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Assessing the Impact of Merger on Asset Quality: A Study on Select Public Sector Banks Post Mega Merger 2019

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Abstract

Bank merger is considered as a key strategy to improve their overall performance and competitiveness. Since Independence till date India has listed number of bank mergers which were executed to improve operating efficiency, governance, accountability, creating strong & globally competitive banks as well as to check on asset quality of banks. The mega merger 2019 in India has marked a significant milestone in the Indian banking sector reducing 10 Public Sector Banks (PSBs) into 4 Public Sector Banks. The present study has examined the impact of this merger on the merged bank's asset quality, a critical determinant of bank's stability. The study has made an attempt to investigate changes in the asset quality metrics of the banks which includes Non-Performing Asset (NPAs) such as Gross NPA ratio, Net NPA ratio, Provision Coverage Ratio (PCR) and Capital Adequacy Ratio (CAR) by conducting a comparative analysis of pre and post-merger financial data for a period of eight years divided as 4 years before the merger and 4 years after bank merger. Along with descriptive statistics, the study has also employed paired t test for determining whether there exists any significant difference in asset quality of the bank before and after the bank merger. The study's findings help determine the merger's impact on banks asset quality and suggest improvement measures, wherever necessary. Also, this study contributes to the existing literature on bank mergers and asset quality, providing insights for policy makers, banking regulators, and industry stakeholders and highlights the importance of careful planning, execution, and post-merger integration in ensuring long term stability and success of the merged entity.

Keywords: Merger, Asset Quality, PSBs, PCR, CAR.

Introduction

Merger and Acquisition (M&A) is one of the corporate restructure strategies that has been preferred by economic entities to grow faster than organic growth of the entities. M&A is a corporate action that involves large-scale investment and high risk. Growth is always the priority of all companies and confers serious concern to expand the business activities (Nanda S. S., 2016) [13]. Indian industries are always exposed to challenges & threat both nationally and internationally and since the introduction of Indian economic reform in 1991 those challenges have increased enormously. The cut-throat competition in international market compelled the Indian firms to opt for mergers and acquisitions strategies, making it a vital premeditated option Sector wise, large volume of mergers (G & Nirmala, 2013) [2] and mergers and acquisitions in India have occurred in finance, telecom, FMCG, construction materials, automobiles and metals. The impact of mergers and acquisitions on various sectors may differ.

The banking sector is facing unprecedented challenges, including increasing competition, regulatory pressures, and rising operational costs. In this challenging environment, consolidation has emerged as a strategic imperative for banks to achieve sustainability. The banking industry is vital to the formation of capital in the country. However, various impediments to excellent progress in the banking industry exist, including managing risks, efficiency in bank operations, loan portfolio management, etc. (Veena & Pathi, 2018) [21]. To make Indian Banks capable of meeting higher funding needs and to compete globally, the Public Sector Banks (PSBs) in India went through the biggest consolidation recently which was announced by the Finance Minister of India, Smt. Nirmala Sitharaman on 30th August 2019 which reduced the number of total PSBs from 27 to 12 in India with effect from 1st April 2020. This consolidation is popularly termed as Mega Merger of banks in the history of bank mergers in India. However, while these mergers hold great potential for positive outcomes, they also pose challenges in terms of integrating corporate cultures, streamlining operations, and managing human resources across different entities (Singh & Yadav, 2021) [19].

Bank mergers, especially in India, are seen as a key strategy to address the rising issue of Non-Performing Asset (NPAs). The consolidation of weaker banks with stronger ones aims to

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improve overall asset quality and financial stability. Merged entities benefit from an expanded capital base, which allows them to absorb bad loans more effectively. Additionally, they can implement better risk management systems and recovery mechanisms to reduce NPAs over time (Ghosh, 2021) [5]. A larger bank can also leverage economies of scale, optimize operational costs, and improve loan recovery processes, contributing to the reduction in NPAs (Singh & Yadav, 2021) [19].

An attempt has been made in this research to evaluate and compare the impact of merger on the merged banks asset quality post mega merger 2019. Studying the impact of merger on asset quality is crucial because a merger can significantly affect a bank's loan portfolio and overall financial health by potentially introducing new risks from the merging entity, impacting the quality of existing loans, and requiring integration of different credit risk management practices, making it vital to assess how the combined entities manage distressed assets and maintain a healthy loan book after the merger. The study has covered all four merged banks involved in mega merger 2019 for a total period of eight years from 2016-17 to 2023-24, split into four years before and four years after the merger respectively.

