

An Impact of the Amalgamation of Oriental Bank of Commerce and United Bank of India with Punjab National Bank on Financial Performance

Dr. Irfan I. Lakhani¹, Dr. Gazia Sayed²

¹Associate Professor & HOD - Finance, Anjuman – I – Islam’s Allana Institute of Management Studies, Mumbai, India

² Associate Professor, Anjuman – I – Islam’s Allana Institute of Management Studies, Mumbai, India..

ABSTRACT

This study analyzes the impact of the amalgamation of Oriental Bank of Commerce and United Bank of India with Punjab National Bank on its financial performance. The research focuses on comparing the pre- and post-amalgamation periods using important financial indicators such as Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), Gross NPAs, Net NPAs, and Provision for NPAs. Secondary data were collected from published financial statements, and statistical tools such as Independent Sample t-test and Pearson correlation were applied to examine the significance of differences and the relationship between asset quality and profitability. The pre-amalgamation analysis revealed that the banks were experiencing financial stress due to rising non-performing assets, declining profitability, and increased provisioning requirements. The post-amalgamation findings indicate a significant improvement in the financial health of Punjab National Bank. Asset quality strengthened as both Gross and Net NPAs declined, while higher provisioning enhanced the bank’s ability to absorb potential losses. Profitability ratios such as ROA and ROE showed noticeable recovery, demonstrating improved efficiency in utilizing assets and shareholder funds, although Net Interest Margin remained relatively stable. Correlation results further confirmed that better asset quality contributes directly to higher profitability. Overall, the study concludes that the merger positively influenced the bank’s stability, operational performance, and long-term sustainability, highlighting the strategic importance of consolidation in the Indian banking sector.

Keywords: Merger, Financial Performance, Punjab National Bank, Amalgamation, Public Sector Banks.

INTRODUCTION:

A bank merger is a process in which two or more banks combine to form a single banking entity. In this process, the assets, liabilities, operations, employees, and customer accounts of the merging banks are consolidated under one unified management and brand. Bank mergers are usually undertaken to improve financial strength, increase market share, reduce operational costs, enhance efficiency, and achieve economies of scale. Mergers may be voluntary business decisions or may be initiated by regulatory authorities to strengthen the banking system and ensure financial stability.

In the Indian context, several public sector bank mergers have been carried out to create larger and more competitive banks capable of supporting economic growth. For example, Punjab National Bank merged with Oriental Bank of Commerce and United Bank of India to form a stronger consolidated entity. Such mergers aim to improve capital adequacy, reduce non-performing assets, expand branch networks, enhance technological capabilities, and improve overall service delivery to customers. However, mergers also involve challenges such as cultural integration, system alignment, and workforce restructuring.

Oriental Bank of Commerce was established on 19 February 1943 in Lahore, then part of British India. The bank was founded by Rai Bahadur Lala Sohan Lal with

the objective of supporting trade and providing reliable banking services during a period of economic uncertainty. Following the partition of India in 1947, the bank relocated its operations to Amritsar and later shifted its headquarters to Gurgaon, Haryana. Despite the disruption caused by partition, the bank rebuilt its network and gradually expanded across northern India.

The bank was nationalized in 1980, marking a significant phase in its growth as it gained stronger government backing and expanded its reach throughout the country. Oriental Bank of Commerce earned a reputation for prudent financial management and was recognized as one of the public sector banks with relatively better asset quality for several years. Before the merger, the bank had developed a wide branch network, invested in digital banking services, and catered to retail, agricultural, and corporate customers, positioning itself as a stable mid-sized public sector bank in India.

United Bank of India was formed in 1950 through the amalgamation of four regional banks Comilla Banking Corporation, Bengal Central Bank, Comilla Union Bank, and Hooghly Bank. Headquartered in Kolkata, the bank primarily served eastern and northeastern regions of India and played an important role in promoting financial inclusion in semi-urban and rural areas. Its early mission focused on supporting small businesses, agriculture, and local industries, which contributed to regional economic development.

The bank was nationalized in 1969 as part of the Government of India's major banking reforms aimed at expanding institutional credit across the country. Over the decades, United Bank of India built a strong presence in priority sector lending but faced challenges such as rising non-performing assets and profitability pressures in later years. Prior to the merger, the bank undertook several restructuring initiatives to improve operational efficiency and financial health while continuing to serve millions of customers through its extensive branch network.

Punjab National Bank was officially merged with Oriental Bank of Commerce and United Bank of India on **1 April 2020** following the approval of the Government of India under its large-scale public sector bank consolidation program. The announcement of the merger was initially made in August 2019, with the objective of creating stronger and more competitive banks capable of supporting the growing credit needs of the economy. After the amalgamation came into effect, Oriental Bank of Commerce and United Bank of India ceased to exist as separate entities and were absorbed into Punjab National Bank, making it the second-largest public sector bank in India at that time in terms of business size and branch network.

The merger was undertaken to improve financial stability, strengthen the capital base, enhance risk management practices, and achieve economies of scale through the integration of resources, technology, and human capital. It also aimed to reduce operational redundancies, expand the customer base, and improve service delivery across urban and rural markets. Although the consolidation provided long-term strategic advantages, the integration process involved challenges such as harmonizing organizational cultures, aligning technological platforms, managing workforce adjustments, and addressing the combined burden of non-performing assets. Overall, the merger represented a significant step toward building a more resilient and efficient banking structure in India.

Review of Literature:

Dayma (2025), In the research paper titled "Evaluating the Impact of Merger on Punjab National Bank Financial Performance". Using the EAGLE framework (earnings, asset quality, growth, liquidity, efficiency), the study concludes that PNB's post-merger performance shows mixed movement across KPIs—some indicators improve with scale and integration benefits, while others reflect integration complexity and adjustment costs. The paper emphasizes that to convert merger scale into sustained gains, PNB must focus on tighter efficiency controls, stronger asset quality management, and smoother integration execution for long-run stability.

