	90.19437	1	89.334	1
HDFC Bank	82.10452	3	84.70475	2
ICICI Bank	87.82512	2	78.93051	3
Karnataka Bank	78.20735	4	72.84455	4
Mean		2.5		2.5

Source: Author's Computation

Table 7 shows information from 2019–20, showing that private sector banks had a far lower average performance (2.5) than public sector banks (6.5). Banks in the private sector have so far been more successful than those in the public sector in preserving MQR. The private sector banks' average performance (2.5) in 2020-21 was much worse than that of the public sector banks (6.5). According to, this evaluated data makes sense. As a result, private banks are superior than consolidated public sector banks with respect to MQR maintenance.

(E) Earnings Quality Ratio (EQR): A bank's earning power is a crucial indicator of its financial stability. When the EQR is high, banks are reliably making money, and when it's low, it raises questions about the financial health of the institution.

Table 8 - Earnings Quality Ratio

Banks	EQR 2019-20		EQR 2020-21	
	Avg.	Rank	Avg.	Rank
Canara Bank	-0.315	8	0.23	7
Bank of Baroda of India	-0.075	7	0.27	6
State Bank of India	0.205	6	0.1525	8
Indian Bank	0.2675	4	0.4925	4.5
Mean		6.25		6.375
Axis Bank	0.2175	5	0.7	2
HDFC Bank	0.5	3	0.4925	4.5
ICICI Bank	0.8125	1	1.415	1
Karnataka Bank	0.535	2	0.57	3
Mean		2.75		2.625

Source: Author's Computation

Table 8 shows information from 2019-20, showing that private sector banks' average performance ranks worse than public sector banks (6.75). As a result, private banks have done better at sustaining EQR than their public sector counterparts. The private sector banks' average performance in 2020-21 (2.625) was far behind that of the combined public sector banks (6.375). Conclusions from this research reveal that private banks are over merging nationalized institutions with regards to sustaining EQR.

Liquidity Ratio (LR): Banks' cash on hand, deposits at the Reserve Bank of India, money available on short notice, and deposits at other banks are the primary measures of their liquidity. In this context, "liquid asset" refers to the share of total assets that may be quickly converted into cash. For banks, a high level of liquid assets indicates a healthy liquidity profile, whereas a low level indicates a precarious one.

Table 9 - Liquidity Ratio

Banks	LR 2019-20		LR 2020-21	
	Avg.	Rank	Avg.	Rank
Canara Bank	10.32309	2	12.70966	1
Bank of Baroda of India	8.740657	3	7.566615	4
State Bank of India	11.63789	1	8.836329	3
Indian Bank	6.202755	7	6.49665	6
Mean		3.25		3.25
Axis Bank	6.916595	5	6.47441	7
HDFC Bank	6.299022	6	6.755082	5
ICICI Bank	7.937467	4	11.11661	2
Karnataka Bank	4.390834	8	4.304384	8
Mean		5.75		5.5

Source: Author's Computation

Statistics for 2019–20 are shown in Table 9, where the public sector banks' average performance ranks quite low (3.25). (5.75). As a result, government-owned financial institutions have better LR than their private counterparts. Average public sector bank performance in 2020-21 was determined to be substantially worse than private sector bank performance (3.5) (5.5). This study's findings are supported by, therefore combined public-sector institutions have maintained LR better than private banks.

CAMEL Rank Test: A global analysis has been performed based on the ranking ratio of the CAMEL characteristics.

Table 10 - T-Tests for Overall CAMEL Rank 2019-20 and 2020-21

Variable	2019-20		2020-21	
	Public Sector	Private Sector	Public Sector	Private Sector
Mean value	6.25	2.75	6.5	2.5
No. of observation (n)	4	4	4	4
Degrees of freedom	6		6	
t Statistics	2.898275349		4.38178046	
"p" value (two-tailed)	0.02		0.01	
t - critical values (two-tailed) (5%)	2.447		2.447	

Source: Author's Computation

Table 10 from the t-test analysis reveals that in 2019–20, there is a substantial difference between the Overall CAMEL rank of public and private sector banks; this is shown by the fact that the t stat value is 2.89, which is higher than the t-stat critical value of 2.447. The data demonstrates that private sector banks fared far worse than public sector banks in terms of preserving their overall CAMEL rank (2.75 vs 6.25). Therefore, private banks' performance metrics are superior than those of government-run banks. Similarly, in 2020–21, the null hypothesis is rejected since the t stat value of 4.38 is larger than the t critical value of 2.447, indicating that there is a statistically significant difference between the overall CAMEL rank of combined public sector banks and private sector banks. When compared to the combined public sector banks, private sector banks do far worse in terms of average performance in preserving the overall CAMEL characteristics (2.5 vs. 6.5). Thus, private banks' performance metrics are superior to those established by merging nationalized institutions.

While the report did find some positive effects of mergers on bank performance, we can say that public-sector bank merger tactics have not significantly improved the industry. Thus, private banks' performance metrics are superior than those imposed by consolidated governments.

5. Conclusion:

Common core banking solution, government ownership, and a comparable salary structure and promotion opportunities for employees are all variables that contribute to support the elimination of obstacles to merger implementation and facilitated a more seamless transition into a unified organization. The Indian banking sector seems to be no exception to the general trend of using M & A activities as a strategic instrument for growth and development. There have been substantial enhancements since the Indian financial reforms were implemented. When comparing public and private banks, efficient management, earnings, and profitability of the latter have been demonstrated to result in a high financial ability, making the CAMELS model a useful tool for critically evaluating this improvement. In addition, our research shows that some merging public-sector banks perform much worse than private banks, and that this trend persists even after the merger of public-sector banks. The rating investigation indicated the negative rating of selected combined banks, suggesting that the overall functioning of public banks has not improved even after the merger. But rating study shows that private banks have steadily improved in all areas of operation.

In conclusion, the mergers of public sector banks in India represent a significant and complex transformation within the country's banking sector. Private banks have been more agile in adapting to changing market dynamics. They have been quick to embrace technology and innovation, which has allowed them to deliver superior customer experiences. Nonetheless, they face their own set of challenges, including concerns about ethical practices and customer data security. The mergers of public sector banks in India have been a bold step towards strengthening the banking sector, but they are not without their challenges. Effective management of these challenges, including cultural integration, employee welfare, and equitable distribution of resources, will be essential for the long-term success of these mergers. Furthermore, continuous innovation and adaptability will be key for both public and private banks to thrive in the evolving financial landscape of India. This research underscores the importance of ongoing scrutiny and evaluation of the outcomes and challenges to ensure a resilient and competitive banking sector that serves the needs of the nation and its people.

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