Background of the Study

Merger is said to be occur when two or more companies combine into one (Gandhi, Chhajer, & Mehta, 2018) [4]. According to the Institute of Chartered Accountant of India, statements of Accounting Standard AS 14- Accounting for Amalgamation describes that merger may take two forms- merger through absorption and merger through consolidation. From economic perspective, mergers can again be classified into three types depending on the business combination as *Horizontal* merger where two or more firms belonging to same industry merged into one, *Vertical* merger where the company either expands backwards towards the source of raw material or forward in the direction of the customer, basically such merger took place between/among different production stage or value chain and *Conglomerate* merger where two or more companies engaged in unrelated industries merged together (Ginara, 2016) [6]. Again, from legal perspective mergers can be of short form merger, statutory merger, subsidiary merger and merger of equals. Various reasons drive several types of mergers and acquisitions.

Merger in Indian Banking system has gained focus in recent years but the first merger in Indian Banking system happened during pre-independence period in the year 1921 when three Presidency banks namely Bank of Bengal, Bank of Bombay and Bank of Madras merged together and formed Imperial Bank of India which is later named as the State Bank of India. Post-independence period the banking sector of India witnessed several mergers and acquisitions that took place among Public Sector Banks (PSBs), Private sector banks, Foreign Banks. Since 2017 total of 20 PSBs were merged into 6 large and globally competitive banks. In 2016, an effective action has been undertaken to consolidate Public sector banks by amalgamating five associate banks of SBI and Bharatiya Mahila Bank into the SBI. On 17th September 2018, Government of India proposed the merger of Dena Bank and Vijaya Bank with Bank of Baroda and with effect from 1st April 2019, Bank of Baroda acted as the third largest bank after merger. This was the first ever three-way consolidation of banks in India where the branches of Dena Bank and Vijaya Bank functioned as Bank of Baroda after merger. Among the history of mergers and acquisitions in Indian Banking, the most recent and mega merger was announced on 30th August 2019 by Finance Minister of India Nirmala Sitharaman which resulted in reduction of 10 PSBs into 4 PSBs. Mega Merger plan of 2019 includes Canara Bank, Syndicate Bank, Indian Bank, Allahabad Bank, Punjab National Bank, Oriental Bank of Commerce, United Bank of India, Union Bank of India, Andhra Bank, Corporation Bank with the primary objective of creating banks with "strong national presence and global reach"-as stated by Finance Minister. These 10 banks were merged into 4 banks with effect from 1st April 2020 as given below:

Table 1

Sl. No.	Anchor Banks	Amalgamating Banks
1	Canara Bank	Syndicate Bank
2	Indian Bank	Allahabad Bank
3	Punjab National Bank	Oriental Bank of Commerce and United Bank of India
4	Union Bank of India	Andhra Bank and Corporation Bank

With this mega merger total number of PSBs in India come down from 27 in 2017 to 12 with effect from 1st April 2020. Though at individual level all the amalgamating banks have their own reason behind merger but common objectives as stated by the RBI behind this mega merger is to revamp India's banking system by creating global, robust and well-funded banks.

Asset Quality refers to the health of a bank's loan portfolio. It is a critical indicator of a bank's financial stability. Banks with high quality asset means low level of Non-performing Assets (NPAs), less provision requirement and better profitability and also leads to long term sustainability. NPAs are loans or advances provided by banks that have become doubtful or have stopped generating any income for the lender due to borrower's failure to pay the principal or interest for at least 90 days. NPAs are a major concern for banks as these can erode capital base of bank, reduce their profitability and throw a challenge on bank's stability. High NPAs can increase the risk of bank failure. NPAs may be a result of poor credit appraisal of banks, willful defaults of borrowers or regulatory and policy changes. Non-performing assets are broadly classified into following categories:

i). **Standard Asset:** Loans that have been past due for anywhere from 90 days to 12 months are called standard asset. These assets carry normal risk and more chances of recovery.

ii). **Substandard Asset:** Asset that do not generate any income for lender and remain as non-performed for up to 12 months are classified as Substandard asset. These assets have significantly high credit risk along with some recovery prospects.

iii). **Doubtful Asset:** Asset that do not generate any income for lender and remain as non-performed for more than 12 months are classified as doubtful asset. These assets have higher credit risk compared to substandard asset along with lower recovery prospects.

iv). **Loss Asset:** Loans and advances that are almost impossible to recover or unrecoverable by banks are called loss asset. This usually happens after a loan has remained unpaid for several years and is considered as uncollectable.

