



RESEARCH ARTICLE

Bank Consolidation and the Transformation of Public Sector Banking in India: A Contemporary Perspective on Business and Organization

Swagata Saha¹ · Sarbapriya Ray²

1. Research Scholar, Department of Commerce, University of Calcutta, India

2. Associate Professor, Department of Commerce, Vivekananda College, University of Calcutta, India

ABSTRACT

Bank consolidation in India has moved beyond the traditional objective of rescuing weak institutions and increasingly become an organizational and strategic instrument for building scale, resilience, technological capability and competitive capacity. This article revisits the merger perspective of Indian bank mergers and extends the debate to the contemporary public sector banking environment. Particular attention is given to the post-2017 consolidation programme, organizational integration, business-process redesign, digital transformation, risk governance, human-resource management, customer relationships and managerial challenges. The evidence indicates that consolidation can create scale and develop the capacity to deploy technology, capital and specialized capabilities, but merger itself does not automatically generate efficiency. Integration costs, overlapping processes, employee adjustment, cultural differences, technology migration, customer retention and the management of acquired credit exposures can delay or offset expected synergies. Recent statistical evidences demonstrate a substantial strengthening of public sector bank profitability, asset quality and capital adequacy. The article therefore argues for evaluating contemporary bank mergers not only through conventional financial ratios but through a broader organizational-performance framework covering operating efficiency, digital capability, human capital, customer experience, risk management and strategic adaptability.

Keywords: bank mergers; public sector banks; organizational integration; business transformation; digital banking; risk management; economies of scale; human-resource management; India

Introduction

Organizations incessantly reassess their structures, resources and operating processes in response to technological change, competition, regulatory requirements and changing stakeholder expectations. The banking sector is particularly sensitive to these forces because banks simultaneously perform commercial, developmental and systemic functions. The study correctly places merger and acquisition within the broader search for efficiency, growth, scale and competitive advantage. It also demonstrates that earlier Indian bank-merger research concentrated greatly on conventional pre- and post-merger financial ratios and statistical comparisons.

The contemporary context is materially different. India's public sector banking structure has undergone a major consolidation since 2017. The Department of Financial Services records the merger of State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala, State Bank of Travancore and Bharatiya Mahila Bank into State Bank of India from 1 April 2017; Vijaya Bank and Dena Bank into Bank of Baroda from 1 April 2019; and four major amalgamations from 1 April 2020: Oriental Bank of Commerce and United Bank of India into Punjab National Bank; Andhra Bank and

Corporation Bank into Union Bank of India; Syndicate Bank into Canara Bank; and Allahabad Bank into Indian Bank.

The significance of these transactions lies not basically in the formation of larger balance sheets. They altered organizational architecture, branch networks, technology platforms, human-resource structures, customer interfaces and managerial responsibilities. The central research question consequently becomes broader than whether profitability increased after a merger: how does consolidation reshape contemporary business practices and organizational processes, and what managerial challenges accompany that transformation?

From Rescue Mergers to Strategic Consolidation:

Methodological Approach and Evidence-Selection procedure

This article espouses a structured documentary and evidence-based approach to evaluate the contemporary organizational implications of public sector bank (PSB) consolidation in India. It is not presented as a causal econometric evaluation of merger effects. Instead, it integrates (i) documentary support on the institutional design and effective dates of PSB amalgamations, (ii) official sector-level banking indicators, and (iii) an investigative synthesis of organizational, technological, human-resource, customer, governance and risk-management implications. This distinction is imperative because changes in aggregate PSB performance cannot be attributed to mergers only.

Evidence identification followed three explicit criterion. First, institutional and transaction information was taken from authoritative Government of India sources, predominantly the Department of Financial Services (DFS) and its annual reports and PSB-amalgamation materials. These sources were used to institute the merger population, effective dates, stated reform objectives and the contemporary policy framework. Second, sector-performance evidence was drawn from official banking indicators reported by DFS, including gross and net NPA, capital adequacy, profitability, deposits and advances. Third, the organizational interpretation was developed by mapping documented merger consequences—such as branch and process integration, technology migration, human-resource restructuring, customer continuity and risk governance—onto a contemporary business-and-organization framework.

The analytical population comprises the major PSB amalgamations implemented from 1 April 2017 through 1 April 2020: the State Bank of India amalgamation in 2017, the Bank of Baroda amalgamation in 2019, and the four PSB amalgamations implemented in 2020. The selection is hence institutionally defined rather than based on a convenience sample. Private-sector bank mergers are outside the scope because the article specifically investigates the public-sector consolidation programme and its organizational implications.