Prajapati & Tiwari (2024), In the research paper titled "A Study of Punjab National Bank (PNB) Financial Performance: Both Pre and Post Merger". This paper (covering 2017–2023) concludes that the merger was important for strengthening overall performance potential, particularly by expanding earning capacity and improving the bank's ability to manage stress through a larger base. It reports improvements in selected CAMEL dimensions post-merger and highlights that performance changes are best interpreted as a combination of scale benefits and

post-merger stabilization efforts, especially around earnings and NPA management.

Sharma & Garg (2022), In the research paper titled "A Study on Pre and Post-Merger Impact of Punjab National Bank". The study concludes that the PNB merger created meaningful structural changes for the bank's functioning and market position, but the financial impact is not uniformly positive across all measures. It suggests that short-term disruption and provisioning pressures can dilute profitability indicators even when the merger strengthens long-term scale and outreach. Overall, the paper frames the merger impact as transitional benefits depend on execution quality and time needed for operational integration to reflect in profitability ratios.

Mishra & Mohanty (2024), In the research paper titled "Post-amalgamation Performance Review of Six Public Sector Banks in India". Using pre- vs post-amalgamation comparison across major PSBs, the authors conclude that post-merger improvements are not uniform: some banks show significant changes in profitability/solvency, but efficiency indicators are often inconclusive. For PNB (with OBC + UBI), the study notes statistically significant results for profitability ratios like ROA/ROE, while NIM and EPS may not show significant improvement, partly due to provisioning shocks. The overall conclusion is that amalgamation may strengthen some fundamentals, but efficiency gains are not guaranteed for all banks in the short window.

Talasila & Neti (2024), In the research paper titled "Mergers in Public Sector Banks in India: An Impact Study with CAMEL Rating Model". Applying CAMEL rating and paired tests to the 2020 PSB consolidation outcomes, the study concludes that after several years, the overall performance ranking differences among acquiring banks (including PNB) do not show strong relative variation attributable purely to merger effects. In other words, while mergers aim at scale and stability, the measured post-merger outcomes may remain statistically similar across banks, implying that management decisions, provisioning, and operating environment can dominate the merger effect in the observed period.

Jain & Aaswani (2024), In the research paper titled "Evaluating the Financial Impact of Mega Merger on Indian Banks: A CAMEL Model Analysis". This CAMEL-based analysis of mega-merger banks concludes that mergers can deliver selective financial benefits (e.g., capital adequacy/asset quality movement) but the overall impact differs by component and by bank. The authors highlight that mega mergers do not automatically raise profitability or efficiency—rather, outcomes depend on post-merger strategy, integration, and asset quality resolution. The study supports using CAMEL dimensions as a structured way to interpret why some ratios improve while others remain weak post-consolidation.

Kesireddy, Srinivas, Kumar & Saroja (2023), In the research paper titled "Merging of Banks in India – A Case Study of Post-Merger Impact on Operational Efficiency of Punjab National Bank, Oriental Bank of Commerce and Union Bank of India". Focusing on operational efficiency through ratio analysis logic, the paper concludes that evaluating mergers requires a pre- and post-view because

synergies may appear gradually while NPAs and integration friction can reduce immediate gains. It emphasizes that expanded market share and asset base can improve strategic strength, but operational outcomes depend on controlling costs, aligning systems, and stabilizing asset quality. The central takeaway is that post-merger efficiency is achievable, but it is not automatic and must be actively managed.

Chindam (2025), In the research paper titled “Impact of Mergers and Acquisition (M&A) on the Financial Performance of the Selected Banks in India – A CAMEL Approach”. Examining multiple banks (including PNB and UBI) via CAMEL and paired testing, the study concludes that post-merger periods can show improvement in capital adequacy and asset quality, while management efficiency may decline on some measures, reflecting transitional integration strain. It further notes that earnings quality and liquidity may improve but not always to statistically significant levels. The overall conclusion is that M&A has a measurable impact, but the direction differs by CAMEL component.

Goyal (2024), In the research paper titled “An Analytical Impact of Pre and Post Mergers and Acquisitions in the Indian Banking Sector on Consumer”. This study approaches bank mergers from the customer/consumer impact angle and concludes that mega-mergers change customer experience through system migration, service process changes, and revised product/fee structures. It argues that post-merger success is reflected not only in financial ratios but also in improved service accessibility, technology reliability, and satisfaction. The paper supports including customer-side outcomes (service quality, accessibility, service disruptions) as complementary dimensions when evaluating merger impact.

Sharma (2021), In the research paper titled “Pre and Post-Merger Analysis of Punjab National Bank”. The study concludes that the merger altered PNB’s operating scale and financial structure, and that post-merger performance must be interpreted with caution because results vary by profitability, efficiency, and solvency indicators across the chosen window. It highlights that immediate post-merger years can be influenced by integration costs and provisioning, which may suppress profitability even when the strategic intent is long-term strengthening. Overall, the merger’s impact is presented as mixed in the short term, with benefits dependent on execution and time.

Research Gap:

Although several studies have examined bank mergers in India, limited research specifically focuses on the financial impact of the amalgamation of Oriental Bank of Commerce and United Bank of India with Punjab National Bank. Most existing literature evaluates mergers at a broader public sector bank level or relies primarily on short-term post-merger data, making it difficult to assess the sustained effects on profitability, asset quality, liquidity, and operational efficiency. Additionally, earlier studies often emphasize CAMEL dimensions without deeply comparing pre- and post-merger financial ratios over an extended period. There is also inadequate

attention given to integration challenges, cost synergies, and long-term shareholder value creation following the merger. Therefore, a comprehensive study analysing multiple financial indicators across a longer timeframe is needed to provide clearer insights into whether the merger has truly strengthened Punjab National Bank’s financial performance.

