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# A SYSTEMATIC LITERATURE REVIEW ON BANK MERGERS AND ITS IMPACT

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**ABSTRACT**

**Purpose:** There have been various bank mergers both in private and public sector undertakings both in India and abroad. The study intends to understand the concept of bank mergers, their benefits, flaws, and their impacts. The objective of the paper is to study in depth the various research done this field to identify the research gap.

**Methodology:**

A systematic literature review is undertaken to locate research data focused on important aspects like mergers, acquisitions, and their impact on different categories.

**Findings:**

According to a survey of the literature, the majority of the research was conducted to evaluate efficiency effects of bank mergers, overall gains of mergers, impact of merger on shareholders wealth. The impact of mergers on other sectors of the economy, effective change management and differences in approaches of Public Sector Banks and Private Sector banks calls for more research.

**Originality/Value:** Literature Review on Bank Mergers and acquisitions has been carried out to get a deep knowledge in the topic of Mergers in Banking Sector. The issues include Mergers and acquisitions, impact of bank mergers on efficiency, effects of bank mergers, Indian Bank Mergers.

**Paper Type:** Systematic Review of Literature

**Keywords: Mergers, Acquisitions, financial performance, Impact of Mergers, PSBs, shareholders wealth**

## 1. INTRODUCTION:

The banking system promotes increased savings, provides funding for newly established and running businesses, generates direct and indirect job possibilities, and supports the development of infrastructure and capital. As a result, a sound banking system indicates a stable financial system from an economic standpoint. **Sharma, A., & Mahapatra, S. S.(2022)[48]** The growth of the Indian economy is significantly influenced by the banking sector in that nation. Over the past three decades, there have been numerous reforms to the Indian banking sector. Scheduled commercial banks and Non-scheduled commercial banks are the two divisions of the banking sector. The Reserve Bank of India Act, 1934's Schedule II classifies the banks registered under it as Schedule II commercial banks, which are further divided into public sector banks, private sector banks, and foreign banks. Public sector banks include nationalised banks, the State Bank of India and its affiliated institutions, and regional rural banks. **Patel, R. (2018)[41]** Across all industries, mergers and amalgamations are common business practises. Banking is no different. A poor bank may merge with a stronger bank in order to strengthen its operations and increase its capital base. Sri M.L. Narasimham served as the chairman of the Committee for Banking Sector Reforms, which the Indian government established in 1991. The committee made recommendations for the consolidation of a sizable network of Indian banks into 3/4 international banks, 10 national banks, and a few local banks, among other things (like NPA norms and Capital adequacy framework under Basele norms). **Adhana, D., & Raghuvanshi, R. R. (2020)[3].**

## 2. OBJECTIVES OF THE SCHOLARLY REVIEW:

The primary objectives of the review paper are:

1. To understand mergers and acquisitions in banking industry
2. To understand the impact of mergers on financial performance
3. To understand the effect of mergers on shareholders wealth, employees and customers
4. To learn the Indian bank mergers and PSBs
5. To study the bank mergers in Private Sector Banks and PSBs
6. To identify the research gap by considering previous research studies enabling to propose a research topic

## 3. RESEARCH METHODOLOGY:

The literature review was conducted using Google Scholar using keywords such as bank mergers, bank acquisitions, bank performance, PSB Mergers, Consolidation, Private Sector Banks. The literatures are chosen considering the below criteria.

**Criteria 1: Time:** Literature published between 2000 to 2022 are considered

**Criteria 2: Type:** Journal articles, published research papers, case studies and other published sources serve as secondary sources for the research

**Criteria 3: Language:** Only English Literatures relating to the topic are considered

Considering the three previously mentioned factors, a methodical assessment of a few selected literatures was completed. This entailed reading the materials from the abstract to the conclusion and categorizing them based on the keywords that were used.

## 4. SCHOLARLY LITERATURE REVIEW:

### 4.1 Bank Mergers & Acquisitions:

With the advent of fast globalization, mergers and acquisitions (M&A) are becoming increasingly significant and attention-grabbing in the corporate world. This is demonstrated by the magnitude and growth of deal valuations as well as the ensuing "mega-mergers" that have lately been finalized. **Adebayo, O., & Olalekan, O. (2012)**[2]

M&A, both international and domestic, have evolved into strategic tools that support the expansion of product portfolios, entry into new markets, and acquisition of new technologies over the past few decades as a result of increased competition, new financial opportunities, and changes in the regulatory process in all countries. **Singh, S. and Das, S. (2018)**[50]

Mergers can take five different forms. A vertical merger occurs when two non-competing businesses come together and one of their products becomes an essential part of the other's. In a horizontal merger, two businesses that engage in the same kind of commercial activity and are competitors join together. Accretive merger happens when a business that has a high price-to-earnings ratio buys a business that has a low price-to-earnings ratio. Conglomerate mergers happen when two companies merge but have no economic ties to one another. **Patel, R. (2018)**[41]