The analysis proceeds in four stages. Stage 1 establishes the consolidation timeline and institutional context. Stage 2 documents changes in sector-level financial soundness using official indicators. Stage 3 develops a stakeholder and organizational-impact framework covering scale, operating processes, digital capability, human capital, customer experience, risk governance and strategic capability. Stage 4 derives managerial and policy implications and identifies directions for future empirical testing. The framework is intentionally broader than conventional pre/post financial-ratio analysis because merger success may be exaggerated by integration costs, restructuring, technology migration, regulatory reform, recapitalization, resolution of stressed assets and macroeconomic surroundings.

To diminish the risk of over-attribution, the article treats official performance improvements as contextual evidence rather than as proof that mergers caused those improvements. Where the evidence is descriptive, the language is correspondingly descriptive. Causal claims are reserved for future

research designs capable of identifying counterfactual effects, such as difference-in-differences with matched comparison banks, event studies, panel models, DEA/SFA and dynamic risk measures.

The study distinguishes the prior regulatory or 'forced' merger model from the increasing importance of market-led consolidation. Traditionally, weak banks were often merged with stronger institutions where the immediate concern was depositor protection and financial stability. The document notes that severe non-performing assets, erosion of net worth and deterioration in capital adequacy could trigger regulatory intervention.

The contemporary PSB consolidation programme represents a broader strategic approach. The Department of Financial Services describes consolidation as a means of leveraging economies of scale and synergies and links the PSB reform agenda with governance, prudential lending, risk management, technology- and data-driven banking and outcome-centric human resources. Thus, merger should be viewed as an organizational transformation programme rather than a one-time legal transaction.

Table:1: Contemporary PSB Consolidation: Major Merger Events

Effective date of Merger	Transferor / merged banks	Transferee bank	Contemporary strategic relevance
1 April 2017	State Bank of Bikaner & Jaipur; State Bank of Hyderabad; State Bank of Mysore; State Bank of Patiala; State Bank of Travancore; Bharatiya Mahila Bank	State Bank of India	Scale, network consolidation and integration of multiple banking operations
1 April 2019	Vijaya Bank; Dena Bank	Bank of Baroda	Scale, branch/network integration and capability consolidation
1 April 2020	Oriental Bank of Commerce; United Bank of India	Punjab National Bank	Creation of a larger PSB with broader customer and branch footprint
1 April 2020	Andhra Bank; Corporation Bank	Union Bank of India	Geographic and operational scale; platform and process integration
1 April 2020	Syndicate Bank	Canara Bank	Network, technology and operational consolidation
1 April 2020	Allahabad Bank	Indian Bank	Geographic diversification and organisational integration

Source: Department of Financial Services, Government of India. The official banking overview identifies these amalgamations and their effective dates.

Contemporary Business Implications of post 2017 Bank Mergers in India

1. Economies of scale and scope

A larger banking organization can spread technology, cyber security, compliance, analytics and specialist-management costs over a larger customer and asset base. Scale may also strengthen bargaining power with technology vendors and facilitate investment in digital infrastructure. However, scale becomes economically meaningful only when duplicated processes are actually rationalized; simply combining balance sheets does not guarantee lower unit costs.

2. Digital transformation and data-driven banking

Contemporary banking is increasingly organized around mobile interfaces, digital payments, automated credit assessment, data analytics, cyber security and integrated customer information. A merger provides an opportunity to consolidate technology platforms and standardize data architecture. At the same time, migration between legacy systems creates operational, cyber and customer-service risks. The current PSB reform framework explicitly identifies technology- and data-driven banking as a core reform area.

3. Process standardization and organizational redesign

Mergers require harmonization of credit appraisal, treasury operations, branch procedures, compliance systems, customer on boarding, grievance handling and internal controls. The organizational challenge is therefore one of process architecture: managers must decide which practices to retain, which to redesign and which to discontinue. Effective integration should be governed through measurable process-level indicators rather than relying exclusively on post-merger accounting ratios.

4. Human-resource management and organizational culture

Employees experience mergers through changes in reporting relationships, job roles, transfers, performance evaluation, promotion structures, training requirements and technology adoption. Consequently, the human dimension can determine whether projected synergies are realized. The contemporary PSB reform agenda includes outcome-centric HR, and the Government has also strengthened governance through professionalized selection and expanded specialist leadership roles.

5. Customer experience and market competitiveness

A larger bank can potentially offer a wider product portfolio and greater geographic reach. However, customers may face temporary disruption when account systems, branch processes, product codes or digital interfaces change. Contemporary merger management should therefore treat customer continuity as a strategic performance objective, including service availability, complaint resolution, digital reliability and retention.

6. Risk management and resilience

Consolidation can strengthen risk-management capability through larger specialist teams, better analytics and stronger capital buffers. But it can also increase concentration and operational complexity. The appropriate objective is therefore not merely 'bigger banks' but banks with stronger governance, risk controls, recovery capacity and information systems.