Literature Review

Muhammad Usman (2011) [11] examined the profitability performance of the Royal Bank of Scotland from 2005-06 to 2008-09 by using ratio analysis. It is found that pre-merger profitability, liquidity, and solvency ratios are higher than post-merger ratios. It concluded that the merger had not improved the Royal Bank of Scotland's performance. Dilshad (2012) [1] in his study examines the efficiency of market with respect to announcements of mergers and acquisitions using an event study methodology. Evidence of excess returns after the merger announcement was also observed along with the leakage of information that resulted in the rise of stock prices few days before the announcement of merger or acquisition. Meena and Kumar (2014) [10] in their research have concluded that overall result of merger led to higher level of cost efficiencies for the merging banks. The forced merger among these banks helps in protecting the interest of depositors of weak banks but didn't yield any gain for stakeholders of the banks. They have suggested government and policymakers to take precautions before considering and promoting merger as a way to reap economies of scale. Sharma and Sidana (2017) in their paper expressed the impact of SBI merger on financial condition of SBI. The SBI will get visibility at global level in the network increase of SBI & it is also able to provide cheaper funds more easily. The gross & net NPA of SBI come down after merger with their associate. The efficiency & effectiveness of the business it will increased because of single management. Ritesh Patel (2018) [16] evaluated the performance of Public Sector Banks taking 4 PSBs as sample of the study for the period of 2008-09 to 2016-17. The study showed substantial decrease in ROE, ROA, Net Profit Margin, investment yield whereas earning per share, profit per employee grew post-merger. Ravi Agarwal (2019) [14] analysed the performance of nationalised banks from 2013-2018 using CAMEL model which showed that Indian Bank took top outstanding position in overall performance followed by Andhra Bank whereas Union Bank of India showed poor performance in that respect. Sarkar (2020) in his research studied the trend of NPAs of SBI taking data from 2013-2017. Study found that big banks like SBI is also vulnerable to risk of NPA and demands better credit policy and recovery mechanism to improve assets quality. Nanda and Goswami (2020) [12] in their study stated that the track record of merger and acquisition in Indian banking have been fruitful so far for the economy but at individual level it has not been that good. Many have stated various arguments in favors and against the merger drive. Patel & Shah (2021) in their study determined the impact of NPAs on bank's profitability. They concluded that high level of NPA reduced interest income of the bank and increased overall cost which ultimately reduced profitability of the bank. Kumar & Dahire (2023) [9] attempted to analyzed the impact of merger on asset quality performance and NPA management of the State Bank of India post-merger. With selected asset quality metrics paired t test was performed and was found that there was no significant difference between pre-merger and post-merger asset quality of the bank.

Though plethora of studies has been conducted in the area of bank merger and its impact on bank's performance, efficiency and growth but impact on asset quality of recently merged PSBs post bank merger 2019 has not yet done. Therefore, the researchers endeavored to explore the gap as determined after reviewing existing literature.

Research Objectives

Present study has following objectives:

i). To examine the impact of merger on asset quality of the merged banks.

ii). To compare pre and post-merger asset quality of the merged banks.

Research Hypotheses

Following statistical hypotheses has been developed for the study:

i). **H_{01}:** There is no significant impact of merger on the asset quality of merged banks

ii). **H_{02}:** There is no significant difference between pre-merger and post-merger asset quality of merged banks

Research Methodology

Research Design: This study has employed a descriptive and analytical research design to examine the impact of the mega merger on the asset quality of the merged banks.

Sample of the Study: The sample for this study consisted of four banks involved in the mega merger of 2019 viz the Punjab National Bank, the Canara Bank, the Union Bank of India and the Indian Bank.

Type of Data: This study used secondary data obtained from existing sources such as the bank's annual reports, newspaper article, research articles, journals and other published data.

Period of the Study: The study has covered a period of 8 years, from 2016-17 to 2023-24, which has been divided into two phases: Pre-merger phase (2016-17 to 2018-19): 4 years before the merger and Post-merger phase (2019-20 to 2023-24): 4 years after the merger.