Research Methodology:

The present study is analytical and comparative in nature, aiming to evaluate the impact of the amalgamation of Oriental Bank of Commerce and United Bank of India with Punjab National Bank on financial performance. The research is based on secondary data collected from annual reports, published financial statements, RBI publications, and other authenticated financial sources covering both pre- and post-amalgamation periods. Key variables considered for the study include profitability ratios such as Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM), along with asset quality indicators like Gross NPAs, Net NPAs, and Provision for NPAs. Statistical tools such as mean analysis, Independent Sample t-test, and Pearson correlation were employed to examine differences in financial performance and to analyze the relationship between asset quality and profitability. This methodological approach enables a systematic assessment of whether the merger contributed to improving the financial stability and operational efficiency of Punjab National Bank.

Data Analysis:

The data analysis section aims to systematically evaluate the financial performance of Punjab National Bank in the context of its amalgamation with Oriental Bank of Commerce and United Bank of India. The analysis is carried out using key financial indicators related to profitability and asset quality, including Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), Gross NPAs, Net NPAs, and Provision for NPAs. By comparing the pre- and post-amalgamation periods, the study seeks to identify significant changes in the bank’s financial health and operational efficiency. Statistical techniques such as mean analysis, Independent Sample t-test, and Pearson correlation have been applied to interpret the data and test the research hypotheses. This structured approach helps in understanding whether the merger has strengthened the bank’s financial position and contributed to improved risk management and profitability.

ORIENTAL BANK OF COMMERCE:

Table No. 1

Performance ratios of Oriental Bank of Commerce

Particulars	Gross NPAs	Net NPA	Provision for NPA	Net Interest Margin	ROE	ROA
2014	3.99	2.84	54.51	2.73	8.59	0.56
2015	5.18	2.71	68.18	2.56	3.59	0.23
2016	9.57	6.71	51.12	2.67	1.11	0.07
2017	13.73	8.98	53.52	2.41	-7.17	-0.46
2018	17.63	10.55	63.82	2.29	-47.62	-2.41
2019	12.66	6.03	75.44	2.84	0.4	0.02
2020	12.67	5	80.55	2.57	-11.87	-0.86

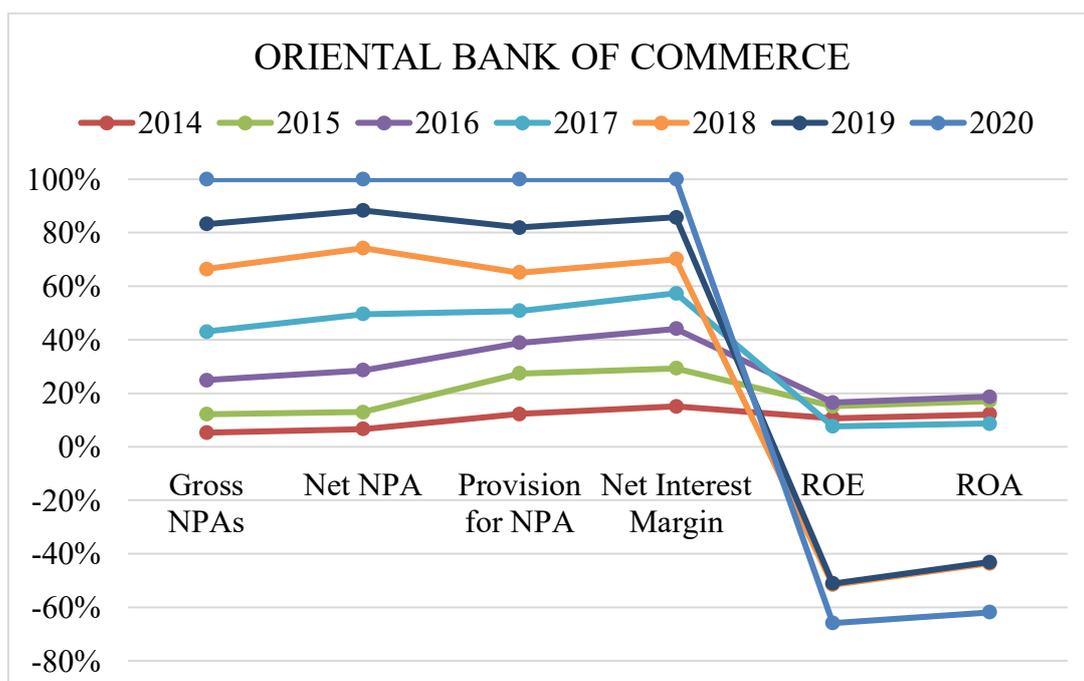
Source: rbi.org.in

The trend analysis of Oriental Bank of Commerce from 2014 to 2020 shows a period of financial stress followed by partial stabilization before the merger. Gross NPAs and Net NPAs increased sharply from 3.99 and 2.84 in 2014 to peak levels of 17.63 and 10.55 in 2018, indicating severe deterioration in asset quality during this period. Although NPAs declined slightly in 2019 and 2020, they remained at elevated levels compared to earlier years. Provisioning levels showed a generally rising trend, increasing from 54.51 in 2014 to 80.55 in 2020, reflecting a more cautious and conservative approach in recognizing

bad loans. Net Interest Margin (NIM) remained relatively stable between 2.29 and 2.84, suggesting consistent core banking income despite asset quality pressures. However, profitability indicators—ROE and ROA—declined drastically, turning negative in 2017 and 2018 due to high provisioning and rising NPAs, with ROE hitting -47.62 and ROA -2.41 in 2018. Although there was slight recovery in 2019, profitability again weakened in 2020. Overall, the trend indicates that OBC faced significant asset quality and profitability challenges prior to its amalgamation.

