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Financial Performance Evaluation Of Firms Before And After Mergers And Acquisitions

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Abstract -*This study evaluates the financial performance of the State Bank of India before and after its merger with associate banks. The banking sector plays an essential role in economic development, and mergers are often implemented to strengthen financial institutions and improve operational efficiency. The merger of State Bank of India with its associate banks in 2017 was one of the most significant consolidation initiatives in the Indian banking sector. This research evaluates financial performance using ratio analysis, trend analysis and statistical techniques. Key indicators such as Return on Assets, Return on Equity, Net Profit Margin, Capital Adequacy Ratio and Liquidity Ratio are examined. The findings indicate that while profitability ratios experienced temporary decline during the integration phase, operational efficiency and financial stability improved over time. The study highlights the importance of evaluating mergers from a long-term perspective since structural improvements often take time to reflect in profitability indicators.*

Key Words:Bank Mergers, Financial Performance, SBI Merger, Ratio Analysis, Capital Adequacy Ratio, Liquidity

1. INTRODUCTION

Mergers and acquisitions represent one of the most important strategic decisions undertaken by organizations seeking expansion, market consolidation and improved operational efficiency. In the banking sector, mergers are often encouraged by governments and regulators to create stronger financial institutions capable of competing in global markets.
The Indian banking system has undergone major structural reforms in recent decades, and consolidation has been an important policy initiative aimed at strengthening the financial sector.Mergers and acquisitions represent one of the most important strategic decisions undertaken by organizations seeking expansion, market consolidation and improved operational efficiency. In the banking sector, mergers are often encouraged by governments and regulators to create stronger financial institutions capable of competing in global markets.
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Table -1: Financial Ratio Analysis (Pre-Merger)

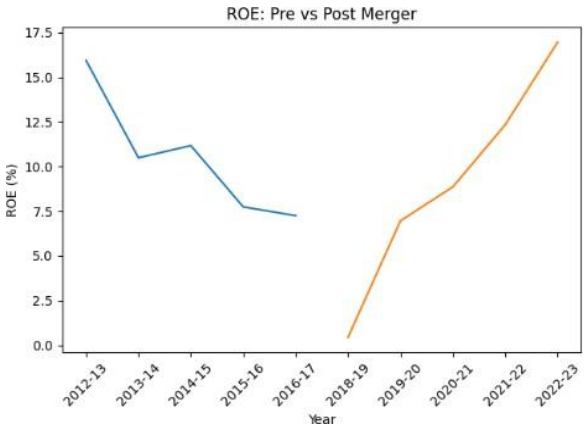
Year	ROA (%)	ROE (%)	Net Profit Margin (%)
2012–13	0.97	15.94	11.9
2013–14	0.65	10.49	9.1
2014–15	0.68	11.17	9.8
2015–16	0.46	7.74	6.2
2016–17	0.41	7.25	5.1

Table-2:Financial Ratio Analysis (Post-Merger)

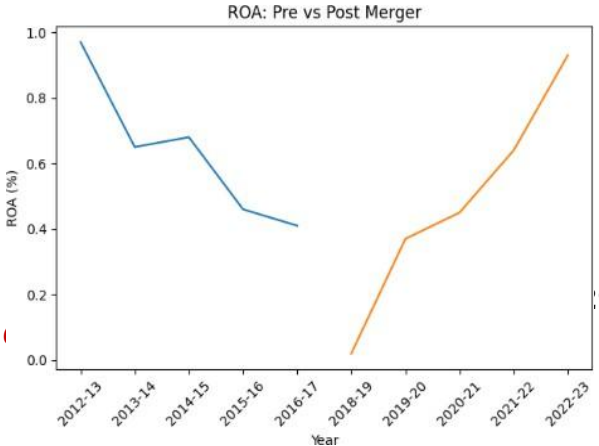
Year	ROA (%)	ROE (%)	Net Profit Margin (%)
2018–19	0.02	0.44	0.3
2019–20	0.37	6.96	4.1
2020–21	0.45	8.86	6.2
2021–22	0.64	12.34	7.9

Fig -1: ROA Trend

Fig -2: ROE Trend



2. RESULTS AND DISCUSSION



The analysis reveals that profitability indicators experienced fluctuations during the pre-merger period due to rising non-performing assets and operational challenges. However, consolidation enabled the bank to improve operational scale, strengthen risk management practices and enhance financial resilience. The statistical indicators demonstrate gradual improvement in financial performance following the merger.

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3. CONCLUSIONS

The findings suggest that mergers can significantly strengthen financial institutions by improving operational efficiency and financial stability. While profitability improvements may take time to materialize, consolidation allows banks to expand their scale of operations and improve their ability to compete in the global financial environment.

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