

## Increased Risk of Financial Crimes Due to Recent Public Sector Bank Mergers in India: An Institutional Risk Governance Perspective

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### ABSTRACT

The consolidation of public sector banks (PSBs) in India represents a major structural reform aimed at strengthening financial stability, improving operational efficiency, and enhancing global competitiveness. While these mergers are expected to generate long-term benefits, the transitional integration period may introduce operational vulnerabilities that increase exposure to financial crimes. This study examines the relationship between recent PSB mergers and financial crime risks using secondary data from the Reserve Bank of India (RBI), policy documents, and existing scholarly literature. The analysis explores how technological integration, governance restructuring, cultural alignment, and legacy credit portfolios may create temporary control gaps that can be exploited for fraud, cybercrime, and financial misconduct. RBI fraud trend data indicates a rising number of reported fraud cases alongside fluctuating financial losses, highlighting structural changes in fraud typology within Indian banking. The study proposes a conceptual framework linking mergers with operational risk exposure and financial crime opportunities. Findings suggest that while consolidation enhances long-term resilience, the post-merger transition phase requires strengthened governance mechanisms, digital monitoring tools, and unified compliance systems to mitigate financial crime risks.

**Keywords:** Public Sector Bank Mergers, Financial Crimes, Banking Fraud, Operational Risk, Governance, Cyber Fraud, Banking Consolidation, India.

### Introduction

The Indian banking sector has undergone major structural reforms aimed at strengthening financial stability, improving operational efficiency, and enhancing global competitiveness. One of the most significant reforms has been the consolidation of Public Sector Banks (PSBs) through large-scale mergers initiated by the Government of India. The merger strategy was designed to reduce fragmentation in the public banking system, improve capital adequacy, strengthen credit delivery, and achieve economies of scale.

The consolidation process culminated in the 2019–2020 merger exercise, where ten public sector banks were amalgamated into four larger entities. These reforms significantly altered the operational structure of Indian banking institutions by expanding organizational size, integrating technological systems, and consolidating credit portfolios. While the policy objective focused on long-term efficiency gains, the transition process introduced operational complexities involving governance alignment, technological integration, and risk management harmonization.

Parallel to structural reforms, the Indian banking system has witnessed changing patterns of financial crimes. Banking frauds have evolved from traditional credit-related frauds to technology-driven cyber and digital payment frauds. The growth of digital banking channels, increased transaction volumes, and institutional restructuring have collectively transformed the risk environment faced by banks. Larger merged entities operate with wider networks and increased operational complexity, which may influence fraud detection and monitoring mechanisms.

The relationship between organizational restructuring and financial crime risk is increasingly recognized in risk governance and operational risk literature. During merger transitions, integration challenges such as data migration, system interoperability, and organizational restructuring may create temporary control gaps. These conditions can increase opportunities for financial misconduct if internal governance systems are not effectively aligned.

This study examines the potential link between recent PSB mergers and financial crime risk in India by analyzing institutional restructuring, operational challenges, and fraud trends within the banking sector.

**Table 1: Major Public Sector Bank Mergers in India**

Year	Anchor Bank	Merged Banks
2017	State Bank of India	SBI Associate Banks & Bharatiya Mahila Bank
2020	Punjab National Bank	Oriental Bank of Commerce, United Bank of India
2020	Canara Bank	Syndicate Bank
2020	Union Bank of India	Andhra Bank, Corporation Bank
2020	Indian Bank	Allahabad Bank



**Figure 1: Major Public Sector Bank Mergers in India**

Source: ipleaders.in

**Table 2: Key Objectives of PSB Consolidation**

Policy Objective	Expected Outcome
Economies of Scale	Larger and stronger banks
Capital Efficiency	Improved lending capacity
Governance Improvement	Better risk management
Operational Efficiency	Cost optimization
Global Competitiveness	Stronger international presence

**Table 3: Broad Categories of Financial Crimes in Banking**

S. No.	Category	Description
1	Loan and Credit Fraud	Misrepresentation and diversion of loan funds
2	Cyber Fraud	Digital and online transaction frauds
3	Internal Fraud	Employee misconduct and collusion
4	Payment Fraud	Card and digital payment scams
5	Reporting Manipulation	Financial statement irregularities

**Research Objectives**

- To examine structural changes resulting from recent public sector bank mergers in India.
- To analyze how merger-related integration challenges may influence financial crime risk.
- To study trends in banking frauds within the Indian banking system.
- To develop a conceptual linkage between bank mergers and financial crime exposure.
- To suggest governance measures to mitigate risks during post-merger transitions.