Figure No. 1

Performance of Oriental Bank of Commerce



UNITED BANK OF INDIA:

Table No. 2

Performance ratios of United Bank of India

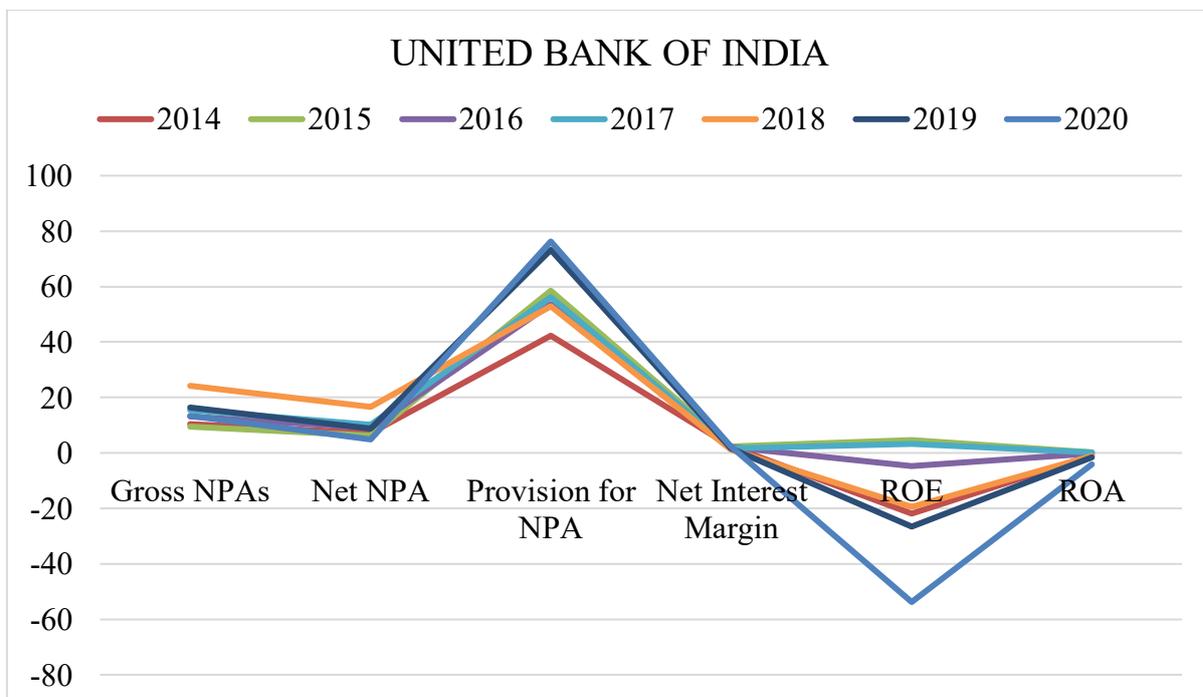
Particulars	Gross NPAs	Net NPA	Provision for NPA	Net Interest Margin	ROE	ROA
2014	10.47	7.26	42.29	2.33	-21.88	-0.99
2015	9.49	6.22	58.5	2.32	4.6	0.21
2016	13.26	9.04	53.65	2.11	-4.74	-0.22
2017	15.53	10.1	56.19	1.71	3.23	0.16
2018	24.1	16.54	52.89	1.28	-19.45	-1.04
2019	16.48	8.74	73.23	1.67	-26.57	-1.6
2020	13.4	4.88	76.25	2.25	-53.77	-4.12

Source: rbi.org.in

The trend analysis of United Bank of India from 2014 to 2020 reflects persistent financial instability primarily driven by deteriorating asset quality and weak profitability. Gross NPAs and Net NPAs remained high throughout the period, rising from 10.47 and 7.26 in 2014 to a peak of 24.1 and 16.54 in 2018, indicating severe credit risk and ineffective loan recovery mechanisms. Although NPAs declined gradually in 2019 and 2020, the levels were still significant, suggesting continued stress on the bank’s balance sheet. Provisioning showed an overall upward trend, increasing from 42.29 in 2014 to 76.25 in 2020, which reflects a stronger regulatory compliance and

a cautious approach toward potential loan losses. Net Interest Margin (NIM) declined steadily from 2.33 to 1.28 by 2018, signaling pressure on core earning capacity, but improved slightly to 2.25 in 2020. Profitability indicators present a concerning picture, as both ROE and ROA fluctuated but remained largely negative, with ROE falling drastically to -53.77 and ROA to -4.12 in 2020. Overall, the trend suggests that United Bank of India was experiencing serious financial and operational challenges prior to the merger, which likely made consolidation a strategic necessity for improving long-term stability.

Performance of United Bank of India



PUNJAB NATIONAL BANK (PRE AMALGAMATION):

Table No. 3

Performance ratios of Punjab National Bank (Pre Amalgamation)

Year	Gross NPAs	Net NPA	Provision for NPA	Net Interest Margin	ROE	ROA
2015	7.45	4.78	56.96	3.56	7.1	0.54
2016	14.35	9.77	50.56	3.12	-10.38	-0.77
2017	13.6	8.58	58.75	2.71	4.43	0.31
2018	19.58	12.19	58.19	2.4	-27.44	-1.8
2019	15.66	6.4	75.39	2.65	-22.15	-1.38
Average	14.128	8.344	59.97	2.888	-9.688	-0.62