Tools and Techniques: To achieve the study's objectives, the following tools and techniques have been used:

i). **Accounting Ratios:** The following accounting ratios have been used to measure the asset quality of the merged banks

a) **Gross NPA Ratio:** It is the ratio if Gross NPAs to Gross Advances in terms of percentage which is a crucial metric used to ascertain a bank's financial health by measuring the proportion of non-performing asset in comparison to total loans issued by bank. This ratio depicts the quality of a bank's loan portfolio.

b) **Net NPA Ratio:** This is the ratio of banks NPAs after deducting provisions created for NPAs to Total advances. This ratio reflects the actual loss a bank is likely to incur on its non-performing loans after accounting for provisions set aside to cover potential losses, providing a more accurate picture of credit quality.

c) **Net NPA/Total Asset:** This ratio directly expresses the percentage of a bank's total asset that represent the actual loss from non-performing loans after considering provisions.

d) **Provision Coverage Ratio:** This ratio indicates how well a bank is prepared to cover potential losses from non-performing loans by calculating the percentage of provisions relative to the total gross non-performing asset.

e) **Capital Adequacy Ratio:** This ratio measures a bank's capital adequacy by comparing its available capital (Tier 1 and Tier 2) to its risk-weighted asset, reflecting its ability to absorb potential losses.

ii). Descriptive Statistics

Mean and Standard Deviation have been used to describe the central tendency and dispersion of the data.

iii). Inferential Statistics

Paired t-Test has been used to compare the means of the pre-merger and post-merger phases and to determine if there is a significant difference in the asset quality of the merged banks before and after the merger.

Analysis of data has been done through MS Excel.

Data Analysis & Discussion

Table 2: Asset Quality metrics of the Punjab National Bank

Punjab National Bank							
	Year	**Gross NPA Ratio (%)**	**Net NPA Ratio (%)**	**Net NPA/Total Asset (%)**	**Provision Coverage Ratio (%)**	**Capital Adequacy Ratio (%)**
Pre-Merger Period	2016-17	12.53	7.81	4.54	58.57	11.66
	2017-18	18.38	11.24	6.36	58.42	9.20
	2018-19	15.50	6.56	3.88	74.50	9.73
	2019-20	14.21	5.78	3.28	77.79	14.14
Post-Merger Period	2020-21	14.12	5.73	3.06	80.14	14.32
	2021-22	11.78	4.80	2.66	81.60	14.50
	2022-23	8.74	2.72	1.54	86.90	15.50
	2023-24	5.73	0.73	0.44	95.40	15.97
	Mean	12.62	5.67	3.22	76.67	13.13
	SD	3.95	3.17	1.81	12.86	2.60
	P value	0.111	0.018	0.011	0.004	0.028

Source: *Compiled by authors*

From the above tabular presentation of selected asset quality metrics of the Punjab National Bank (PNB) it has been observed that Gross NPA ratio showed a fluctuating trend during pre-merger period but decreased continuously during post-merger period from 14.12% in 2020-21 to 5.73% in 2023-24. Net NPA ratio of the bank has decreased from 5.73% in 2020-21 to 0.73% in 2023-24 which indicated that the bank's credit quality has improved during post-merger period. Net NPA to Total Assets ratio has decreased significantly after the merger from 3.06% in 2020-21 to 0.44 in 2023-24. Provision Coverage ratio of the PNB increased significantly during the study period from 58.57% n 2016-17 to 95.40% in 2023-24, indicating that the bank has created sufficient provision for potential losses from bad loans which has improved bank's financial resilience and ability to withstand asset quality pressure. Continuous increase in CAR post-merger revealed that the bank has relatively strong capital position which has positive impact on its asset quality. Mean and Standard deviation of the dataset for the study period indicated that Gross NPA ratio and Net NPA ratio showed moderate variability, Net NPA/Total assets appeared to be relatively consistent in performance, PCR indicated a good level of provision coverage and CAR showed stable capital position of PNB. Statistical result 'p value' of paired t-test of all selected asset quality metrics at 95% level of significance was less than 0.05 (except Gross NPA ratio for which p value is 0.111), Hence, both H_{01} and H_{02} were rejected for the PNB. Hence, statistically proved that there is significant impact of merger on the asset quality of PNB and there exists significant difference between pre-merger and post-merger asset quality of PNB.