Managers would function effectively in times of crisis if they focused on their home markets and used domestic companies for M&As. Throughout the crisis, managers must also exercise care by focusing on improving their competences in their principal industry and avoiding unnecessary diversification through M&As**. Rao-Nicholson, R., Salaber, J., & Cao, T. H. (2016)**[46]

**Table 1:** The list of research publications relating to bank mergers and acquisitions

| Sl.No. | Area and Focus of the Research | Outcome of the Research | Reference |
|---|---|---|---|
| 1. | Mergers and acquisition trends under economic crisis | They observed that under normal economic conditions, Mergers and Acquisitions are the strategies used by the Bank management to increase their efficiency in the business environment as they offer several benefits. But during economic crisis, mergers are chosen as an economical procedure to save banks under distress. They found that about 80% of crisis boost M & A happen in countries where the crisis originated. Whereas M&A declines in nations where banks fail or degrade to the point of liquidation or nationalisation | **HASAN, M. F. (2022)[18]** |
| 2. | Bank management in bank decline: Bank mergers as a recovery recipe | Caution should be exercised when banks become strongly growth-driven. Financial collapse is often the result of rapid growth. Bank mergers are not universal solutions for bank decline. Usually, it is too late when bank mergers take place | **Kjellman, A., Tainio, R., & Kangas, T. (2014)[30]** |
| 3. | The determinants of bank mergers: A revealed preference analysis | Instead of the target's premerger performance or the possibility of antitrust enforcement, branching efficiency and competitive concerns appear to be the driving forces behind bank mergers. Additionally, they discovered that dual chartering's regulatory friction is expensive because, on average, the mergers it blocks add value. Similar frictions in the merger market could be helpful rather than destructive in situations when mergers destroy value since they would stop value-destroying mergers at the margin. | **Akkus, O., Cookson, J. A., & Hortacsu, A. (2016)[9]** |
| 4. | Effective management of change during merger and acquisition | During mergers and acquisitions, businesses should have a sound change management structure in place. The businesses engaged should comprehend the cultures of one another and the significance of change. During the integration process, executives from both sides should be aware of the challenges and maintain employee involvement. The possibility of resistance and sabotage will increase if they are not very transparent and honest with the workforce. By helping businesses retain consumers and devoted staff, clear, consistent, and honest communication also boosts the productivity of the combined organisation. As a result, it appears that effective communication is the key to the merger's success. | **Kansal, S., & Chandani, A. (2014)[26]** |
| 5. | Regulatory arbitrage and cross-border bank acquisitions | Discovered that disparities in the standard of bank regulation between the acquirer and target countries are positively connected with target banks' CARs and the overall CARs around the announcement date. Acquisitions from countries with stricter banking regulations result in greater target (and overall) anomalous returns. Target (aggregate) CARs are greater in especially for | **Karolyi, G. A., & Taboada, A. G. (2015)[28]** |

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| | | acquirers from nations where banking activities are more restricted, capital requirements are stiffer, private monitoring is more intense, and regulatory quality is generally higher. | |
| 6. | Mergers and acquisitions in and out of emerging economies | The causes of and results of M&A may vary between Developed and Emerging Economies. Research on mergers and acquisitions (M&As) within and outside of emerging economies must expand in breadth, scale, and sophistication in order to keep up with the growing importance of these economies to the global economy. | Lebedev, S., Peng, M. W., Xie, E., & Stevens, C. E. (2015)[34] |
| 7. | Mergers and acquisitions-the game of profit and loss | Prior to executing a merger deal, the top management of the bidder bank can conduct an appropriate analysis of historical data and take financial performance into account. Such actions can increase the success of a merger. As one of the major stakeholders, shareholders, bank managers can determine the merger share exchange ratio that will encourage shareholders to increase their investment in bank securities following the merger. | PATEL, R., & SHAH, D. D. (2016)[42] |
| 8. | Long-term performance of mergers and acquisitions in ASEAN countries | Certain company traits, such as the relative size of the target, cross-border nature of the agreements, acquirer's financial reserves, and friendly nature of the deals, are significant predictors of long-term post- M&A operating performance during the crisis. However, it doesn't appear that there is a connection between M&A activity-related business features, such as payment method, industry relevance, and percentage of target's share bought, and performance during the crisis. | Rao-Nicholson, R., Salaber, J., & Cao, T. H. (2016)[46] |
| 9. | *Community bank mergers* | Through mergers, community banks can get the benefit of diversification by increasing its size. They can also reduce idiosyncratic risk level through mergers. Authors also pointed out that the reason for not merging with local banks may be different. First, they are in the midst of consolidation and not finding the right one to merge with. Second, regulations are prohibiting them from merger. Finally, the objective of closely held community banks may not be profit maximisation or risk minimisation. They want to enjoy some non-financial benefits of control, prestige or stature | **Emmons, W. R., Gilbert, R. A., & Yeager, T. J. (2001)[15]** |
| 10. | The role of information technology systems in the performance of mergers and acquisitions | M&As are complicated, and numerous factors—both within our control and outside of it can affect how they turn out. However, one of the most significant benefits that a company might acquire through an M&A is improved IT skills. Therefore, it is realistic to anticipate that the success or failure of M&As will increasingly depend on the ability of these merger partners to integrate these systems. | Lohrke, F. T., Frownfelter-Lohrke, C., & Ketchen Jr, D. J. (2016)[35] |