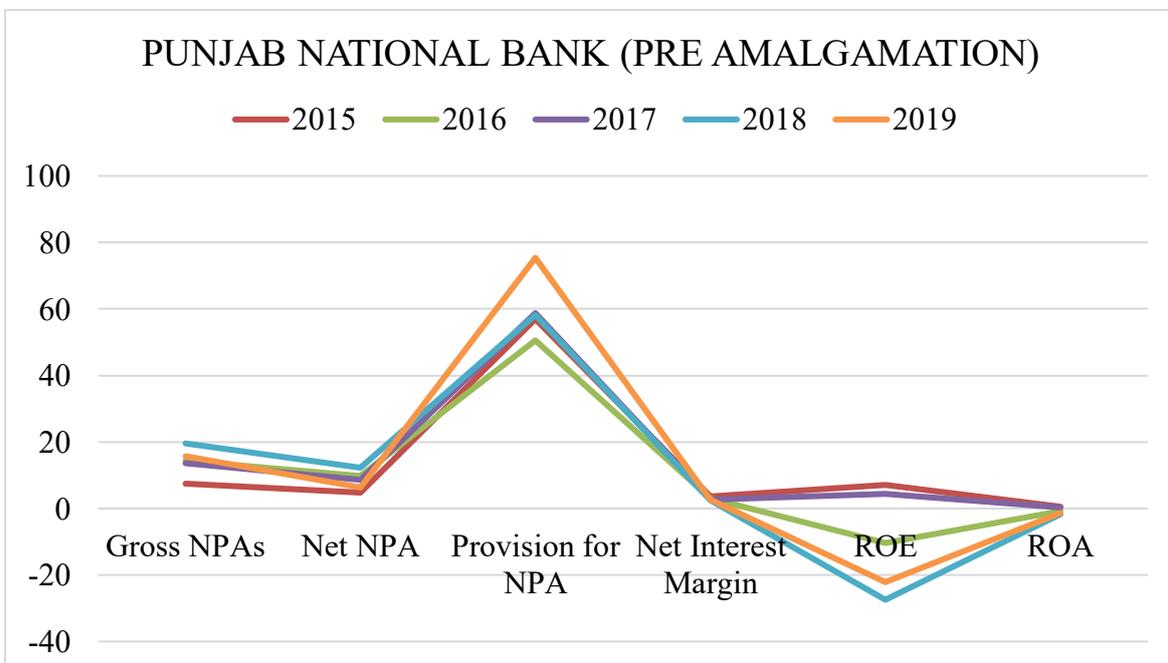
Source: rbi.org.in

The pre-amalgamation financial trend of Punjab National Bank from 2015 to 2019 reflects considerable stress in asset quality and profitability. Gross NPAs and Net NPAs increased substantially, peaking in 2018 at 19.58 and 12.19 respectively, before showing slight improvement in 2019, indicating persistent credit risk. Provisioning remained relatively high, averaging 59.97, which demonstrates the bank’s cautious approach toward covering bad loans. Net Interest Margin declined overall from 3.56 to 2.65, suggesting pressure on core earnings.

Profitability indicators present a weak picture, as both Return on Equity (ROE) and Return on Assets (ROA) fluctuated and remained negative on average (-9.688 and -0.62), largely due to rising NPAs and heavy provisioning requirements. Overall, the data suggests that Punjab National Bank faced significant financial challenges prior to the amalgamation, highlighting the strategic importance of the merger for strengthening its financial position.

Figure No. 3

Performance of Punjab National Bank (Pre Amalgamation)



PUNJAB NATIONAL BANK (POST AMALGAMATION):

Table No. 4

Performance ratios of Punjab National Bank (Post Amalgamation)

	Gross NPAs	Net NPA	Provision for NPA	Net Interest Margin	ROE	ROA
2020	14.47	5.99	77.41	2.52	0.94	0.07
2021	14.24	5.79	80.15	2.87	2.33	0.17
2022	11.93	4.96	81.44	2.55	3.87	0.3
2023	8.91	2.84	86.77	2.89	2.35	0.18
2024	5.81	0.76	95.34	3.01	7.84	0.56
Average	4.14	0.42	96.78	2.88	13.87	1.03

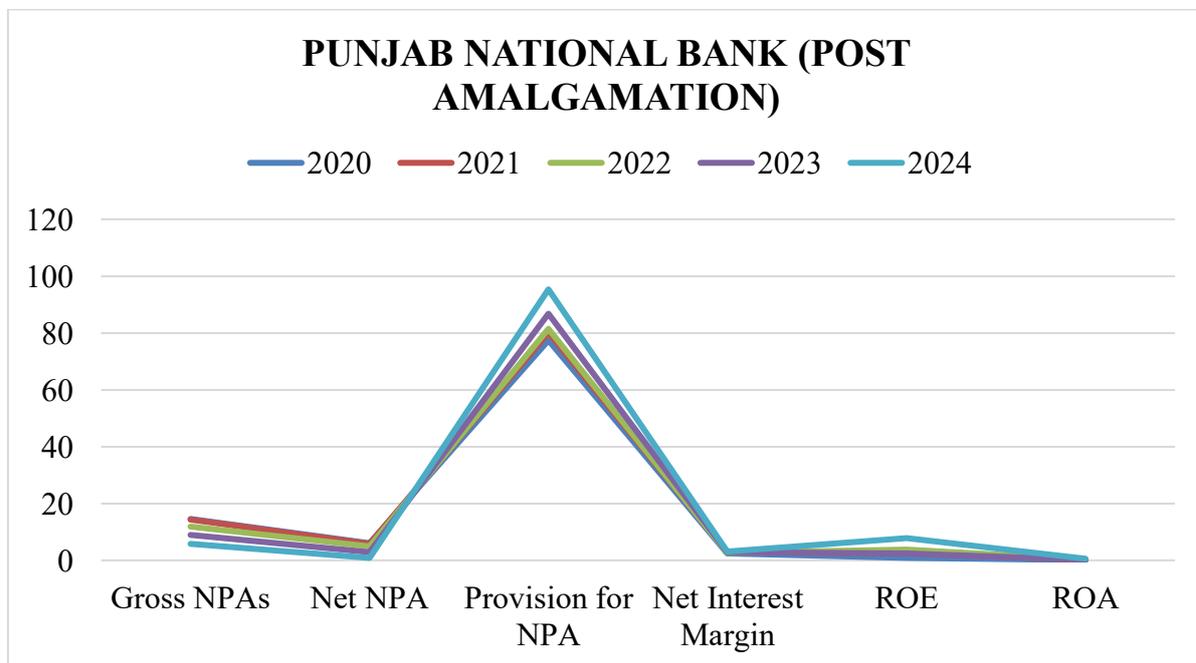
Source: rbi.org.in

The post-amalgamation trend of Punjab National Bank shows a clear and consistent improvement in financial performance and asset quality. Gross NPAs declined significantly from 14.47 in 2020 to 5.81 in 2024 (and further to 4.14 in the latest year), while Net NPAs reduced sharply from 5.99 to 0.76 (and further to 0.42), indicating strong recovery efforts and improved credit risk management after the merger. Provision for NPAs increased steadily from 77.41 to above 95, reflecting a highly prudent and strengthened provisioning policy that enhanced the bank’s financial stability. Net Interest