**Research Questions**

- How do public sector bank mergers influence financial crime risk in India?
- What operational and governance challenges emerge during post-merger integration?
- How can risk governance mechanisms reduce financial crime exposure in merged banks?

**Theoretical Background**

The relationship between banking consolidation and financial crime risk can be understood through established theories of fraud, operational risk, and institutional governance. Public sector bank mergers involve structural transformation that affects organizational processes, monitoring systems, and risk management frameworks. This section presents the theoretical foundations used to explain how mergers may influence financial crime exposure.

- **Fraud Triangle Theory**

The Fraud Triangle Theory explains financial misconduct through three interconnected elements: pressure, opportunity, and rationalization. Among these elements, opportunity is strongly associated with organizational structure and control mechanisms. During merger transitions, banks undergo system integration, restructuring of reporting hierarchies, and changes in internal controls, which may temporarily weaken monitoring effectiveness. Such transitional conditions can increase opportunities for fraudulent activities.

**Table 4: Components of Fraud Triangle Theory**

Component	Description	Relevance to Bank Mergers
Pressure	Financial or performance-related motivation	Performance uncertainty during restructuring
Opportunity	Weak controls enabling misconduct	Integration gaps and monitoring challenges
Rationalization	Justification of unethical behavior	Organizational ambiguity during transition

- **Operational Risk Theory**

Operational risk refers to losses resulting from inadequate or failed internal processes, people, systems, or external events. Banking mergers significantly alter operational structures by integrating technology platforms, credit systems, and compliance frameworks. According to operational risk theory, such large-scale organizational changes increase complexity and may elevate the probability of control failures.

**Table 5: Operational Risk Sources in Bank Mergers**

Risk Source	Description	Potential Financial Crime Impact
System Integration	Migration of IT platforms	Data manipulation and cyber fraud
Process Alignment	Harmonization of procedures	Compliance gaps
Human Resource Changes	Role restructuring	Insider fraud risk
Data Migration	Transfer of customer and transaction data	Information security risks
Control Redesign	Changes in audit and monitoring systems	Reduced fraud detection

**• Institutional Theory**

Institutional Theory suggests that organizations adapt to regulatory and policy pressures to maintain legitimacy. Public sector bank mergers in India were policy-driven reforms aimed at strengthening the banking system. However, rapid institutional change may create a gap between formal governance structures and practical implementation. During this period, inconsistencies in operational practices may increase risk exposure.

**Table 6: Institutional Changes in Post-Merger Banks**

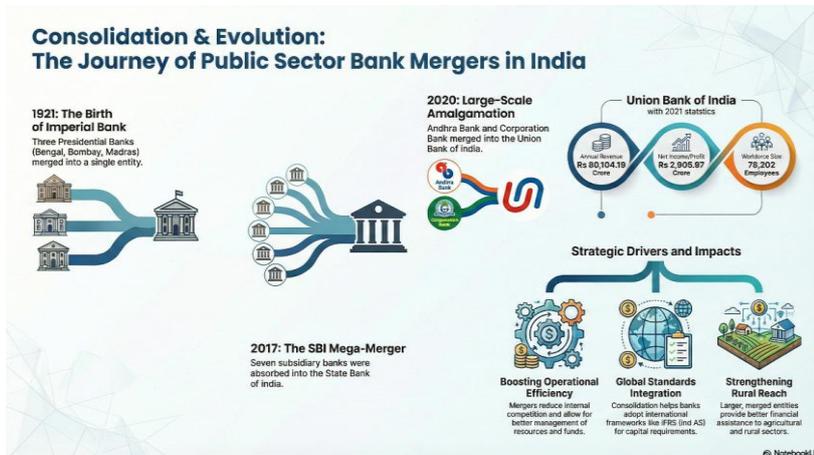
Institutional Change	Impact on Operations
Governance restructuring	Changes in decision-making hierarchy
Policy harmonization	Transitional compliance challenges
Organizational expansion	Increased monitoring complexity
Regulatory alignment	Adjustment period for new frameworks

**• Governance and Control Perspective**

Corporate governance frameworks emphasize effective monitoring, accountability, and transparency as key mechanisms for reducing financial crime risk. Larger merged banks operate with expanded networks and multi-layered hierarchies, making oversight more challenging. If governance structures are not strengthened proportionately, control gaps may emerge.

