Financial Performance Effects of the 2020 Public Sector Bank Mergers in India: Evidence from a Narrative Review of Consolidation Outcomes

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Abstract

The Indian banking sector has undergone a significant transformation since the post-liberalisation reforms, with consolidation emerging as a key strategy to address structural inefficiencies in public sector banks (PSBs). This study presents a narrative review of public sector bank consolidation in India, with a particular focus on the financial performance impact of the 2020 mega-merger. The review synthesises existing academic literature, policy documents, and institutional reports to evaluate changes in key financial indicators, including profitability, asset quality, capital adequacy, liquidity, operational efficiency, and market response. The findings indicate that while consolidation strengthened the structural position of banks by improving scale, balance-sheet capacity, and solvency, the impact on profitability was uneven and often delayed due to integration challenges and provisioning pressures. Asset quality emerged as a critical determinant of post-merger performance, with banks inheriting higher stressed assets experiencing slower recovery. The review further highlights that financial outcomes varied significantly across merged entities, influenced by pre-merger conditions and the effectiveness of post-merger integration. Overall, the 2020 mergers contributed to enhanced financial stability but did not uniformly translate into improved earnings performance. The study underscores the importance of governance, integration capability, and sustained policy support in determining the long-term success of banking consolidation.

Keywords: Public sector banks, mergers and acquisitions, financial performance, banking consolidation, India

1. Introduction

Since the Indian economy began liberalisation reforms in the early 1990s, the Indian banking industry has been changing dramatically. Until the period of liberalisation, the banking system was mostly state-monopolised, where the public sector banks (PSBs) were very dominant in financial intermediation and development processes. On the one hand, this structure also promoted financial inclusion, but on the other hand, there were inefficiencies, poor financial performance, and a lack of competition. The ("Narasimham Committee," 2026) Recommendations turned everything around since they promoted prudential regulation, better capital adequacy norms, and structural reforms to increase efficiency and competitiveness (Reserve Bank of India, 1991; The Union Ministry of Finance, 1998). These reforms failed to stop structural challenges that PSBs were experiencing. With time, the increasing rate of non- performing assets (NPAs), falling profitability, and mounting pressure to comply with capital adequacy measures revealed weaknesses of the system. Also, there was a lack of operational efficiency, discontinuous structures, and insufficiency in technology adoption that further restricted the performance of the public sector banks. These issues outlined the necessity of more profound structural changes to make the banking industry stronger and more resilient (Reserve Bank of India ANNUAL REPORT 2020-21, 2021).

In this regard, mergers and acquisitions (M&A) have become a significant reform tool in Indian banking. The idea of consolidation was seen as the way to form bigger and more effective institutions which would be able to attain economies of scale, better risk management, and increase global competitiveness. Research on banking consolidation has highlighted that consolidation, in the context of mergers, can contribute to financial restructuring and enhance performance in operations in cases where the integration is effective (Sant & Bhattacharya, 2020). Consolidation in India has been more of a policy-driven rather than a market-driven process, unlike many other developed economies where bank mergers are mostly market-driven, and which has been facilitated by the Government of India in liaison with the Reserve Bank of India (RBI). This strategy has been aimed at stabilising the banking system, reducing financial stress and strengthening institutions that can be able to help the economy grow. The government has been at the forefront of instigating and enforcing the decisions on mergers, especially where weaker banks needed to be restructured. The regulator has supported these efforts, and these efforts are the RBI, in terms of supervisory control and regulatory frameworks, which are designed to guarantee financial stability. This has been an integrated policy measure that has seen the merging of various PSBs to counter systemic vulnerabilities and better the performance of the banking sector as a whole (Reserve Bank of India ANNUAL REPORT 2023-24, 2024).

Consolidation has therefore been placed as a strategic instrument of forming more competitive, stronger banks, which will be able to marshal their resources effectively and fund huge economic processes. Past experience of mergers, including the merger of State Bank of India with its associate banks indicate that mergers can enhance scale, operations, and financial performance provided the right conditions are met (Kotnal, 2016). The recent mega-merger of April 2020 is the most massive consolidation exercise in Indian banking history. Within the framework of this project, ten state-owned banks were converted into four bigger ones, which significantly decreased the number of PSBs and transformed the banking system organisation (PIB Delhi, 2020). This massive restructuring was geared towards the enhancement of financial strength and capital adequacy, and facilitating the banks to handle NPAs better and assist in the growth of the economy. It is specifically the size, scope, and time of the 2020 mergers that make them so important. Having been implemented in the time of economic uncertainty, including the outbreak of the COVID-19 pandemic, such mergers were anticipated to make the banking industry more resilient. Follow-up evaluations show that although consolidation was useful in bolstering capital statuses and enhancing systemic stability, the effect on the financial performance was different among institutions (Trend and Progress of Banking in India - Reserve Bank of India, 2025).