**4.2 Bank Mergers & Financial Performance:**

M&As are viewed as a generally quick and advantageous method for dealing with attempts to enter new markets, combine new advancements, and broaden the area of services. By combining strategies, businesses can greatly strengthen their customer bases and keep their competitive advantage. Banks are strengthening themselves and gaining more clients as a result of mergers. **Shaik, S., Kumar, P. R., & Kumar, A. D. V. (2019)[47]**

The Indian banking sector has undergone a wave of mergers in recent years. The main advantage of mergers and acquisitions is the potential synergy that would boost shareholder value for the merged business. Economies of scale, more opportunities for revenue, and possible tax benefits are the outcomes. **Mathur, S., & Sharma, A. (2021)[38]**

Increasing operational effectiveness and efficiency requires improving the organization's internal business procedures. Thus, strategies such as research and development initiatives should be planned to get the most out of an organization's creative and technological capabilities. **Oghuvwu, M. E., & Omoye, A. S. (2016)[40].**

**Table 2:** The list of research publications relating to bank merger and financial performance

| Sl.No. | Area and Focus of the Research | Outcome of the Research | Reference |
|---|---|---|---|
| 1. | Empirical Analysis of Bank Performance & Merger & Acquisitions during the 2008 Global Financial Crisis | Based on bank performance metrics such as return equity, return assets, and other operational profit, the results suggest that there is no significant difference between the non-merged and merged banks' performance. | **AKGÜN, A. İ. (2019, May)[8]** |
| 2. | Analytical Study of Behavioral Finance In Bank Merger: Impact of Digitalization | It was discovered that mergers negatively affect the following metrics: yield on venture, yield on advance, net benefit percentage, return on value, and return on resources. However, since the merger, there was an improvement in business per representative, profit per worker, and earnings per share. | **Gupta, S., Kadyan, S., & Bhasin, N. K. (2021)**[16] |
| 3. | *Effects of mergers on market power and efficiency* | M&A has a significant impact on a nation's economic activity, but its impact on business productivity and market power is not well supported by systematic data. They were able to uncover some evidence supporting the higher markups following mergers and acquisitions, but they were unable to locate much information supporting plant or company level productivity. | **Blonigen, B. A., & Pierce, J. R. (2016)[11]** |
| 4. | Impact of mergers and acquisitions in the Nigerian banking sector | Businesses combine for both financial and non-financial reasons. Financial performance may not necessarily improve as a result of mergers and acquisitions. Some people may perform well, while others might not. Depending on the performance measures employed, there can be a range of outcomes. They emphasized the necessity of contrasting the results with the transaction's purpose. | **Aitaa, S. K., & Mabel, O. O. (2023)[7]** |
| 5. | Efficiency effects of bank mergers | They discovered that the cost-effectiveness of bank consolidation has improved. Additionally, they discovered that small banks had higher profit efficiencies while giant banks have lower ones. Additionally, because of competitive interest rates, merging banks' share of the deposit market rises. Acquisitions and mergers benefit society because they increase cost effectiveness. | **Huizinga, H. P., Nelissen, J., & Vander Vennet, R. (2001)[20]** |