Possible Impact of recent PSBs Bank Mergers on Stakeholder

A recent PSBs bank merger in India changes more than the balance sheet. It can alter branch networks, technology platforms, reporting relationships, employee roles, customer interfaces, risk systems and relationships with regulators. The major stakeholders are employees and managers, customers, borrowers, depositors, shareholders/investors, government, regulators, trade unions, suppliers and local communities. Effects are not necessarily uniform: a gain in efficiency may simultaneously create adjustment costs for employees or customers.

Table:2: Stakeholder Impact of Bank Mergers: Potential benefits& Potential challenges

Stakeholder	Potential benefits	Potential challenges
Employees & managers	Career opportunities, wider roles, training, specialist exposure	Transfer anxiety, role duplication, changed reporting, cultural conflict, workload
Customers	Wider reach, broader products, stronger digital/service capacity	Temporary disruption, migration problems, changed branches/service procedures
Borrowers/MSMEs	Greater lending capacity, wider reach, integrated risk systems	More standardized credit processes may reduce local discretion
Depositors	Potentially stronger institution and wider access	Communication gaps during integration
Shareholders/investors	Possible scale economies, synergies and stronger earnings capacity	Integration costs and uncertainty about timing of synergies
Government	Stronger PSBs & policy-delivery capacity	Complexity of large institutions integration cost
Regulators	Potentially stronger/common risk architecture	Greater operational and systemic complexity
Communities	Potentially wider financial inclusion	Branch rationalization may affect proximity

Organizational Challenges Created by Consolidation

First, integration costs can be substantial. Duplicate branches, overlapping managerial roles, incompatible processes and legacy technology may increase expenses before synergies emerge. Second, organizational culture can become fragmented when employees from different institutions bring different procedures and informal norms. Third, technology migration can create operational and cyber security exposure. Fourth, rationalization of physical and human resources can generate employee resistance and affect morale. Fifth, larger institutions require more sophisticated governance because managerial span, product complexity and geographical reach increase. These challenges correspond with the mixed evidence in the study, which found positive developments in management efficiency and earnings-related measures alongside weaknesses in several operating-expense and non-interest-income measures.

Contemporary Evidence on PSB Performance

Recent official evidence indicates that the post-consolidation PSB environment is substantially stronger than the period of severe asset-quality stress around 2018. According to the Government's 2025-26 annual report, PSB gross NPA declined from 14.58% in March 2018 to 2.58% in March 2025 and 2.30% on provisional September 2025 data. Net NPA declined from 7.97% in March 2018 to 0.52% in March 2025 and 0.45% in September 2025. PSB CRAR was 16.10% in March 2025 and 15.96% on provisional September 2025 data.

The same official source reports aggregate PSB net profit of Rs1.78 lakh crore for FY2024-25, while PSB global deposits and advances reached Rs146.27 lakh crore and Rs114.85 lakh crore respectively by September 2025. These developments demonstrate a marked strengthening of the sector, but they should not be attributed exclusively to mergers: recapitalization, resolution of stressed assets, prudential reforms, improved underwriting, economic conditions, digitalization and broader PSB reforms also contributed.

Table:3: A Contemporary Framework for Evaluating Merger Success

Dimension	Key indicators	Managerial question
Financial	ROA, ROE, net interest margin, cost-to-income, capital adequacy	Has scale translated into sustainable financial performance?
Asset quality	GNPA, NNPA, slippage, provision coverage	Has integration strengthened credit-risk management?
Operational	cost per transaction, branch productivity, employee productivity	Are duplicated processes and resources being rationalised?
Digital	digital adoption, uptime, straight-through processing, cyber incidents	Has the merger accelerated technology capability?
Human capital	training, attrition, productivity, engagement	Are employees adapting to the new organisation?
Customer	retention, complaints, turnaround time, digital satisfaction	Has the customer experience improved or deteriorated?
Governance & risk	risk-adjusted performance, compliance incidents, audit findings	Has organisational complexity remained controllable?
Strategic	MSME/retail reach, product diversification, market share	Has the combined bank developed new capabilities?

Future Research Propositions and Methodological Agenda

Scope and Limitations

The evidence base is primarily documentary and sector-level. Accordingly, the article does not estimate an independent causal merger coefficient or claim that every observed improvement in PSB performance resulted from consolidation. The selected official sources are appropriate for institutional

and sectoral evidence, but they do not by themselves capture bank-specific employee perceptions, customer-level service outcomes or branch-level integration costs. These limitations motivate future use of matched controls, bank-level panel data, employee/customer surveys and event-study designs.

Future empirical research should progress beyond simple pre/post mean comparisons. A stronger design would combine panel-data methods with difference-in-differences, matched comparison banks, event-study analysis for listed banks, efficiency estimation such as DEA/SFA, and dynamic risk measures. For organizational outcomes, survey evidence from employees and customers can be integrated with administrative indicators. Where sufficient observations are available, merger effects should also be separated from macroeconomic shocks, regulatory reforms and bank-specific restructuring. The study itself demonstrates the usefulness of paired comparisons but also reveals why a broader design is necessary. A contemporary study can retain these financial measures while adding organizational and digital dimensions.