The 2020 mergers are worthy of scholarly interest due to their size and the policy implications they have. They offer a distinct chance to assess the possibility of large-scale consolidation to counter any structural issues of PSBs and achieve quantifiable gains in financial performance. Considering the above backdrop, this paper is a narrative review that aims at analysing the concept of bank consolidation in the Indian public sector and, more specifically, the financial performance outcome of the 2020 mergers. The current narrative review explores the topic of bank consolidation in the public sector in India with a closer look at how the 2020 mergers and acquisitions affected the financial performance, such as profitability, quality of assets, capital sufficiency, liquidity, efficiency of operations, and reaction of the market. The purpose of the study is to synthesise current literature and policy evidence that can assist in gaining an overall picture of the impact of consolidation on the financial performance of PSBs and to determine some common patterns, problematic issues, and implications on future banking reforms.

2. Evolution of Public Sector Bank Mergers in India
2.1 Early Background of Banking Consolidation
The history of public sector bank (PSB) consolidation in India goes back to the process of structural modification of the banking system after its nationalisation. In 1969 and 1980, the state took over major banks, and with this came a state-dominated banking system that was meant to increase financial inclusion and help in achieving developmental goals. Yet, in the long run, such an

arrangement led to inefficiencies and growing non-performing assets (NPAs) and decreased profitability, which led to the need to implement systemic reforms (Sant & Bhattacharya, 2020). The next important shift was in the wake of the (Reserve Bank of India, 1991; The Union Ministry of Finance, 1998) during which the banking system was presumed to be stronger in regard to the prudential norms, capital adequacy and bank consolidation as a way of enhancing efficiency and international competitiveness (Reserve Bank of India, 1991; The Union Ministry of Finance, 1998). The committees held the view of eradicating fragmentation by enhancing mergers.

2.2 Major Merger Phases before 2020
The process of consolidation was enhanced during the post-reform period, especially as the policy makers aimed at countering balance sheet stress and enhancing operational efficiency. The most notable event was the merger of State Bank of India (SBI) with its affiliate banks and Bharatiya Mahila Bank in 2017, which brought many advantages to the bank in terms of scale, efficiency of operations, and competitive standing (Kotnal, 2016)

This was preceded by the 2019 merger between Bank of Baroda and Vijaya Bank, as well as Dena Bank, in a bid to enhance capital adequacy and asset quality through merging relatively stronger and weaker banks. These mergers showed that consolidation can be a strategy that is used to restructure the finances, and also revealed the difficulties in integration. Notably, these pre-2020 mergers were the forerunners, and they learned a lot through them, which informed the design and execution of the latter mega-merger project.

2.3 The 2020 PSB Mega-Merger as a Turning Point
The decision of the merging of the two reached its final point with the announcement and execution of the mega-merger on April 1, 2020 and is a turning point in the history of Indian banking. Through this project, ten government-owned banks were privatized into four giant banks: Punjab National Bank got fused with oriental bank of commerce and united bank of India; union bank of India got fused with Andhra bank and corporation bank; Canara bank got fused with Syndicate bank; and Indian bank got fused with Allahabad bank (PIB Delhi, 2020)

This massive re-organization minimized the PSBs significantly, and this was to ensure that more robust and better institutions emerged that could better their financial performance, increase capital adequacy, and handle NPAs effectively. The later evaluation of the Reserve Bank of India suggests that, although the stability of the overall banking system increased as a result of the consolidation, the financial performance outcomes were not the same among the institutions due to the pre-merger conditions and the effectiveness of the integration (Reserve Bank of India ANNUAL REPORT 2020-21, 2021; Reserve Bank of India ANNUAL REPORT 2023-24, 2024; Trend and Progress of Banking in India -

Reserve Bank of India, 2025). The dynamic development of the consolidation as the reform-based suggestions into the large-scale structural restructuring is summarised in Figure 1, which depicts the milestones that culminate in the 2020 mega-merger.
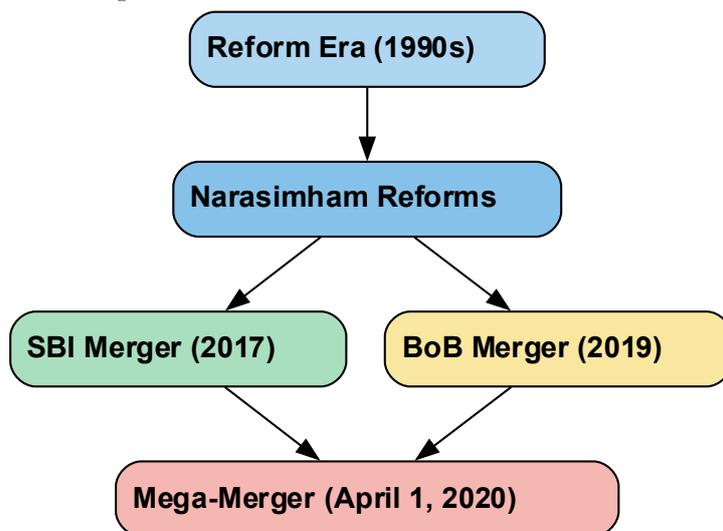

Figure 1. Evolution of Public Sector Bank Consolidation in India, Culminating in the 2020 Mega-Merger

Table 1 represents the key stages of the merger of the public sector bank, as well as the structural features and fiscal implications, with the focus on the 2020 merger as the primary focus of this study.