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| 6. | Pre-evaluating technical efficiency gains from possible mergers and acquisitions: evidence from Japanese regional banks | Smaller banks had better results from potential M&A deals than did larger ones. Additionally, their results imply that although larger banks appear to gain from neighbouring bank mergers, smaller regional banks may become more efficient through such mergers. | **Halkos, G. E., Matousek, R., & Tzeremes, N. G. (2016)[17]** |
| 7. | Impact of post-merger and acquisition activities on the financial performance of banks | The study suggested that a more comprehensive approach to integrated marketing communications mix should be implemented in order to promote the Bank's current and newly added products in order to increase market share, and that management-instituted policies and strategies, such as the credit policy, be reviewed in order to improve internal and external operations. Additionally, the logistical framework support should be improved. | **Singh, S. and Das, S. (2018) [50]** |
| 8. | The efficiency effects of bank mergers of Vietnamese Banks | They found that efficiency levels improved following bank mergers in the majority of situations, but not because the merged bank exceeded its efficiency goals. To reap the benefits of increased efficiency, they contend that small and medium-sized banks ought to be given preference in upcoming acquisitions. Results on efficiency gains that are transferred to the general population are also not entirely consistent. | **Le, T. (2017)[33]** |
| 9. | An Analysis of the Impact of Mergers and Acquisitions on Commercial Banks Performance in Nigeria | Commercial banks have seen a growth in capitalization through mergers and acquisitions, as seen by changes in share ownership, growing service costs, and fluctuating interest rates on bank loans. These findings suggest that the merger and acquisition strategy significantly enhanced banks' overall performance and contributed significantly to the real estate sector's growth for sustainable development. | **Adebayo, O., & Olalekan, O. (2012)[2]** |
| 10. | Pre & post-merger financial performance: An Indian perspective | They came to the conclusion in their study that underutilization has a negative effect on mergers' effects on return on equity, return on asset, net profit ratio, yield on advance, and investment. Nonetheless, due to the best use of human resources, earnings per share, profit per employee, and business per employee have all increased. | **Patel, R. (2018)[41]** |
| 11. | The overall gains from large bank mergers | In their study found that there don't seem to be any cost savings from significant bank mergers on average. But in recent years, the total returns have gone up. Positive returns to targets are offset by negative returns to bids. Compared to target banks and other banks in their industry, bidder banks frequently make larger earnings. The market responds favourably when an acquisition is announced by a business with a solid track record of operations. | **Houston, J. F., & Ryngaert, M. D. (1994)[19]** |
| 12. | The effect of mergers and | The data demonstrated that the main motivation behind bank mergers and acquisitions was | **Joash, G. O., & Njangiru,** |

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| | acquisitions on financial performance of banks | growing profitability. Conducting thorough feasibility studies was recommended by the researcher prior to initiating the merger or acquisition process. | **M. J. (2015)[24]** |

**4.3 Impact of Bank Mergers: Shareholders wealth, employees, customer**

The rationale behind bank mergers is that they will help to boost asset value as well as shareholder value and profits. Banks can grow quickly if they have more market access. It would improve their company's performance and value efficiency. It lessened the chance of bankruptcy. The potential rivals will be merged into one company, lowering the level of rivalry in the market. **Prabha, W. R. (2021)[44]**

Investors are impacted directly or indirectly by a merger announcement. The share prices of the bank will soar upward and boost the wealth of the shareholders if investors hold out hope that banks will merge. Share prices will decline and have a negative impact on shareholder returns if investors have a negative reaction to the merger. **Rai, A. K., Yadav, K. P., Mallik, A., & Gupta, P. (2021)[45]**

Employee unions typically oppose mergers because the merged bank loses its distinct identity, to which the staff members are psychologically bonded. The merging bank may experience coordination and operational challenges when carrying out day-to-day activities, at least in the short term. It's possible that a larger bank won't take its customers' local demands seriously. **Undi, R., & Basavaraj, C. S. (2019)[52].**

By using customer and employee-friendly practises such relationship management systems, training and development programmes, support services, and interaction systems, management should increase their customer's happiness and learning and growth metrics. This could, in no small part, have a positive impact on the organization's financial success. **Oghuvwu, M. E., & Omoye, A. S. (2016)[40].**

**Table 3:** The list of research publications relating to impact of bank mergers.

| Sl.No. | Area and Focus of the Research | Outcome of the Research | Reference |
|---|---|---|---|
| 1. | Impacts of bank mergers on shareholder's wealth | They found that merger announcements had a significant effect on both the bidder and target bank. Though initially, the target bank experienced a positive impact and the bidder bank got a negative impact, later the impact became similar for both banks. They also found a research gap in how merger announcements impacted the merged and bidder bank's stock returns in India | **Rai, A. K., Yadav, K. P., Mallik, A., & Gupta, P. (2021) [45]** |
| 2. | Impact of mergers and acquisitions in enhancing Customer satisfaction | Customers are satisfied with mergers and acquisitions since they have wide access to their account, alternative access, wide choice, Increment in ATMs. Customers felt that they have lot of options in money related specialist organizations. Banks should build trust with gained customers from the beginning to avoid disappointment in them. They should provide positive client experience through smooth innovative exchange | **Shaik, S., Kumar, P. R., & Kumar, A. D. V. (2019)[47]** |
| 3. | Impact of post-merger and acquisition activities on employees | The findings imply that the surviving workers of the merged banks had a favourable opinion of the merger activity undertaken by their company. Although the news of the merger originally made the employees uneasy, management communication helped them adjust to the new situation. By including them in the transformational process, the staff gained trust in their company and began to understand the goals of the merger plan. | **Singh, S. and Das, S. (2018) [50]** |
| 4. | Mergers and the | Found that Contrary to common belief, | **Ahmad, S., & Kumar** |