**Table 7: Governance Challenges After Bank Mergers**

Governance Dimension	Pre-Merger Condition	Post-Merger Challenge
Monitoring Scope	Limited organizational size	Expanded operational network
Accountability	Clear institutional roles	Diffused responsibilities
Compliance Structure	Independent systems	Harmonization delays
Risk Oversight	Smaller portfolios	Complex consolidated exposure



**Figure 2: Mergers History**

Source: Curated by the author with the help of Notebook LM

- **Conceptual Understanding**

Based on these theoretical perspectives, bank mergers may influence financial crime risk indirectly through increased operational complexity, governance transition, and temporary weaknesses in internal control systems. The theoretical framework suggests that financial crime risk is likely to rise when integration challenges create opportunities for misconduct and when governance mechanisms lag behind structural expansion.

#### **Literature Review**

**Cressey (1953)** explained financial misconduct through the Fraud Triangle Theory, which identifies pressure, opportunity, and rationalization as the three major conditions leading to fraud. The study highlights that opportunity arises when internal controls are weak, making this framework relevant for understanding fraud risk during organizational restructuring such as bank mergers.

**Berger, Demsetz, and Strahan (1999)** examined consolidation trends in the financial services industry and concluded that bank mergers can improve efficiency and competitiveness; however, larger institutions also become more complex, which may create challenges in governance and risk monitoring.

**DeYoung, Evanoff, and Molyneux (2009)** reviewed international evidence on bank mergers and found that while consolidation can generate long-term performance gains, integration periods often involve operational disruptions and managerial challenges that may affect institutional stability.

**Basel Committee on Banking Supervision (2011)** defined operational risk as losses arising from failures in internal processes, systems, people, or external events. The framework emphasizes that structural changes within banks increase operational vulnerabilities, highlighting the importance of robust risk controls during merger transitions.

**Laeven and Levine (2007)** analyzed bank governance structures and found that increased organizational complexity can reduce monitoring efficiency and complicate risk oversight. Their findings suggest that larger merged institutions require stronger governance frameworks to maintain effective control mechanisms.

**Armour, Mayer, and Polo (2017)** studied misconduct in financial institutions and argued that weak governance and ineffective regulatory oversight contribute significantly to financial misconduct. The study highlights the role of institutional governance in reducing financial crime risks.

**Acharya, Hasan, and Saunders (2006)** examined diversification and risk in banking and found that expansion and consolidation may increase risk exposure if integration is not supported by strong governance and monitoring systems.

**Ramkrishnan and Thakor (1984)** discussed information asymmetry in banking and emphasized that monitoring inefficiencies can increase adverse outcomes in lending systems, which is particularly relevant in the context of merged banks handling larger credit portfolios.

**KPMG (2019)** reported that digital transformation in banking has increased exposure to cyber-related frauds and emphasized that integration of multiple technological systems can create vulnerabilities during transition phases.

**Reserve Bank of India (2023, 2024)** reports highlighted rising trends in banking fraud cases, particularly in digital payment systems, while large-value frauds remained concentrated in loan and credit-related activities. These findings indicate a dual risk structure in Indian banking, combining technology-driven fraud frequency with traditional high-value credit risks.

**Jamali and Karam (2018)** emphasized that institutional reforms and governance structures in emerging economies significantly influence organizational behavior and risk outcomes. Their insights support the argument that policy-driven restructuring such as bank mergers can affect institutional risk exposure.

**Pham, Tučková, and Jabbour (2019)** discussed organizational transformation and risk adaptation, suggesting that large-scale structural changes require strong alignment of systems, culture, and governance to prevent operational vulnerabilities.

Overall, existing literature suggests that while banking mergers improve efficiency and competitiveness, they may also increase operational complexity, governance challenges, and temporary

monitoring gaps. However, limited research directly links public sector bank mergers with financial crime risk in the Indian context, creating a gap that this study addresses.

### **Methodology**

This study adopts a descriptive and analytical research design to examine the relationship between recent public sector bank mergers and financial crime risk in India. The research is conceptual in nature and relies on secondary data to analyze institutional changes, fraud trends, and governance-related risk factors.

- **Research Design**

The study follows a qualitative approach supported by secondary quantitative indicators. It focuses on understanding how merger-related structural changes may influence operational vulnerabilities and opportunities for financial crimes within the banking sector.

- **Data Sources**

Data used in this study has been collected from credible secondary sources, including Reserve Bank of India (RBI) annual reports, reports on trend and progress of banking in India, government policy documents related to bank mergers, academic research papers, and industry publications addressing fraud risk and banking governance.

- **Study Period**

The analysis primarily covers the period surrounding major public sector bank mergers implemented during 2019–2020 and subsequent years. This timeframe allows evaluation of institutional transition and emerging fraud trends in the post-merger environment.

- **Method of Analysis**

The study uses comparative and thematic analysis to interpret the relationship between bank mergers and financial crime risk. Fraud trend data is analyzed to observe changes in frequency and value of banking frauds, while theoretical frameworks are applied to interpret governance and operational risk implications.