Table 3: Asset Quality metrics of the Canara Bank

Canara Bank						
	Year	**Gross NPA Ratio (%)**	**Net NPA Ratio (%)**	**Net NPA/Total Asset (%)**	**Provision Coverage Ratio (%)**	**Capital Adequacy Ratio (%)**
Pre-Merger Period	2016-17	9.63	6.33	3.63	55.62	12.86
	2017-18	11.84	7.47	4.52	58.06	13.22
	2018-19	8.83	5.36	3.22	68.13	11.90
	2019-20	8.56	4.22	2.46	75.86	13.65
Post-Merger Period	2020-21	8.93	3.82	2.32	79.68	13.18
	2021-22	7.51	2.65	1.99	84.17	14.90
	2022-23	5.35	1.73	1.39	87.31	16.68
	2023-24	4.23	1.27	0.79	89.10	16.28
	Mean	8.11	4.11	2.54	74.74	14.08
	SD	2.25	2.05	1.14	12.07	1.59
	P value	0.034	0.006	0.006	0.006	0.087

Source: *Compiled by authors*

From the tabular presentation of selected asset quality metrics of Canara Bank, it has been observed that Gross NPA ratio has declined continuously during post-merger period from 8.93% in 2020-21 to 4.23% in 2023-24. Net NPA ratio of the bank has decreased from 3.82% in 2020-21 to 1.27% in 2023-24 which indicated that the bank has improved its credit quality following the merger. Decreased in net NPA to Total Assets ratio during the study period revealed that a lesser proportion of bank's total assets categorized as none performing. Provision Coverage ratio of the bank increased significantly during the study period from 55.62% in 2016-17 to 89.10% in 2023-24, indicating that the bank has significantly improved creation of provision for potential losses from bad loans resulting in better financial stability. Capital Adequacy ratio maintained by the bank was more than minimum requirement as per Basel III norms during the study period which reflected prudent risk management and bank's ability to withstand financial crisis.

Descriptive statistics of the data indicated that Gross NPA ratio and Net NPA ratio showed low to moderate variability, Net NPA/Total assets and CAR appeared to be relatively consistent, PCR indicated a good level of provision coverage which can be considered as a good indicator. Statistical result 'p value' of paired t-test of all selected asset quality metrics at 95% level of significance was less than 0.05 (except CAR, p value = 0.087). Therefore, statistically it can be said that significant impact of merger on asset quality has been observed and significant difference in asset quality of the bank has been noticed post-merger. However, Capital Adequacy ratio has been maintained considering the minimum requirement as per Basel III norms and no significant change was traced post-merger.

Table 4: Asset Quality metrics of the Union Bank of India

Union Bank of India						
	Year	**Gross NPA Ratio (%)**	**Net NPA Ratio (%)**	**Net NPA/Total Asset (%)**	**Provision Coverage Ratio (%)**	**Capital Adequacy Ratio (%)**
Pre-Merger Period	2016-17	11.17	6.57	4.16	51.41	11.79
	2017-18	15.73	8.42	4.99	57.16	11.50
	2018-19	14.98	6.85	4.08	66.24	11.78
	2019-20	14.15	5.49	3.11	73.64	12.81
Post-Merger Period	2020-21	13.74	4.62	2.55	81.27	12.56
	2021-22	11.11	3.68	2.05	83.61	14.52
	2022-23	7.53	1.7	1.01	90.34	16.04
	2023-24	4.76	1.03	0.65	92.69	16.97
	Mean	11.65	4.80	2.82	74.55	13.50
	SD	3.84	2.56	1.55	15.18	2.10
	P value	0.169	0.011	0.005	0.002	0.033

Source: *Compiled by authors*

The above table presented the result of selected asset quality metrics of the Union Bank of India. Gross NPA ratio as well as Net NPA ratio of the bank has decreased following the bank merger from 13.74% in 2020-21 to 4.76% in 2023-24 and 4.62% in 2020-21 to 1.03% in 2023-24 respectively which were good indicator of asset quality of the bank after merger. Net NPA to Total Assets ratio has decreased from 4.16% in 2016-17 to 0.65% in 2023-24. The bank recorded a significant improved in Provision coverage ratio during the study period from 51.41% in 2016-17 to 92.69% in 2023-24 which reflected that the bank has established adequate provisions for potential bad loan losses, enhancing its financial resilience and ability to withstand pressures on asset quality. Capital adequacy ratio of the bank showed post-merger capital positioning to its risk weighted asset has improved & maintained at 16.97% as recorded in 2023-24.

Paired t test performed at 95% level of significance for all selected asset quality metrics of the bank. The p-value of Gross NPA ratio > 0.05, indicated no significant impact of merger on it whereas statistical value of Net NPA ratio, Net NPA to Total Assets ratio, PCR and CAR < 0.05 indicated significant impact of merger on these and proved statistical difference between pre-merger and post-merger period with respect to asset quality.