Table 1. Structure of Major Public Sector Bank Mergers in India with Special Reference to the 2020 Consolidation

Year	Anchor Bank	Merged Bank(s)	Nature of Consolidation	Relevance to Financial Performance Review
2017	SBI	Associate banks + Bharatiya Mahila Bank	Intra-group consolidation	Improved scale, efficiency, and profitability trends (Kotnal, 2016)
2019	Bank of Baroda	Vijaya Bank, Dena Bank	Cross-bank consolidation	Strengthened capital adequacy and asset quality (Sant & Bhattacharya, 2020)
2020	Punjab National Bank	OBC, United Bank	Mega-merger	Addressing high NPAs and profitability stress (PIB Delhi, 2020; Reserve Bank of India ANNUAL REPORT 2020-21, 2021)
2020	Union Bank of India	Andhra Bank, Corporation Bank	Mega-merger	Improved liquidity and balance-sheet strength (PIB Delhi, 2020; Reserve Bank of India ANNUAL REPORT 2023-24, 2024)
2020	Canara Bank	Syndicate Bank	Mega-merger	Operational integration and efficiency gains (PIB Delhi, 2020; *Trend and Progress of Banking in India - Reserve Bank of India*, 2025)
2020	Indian Bank	Allahabad Bank	Mega-merger	Mixed financial outcomes due to asset stress (PIB Delhi, 2020; Reserve Bank of India ANNUAL REPORT 2020-21, 2021)

3. Review Approach and Scope

3.1 Nature of the Review

The given research paper uses a narrative review approach to explore the effects of mergers and acquisitions on the financial results of the public sector banks in India, with the main focus on the 2020 consolidation. Unlike systematic reviews, which are based on strict guidelines and quantitative synthesis methods, narrative reviews emphasise interpretive analysis and thematic presentation of available literature. This method can be used to have a detailed study of complex financial/policy-based phenomena like bank mergers, where the institutional, regulatory, and macroeconomic factors interact to achieve results (Tranfield et al., 2003)

The search is founded on academic literature, policy reports, and institutional reports, allowing a contextualised and extensive synthesis of evidence. Although systematic literature review guidelines offer a methodological rigour, the research follows a flexible narrative approach to combine various sources and viewpoints that are of interest in banking consolidation (Kitchenham & Charters, 2007). This method is especially appropriate in examining policy-based mergers,

in which the results are not entirely abstractable using statistical aggregation.

3.2 Scope of Analysis
This review has a wider horizon of the overall view of public sector bank mergers in India, although its analytical focus is narrowed to the effect of the financial performance of the 2020 mega-merger. Though the previous stages of consolidation are used to contextualise the current evaluation, the main goal is to determine the impact of the mergers of 2020 on the key financial ratios of merged companies.

Non-financial aspects are not discussed individually, including the integration of employees, the corporate culture and the customer experience; nevertheless, they are mentioned when they have a direct impact on financial performance, specifically, operational efficiency and market awareness. The limited scope gives the review the necessary focus to keep the central focus of the review to assess financial performance, but is nonetheless able to acknowledge the institutional environment in which these mergers were performed (OECD, 2011).

3.3 Core Review Dimensions
To conduct the analysis in a systematic way, the review is organised around major financial performance dimensions that are popular in the banking literature. These are the profitability measures like the return on assets and returns on equity, the quality of assets, especially the non- performing assets (NPAs); the capital adequacy and solvency, indicating the adherence to regulatory standards and financial stability. The review also looks at liquidity and balance-sheet strength, which are the attributes affecting the sustainability of lending and shock absorption by a bank, and operational efficiency, usually measured using cost-to-income ratios and similar measures. Lastly, market perception and shareholder response are also assumed in an attempt to determine how financial markets understand the consequences of mergers and provide indications of confidence in post-merger performance. Combined, these dimensions give us a holistic approach to assessing the financial consequences of the 2020 Indian bank mergers in the Indian banking merger overall.

4. Rationale for Mergers and Acquisitions in Public Sector Banks
4.1 Mergers as a Financial Restructuring Strategy
The need to deal with structural weaknesses and financial stability has been the main cause of mergers and acquisitions (M&A) in the public sector banking system. Historical challenges that have been experienced by Indian public sector banks (PSBs) include poor balance sheets, high rates of non-performing assets (NPAs) and poor capital buffers. In that regard, consolidation has been considered as one of the strategic means to enhance the financial fundamentals and resilience. Through consolidation, the policymakers will be able to stabilise the balance sheets and improve the overall health of the banking system by merging weaker banks with comparatively stronger ones (Joshi, 2023).