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| | Psychology of the Acquiring: Is It that of Conquest – Employee | which holds that employees of the acquiring firm are likely to feel a sense of "conquest" or "pride," the data showed that the senior managers in this case did not exhibit any such feelings. Instead, they had issues with the merger, which are covered. Some people expressed uncertainty while others expressed faith that the process will be successful. Their conclusion was that each merger case must be viewed in the context of its own history, HR practises, and cultural moorings | **Sundar Ray, S. (2020)[6]** |
| 5. | Measuring value creation in bank mergers and acquisitions | The market is optimistic about the potential for mergers and acquisitions to add value. However, the existence of private advantages leads to high bid costs. As a result, value is created, which is advantageous to the management of the buyers' banks and the shareholders of the target institutions | **Caruso, A. and Palmucci, F. (2004)[12]** |
| 6. | Impact Of Mergers On Solvency Analysis Of Indian Public Sector Banks" | Major mergers have been occurring in the banking sector recently, and a number of international companies have emerged as a result of these mergers. During their study period, the financial statements of banks that underwent mergers exhibited a healthy picture and an upward trend when compared to pre-mergers. The study found areas for development for this chosen group of public sector banks in India in terms of business volume, greater solvency, and performance | **JEGADEESHWARAN, M., & BASUVARAJ, M.(2018)[23]** |
| 7. | Mergers in Indian banking: an analysis | Both the bidder and the shareholders of the target banks lose in forced mergers. The shareholders of the bidder banks, however, have gained more from voluntary mergers than the shareholders of the target bank. A merger must be effective for specific factors to be prioritised, like the loan portfolio valuation, IT integration, human resource management, etc. In order to properly address the issues posed by complete convertibility, financial inclusion, Basel-II compliance, and the requirement for the existence of sizable investment banks, they also advocate further bank consolidation in India | **Jayadev, M. and Sensarma, R. (2007)[22]** |
| 8. | The Determinant of Product Advantage, Customer Experience and Trust on the Reputation of Bank through mergers | customer satisfaction, product advantage, and trust all have a favourable and significant impact on a company's reputation. For Bank Syariah Indonesia, these effects are particularly strong. Even in the case of a pandemic-related economic downturn, Bank Syariah Indonesia will benefit from improved bank reputations following mergers | **Abdullah, A. (2022)[1]** |
| 9. | Bargaining power and | *found that* Contrary to the widely held perception that targets receive the majority | **Ahern, K. R. (2012)[5]** |

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| | industry dependence in mergers | of merger profits, the analysis demonstrates that there is substantial variance in the distribution of merger gains and that, on average, the gains to targets are only marginally higher than the gains to acquirers. Targets gain, on average, around 3.5 cents more than acquirers for every dollar in the combined market stock of the merging companies prior to the merger. | |
| 10. | Mergers, Acquisitions and Corporate Performance: The Balanced Scorecard Approach | In order to assure top management commitment and support to environmental practises, organisations should undertake corporate environmental strategies, such as putting up environmental management and audit systems and incorporating environmental issues into management decisions. Environmental impact should also be considered when evaluating an organization's performance. To increase the organization's long-term profitability, management should create effective ways for tracking performance in the suggested performance dimensions. | Oghuvwu, M. E., & Omoye, A. S. (2016)[40] |

### 4.4 Indian -Bank Mergers and PSBs

India's banking sector has unquestionably earned the country's largest and most varied democracy a number of great accomplishments in a fairly short amount of time. The Indian banking industry has undergone a number of reforms, and numerous successful mergers and acquisitions have contributed to its tremendous growth. **Kashyap, D. (2021)[29]**

Since being nationalised in 1969, public sector banks (PSBs) have dominated the Indian banking industry and played a crucial role in the development of the nation. The Government of India (GoI) has been combining multiple PSBs to enhance, among other things, the financial profile of banks in order to increase their capacity for lending, in order to further strengthen the Indian banking system. **Mohanty, M. S. (2019)[39]**

The PSBs should concentrate on increasing bank lending and recovering bad loans across the board while keeping in mind that the Insolvency and Bankruptcy Code (IBC) process is still in the process of stabilising. Combining PSBs and consolidating banking organisations may lead to the banking sector's efficient quantitative and qualitative operation. **Undi, R., & Basavaraj, C. S. (2019)[52].**

