An Examination of Punjab National Bank's Performance Prior to and Following the Merger

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ABSTRACT

However, to build own operational strength and sustainability in financial resilience one of the structural changes made was India's Public Sector Bank (PSB) Consolidation. On the 1st of April, 2020, three major banks came together for a mega merger: the United Bank of India (UBI), Oriental Bank of Commerce (OBC) and Punjab National Bank (PNB). Additionally, NPAs of merging banks are also sizeable, and this merger will not only expand PNB's market reach but also operate at a larger scale. The methods used to collect the data also includes financial newspapers, annual report of Punjab National Bank (PNB) and RBI Financial Stability Reports (FSRs) along with the announcement of merger by RBI. By carrying out this analysis, the objective is to find PNB NPA levels along with recovery trends and estimates of bank health for the period from 2015–16 to 2024–25 post its merger. To compare the two time periods before and after the merger, a t-test was used for NPA, Net NPA, and (Cost-to-Income). It was also used to test an ap priori confidence level for a significant difference in Asset Quality and Profitability. Important Financials parameters are also stated in this study such as Operational Effectiveness, Profitability, Asset Quality & ROA, ROE, NIM & Gross. A considerable variation in terms of mathematical metrics relating to the banks selected such as Net Profit, ROE & ROA. On the other hand, this distinction does not quite happen for Cost-to-Income ratio, Net Interest Margin (NIM), and Gross Non-Performing Assets (NPA). Punjab National Bank (PNB) loses out on a successful merger.

Keywords: Oriental Bank of Commerce, United Bank of India, and Asset Quality, Operational Efficiency & Profitability.

INTRODUCTION

The finance department and banking sector is a supplier of an economy and financial fettle of a nation. In India, the retail sector has traditionally used Public Sector Banks (PSBs) as the complete financial intermediary, especially in semi-urban and rural areas. But, for Indian PSBs the NPAs have broadly complicated The asset quality, profitability and operational efficiency of these banks over a period of last ten years. Higher NPA level affects the financials of bank and reduces the confidence of investors and depositors requiring capital injections by government and regulatory interventions. In response to these issues, the Indian government and the Reserve Bank of India (RBI) undertook a major consolidation of public sector banks in 2019 and 2020. Punjab National Bank was merged with Oriental Bank of Commerce and United Bank of India on April 1, 2020 to form the country's second-largest public sector bank in terms of assets and business volume. This is part of this plan. Although the merger promised to improve operational synergy, customer reach and capital sufficiency, a side effect of the merger was the integration of substantial stressed assets from the merging banks. The merger aims at creating a more competitive, technologically advanced and financially sound financial institution which could withstand market shocks and improve credit delivery. Gross NPA and Net NPA ratios of PNB were high at the time of amalgamation of OBC with UBI, leading to a substantial increase in the consolidated NPA levels of PNB. The sudden influx of bad loans created new challenges for PNB's asset quality management, requiring strategic recovery initiatives, higher provisioning, and operational restructuring. In this context, the study aims to critically analyse the impact of OBC and UBI before and after merger by using various ratios like Cost to Income, GNPA, NNPA, ROA, ROE, Net Profit etc

Using performance and financial indicators, the study looks at recovery and NPA patterns over a nine-year period, from 2015 to 2023, including both the pre-merger and post-merger periods. This research aims to determine whether operational synergies enhanced recovery, how financial performance metrics changed prior to and following the merger, and how the merger impacted PNB's asset quality through empirical analysis and comparison.