Improvement of capital adequacy is one of the main aims of the mergers, as this approach allows banks to comply with the regulations and sustain further credit development within the Basel norms. More consolidated organisations are in a better position to access capital markets and resource mobilisation. Moreover, mergers also enable economies of scale whereby banks save on operational expenses through the elimination of duplication in the branch networks, administration and technology platforms. Moreover, consolidation aids in maximising the allocation of resources such as human capital, infrastructure and financial resources. Through integration, banks are in a position to simplify operations, increase productivity, and efficiency in their operations. All these advantages make mergers a significant tool of financial restructuring in the state-owned banking industry.

4.2 Expected Gains in Public Sector Banks
The anticipated benefits of mergers go further than financial stabilisation in the short term and include more bank-wide effects on business performance and competition. Diversification of risk is among the major benefits since the merged organisations gain a diversified loan portfolio in sectors and geographies. This mitigates the risk of concentration, as well as increasing the ability of the bank to handle the credit exposure (India, 2017). Merger also enhances better lending capability as the banks are able to finance large infrastructure and other corporate investments, which require large capital. Banks that have more substantial balance sheets and are larger will be in a better position to enhance economic growth and development. Also, through consolidation, it becomes possible to withstand economic shocks because the diversified operations and better capital buffer offer resiliency in times of financial stress.

The other serious benefit is the competitive positioning that is enhanced either on the domestic or the global front. Banks which are consolidated have the advantage of utilising their size, technological abilities, and financial capacities to compete better with other banks in the private sector and with international banks. The credit rating agencies also emphasised that mergers may enhance the credit profile of banks through increasing the capital adequacy and protecting them against external shocks (ICRA An Affiliate of Moody's, 2021). In a wider approach, consolidation is understood as a long-term approach to improving the effectiveness, stability, and sustainability of the banking system (Krishnappa, 2018; Network, 2023). These anticipated benefits were the foundation of big-sized merger programs, especially the 2020 public sector bank merger.

4.3 Why Financial Performance Became the Key Test of the 2020 Mergers
Although mergers have a very good policy intent, the ultimate outcome of mergers is based on quantifiable

outcomes, especially in terms of financial performance. The 2020 mega merger between the public sector banks was done with the hopes that consolidation would see better profitability, a decline in NPAs, improved capital sufficiency and better efficiency in operations. Nevertheless, the success of such mergers cannot be measured only using structural shifts, but it has to be calculated using measurable financial factors.

This has made financial performance the main measure of the success of the 2020 mergers. The indicators that policymakers and stakeholders are paying more attention to include return on assets, return on equity, capital adequacy ratio, and asset quality to decide whether the desired gains of consolidation have been achieved. This change is indicative of the necessity to abandon the intentions of the policies and assess the real performance in a transparent and objective way. Furthermore, the international analysis and the institutional analysis point to the fact that consolidation does not necessarily result in better performance unless it is supported by good governance and risk management, as well as operational integration (WORLD BANK, 2025). Although mergers can enhance the structural standing of the banks, the success in the long term will be determined by the capacity to convert the structural benefits into long-term financial enhancement. In turn, the economic performance of merged organisations is the most important measure to determine the success of the 2020 consolidation in meeting its goals.

5. Impact of the 2020 Mergers on the Financial Performance of Public Sector Banks

The mega-merger between government-owned banks in 2020 is a major structural change that could help to improve the financial outcomes of the banks due to the merger. The effects of such mergers can be evaluated using some vital financial metrics, which include profitability, the quality of assets, capital adequacy, liquidity, and the effectiveness of operations and market reaction. Available literature points to the fact that the consolidation not only enhance structural capacity of the banks but also the financial performance of banks, which was not uniform across the institutions, and depended to a large degree on the pre-merger factors and efficiency of post-merger integration (Pathak et al., 2024; Sengupta & Patil, 2022).

5.1 Profitability Performance

One of the core indicators of post-merger success is profitability, which is commonly evaluated with the help of Return on Assets (ROA), Return on Equity (ROE), Earnings Per Share (EPS), and net profit trends. There is an indication that the effect of the 2020 mergers on profitability has been more transitional and mixed, and not instantaneous (Aditya & Dahire, 2025; Joshi, 2023). Well-capitalised banks that were comparatively healthier in terms of balance sheets were better placed to absorb the shock of mergers and slowly recuperate to increase profitability. An example is that Union Bank of India

reported a moderate increase in profitability indicators because of better integration and the increased utilisation of assets (A. Singh, 2024). Conversely, other banks like Punjab National Bank and Indian Bank had lower or slower recovery in profitability because of the absorption of stressed assets and increased provisioning needs (Roopesh & Sandhya, 2022).

