



Impact on Profitability after Post-merger of Union Bank

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Abstract-- Bank consolidation has emerged as an important reform strategy in India to strengthen the financial position and efficiency of public sector banks. In this context, Andhra Bank and Corporation Bank were amalgamated with Union Bank of India with effect from 1 April 2020. The present study evaluates the impact of this merger on the bank's profitability by comparing selected financial indicators during the pre-merger and post-merger periods. The analysis is based on secondary data collected from annual reports and official publications of regulatory authorities. Key profitability and efficiency measures such as Return on Assets, Return on Equity, Net Profit Margin, and Cost-to-Income Ratio have been examined using descriptive and comparative techniques. The findings reveal that although profitability was under pressure immediately after the merger due to integration costs, gradual improvement is visible in subsequent years, indicating potential long-term benefits from consolidation.

I. INTRODUCTION

The banking system plays a crucial role in supporting economic growth by facilitating credit creation, mobilising savings, and maintaining financial stability. In India, public sector banks have historically been the backbone of the financial system. However, challenges such as rising non-performing assets, declining profitability, and operational inefficiencies prompted the Government of India to initiate structural reforms in the sector. One of the most significant reform measures was the consolidation of public sector banks through mergers. As part of this initiative, Andhra Bank and Corporation Bank were merged with Union Bank of India from 1 April 2020, with the objective of creating a larger institution capable of achieving scale efficiency, stronger capital adequacy, and improved risk management. While mergers are expected to enhance operational performance in the long run, the transition phase often involves restructuring costs, system integration issues, and asset quality pressures. Against this background, the present study analyses the impact of the merger on the profitability of Union Bank of India by examining changes in key financial indicators before and after the merger.

II. STATEMENT OF THE PROBLEM

In recent years, the Indian banking sector has undergone substantial restructuring to improve efficiency, resilience, and profitability, particularly within public sector banks. Bank mergers were undertaken to address issues related to weak capital positions, rising stressed assets, and limited operational efficiency.

The merger of Andhra Bank and Corporation Bank with Union Bank of India was expected to generate financial synergies, improve profitability, and strengthen the bank's competitive position. However, mergers also bring operational challenges such as harmonisation of systems, workforce integration, branch rationalisation, and management of inherited stressed assets. These factors can adversely affect financial performance, especially in the short term. Therefore, it becomes necessary to examine whether the merger has positively influenced the profitability of Union Bank of India or whether integration challenges have limited the expected benefits. This study seeks to address this issue through a comparative analysis of pre- and post-merger financial performance.

III. OBJECTIVES OF THE STUDY

The specific objectives of the study are as follows: To analyse the profitability performance of Union Bank of India during the pre-merger and post-merger periods. To assess the impact of the merger of Andhra Bank and Corporation Bank on key profitability indicators. To compare financial ratios such as Return on Assets, Return on Equity, Net Profit Margin, and Cost-to-Income Ratio before and after the merger. To evaluate changes in operational efficiency following the merger. To derive conclusions and offer suggestions based on the empirical findings.

IV. RESEARCH METHODOLOGY

The study follows a descriptive and analytical research design to evaluate the financial impact of the merger on Union Bank of India. The analysis relies exclusively on secondary data collected from published annual reports of the bank, reports issued by the Reserve Bank of India, and relevant financial publications. The period of study is divided into pre-merger and post-merger phases, with 1 April 2020 considered as the reference point. Financial performance is assessed using profitability and liquidity ratios, including Return on Assets, Return on Equity, Net Profit Margin, Cost-to-Income Ratio, Current Ratio, and Quick Ratio. Comparative analysis, trend analysis, and basic statistical tools are applied to examine changes in performance over time.

V. MODELS USED AND THEIR ANALYSIS

Financial ratio analysis constitutes the primary analytical framework of the study.

Profitability ratios are used to measure the bank's ability to generate earnings from its assets, equity, and income, while efficiency ratios assess cost management and operational effectiveness. A comparative approach is adopted to identify differences in financial performance between the pre-merger and post-merger periods. Trend analysis is also employed to observe the movement of key indicators over multiple years, enabling distinction between short-term merger effects and longer-term performance patterns. Descriptive statistics further assist in systematic interpretation of the results.

VI. REVIEW OF LITERATURE

Prior research on bank mergers indicates that consolidation is generally pursued to achieve scale economies, enhance capital strength, and improve operational efficiency. Studies focusing on public sector bank mergers in India suggest that while consolidation may yield efficiency gains over time, immediate improvements in profitability are not always evident.

GROSS PROFIT RATE

PRE-JUNCTION ANALYSIS

Year	Gross Profit (₹ Cr)	Gross Profit Rate (%)
FY19	14,688.86	38.13%
FY18	14,294.53	37.86%
FY17	13,867.94	36.87%
FY16	11,944.84	33.34%
FY15	11,966.89	33.61%

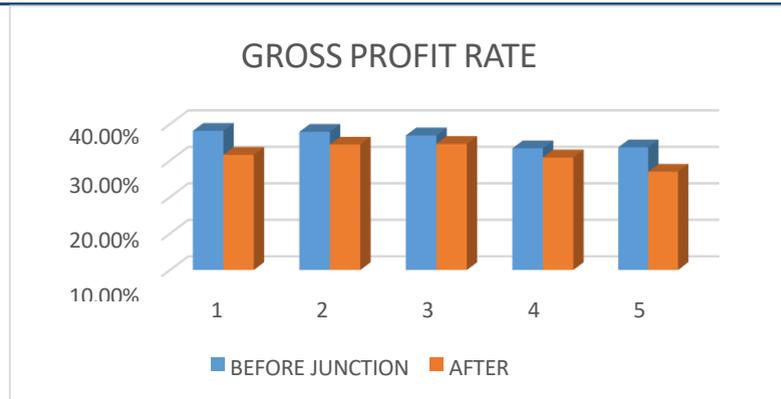
POST-JUNCTION ANALYSIS

Year	Gross profit	Gross Profit Rate
Mar-24	₹ 36,570.40	31.56%
Mar-23	₹ 32,765.34	34.35%
Mar-22	₹ 27,786.46	34.54%
Mar-21	₹ 24,688.42	30.83%
Mar-20	₹ 11,436.75	26.91%