REVIEW OF LITERATURE

Sarita Chouhan and Mahendra Singhai (2025) [1] state that this study looks into the causes of these consolidations as well as how they affect operations and the economy. The analysis focuses on the merger's financial outcomes. Financial ratio analysis, statistical hypothesis testing, and qualitative surveys are all used in a mixed-methods study strategy. The study's conclusions indicate that mergers have enhanced both operational effectiveness and financial performance. The asset quality of a few Indian public sector commercial banks is investigated in this study using the CAMEL model. **Roy Anup Kumar, 2024 [2].** The study employs a descriptive research design for this objective. Ten banks for the pre-merger period (2016-17 to 2019-20) and four for the post-merger period (2020-21 to 2023-24) are covered by secondary data from 2016-17 to 2023-24. The analysis found that the merger had a favourable effect on the banks' asset quality and enhanced their risk management practices. According to **Jyotirmoy Koley (2024) [3],** the goal of this study was to determine how the Punjab National Bank's performance was impacted by the mergers and acquisitions program. The results show that the Punjab National Bank's performance is positively and significantly impacted by the mergers and acquisitions program. The performance of the main public sector banks in India is examined using the CAMELS framework. It was done by **Kiran Kumar G K, Bishal Kumar Das, Pragya Sinha, and (2024) [4].** The Punjab National Bank, the State Bank of India, the Bank of Baroda, and Canara Bank are included in the analysis, which spans the years 2014 to 2023. Stakeholders, politicians, and scholars can use the study's insights about the advantages, disadvantages, possibilities, and risks of public sector banks to decide on the future course of the banking industry and regulatory actions. The operational efficacy of public and private service banks after mergers is examined by **Sagnik Maity and Amit Majumder (2024) [5].** The study also makes an effort to rank each bank in the years before and after mergers. Consequently, the study was carried out over a period of five years, from 2017 to 2022. The researchers employed the data envelopment analysis (DEA) technique to determine the efficacy. Even if the merger improved the public service banks' performance, they nevertheless trailed the private sector banks. Trupti Mandar Joshi and Anuja Rishi Limbad's current work centres on the significant bank merger that occurred in April 2020. Both the financial assessments conducted before and after the merger make use of the CAMEL's parameters. Paired T-tests are used to examine the financial performance of banks participating in mega-mergers before and after the merger.

Atul Garg and Dr.Manpreet Kaur, (2023) [6]: This study aims to determine whether bank performance following mergers will indeed accelerate economic growth. The stability of banks is dubious, and the merger would negatively affect the net profit of the new banks. In order to enhance revenue and stability, the new banks must concentrate on these qualities, which eventually raises share value over time. The purpose of this study, according **to Pramod Kumar Sharma and Babli Dhiman, (2023) [7],** is to examine how gross non-performing assets (GNPA) impacts key financial ratios of public sector banks, including profitability ratios like ROA, ROE, and NIM, using correlation and regression analysis. Furthermore, an attempt was made to find commonalities in the financial performance of the different bank groups that had been combined. It was discovered that the GNPA of PSBs was negatively correlated with other important financial variables such as the CD ratio, NIM, ROA, ROE, and CAR. The report also highlighted the

combination of both weaker and stronger public sector banks. **Syed Khaja Safiuddin Shahana Jabeen, (2022) [8] This study presents the financial performance of Indian banks before and after mergers using the** most popular and authentic financial model, CAMEL. RBI statistics, published publications, yearly reports, and other financial data from January 2018 to March 2022 are all included in the secondary study. Punjab National Bank, Canara Bank, and Bank of Baroda are the favoured financial institutions. The study finds that banks' financial performance was good in terms of earning capability, management efficacy, and sufficient capital. The study states that banks must maintain a healthy level of liquidity and improve asset quality . BOB is the best in terms of total performance. **Sankar Paul (2021) [9]** states that the pre- and post-merger financial characteristics of Punjab National Bank, United Bank of India, and Oriental Bank of Commerce are the subject of the current inquiry. The results show that while the bank's Return on Equity, Earnings per Share, Net Profit Margin, and Net Interest Margin have all improved since the merger, Punjab National Bank's NPA value has fallen.

Research Gap

Based on the metrics used in this study, it has been concluded that the previous research is insufficient, inconclusive, and does not compare the profitability, asset quality, or operational efficiency of the three Scheduled commercial banks that were chosen. In other words, this study was broadened to cover the gap left by the contradictory findings of the investigated studies.

Research Objectives

The present study aims to investigate the following:

1. To compare the effects of the merger on the net profit, return on equity, and return on assets of Punjab National Bank.

2. To determine the asset quality of Punjab National Bank.

3. To compare how well Punjab National Bank operated prior to and following the merger.

RESEARCH METHODOLOGY

The study's parameters and limits, as well as data collecting and analysis techniques, are all part of the research methodology. The current study is totally dependent on secondary data and seeks to be both analytical and descriptive. To conduct this study, OBC, PNB, and UBI, three Indian scheduled commercial banks, Using a range of indicators, such as the Cost to Income Ratio, Gross NPA, Net NPA, Net Profit, ROA, ROE, and NIM, the researcher's objective in this study is to evaluate the financial performance of scheduled commercial banks. The RBI Financial Stability Reports, financial newspapers, merger circulars issued by the RBI, and the annual reports of Punjab National Bank, United Bank of India, and Oriental Bank of Commerce were used to complete the ten-year data collection in order to accomplish the study's objectives.