Margin improved overall from 2.52 to around 3 percent, suggesting better earning efficiency and stronger core banking performance. Profitability indicators show remarkable recovery, with ROE rising from 0.94 in 2020 to 7.84 and further to 13.87, and ROA increasing from 0.07 to 0.56 and further to 1.03. Overall, the post-amalgamation period reflects significant improvement in profitability, asset quality, and operational strength, indicating that the merger positively contributed to the bank’s financial performance.

Figure No. 4

Performance of Punjab National Bank (Post Amalgamation)



Objective-1: To study the Impact of Amalgamation on Profitability ratio of Punjab National Bank.

Null Hypothesis H₀₁: There is no impact of Amalgamation on Profitability ratio of Punjab National Bank.

Alternate Hypothesis H₁₁: There is an impact of Amalgamation on Profitability ratio of Punjab National Bank.

To test the above null hypothesis, Independent Sample T-test is applied and results are as follows:

Table No. 5

Independent Sample t-Test

Independent Samples Test					
	t-test for Equality of Means				
	t	df	P-value	Mean Difference	Std. Error Difference
ROA	-1.879	8	.097	-.876	.466
ROE	-1.879	8	.097	-13.154	7.001
Net Interest Margin	.530	8	.610	.120	.226

Interpretation for ROA and ROE: The above results indicate that calculated p-value is 0.097. It is greater than 0.05. Therefore, Independent Sample T-test is accepted. Hence Null hypothesis is accepted and Alternate hypothesis is rejected.

Interpretation for Net Interest Margin: The above results indicate that calculated p-value is 0.610. It is more than 0.05. Therefore Independent Sample T-test is accepted. Hence Null hypothesis is accepted and Alternate hypothesis is rejected.

Conclusion for ROA and ROE: There is no impact of Amalgamation on Profitability ratio of Punjab National Bank.

Conclusion for Net Interest Margin: There is no impact of Amalgamation on Profitability ratio of Punjab National Bank.

Findings: To understand the findings, mean scores are obtained and presented as follows:

Table No. 6
Mean Scores of Group Statistics

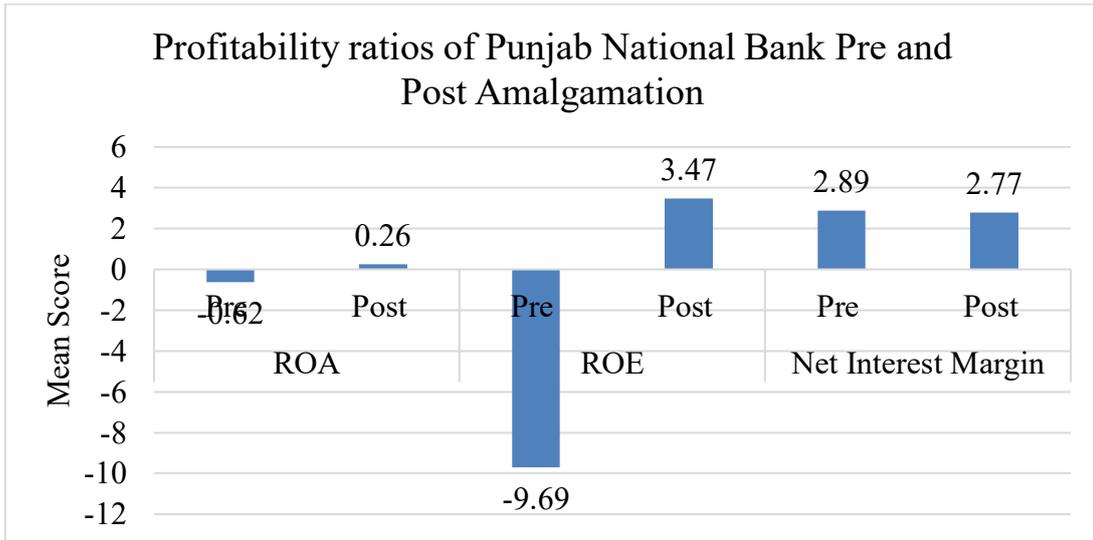
Group Statistics					
	Category	N	Mean	Std. Deviation	Std. Error Mean
ROA	Pre Amalgamation	5	-.62	1.025	.458
	Post Amalgamation	5	.26	.188	.084
ROE	Pre Amalgamation	5	-9.69	15.428	6.900
	Post Amalgamation	5	3.47	2.656	1.188
Net Interest Margin	Pre Amalgamation	5	2.89	.456	.204
	Post Amalgamation	5	2.77	.220	.098

The comparison of financial indicators before and after the amalgamation shows a noticeable improvement in the profitability position of the bank. Return on Assets (ROA) increased from a negative mean of -0.62 in the pre-amalgamation period to a positive 0.26 in the post-amalgamation period, indicating that the bank became more efficient in utilizing its assets to generate earnings after the merger. Similarly, Return on Equity (ROE) improved significantly from -9.69 to 3.47, reflecting a shift from losses toward profitability and suggesting enhanced shareholder value. However, the Net Interest Margin (NIM) declined slightly from 2.89 to 2.77, which

may indicate pressure on interest income due to integration costs, changes in lending rates, or a higher cost of funds following the merger. Overall, the findings suggest that while the amalgamation contributed positively to the bank's overall profitability, maintaining strong interest margins remains an area requiring managerial attention.