Short-term financial performance is often influenced by integration costs, restructuring expenses, and asset quality issues inherited from merging entities. Empirical evidence also highlights that the success of bank mergers largely depends on effective integration of technology, operations, and human resources. These findings underline the importance of examining individual merger cases, such as Union Bank of India, to assess whether consolidation objectives have translated into improved profitability.

VII. DATA ANALYSIS AND INTERPRETATION

The financial analysis, based on ratio computation and comparison, indicates that profitability indicators declined during the initial post-merger years due to increased operating expenses and integration-related costs. However, trend analysis shows gradual improvement in net profits and liquidity ratios in subsequent years. This suggests that while the merger imposed short-term financial pressure, stabilisation has occurred as integration progressed and operational efficiencies improved.



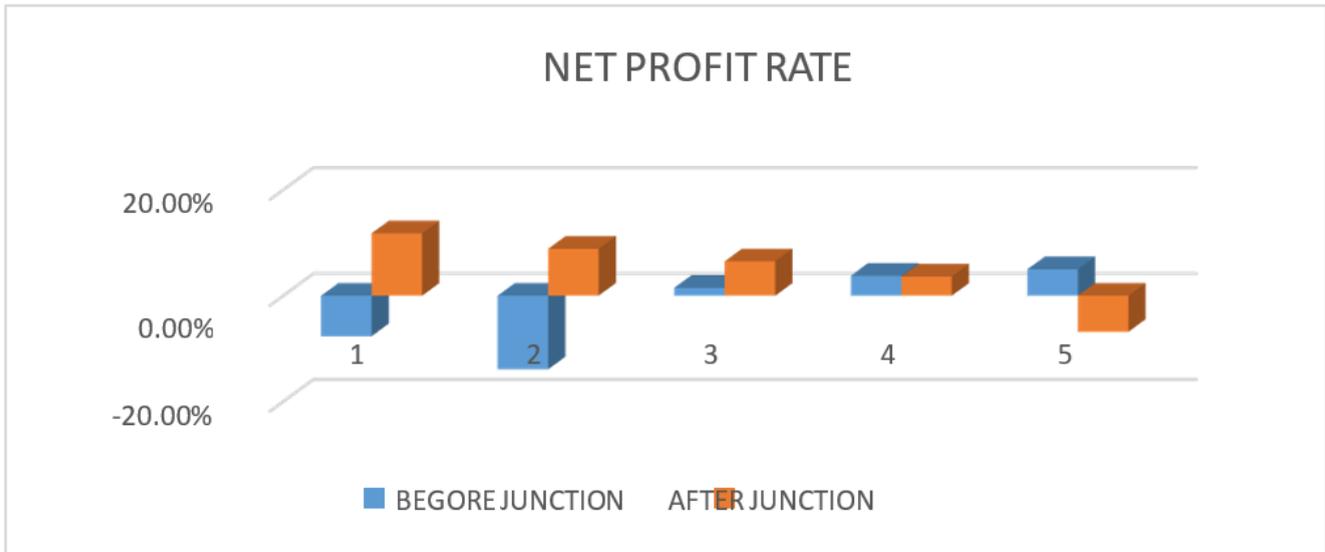
NETPROFITRATE

PRE-JUNCTION ANALYSIS

Year	Net Profit (₹ Cr)	Net Profit Rate (%)
FY19	-2,947.45	-7.65%
FY18	-5,247.37	-13.90%
FY17	555.21	1.48%
FY16	1,351.60	3.77%
FY15	1,781.64	5.00%

POST-JUNCTION ANALYSIS

Year	Net Profit	Net Profit Rate
Mar-24	₹ 13,648.31	11.78%
Mar-23	₹ 8,433.28	8.84%
Mar-22	₹ 5,232.10	6.50%
Mar-21	₹ 2,905.97	3.63%
Mar-20	₹ -2,897.78	-6.82%



VIII. FINDINGS OF THE STUDY

The study reveals that the merger did not result in immediate profitability enhancement for Union Bank of India. Key measures such as Return on Assets and Return on Equity remained subdued in the early post-merger phase due to higher provisioning requirements and increased operational costs. Liquidity indicators, however, showed significant improvement, indicating stronger short-term financial stability. Over time, the Cost-to-Income Ratio exhibited signs of improvement, reflecting better cost management. Overall, the merger expanded the bank's asset base and market reach, laying the foundation for potential long-term gains.

IX. RECOMMENDATIONS

To maximise the benefits of consolidation, continued emphasis should be placed on cost rationalisation and operational efficiency through branch optimisation and process simplification.

Strengthening asset quality management through improved credit monitoring and recovery mechanisms is essential to reduce provisioning pressure. Further investment in technology integration and digital banking platforms can enhance efficiency, reduce operational risk, and support sustainable profitability in the long run.

X. CONCLUSION

The merger of Andhra Bank and Corporation Bank with Union Bank of India represents a significant step in the consolidation of India's public sector banking system. Although the merger did not generate immediate profitability gains, it strengthened the bank's scale, liquidity position, and market presence. The analysis indicates gradual stabilisation in financial performance, suggesting that the long-term success of the merger will depend on effective integration, disciplined cost control, and sustained improvement in asset quality.