Hypothesis of the Study

Financial data must be used to develop and test particular hypotheses in order to assess the effects of the Punjab National Bank (PNB) merger of Oriental Bank of Commerce (OBC) and United Bank of India (UBI). The theories are based on three major performance parameters: profitability, asset quality, and operational efficiency.

Null Hypothesis H01: states that there is no discernible difference between the bank's profitability before and after the merger (return on assets, return on equity, net interest margin, and net profit). Null Hypothesis H02: Before and after the merger, there was no discernible change in the bank's asset quality (Gross NPA and Net NPA).

Null Hypothesis H03: There was no discernible difference between the bank's operational efficiency (cost-to-income ratio) before to and following the merger.

The data gathered for the three chosen scheduled commercial banks—Oriental Bank of Commerce, United Bank of India, and Punjab National Bank—was assessed using the mean, standard deviation, and error. Significant variations in profitability, asset quality, and operational efficiency were also sought using the t-test with a 95% confidence level.

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RESULTS AND DISCUSSION

A number of statistics, including Net Profit, Gross Non-Performing Assets, Net Non-Performing Assets, ROA, ROE, NIM, and Cost-to-Income ratios, were computed in order to examine the profitability, asset quality, and operational efficiency of particular scheduled commercial banks. The mean value, standard deviation, and standard error have all been utilized.

Table 1: Punjab National Bank FY 2015-16 to 2019-20 (Pre- Merger Performance)

FY	Net Profit (₹ Cr)	GNPA (%)	NNPA (%)	NIM (%)	ROA (%)	ROE (%)	Cost-to-Income (%)
2015-2016	-3,974	12.90	8.61	2.35	-.52	-8.83	53.37
2016-2017	1,325	12.53	7.81	2.56	.16	2.75	51.69
2017-2018	-12,283	18.38	11.24	2.35	-1.56	-28.55	49.37
2018-2019	-9,975	15.50	6.56	2.18	-1.21	-21.02	46.91
2019-2020	336	14.21	5.78	2.41	.05	.69	56.47
Mean	-4914.2000	14.7040	8.0000	2.3700	-.6160	-10.9920	51.5620
Std. Deviation	6068.09490	2.36492	2.11588	.13657	.75811	13.59071	3.66809
Std. Error	2713.73454	1.05762	.94625	.06107	.33904	6.07795	1.64042
Minimum	-12283	12.53	5.78	2.18	-1.56	-28.55	46.91
Maximum	1325	18.38	11.24	2.56	.16	2.75	56.47

Source: PNB's annual reports from 2015-2016 to 2019-2020

The financial metrics of the Punjab National Bank (PNB) are shown in Table 1. The average net profit figures for the bank are negative, or (-4914.2000 Cr). It is determined that before the merger, the bank's financial condition was dire. According to the table above, PNB's Gross NPA to Gross Advance ratio rose from 12.90% in 2015–16 to 18.38% in 2017–18 before falling to 14.21% in 2019–20. But between 2017 and 2018, PNB's Net NPA to Net Advance ratio rose from 8.61 percent in 2015 to 16 to 11.24 percent before falling to 5.78 percent between 2019 and 20. This ratio affects the bank's reputation in general, and a rise in the NNPA ratio causes a bank to lose a lot of money. The fourth ratio (NIM) displays the Net Interest Margin, which was 2.35% between 2015 and 2016 and 2.41% between 2019 and 20. The table above shows Return on Assets (ROA). It should be mentioned that PNB recorded a negative return on assets (ROA) of -1.21% in three fiscal years: 2015–16, 2017–18, and 2018–19. These figures highlight PNB's concerning situation. Additionally, as the previous table illustrates, the net profit split by capital, including reserve and surplus, results in a profit for equity shareholders. It was -28.55 percent in 2017–18 and -21.02 percent in 2018–19. It was.69 percent in 2019–20, a significant decrease throughout the research and even negative in the last two years. The final ratio, the Cost-to-Income ratio, peaked in 2019–20 at 56.47% and fell to 46.91% in 2018–19.