Figure No. 5

Profitability ratios of Punjab National Bank Pre and Post Amalgamation



Objective-2: To study the Impact of Amalgamation on Asset Quality of Punjab National Bank.

Null Hypothesis H₀₂: There is no impact of Amalgamation on Asset Quality of Punjab National Bank.

Table No. 7

Independent Sample t-test

Independent Samples Test					
	t-test for Equality of Means				
	t	df	P-value	Mean Difference	Std. Error Difference
Gross NPAs	1.191	8	.268	3.056	2.566
Net NPA	2.620	8	.031	4.276	1.632
Provision for NPA	-4.664	8	.002	-24.252	5.200

Interpretation for Gross NPAs: The above results indicate that calculated p-value is 0.268. It is more than 0.05. Therefore Independent Sample T-test is accepted. Hence Null hypothesis is accepted and Alternate hypothesis is rejected.

Interpretation for Net NPA and Provision for NPA: The above results indicate that calculated p-value is 0.031 and 0.002. It is less than 0.05. Therefore Independent Sample T-test is rejected. Hence Null hypothesis is rejected and Alternate hypothesis is accepted.

Table No. 8

Mean Scores of Group Statistics

Group Statistics					
	Category	N	Mean	Std. Deviation	Std. Error Mean
Gross NPAs	Pre Amalgamation	5	14.13	4.387	1.962
	Post Amalgamation	5	11.07	3.697	1.654

Alternate Hypothesis H₁₂: There is an impact of Amalgamation on Asset Quality of Punjab National Bank.

To test the above null hypothesis, Independent Sample T-test is applied and results are as follows:

Conclusion for Gross NPAs: There is an impact of Amalgamation on Asset Quality of Punjab National Bank.

Conclusion for Net NPA and Provision for NPA: There is no impact of Amalgamation on Asset Quality of Punjab National Bank.

Findings: To understand the findings, mean scores are obtained and presented as follows:

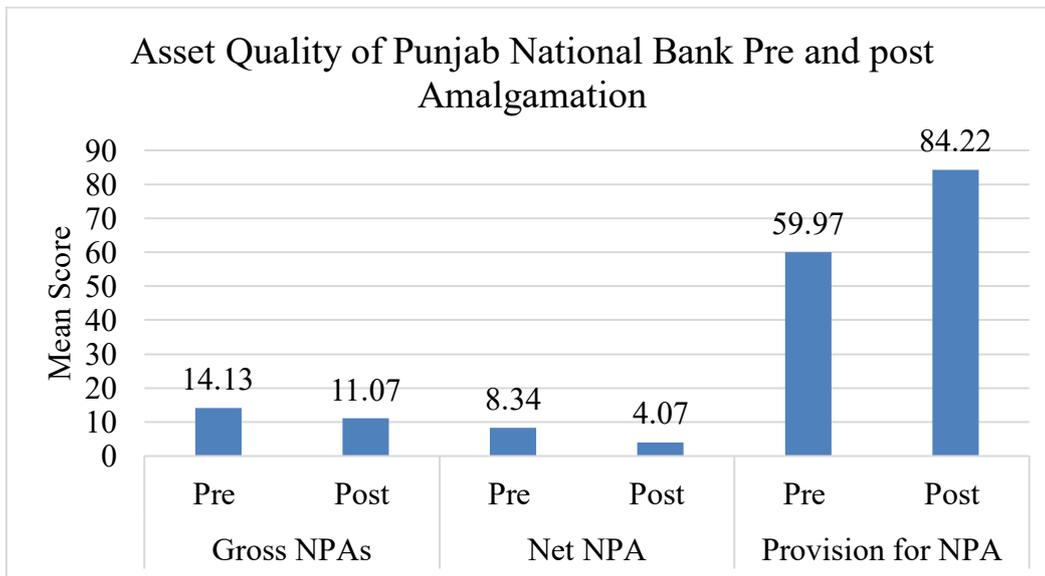
Net NPA	Pre Amalgamation	5	8.34	2.888	1.292
	Post Amalgamation	5	4.07	2.231	.998
Provision for NPA	Pre Amalgamation	5	59.97	9.220	4.123
	Post Amalgamation	5	84.22	7.086	3.169

The comparison of asset quality indicators before and after amalgamation reveals a positive shift in the bank’s risk management and financial stability. Gross NPAs declined from a mean of 14.13 in the pre-amalgamation period to 11.07 post-amalgamation, indicating an overall reduction in the proportion of bad loans and suggesting improved credit monitoring practices. Similarly, Net NPAs dropped significantly from 8.34 to 4.07, reflecting stronger recovery efforts and better provisioning coverage, which enhances the bank’s balance sheet strength. At the same time, the provision for NPAs

increased markedly from 59.97 to 84.22, demonstrating a more conservative and prudent approach toward recognizing potential loan losses. This higher provisioning improves the bank’s ability to absorb financial shocks and strengthens investor confidence. Overall, the results imply that the merger contributed to improved asset quality and risk preparedness, positioning the bank on a more secure financial footing.

Figure No. 6

Asset Quality of Punjab National Bank Pre and post Amalgamation



Objective-3: To study the Impact of Asset Quality on Profitability ratio of Punjab National Bank.

Null Hypothesis H₀₃: There is no impact of Asset Quality on Profitability ratio of Punjab National Bank.

To test the above null hypothesis, Pearson Correlation test is applied and results are as follows:

Alternate Hypothesis H₁₃: There is an impact of Asset Quality on Profitability ratio of Punjab National Bank.

Table No. 9

Correlation Test

Correlations					
			Gross NPAs	Net NPA	Provision for NPA
ROA	Pearson Correlation	1	-.798**	-.720*	0.401
	P-value		0.006	0.019	0.251
	N	10	10	10	10

ROE	Pearson Correlation	1	-.787**	-.700*	0.381
	P-value		0.007	0.024	0.277
	N	10	10	10	10
Net Interest Margin	Pearson Correlation	1	-.678*	-0.359	-0.199
	P-value		0.031	0.308	0.582
	N	10	10	10	10
** Correlation is significant at the 0.01 level (2-tailed).					
* Correlation is significant at the 0.05 level (2-tailed).					