- **Scope of the Study**

The research is limited to Indian public sector banks and focuses on the potential relationship between merger-driven structural changes and financial crime exposure. The study emphasizes institutional and governance perspectives rather than individual bank-level case analysis.

- **Limitations**

The study relies entirely on secondary data, and findings are based on reported fraud statistics, which may not capture unreported cases. The research establishes analytical associations rather than direct causal relationships between mergers and financial crimes.

### **Data Analysis and Findings**

This section presents a detailed analysis of financial crime trends in the Indian banking sector using authentic data reported by the Reserve Bank of India (RBI). The purpose of this section is to examine patterns in banking frauds and interpret them in the context of structural transformation resulting from public sector bank (PSB) mergers. The analysis focuses on both the frequency of fraud cases and the monetary value involved, as these two indicators together provide a comprehensive understanding of financial crime dynamics within the banking system. The section further interprets the findings through operational risk and governance perspectives to identify how institutional restructuring may influence fraud exposure.

- **Overview of Banking Fraud Trends in India**

Financial crimes in the banking sector have evolved significantly over recent years due to digital transformation, expansion of financial services, and increasing complexity of banking operations. RBI data reveals that fraud trends in India are not linear; instead, they reflect changing fraud typologies, improved reporting systems, and evolving risk environments. Traditionally, banking frauds were dominated by large-value corporate lending irregularities. However, the growth of digital banking has led to an increase in smaller but more frequent technology-enabled frauds.

The data analyzed in this study covers the period from FY 2021–22 to FY 2024–25, which includes the post-merger phase of major public sector banks. This period is particularly relevant because merged institutions were integrating systems, governance structures, and operational processes while simultaneously adapting to rapidly expanding digital banking ecosystems.

**Table 17: Banking Fraud Trends in India**

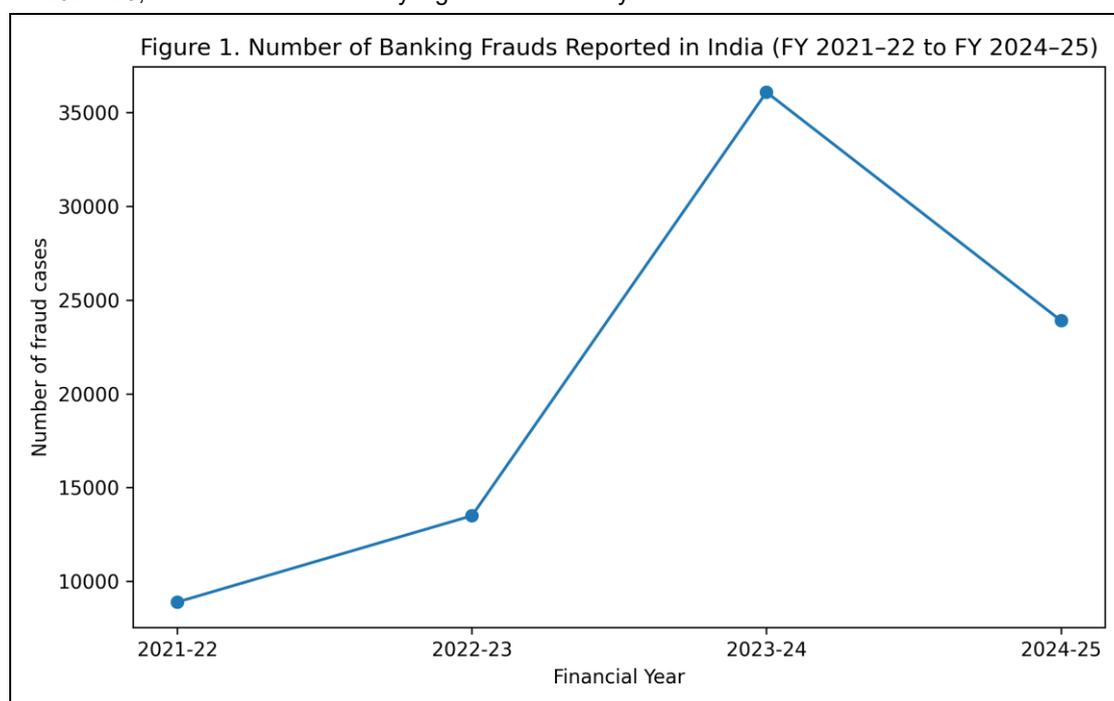
Financial Year	Number of Frauds	Amount Involved (₹ crore)
2021–22	8,900	36,600
2022–23	13,500	16,500
2023–24	36,075	13,930
2024–25	23,900	34,800

Source: Reserve Bank of India Annual Reports and Report on Trend and Progress of Banking in India.