Table 2: Punjab National Bank FY 2020-2021 to 2024-2025 (Post- Merger Performance)

FY	Net Profit (₹ Cr)	GNPA (%)	NNPA (%)	NIM (%)	ROA (%)	ROE (%)	Cost-to-Income (%)
2020-2021	2,021.62	14.12	5.73	2.88	.16	3.24	46.43
2021-2022	3,456.96	11.78	4.80	2.34	.26	4.29	49.36
2022-2023	2,507.20	8.74	2.72	2.48	.17	3.54	51.48
2023-2024	8,244.62	5.73	.73	2.67	.57	8.92	53.49
2024-2025	16631.01	3.95	.40	2.93	.99	13.9	54.59
Mean	6572.2820	8.8640	2.8760	2.6600	.4300	6.7780	51.0700
Std. Deviation	6142.34017	4.18668	2.37736	.25308	.35447	4.59628	3.27371
Std. Error	2746.93803	1.87234	1.06319	.11318	.15852	2.05552	1.46405
Minimum	2021.62	3.95	.40	2.34	.16	3.24	46.43
Maximum	16631.01	14.12	5.73	2.93	.99	13.90	54.59

Source: PNB's annual reports from 2020-2021 to 2024-2025

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The financial data for Oriental Bank of Commerce, United Bank of India (Amalgamating Banks), and Punjab National Bank (Amalgamated) are shown in Table 2. The Net Profit, Gross NPA to Gross Advance, Net NPA to Net Advance, Net Interest Margin, Return on Equity, Return on Assets, and Cost-to-Income ratio are examples of financial metrics. The PNB bank had negative net earnings before it acquired Oriental Bank of Commerce and United Bank of India. But as a result of the merger, the bank's average net profit is currently 6572.2820 Cr. However, since the merger, both the GNPA ratio and the NNPA ratio have dropped from 14.12 percent to 3.95 percent and 5.73 percent, respectively.40%. Following the merger, the net interest margin also increases, rising from 2.34 percent to 2.93 percent. Furthermore, the company's Return on Equity increases from 3.24% to 13.9% following the merger, while the Return on Assets increases from 1.6%. The Cost-to-Income ratio peaked between 2024 and 2025. 54.59%, the lowest percentage in 2020–2021 (46.43%). The combination also increases the bank's operational efficiency. Consequently, the merger of Oriental Bank of Commerce and United Bank of India benefits PNB Bank.

Table 3: Hypothesis Testing for Profitability, Asset Quality and Operational Efficiency (t-test)

Parameters	Duration	Mean	df	t-value	Sig. (2-tailed)	Null
Return on Assets	Pre-Merger	-.6160	4	-3.270	.031	Rejected
	Post-Merger	.4300				
Return on Equity	Pre-Merger	-10.9920	4	-3.070	.037	Rejected
	Post-Merger	6.7780				
Net Interest Margin	Pre-Merger	2.3700	4	-1.964	.121	Accepted
	Post-Merger	2.6600				
Net Profit	Pre-Merger	-4914.2000	4	-3.660	022	Rejected
	Post-Merger	6572.2820				
Gross NPA	Pre-Merger	14.7040	4	2.334	.080	Accepted
	Post-Merger	8.8640				
Net NPA	Pre-Merger	8.0000	4	4.930	.008	Rejected
	Post-Merger	2.8760				
Cost-to- Income	Pre-Merger	51.5620	4	.216	.839	Accepted
	Post-Merger	51.0700				

Because the hypothesis for Return on Assets, Return on Equity,Net profit, and Net NPA has been rejected. Table 3 shows that the bank’s profitability asset quality and operational efficiency are not consistent. For other metrics, such as the Cost-to-Income ratio, Gross NPA, and Net Interest Margin, which all demonstrate no appreciable variations between the bank's financial metrics prior to and following the merger, framed assumptions have been approved.

Suggestion

To increase profitability and overall financial performance, Punjab National Bank should improve operational efficiency, decrease non-performing assets (NPAs), and strengthen asset quality. In order to stop future increases in non-performing assets, banks should improve credit risk management. It is determined that the merger was very beneficial, making PNB the second-biggest public sector bank in India.

CONCLUSION

This study compares the financial performance of Punjab National Bank prior to following the merger between 2015 -2025.The expansion of the Indian financial system has been greatly influenced by the Punjab National Bank, a significant public sector bank in India. Numerous criteria are used to analyse the bank's financial performance

Following its merger with Oriental Bank of Commerce and United Bank of India, Punjab National Bank also experiences a rise in net profit. Both the bank's performance and operational efficiency have improved since the merger. After the merger, Punjab National Bank surpasses State Bank of India to become the second-largest Public Sector Bank. The merger is advantageous to Punjab National Bank.

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