**Table 4: The list of research publications relating to Indian bank mergers and PSBs**

| Sl.No. | Area and Focus of the Research | Outcome of the Research | Reference |
|---|---|---|---|
| 1. | Merger and Acquisition in Indian Banking Sector: A Case Study of Bank of Baroda | Merging with a larger bank is a useful tool for the survival of weak banks. The global economy is posing difficulties for small and local banks and they need support that can be given through mergers. After the merger, the merged entity can move towards its predefined goals. | **Kashyap, D. (2021)[29]** |
| 2. | A Study of the Concept of Bank Mergers in Indian Banking System | In order to face global competition, banks need to upgrade and transform in terms of technology. Merger will help them to improve and have long term development. In their study they found that merger had no effects on the total assets or return on capital. However, there was improvement in return on investments, net profits and shareholders' capital. Mergers help a bank to reduce their NPA, improve customer service, provide more opportunity, enhance their operational performance and meet global competition | **Prabha, W. R. (2021)[44]** |
| 3. | Investigation of mergers in Indian banking sector | Opined that so far M & A have happened in the Indian Banking Sector to provide safeguard and protection to weak banks against their failures. After Merger, they are growing and performing in a better way. Absolute technology, inadequate resources, lack of funds, inefficient management, and, lack of innovations are the major problems of small and medium-sized banks. The announcement of the Merger of 10 PSBs into 4 is a major step taken for building India a strong economy | **Taj, S. (2019)[51]** |
| 4. | Big Bank Theory: A Study of Amalgamation Plan of 10 PSBs | Studies Government's attempt to increase the capital base through mergers. They found that mergers will help in efficient capital management. Importance should be given to governance and management issues. Employee Unions need to be communicated to solve issues relating to mergers | **Adhana, D., & Raghuvanshi, R. R. (2020)[3]** |
| 5. | Merger of public sector banks (PSB) in India: Issues and challenges | Examined the scope, implications, drawbacks, major challenges, and consequences in the way of merger. They found that a bank merger is a challenging task and it takes a lot of persistence to complete the process of a merger. Corporate governance and structural issues need to be solved to make consolidation successful | **Kambar, P. S. (2019)[25]** |
| 6. | Does the Future of the Indian PSBs lie in Mergers and Acquisitions | Mergers will benefit PSBs for their survival and growth in competitive and risky environment. Banks having intrinsic comparative advantage and restrictions in inter-regional penetration, Mergers will be of great use. It will provide competitive advantage and opportunity for growth. Mergers and acquisitions will be beneficial and value adding, if PSBs are privatised before merging. Partial Privatisation and restructuring need to be carried out towards this process. | **Mallick, I. (2009)[37]** |

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| 7. | Mergers and Acquisitions in the Indian Public Sector Banks (PSBs)–An analysis | As the stronger/larger banks' financial profiles have been impacted by the weaker banks' financial profiles, there hasn't been a significant shift in the merged institutions' financial profile in the short term. By combining the smaller, weaker banks with the larger, stronger banks, the government can transfer the burden of bank recapitalization to the larger bank, which can typically obtain capital due to its good independent credit profile. | **Mohanty, M. S. (2019)[39]** |
| 8. | A Study on Recent Wave of Mergers in Public Sector Banks in India | Public sector banks are less lucrative than other industries. To achieve their social goals, they must forgo their revenues. They need sufficient funding to support their expansion. They must raise their production and profitability if they want to remain competitive in the global economy. They require control over their operational costs, innovative management practises, improved systems and procedures, a sense of teamwork, motivation, etc. in order to survive. | **Paul, D. and Majumdar** (2020)[43] |
| 9. | Merger of public sector banks in India under the rule of reason | The government might utilise a merger tool as a sort of threat to get unenthusiastic public sector banks to operate effectively. Banks that do well should be allowed to continue operating, but those that don't should merge with other institutions to create a force that can compete on a global scale when it comes to raising and distributing capital | **Ladha, R.S. (2017)[32]** |
| 10. | Analysing the Indian Public Sector Bank Merger | Found that the 10 merged banks performance is less compared to remaining 8 public sector banks. Poor management, earnings, and performance are the cause. According to them, merger of weak bank with strong bank does not always work well. Paper suggested for the better integration of skill force and technology, better and widespread ATMs, branch networks, better hierarchy system to improve the performance | **Jain, A.(2020)[21]** |
| 11. | Pre Merger and Post Merger Profitability of State Bank of India Ltd | Found that the merger has not yielded any notable benefits. Consolidation with weaker and less profitable affiliates, which resulted in more liabilities and NPAs than deposits and profits, may be the cause. SBI appears to be expanding more quickly, and closing underperforming locations is an efficient cost-control strategy that creates economies of scale and, ultimately, results in higher earnings relative to costs. | Mathur, S., & Sharma, A. (2021)[38] |

**4.5 Indian PSB Mergers and Private Sector Bank Mergers**

Individuals prefer public sector banks over private sector banks when depositing money and applying for loans. This is primarily due to PSBs' extensive network coverage. **Christopher, M.J. (2022)[14].**