Profitability was usually reduced in the short run because of integration and restructuring costs and higher provisioning, which squeezed earnings. This trend follows the theory of mergers, where there is financial strain in the beginning and long-term benefits in the end (Kaur, 2023). On the whole, the evidence points out that the improvements in profitability were contingent and relied on the efficiency of integration and the quality of assets.

5.2 NPAs and Asset Quality

The quality of assets is still a determining factor of the financial performance among the banks in the public sector. The mergers of the year 2020 were also meant to enhance the handling of the stressed assets by merging the weaker banks with the stronger institutions. The post-merger developments have shown moderate decreases in NPAs in banks like Punjab National Bank and Union Bank of India that proves that some progress has been made in asset-monitoring and recovery systems (Sengupta & Patil, 2022). Nevertheless, the stress of the consolidation effect on the Indian Bank remained unequal, as the assets inherited by the bank were still under pressure (Pathak et al., 2024). One significant issue that cut across the banks was the higher provisioning burden that adversely impacted profitability despite the enhancement of gross NPA ratios (Joshi, 2023). Notably, the structural problems associated with credit risk and corporate governance could not be entirely eradicated during mergers, which is why consolidation should not be regarded as a solution to the asset quality issues (Maity, 2021).

5.3 Capital Adequacy and Solvency

Financial stability and regulation are major measures of capital adequacy. The 2020 mergers have helped in raising the Capital Adequacy Ratio (CAR) as the capital resources were consolidated and the balance sheets were strengthened (Kashyap, 2021). Capital adequacy was also more conspicuous than profitability in a number of instances, showing that mergers were more efficient in improving solvency than increasing earnings growth. Nevertheless, recapitalisation by the government has been critical in aiding the post-merger capital, which points out that enhancement was not only facilitated by the merger synergies (Roopesh & Sandhya, 2022). Therefore, as consolidation contributed to financial resilience, the sustainability of such gains will require further profitability and effective use of capital.

5.4 Liquidity and Balance-Sheet Strength

The mergers resulted in the formation of bigger banking bodies whose deposits were higher and which had better

balance-sheet capacities. This increased the capacity of banks to finance credit growth and absorb financial shocks. Indicatively, a diversified deposit base and enhanced financing base enabled Union Bank of India to enjoy an enhanced liquidity (A. Singh, 2024). Nevertheless, there were no consistent changes in liquidity, with certain banks still experiencing limitations following poor profitability and the quality of their assets (Pathak et al., 2024). Generally, although consolidation enhanced balance-sheet strength, it did not have similar effects on the liquidity of different banks in accordance with their financial status and the success of integration.

5.5 Operational Efficiency and Cost Indicators

The efficiency of operations, which is reflected in the cost-to-income ratio (CIR) and net interest margin (NIM), is a critical indicator of long term financial performance. The 2020 mergers were to bring economies of scale and branch rationalisations to generate efficiency. Nevertheless, the increase in efficiency did not happen instantly but was a gradual process, with banks having problems of integrating IT systems, human resources, and operational processes (R. Singh et al., 2022). Banks with lower capabilities had higher transition costs that first raised operating costs and influenced efficiency ratios (Samueal & Singh, 2023). Few efficiency gains were achieved over time in better use of resources and cost rationalization but this was dependent on proper integration strategies. Table 2 shows the relative financial performance of the large merged public sector banks on major indicators and demonstrates that the recovery pattern and post-merger adjustment varied across institutions. This table is a clear indication that some banks were moderately stabilized but some other banks are still struggling with financial pressures as a result of legacy pressures.

Table 2. Financial Performance Impact of the 2020 PSB Mergers

Bank	Profitability	NPAs	CAR	Efficiency	Outcome
PNB	Weak (Roopesh & Sandhya, 2022)	↓ Moderate (Sengupta & Patil, 2022)	↑ Moderate (Kashyap, 2021)	Weak (R. Singh et al., 2022)	Stressed
Union Bank	Moderate ↑ (A. Singh, 2024)	↓ Strong (Sengupta & Patil, 2022)	↑ (Kashyap, 2021)	Improving (Pathak et al., 2024)	Stable
Canara Bank	Moderate(Joshi, 2023)	↓ Gradual (Maity, 2021)	↑ (Kashyap, 2021)	Slow (Samueal & Singh, 2023)	Mixed
Indian Bank	Weak ↓ (Pathak et al., 2024)	↓ Marginal (Sengupta & Patil, 2022)	→ (Kashyap, 2021)	Slow (Joshi, 2023)	Weak