Managerial and Policy Implications

Merger planning should be treated as a multi-year transformation programme rather than an accounting or legal exercise.

Technology integration should be governed through dedicated migration, cyber security, data-quality and business-continuity teams.

Human-resource integration should combine transparent communication, retraining, role redesign and competency-based deployment.

Management should measure synergy realisation separately from accounting performance so that cost savings and revenue gains can be attributed to identifiable integration initiatives.

Customer continuity should be treated as a board-level metric during system and branch integration.

Risk governance should be strengthened in proportion to the greater scale and complexity of the merged institution.

PSB performance assessment should combine financial soundness with productivity, service quality, digital capability, employee outcomes and resilience.

Future consolidation decisions should be evidence-led and institution-specific rather than based on size alone.

Make HR integration a formal merger work stream with measurable milestones.

Create transparent frameworks for seniority, promotion, transfer, posting and appraisal.

Use competency mapping to identify skill shortages and opportunities for redeployment/reskilling.

Provide continuous training in digital banking, analytics, cyber security, compliance and customer relationship management.

Research Novelty and Contribution :

The article contributes a strategic-management interpretation to the study of the six major Indian PSB mergers. Its contribution is not the assertion that mergers are not intrinsically beneficial, nor that sector-wide expansion proves merger success. Instead, the contribution is to reposition merger analysis around organizational transformation and capability conversion.

First, it progresses from transaction-level analysis to organization-level transformation, treating the merged bank as a redesigned organizational system. Second, it integrates financial consequences with organizational, technological, human-capital, customer and governance dimensions. Third, it unambiguously splits contextual sector recovery from merger-specific causal effects, thereby avoiding over-attribution. Fourth, it treats integration quality as a potential mechanism linking consolidation to performance rather than assuming a direct merger-performance relationship. Fifth, it introduces strategic adaptability and digital capability as contemporary dimensions of merger performance, reflecting the transformation of banking after 2017. Sixth, it translates the six mergers into a consistent strategic-management case of scale creation, capability integration and institutional transformation rather than treating each merger only as a financial episode.

Conclusion

The contemporary meaning of bank merger in India has expanded from the traditional logic of rescuing weak institutions to a broader agenda of organizational transformation, scale creation, technological modernization and competitive capability. The post-2017 PSB consolidation programme must therefore be evaluated as a business-and-organization transformation rather than simply as a merger of balance sheets. Recent official data show substantial improvements in PSB profitability, asset quality and capital adequacy, while the reform architecture explicitly emphasizes governance, prudential lending, risk management, technology/data and outcome-centric HR.

The impact of Indian PSB mergers extends well beyond consolidation of assets and liabilities. Employees are central because they implement the new technology, processes, risk controls and customer-service model. Formal employment protection provides an important institutional foundation, but effective integration also requires fair career systems, cultural integration, reskilling, transparent deployment, employee participation and workload management. From a contemporary business and organizational perspective, the key issue is not simply whether a merger creates a larger bank, but whether the enlarged organization can convert scale into capability. The sustainable outcome depends on integrating people, processes, technology, governance and customer relationships.

The principal contemporary lesson is that scale is an enabling condition, not an outcome. The lasting value of consolidation depends on whether larger institutions can convert scale into lower transaction costs, stronger risk management, better digital capabilities, more productive human capital, improved customer experience and sustainable strategic competitiveness. This provides a stronger basis for evaluating Indian PSB mergers in contemporary business and organizational research.

References

- Department of Financial Services, Ministry of Finance, Government of India. (2025). Annual report 2024–25. Government of India.
- Department of Financial Services, Ministry of Finance, Government of India. (2026). Annual report 2025–26. Government of India.
- Department of Financial Services, Ministry of Finance, Government of India. (n.d.). Banking: Public sector banks and amalgamations. Government of India.
- Government of India, Ministry of Finance, Department of Financial Services. (2020). Amalgamation of Public Sector Banks Scheme, 2020. Government of India.
- Press Information Bureau, Government of India. (2019). Amalgamation of Bank of Baroda, Vijaya Bank and Dena Bank. Government of India.

Press Information Bureau, Government of India. (2019). Rationalisation of staff and branches after merger of banks. Government of India.

Press Information Bureau, Government of India. (2020). Mega consolidation of ten PSBs into four with effect from 1 April 2020. Government of India.

Press Information Bureau, Government of India. (2020). Bank mergers and stated objectives of consolidation. Government of India.

Reserve Bank of India. (2024). Annual report 2023–24. Reserve Bank of India.