Many private sector banks today are truly interested in mergers and acquisitions since mergers are crucial for the consolidation and expansion of businesses. They are also essential for the economy since they frequently succeed in salvaging weak banks that fall short of expectations. **Adhana, D., & Raghuvanshi, R. R. (2020)[3].**

In comparison to private sector banks, it has been found that public sector banks have aworse NPA problem. This is due to the strength of the internal management at private sector banks compared to public sector ban ks. **Sharma, A., & Mahapatra, S. S.(2022)[48]**

**Table 5: The list of research publications relating to bank mergers of Indian PSBs and Private Sector Bank Mergers**

| Sl.No. | Area and Focus of the Research | Outcome of the Research | Reference |
|---|---|---|---|
| 1. | Indian Commercial Banks: Do Private Sector Banks Perform Better than Public Sector Banks? | The private sector is increasingly focused on technological advancements like cloud banking, AI, Fintech, etc. They are more effective and productive as a result. Public sector banks must work to increase their productivity and reach out to rural communities. PSBs may benefit from the merger in terms of increased operational effectiveness and shareholder value. | **Christopher, M.J. (2022)[14]** |
| 2. | Are private sector banks really more Efficient than public sector banks? | Private sector banks are managed more effectively than public sector banks, according to their analysis. The primary cause of public sector banks' overall inefficiency is managerial inefficiency. Sick and ineffective banks pose a number of problems for the entire economy. Inefficient banks must either increase their output with the same level of input or decrease their input level for the given output in order to become efficient | **Maity, S. (2020)[36]** |
| 3. | Comparison of employee retention policies in Public Sector Banks and Private sector banks | Public Sector Banks do not place much emphasis on keeping talent in their industry. Conversely, talent retention is highly valued by private sector banks. Their human resource policies are designed to keep the top personnel within their company | **Shukla, S. (2014)[49]** |
| 4. | Mergers and Acquisitions of Private sector Banks and Public Sector Banks | Found that Public sector banks offered negative returns, whereas private sector banks offered positive returns. They emphasised the necessity of enhancing the nation's financial system's effectiveness, competiveness, and quality. They also discovered that merger banks must make the merger process public in order to get the support of their shareholders. | **Ali, A., Arif, M. and Saharanpur, U.P. (2016)[10]** |
| 5. | The Effects of Mergers and Acquisitions on the Performance of Commercial Banks in India | Found that mergers and acquisitions had a very significant and positive effect on the performance of private Commercial Banks than the public sector Banks. Private Sector Banks are performing greatly as compared to Public sector banks. | Agarwal, R., Vichore, S., & Gupta, M. (2020)[4] |
| 6. | Mergers And Acquisitions: Current Scenario And Emerging Trends In India | Found that M&As are here to stay, despite the fact that they are not always successful. Failure over the years has, however, sharpened the companies' concentration and analytical abilities. As a result, M&A is pursued as a strategy based on in-depth environmental analysis, good reasoning, and regulatory compliance. M&As are reliable signs of a healthy and expanding economy. Consequently, a number of actions can be implemented to stop M&A failure | **Kapoor, S. (2018)[27]** |

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|---|---|---|---|
| 7. | Post-merger efficiency of banks in India-A study of HDFC bank and Centurian bank of Punjab | The study's findings show that, with the exception of Profit Per Employee, all criteria including Business Per Employee, Investment and Advances, Interest Income, Return on Assets, NPAs, etc. have improved after the merger. The study also came to the conclusion that the process of mergers should be driven by the market and that M&A must have clear justifications, such as revenue growth, decreased expenses, and increased return on assets. | Kumar, S. (2013)[31] |
| 8. | A Thematic Study of Literature on Merger of Indian Banks with Special Reference to Public Sector Banks. | Private banks operate under stronger regulations and have stricter loan recovery procedures. Public Sector Banks are more likely to experience bureaucracy, corruption, and technological ineptitude issues. The problem of NPAs needs to be resolved immediately because if the bank is dealing with an excessive amount of stressed assets, it will be difficult for it to concentrate on reaping the benefits of the merger. The government must devise corrective measures to lower NPA and stringent regulatory requirements to collect loans. | Sharma, A., & Mahapatra, S. S.(2022)[48] |
| 9. | Performance of Indian Public Sector Banks and Private Sector Banks: A Comparative Study | In their study pointed out that NPA issues must be addressed with appropriate and strict actions. The creation of an effective management information system is necessary. Proper training to employees on appropriate documentation and handling of securities, as well as encouragement to take action to keep the advances from becoming non-performing assets (NPAs) is needed. Public Sector Banks need to be skilled at evaluating financial statements and choosing borrowers and projects wisely. | **Chaudhary, K., & Sharma, M. (2011)[13].** |