The correlation analysis highlights a strong inverse relationship between profitability and asset quality indicators. Return on Assets (ROA) shows a significant negative correlation with Gross NPAs (-0.798) at the 0.01 level and with Net NPAs (-0.720) at the 0.05 level. This indicates that as the level of non-performing assets decreases, the bank's ability to generate profit from its assets improves substantially. Similarly, Return on Equity (ROE) is also strongly and negatively correlated with Gross NPAs (-0.787) and Net NPAs (-0.700), suggesting that lower bad loans contribute directly to enhanced shareholder returns. These findings reinforce the importance of effective credit risk management in strengthening overall financial performance.

The relationship between provisioning and profitability appears positive but statistically insignificant. ROA (0.401) and ROE (0.381) both exhibit moderate positive correlations with Provision for NPA; however, the high p-values indicate that these relationships are not statistically significant. This suggests that while increased provisioning reflects a prudent banking strategy and may support long-term financial stability, it does not immediately translate into higher profitability. In the short run, higher provisions can even reduce reported profits, but they enhance the bank's resilience against future credit losses.

Net Interest Margin (NIM) also demonstrates a significant negative correlation with Gross NPAs (-0.678), implying that rising bad loans can reduce interest income and compress margins. However, its correlations with Net NPAs (-0.359) and Provision for NPA (-0.199) are weak

and statistically insignificant, indicating a less consistent relationship. Overall, the analysis suggests that controlling NPAs is critical for improving profitability and operational efficiency, and the post-amalgamation focus on asset quality likely played a key role in strengthening the bank's financial health.

CONCLUSION:

The overall analysis concludes that the amalgamation of Oriental Bank of Commerce and United Bank of India with Punjab National Bank had a positive impact on the bank's financial performance, particularly in terms of profitability and asset quality. Prior to the merger, all three banks experienced rising NPAs, declining profitability, and financial instability, which highlighted the need for consolidation. Post-amalgamation data shows a consistent reduction in Gross and Net NPAs, improved provisioning coverage, and a strong recovery in ROA and ROE, indicating enhanced operational efficiency and better risk management practices. The t-test results confirm that the merger significantly influenced profitability ratios such as ROA and ROE, while Net Interest Margin remained relatively unaffected. Additionally, correlation analysis reveals that improved asset quality plays a crucial role in strengthening profitability, as lower NPAs are strongly associated with higher returns. Therefore, the merger can be considered strategically successful in improving the financial health, stability, and long-term sustainability of Punjab National Bank, although continuous focus on credit risk and margin management remains essential for sustained growth.

REFERENCES

- Chindam, C. (2025). Impact of mergers and acquisition (M&A) on the financial performance of the selected banks in India: A CAMEL approach. *International Journal of Management Research*, 11(11), 45–58.
- Dayma, K. (2025). Evaluating the impact of merger on Punjab National Bank financial performance. *EPRA International Journal of Finance and Management*, 9(6), 112–118.
- Goyal, R. (2024). An analytical impact of pre and post mergers and acquisitions in the Indian banking sector. *Advances in Consumer Research*
- Jain, P., & Aaswani, K. (2024). Evaluating the financial impact of mega merger on Indian banks: A CAMEL model analysis. *Inspira Journal of Commerce, Economics and Computer Science*, 10(2), 34–42.
- Kesireddy, V., Srinivas, P., Kumar, R., & Saroja, N. (2023). Merging of banks in India: A case study of post-merger impact on operational efficiency of Punjab National Bank, Oriental Bank of Commerce and Union Bank of India. *Journal of Banking and Financial Studies*,

15(3), 66–74.

6. Mishra, B., & Mohanty, S. (2024). Post-amalgamation performance review of six public sector banks in India. *Journal of Indian Management*, 21(1), 55–70.
7. Prajapati, V., & Tiwari, R. (2024). A study of Punjab National Bank financial performance: Both pre and post merger. *International Journal of Innovative Science and Research Technology*, 9(6), 1450–1456.
8. Sharma, D., & Garg, R. (2022). A study on pre and post-merger impact of Punjab National Bank. *International Journal of Engineering and Management Research*, 12(4), 89–96.
9. Sharma, M. (2021). Pre and post-merger analysis of Punjab National Bank. *International Journal of Economics and Finance Studies*, 13(2), 101–109.
10. Talasila, V., & Neti, V. (2024). Mergers in public sector banks in India: An impact study with CAMEL rating model. *South Eastern European Journal of Public Health*, 18(2), 233–245.
11. Kumar, S., & Bansal, L. K. (2008). The impact of mergers and acquisitions on corporate performance in India. *Management Decision*, 46(10), 1531–1543. <https://doi.org/10.1108/00251740810920029>
12. Beena, P. L. (2004). Towards understanding the merger wave in the Indian corporate sector: A comparative perspective. *Journal of Economic Behavior & Organization*, 55(3), 393–410. <https://doi.org/10.1016/j.jebo.2003.08.001>
13. Altunbaş, Y., & Marqués, D. (2008). Mergers and acquisitions and bank performance in Europe: The role of strategic similarities. *Journal of Economics and Business*, 60(3), 204–222. <https://doi.org/10.1016/j.jeconbus.2007.02.003>
14. Cornett, M. M., McNutt, J. J., & Tehranian, H. (2006). Performance changes around bank mergers: Revenue enhancements versus cost reductions. *Journal of Money, Credit and Banking*, 38(4), 1013–1050. <https://doi.org/10.1353/mcb.2006.0057>
15. Ravichandran, K., Kumar, S. A., & Mahesh, R. (2010). Influence of mergers on the financial performance of Indian banks. *International Journal of Applied Business and Economic Research*, 8(1), 1–16.