Table 5: Asset Quality metrics of the Indian Bank

Indian Bank						
	Year	**Gross NPA Ratio (%)**	**Net NPA Ratio (%)**	**Net NPA/Total Asset (%)**	**Provision Coverage Ratio (%)**	**Capital Adequacy Ratio (%)**
Pre-Merger Period	2016-17	7.47	4.39	2.57	58.14	13.64
	2017-18	7.37	3.81	2.36	64.27	12.55
	2018-19	7.11	3.75	2.42	65.72	13.21
	2019-20	6.87	3.13	1.99	73.05	14.12
Post-Merger Period	2020-21	9.85	3.37	1.97	82.12	15.71
	2021-22	8.47	2.27	1.32	87.38	16.53
	2022-23	5.95	0.9	0.57	96.34	16.49
	2023-24	3.95	0.43	0.62	93.82	16.44
	Mean	7.13	2.76	1.73	77.61	14.84
	SD	2.83	1.39	0.75	34.51	5.81
	P value	0.907	0.020	0.019	0.001	0.007

Source: *Compiled by authors*

The above table showed the result of selected asset quality metrics of the Indian Bank. Gross NPA ratio showed sudden increase immediately following the merger with Allahabad Bank from 6.87% in 2019-20 to 9.85% in 2020-21 which decreased to 3.95% in 2023-24 indicated efficient risk management by the bank. Similarly, Net NPA ratio of the bank has declined to 0.43% in 2023-24. Net NPA to Total Assets ratio has constantly declined from 2.57% in 2016-17 to 0.57% in 2022-23 and noticed insignificant increase to 0.62% in 2023-24. Like other merged public sector banks covered in this study, Indian Bank has too recorded a significant improved in provision coverage ratio during the study period from 58.14% in 2016-17 to 93.82% in 2023-24 which reflected ability to withstand pressures on asset quality with adequate provision for losses from bad loans. Capital adequacy ratio of the bank during the entire study period was maintained at a level higher than Basel III norms indicated better capital positioning of the bank.

Paired t test performed at 95% level of significance for all selected asset quality metrics of the bank. The p-value of Gross NPA ratio > 0.05, indicated no significant impact of merger on it whereas statistical value of Net NPA ratio, Net NPA to Total Assets ratio, PCR and CAR < 0.05 indicated significant impact of merger on these and proved statistical difference between pre-merger and post-merger period with respect to asset quality.

Conclusion

Recent merger of Public Sector Banks in India has mixed impact on merged bank asset quality. The bank consolidation has resulted in increased scale and efficiency of banks as larger banks can spread their risk more effectively. The Punjab National Bank has become India's 2nd largest PSBs post-merger which has enabled the bank to adopt more sophisticated risk management practices and proper check on NPAs. In this research, selected asset quality metrics of PNB has shown improved performance following the merger. Except Gross NPA ratio, all other metrics proved to have statistically significant impact of merger on bank's asset quality and therefore, significant difference in the asset quality of the bank between pre-merger and post-merger period. Considering the case of the Canara Bank, the analysis validated that the merger has a significant impact in the asset quality of the Canara Bank and post-merger the quality of assets has shown considerable improvement compared to the results of pre-merger period. The asset quality metrics for both the Union Bank of India and the Indian Bank have witnessed to have significant impact of the merger on their asset quality. Except gross NPA ratio, all other asset quality indicators have shown improved performance post the mega merger period compared to pre-merger period. All the merged banks in this study have shown better credit & risk assessment over the period, leading to considerable reduction in NPAs. Continuous increase in the Provision coverage ratio during the study period covered by researchers indicated that bank have set aside a larger portion of its funds to cover potential losses from non-performing assets (NPAs). A higher PCR indicates better capacity to absorb losses from bad loans. All 4 PSBs in this study has maintained their Capital Adequacy ratio as per norms and consistent improvement has been noticed post merger. Statistical value of paired t-test (p value) determined mostly as less than 0.05 leading to rejection of both H_{01} and H_{02}. Thus, statistically proved that the merger has a significant impact on overall asset quality of the banks in accordance to the selected asset quality metrics and a significant difference has been observed between pre-merger and post-merger asset quality of banks. Till financial year 2023-24, mega merger 2019 has positively impacted the asset quality and increased the bank's profitability and credit worthiness by gaining confidence of depositors, investors and other stakeholders of the bank.

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