5.6 Market Response and Financial Confidence

The response on the market indicates investor confidence in financial performance after the merger. The 2020 mergers received mixed responses, as the stronger banks were able to acquire a comparatively higher market confidence, whereas the weaker banks received an extended period of scepticism (Roopesh & Sandhya, 2022). The credibility of financial recovery, especially the increase in profitability and quality of assets, was also a factor that affected investor sentiment, not only based on the scale of consolidation. These differences were also reflected in dividend policies and stock performance, which suggested that the confidence of the market was pegged on the real financial performance, not the merger size itself. The net effect of the 2020 mergers on financial performance is conceptually explained by a sequential process of linking weaknesses in the pre-merger period, integration difficulties, and post-merger performance as presented in Figure 2. This model emphasises the way that the original financial stress becomes medium-term performance gains based on the effectiveness of integration.
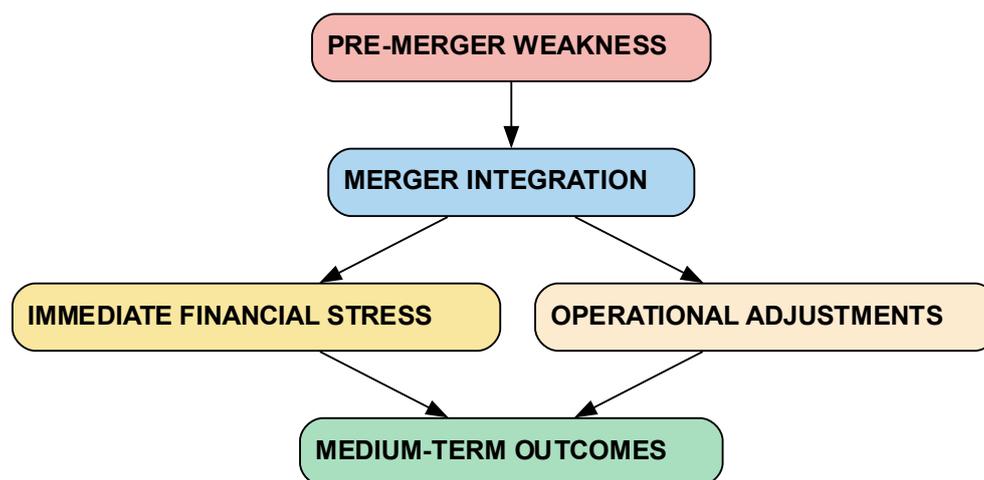
Figure 2. Conceptual Framework of Financial Performance Impact of 2020 PSB Mergers

6. Comparative Discussion of Major 2020 Merged Public Sector Banks

The 2020 public sector bank mergers had very different financial performance results, which were due to the disparities in pre-merger conditions, asset quality, and effectiveness of integration. A comparative study of the major merging banks- Punjab National Bank, Union Bank of India, Canara bank and Indian Bank gives further insight on the disproportionate recovery of post merger finances.

6.1 Punjab National Bank

As one of the largest banks established as a result of the 2020 consolidation, Punjab National Bank (PNB) was left with a hefty amount of legacy debt of stressed assets, especially those of the Oriental Bank of Commerce and United Bank of India. This considerably had an impact on its financial performance after the merger. Although the indicators of asset quality improved moderately over time, the bank continued to experience moderate and high rates of NPAs, limiting profitability and necessitating large amounts of provisioning (PNB Annual Reports, 2024). The research on the pre- and post-merger performance indicates that PNB has seen a slight improvement in financial performance, as some of the operational measures have improved, but the earnings are still under strain due to the legacies (Kanchan Kushwah and Yashpal Singh, 2024). Consequently, the short to medium-term profitability was subdued, which points to the difficulties of incorporating weaker institutions into a bigger entity.

6.2 Union Bank of India

On the contrary, Union Bank of India showed a comparatively better post-merger adjustment. The merger of Andhra Bank and Corporation Bank was related to the diversification of the asset base and enhancement of the balance-sheet position. The bank reported improved liquidity levels, improved capital adequacy, and slow recovery of financial indicators as shown in recent financial reports (Union Bank of India, 2024). The fairly higher performance of Union Bank may be explained by the better integration strategy and relatively superior pre-merger fundamentals. Synergies acquired by the consolidation helped the bank to improve the operational efficiency and the utilisation of assets. Therefore, it became one of the more stable institutions among the consolidated PSBs, which represented a more successful transition during the post-merger era.

6.3 Canara Bank

Canara Bank, as an entity after the merger with Syndicate Bank, is also a significant case in the 2020 consolidation framework. Although the merger increased its level of operation and market share, the evidence at hand indicates a fluctuating performance trend. The bank has also had a slow increase in the capital adequacy and the effectiveness of operations, but the financial recovery was not fast, but average (Annual-Report 2023-2024, 2024). Analytical research on the Canara Syndicate merger suggests that the integration issues, especially those related to the alignment of systems and processes, were one of the factors that impacted the short-term performance results. Despite some efficiency increase in the course of time, the overall financial results of the bank represent a moderate yet prudent recovery, which is why this bank can be used as a comparative study of a stronger and a weaker merged organisation.