## 5. FINDINGS:

- M&A, have evolved into strategic tools as a result of increased competition, new financial opportunities, and changes in the regulatory process. **Singh, S. and Das, S. (2018)**
- Managers must exercise care by focusing on improving their competences in their principal industry and avoiding unnecessary diversification through M&As**. Rao-Nicholson, R., Salaber, J., & Cao, T. H. (2016)**
- When banks start to focus heavily on growth, caution should be taken. Rapid expansion frequently leads to financial disaster. Typically, when bank mergers occur, it is too late. Kjellman, A., Tainio, R., & Kangas, T. (2014)
- Banks should have a strong change management framework and an efficient communication system during mergers and acquisitions. **Kansal, S., & Chandani, A. (2014)**
- Efficiency level is greater in nations where banking activities are more restricted, capital requirements are stiffer, private monitoring is more intense, and strict regulatory requirements. **Karolyi, G. A., & Taboada, A. G. (2015)**
- If investors remain hopeful regarding merger, the bank's share prices will increase, increasing the wealth of the shareholders. If investors respond negatively to the merger, share prices may drop, which will negatively affect shareholder returns. **Rai, A. K., Yadav, K. P., Mallik, A., & Gupta, P. (2021)**
- As the combined bank loses its unique identity, to which the employees are psychologically attached, employee unions usually reject mergers. There could be coordination and operational issues for the combining bank. **Undi, R., & Basavaraj, C. S. (2019).**

- To remain competitive in the global market, banks must modernize and change their technological infrastructure. Their long-term development and improvement will be aided by the merger. **Prabha, W. R. (2021) [11]**
- Mergers & Acquisitions cannot succeed until structural and corporate governance problems are resolved. **Kambar, P. S. (2019)[4]**
- It is imperative for public sector banks to enhance their efficiency and establish connections with rural areas. PSBs stand to gain from the merger in terms of enhanced shareholder value and operational efficacy. **Christopher, M.J. (2022)**

## 6. SUGGESTIONS:

- By using employee and customer-friendly strategies such interaction systems, support services, training and development programs, and relationship management systems, management may boost customer satisfaction, foster learning and development, and achieve financial success. **Oghuvwu, M. E., & Omoye, A. S. (2016)**
- Establishing trust with newly acquired customers is crucial for banks to prevent dissatisfaction later on. They ought to deliver a satisfying customer experience via seamless, creative communication. **Shaik, S., Kumar, P. R., & Kumar, A. D. V. (2019)**
- Involving staff members in the transformative process helps foster a sense of confidence in the organization and help them comprehend the objectives of the merger plan. **Singh, S. and Das, S. (2018)**
- Issues with management and governance should be prioritized. Communication with employee unions is necessary to resolve merger-related concerns. **Adhana, D., & Raghuvanshi, R. R. (2020)[1]**
- To survive, PSBs must maintain control over their operating expenses, implement creative management techniques, enhance systems and processes, foster a spirit of cooperation, drive, etc. **Paul, D. and Majumdar** (2020)
- M&A deals need to have strong financial arguments like rising revenue, falling costs, and improved return on assets. Kumar, S. (2013).
- To reduce NPA and provide strict regulatory criteria for debt collection, the government must come up with remedial measures. Sharma, A., & Mahapatra, S. S.(2022)

## 7. RESEARCH GAP:

From the studies mentioned above, it is clear that impact of merger on performance, efficiency, shareholders wealth have been the focus of the majority of research. However, there hasn't been much research happened in this field which can clarify the effect of mergers on different sectors including customer satisfaction. The following research gaps are identified by this survey.

- **Research Gap 1:** Impact of Mergers and Acquisitions on Perception & Level of Satisfaction of Customers : A Study on Public & Private Sector Banks
- **Research Gap 2:** Differences in the Profitability of Public Sector banks and Private Sector Banks after Merger
- **Research Gap 3:** Effective Management of Change during Merger
- **Research Gap 4:** Effects of Bank Mergers on Employees
- **Research Gap 5:** Bank Mergers and Shareholders value creation
- **Research Gap 6:** The effect of Bank mergers’ operating efficiency on General public

## 8. CONCLUSION:

Any firm that wants to develop, succeed, and survive must be able to compete. This truth is not lost on banks. Nowadays, mergers are used as a competitive tactic by banks to reap benefits of efficiency, large customer base, lead in the market, and many more. An analysis of the literature reveals that most research has been done to assess the efficiency effects of bank mergers, the overall benefits of mergers, and the impact of mergers on shareholder value. Further research is necessary to understand the effects of mergers on other economic sectors, how to manage change effectively, and how public and private sector banks differ in their strategies.

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