6.4 Indian Bank

The merger of Indian Bank and Allahabad Bank led to a relatively poor financial recovery, which was mainly because of taking on a greater percentage of stressed assets. The pressure on the profitability and asset quality also restricted the possibilities of the bank's ability to receive an immediate profit (INDIAN BANK 2023-24 Annual Report Analysis, 2024). Even though there have been some positive changes in the operational metrics, the overall performance was limited by the legacy issues and integration difficulties. Indian Bank recovered more slowly than other merged entities, which indicates the challenges of dealing with inherited financial stress. This underlines the significance of the quality of assets prior to the merger in shaping the future results of the merger.

6.5 Comparative Interpretation

It is evident that the four major merged public sector banks had their financial performance outcomes conditional and not uniform, as judged by their comparative analysis. Banks that had relatively stronger pre-merger fundamentals, like Union Bank of India, were in a better position to stabilise their financial positions, whereas those that had a greater number of NPAs, like Punjab National Bank and Indian Bank, were slow to recover. One of the major lessons that comes out of this comparison is that pre-merger conditions had a decisive influence on the post-merger financial performance. The quality of assets, capital position and operational efficiency before the consolidation had a major impact on the recovery route.

Of equal importance is the value of the quality of integration, such as the operational, technological, and managerial alignment effectiveness. Even the large-scale mergers do not necessarily show better financial results unless the process is backed by effective integration strategies. Therefore, the size of mergers was not a determining success factor, but a combination of pre-merger strength and post-merger performance was a determining factor. A conceptual visualisation can be used to better interpret the trends in the financial performance of the major merged banks, as shown in Figure 3, which depicts the relative positions of the banks in a recovery spectrum of stronger and weaker performers. This framework points to the imbalanced process of post-merger adjustment and the significance of underlying financial fundamentals.
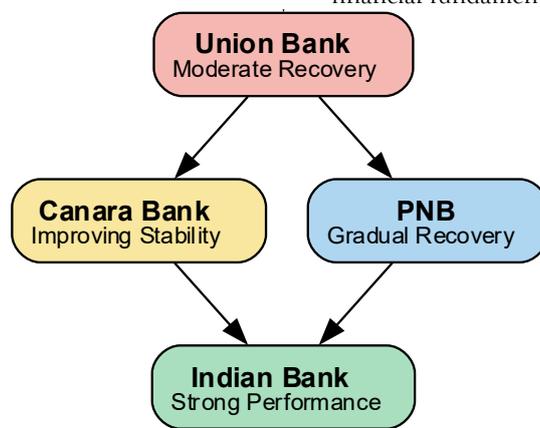

Figure 3. Comparative Financial Performance Profile of the Major 2020 Merged Public Sector Banks

7. Broader Review Insights from Indian Public Sector Bank Consolidation

When juxtaposed in the overall context of the present pattern of bank consolidation in India, the analysis of the 2020 Indian public sector bank (PSB) mergers helps identify several crucial insights into the connection between structural change and financial performance. Even though consolidation as a strategy has been continuously advanced to provide more efficiency and stability, its results have been multifaceted, conditional, and imbalanced across institutions.

7.1 Consolidation Improved Scale, but Not Uniform Profitability

Consolidation has given rise to bigger banking organisations with increased scope of operations and market coverage; this has been the most noticeable effect of consolidation. Mergers have helped the banks to attain economies of scale, better resource utilization as well as enhancing their competitive position (Krishnappa, 2018). Nevertheless, these structural benefits have not been equally reflected in better profitability. Mergers tend to cause short-term financial stress, as was earlier stated in previous research, as a result of integration costs and provisioning requirements, postponing a gain in profits (Joshi, 2023). The 2020 mergers follow this trend, as the increase in profitability had a wide range of variations among the banks.

7.2 Asset Quality Remained the Critical Determinant of Post-Merger Performance

The quality of assets, especially the degree of non-performing assets (NPAs), has become the most decisive variable of the post-merger financial performance. Banks that had comparatively healthier asset portfolios had more chances of attaining financial stability, whereas those that had inherited more stressed assets had a longer time of recovery. This is in line with the general evidence that consolidation in itself is not going to fix the underlying credit-risk issues without governance and risk management advances (Chouhan & Singhai, 2025).

7.3 Solvency Gains Were More Visible than Earnings Gains

The other important lesson is that consolidation has worked better to enhance solvency and capital adequacy, as compared to earnings performance. The mergers allowed the entities to enjoy an increased capital base as well as enhanced compliance with the regulations that resulted in the general financial stability. Nevertheless, the improvement in profitability was not so high in the short term, which means that the capital strengthening does not necessarily ensure an increase in profits. This lack of reconciliation between solvency and profitability is a theme that is found in the literature on banking consolidation.

7.4 Policy Support Played a Major Role in Stabilising Merged Banks

Government and regulatory support have played a very important role in stabilising the merged banks. Recapitalisation, regulatory supervision and policy support have served to absorb the shock associated with mergers and to keep depositors in the banks. The results of both the Indian and international experiences indicate that the policy environment is a key determinant of the results of consolidation, especially in state-dominated banking systems (Ebimobowei & Ekankumo, 2012).

7.5 Financial Outcomes of 2020 Mergers in Broader Context

The financial results of the 2020 mergers have to be understood in the wider perspective of the Indian banking consolidation. Instead of seeing them as single occurrences, the mergers are the extension of a long-term strategy of reforming the banking system in order to make it stronger. The ambivalent outcomes in profitability, quality of assets, and efficiency demonstrate that consolidation is not a unilateral solution, but a component of a larger process that needs to be complemented by other changes in the governance and risk management, along with operational integration (R. Singh et al., 2022). The main findings of the overall analysis of the public sector bank consolidation, especially in terms of the impact of the mergers on the financial performance of the consolidated banks, are presented in Table 3, which summarises the key findings, evidence, and implications of the future consolidation policies.

Table 3. Key Review Insights on Public Sector Bank Consolidation in India with Emphasis on Financial Performance in 2020 Mergers

Review Area	Main Observation	Evidence from Literature	Implication for PSB Consolidation
Scale vs Profitability	Scale improved, profitability uneven	(Joshi, 2023)	Consolidation alone does not guarantee earnings growth
Asset Quality	NPAs remain a key determinant	(Chouhan & Singhai, 2025)	Need for stronger credit risk management
Solvency vs Earnings	CAR improved more than profits	(Joshi, 2023)	Capital strength must be supported by efficiency
Policy Support	Government backing critical	(Ebimobowei & Ekankumo, 2012)	Recapitalisation and regulation remain essential
Broader Context	Outcomes linked to long-term reform	(A. Singh, 2024)	Integration quality and governance are crucial

8. Research Gaps and Future Directions
8.1 Research Gaps

Even with the increasing literature in the area of merging banks in the public sector in India, there are still a number of notable gaps, especially with regard to the 2020 merger. The major weakness of the current research is the high focus on the financial indicators in the short-run, e.g. profitability ratios, the sufficiency of capital, and the NPAs, with rather little emphasis on the long-term sustainability of performance. The short-term analysis is usually done on the next 2-3 years of the merger, which may not be a complete representation of the structural influence of consolidation on financial performance. The other important gaps are the insufficient longitudinal evaluations of post 2020 mergers. Since the effects of banking consolidation can generally be realised in the long term, the lack of long-time series implies that the improvement realised in the beginning can be either sustained or temporary.

Moreover, the analysis of merged banks is not uniform, and some banking institutions, such as Union Bank and Punjab National Bank, have been more studied than others, such as Canara Bank and Indian Bank. Such an imbalance restricts the potential of sound comparative perspectives. Besides, a lack of research that combines governance, digital transformation, and financial performance exists. Although financial performance is often considered separately, there is little research on the role of, e.g. management practices, technology integration, and organisational restructuring in determining post-merger financial performance.

8.2 Future Directions

To fill such gaps, the way forward in the future is to conduct longitudinal studies that monitor the performance of a merged bank over the long term, say 5-10 years after merging. These studies would further reveal more information about the sustainability of mergers' advantages, and the development of financial performance in the long term. It is also necessary that comparative multi-bank analyses are done in which all the major merged entities are systematically assessed using the same frameworks and methodologies. This would make the findings more reliable and would enable more valuable cross-bank comparisons. The relationship between governance and financial performance needs to be researched further, and the question of how the structure of the board, managerial discretion, and risk management practices are related to the post-merger results has to be investigated. Lastly, the sustainability of merger benefits, especially regarding profitability, asset quality, and operational efficiency, should be studied in

the future. A combination of financial indicators and institutional and technology variables would lead to a more comprehensive perspective of the results of the consolidation process and would help in the development of more efficient policy formulation in the banking industry.

9. Conclusion

This narrative review has explored the history of the Indian public sector bank consolidation, and specifically the financial performance consequences of the 2020 mega-merger. Although the research is founded on the overall scope of the Indian banking reforms and consolidation, it directly deals with the main aim, which is to assess the impact of the 2020 mergers on the main financial ratios, such as profitability, asset quality, capital adequacy, liquidity, and operational efficiency. The results indicate that the financial performance of consolidation was not homogeneous as it had large diversities among the merged entities. Banks that had relatively stronger pre-merger fundamentals showed better stabilisation after a merger, and the rest were still burdened with legacy issues, especially the high levels of non-performing assets and pressure associated with provisioning. The review also shows that consolidation proved to be more successful in improving scale, capital adequacy and solvency as a whole rather than providing instantaneous gain in profitability. Although the translation of structural gains into the long-run earnings performance was constrained in the short term, the increase in the balance sheets and increase in capital positions resulted in financial stability. This highlights the significance of post-merger integration procedures (such as alignment of technology, restructuring of operations and effective governance) in influencing long-term performance. In general, the 2020 mergers represented a historic period in the process of consolidation of Indian public sector banks, yet their results in terms of financial performance indicate that the success of mergers is not only based on the scale, but also on the asset quality, integration capacity, and long-term governance transformation.

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