The table demonstrates two important observations. First, the number of fraud cases increased sharply over the period, especially during FY 2023–24. Second, the amount involved does not follow the same pattern, indicating that fraud frequency and financial impact are driven by different underlying factors.

- **Trend Analysis: Number of Fraud Cases**

The first dimension of analysis focuses on the number of fraud incidents reported annually. The data shows a steady increase from 8,900 cases in FY 2021–22 to 13,500 cases in FY 2022–23, followed by a sharp rise to 36,075 cases in FY 2023–24. Although the number declined to around 23,900 cases in FY 2024–25, it remained substantially higher than earlier years.



**Figure 3: Number of Banking Frauds Reported in India**

Source: Curated by the author

The rise in fraud cases can be interpreted through multiple factors:

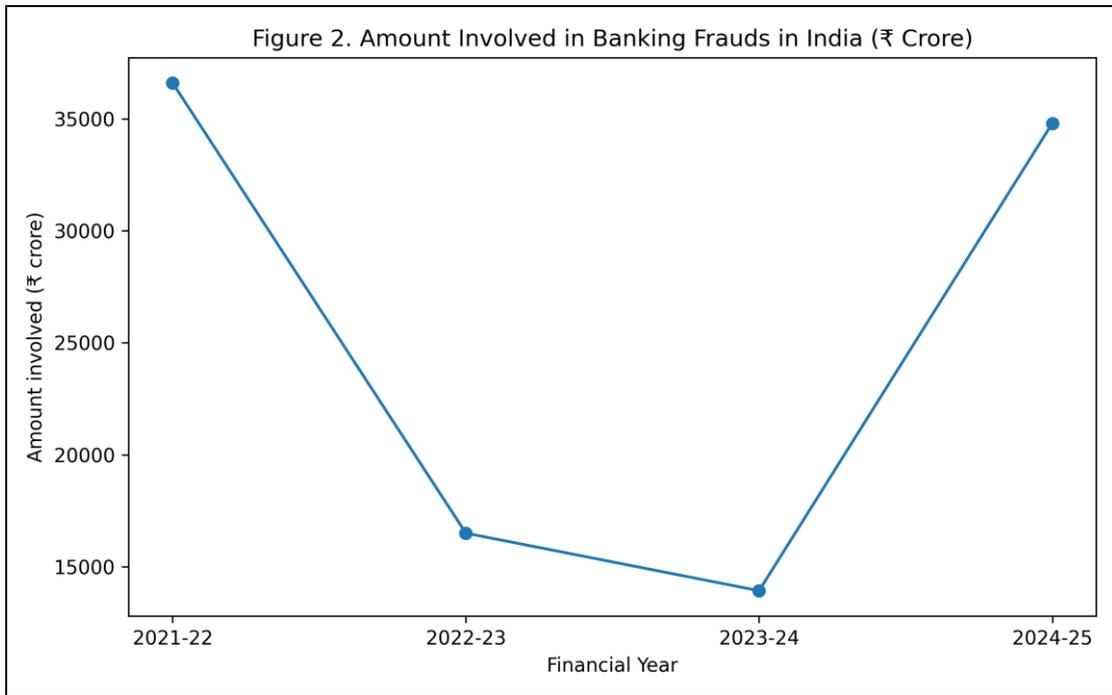
- **Expansion of Digital Transactions**
  - Increased use of online banking, mobile payments, and digital platforms has expanded opportunities for cyber-enabled frauds. These frauds are typically small in value but high in frequency.

- **Improved Reporting Mechanisms**
  - Regulatory emphasis on transparency and fraud reporting may have increased detection and reporting rates, contributing to higher recorded incidents.
- **Operational Complexity in Large Banks**
  - Post-merger institutions operate with expanded customer bases and larger transaction volumes, increasing the probability of fraud occurrence.
- **Changing Fraud Typology**
  - Fraud patterns have shifted from traditional loan-related cases toward payment and technology-driven incidents.

The sharp rise in reported frauds indicates that banking institutions are operating in an increasingly complex risk environment, where digital vulnerabilities play a significant role.

• **Trend Analysis: Amount Involved in Frauds**

The second dimension of analysis examines the monetary value involved in banking frauds. Unlike the number of cases, the amount involved shows a fluctuating trend. The total amount declined from approximately ₹36,600 crore in FY 2021–22 to ₹13,930 crore in FY 2023–24, before increasing again to about ₹34,800 crore in FY 2024–25.



**Figure 4: Amount Involved in Banking Frauds (₹ crore)**

Source: Curated by the author

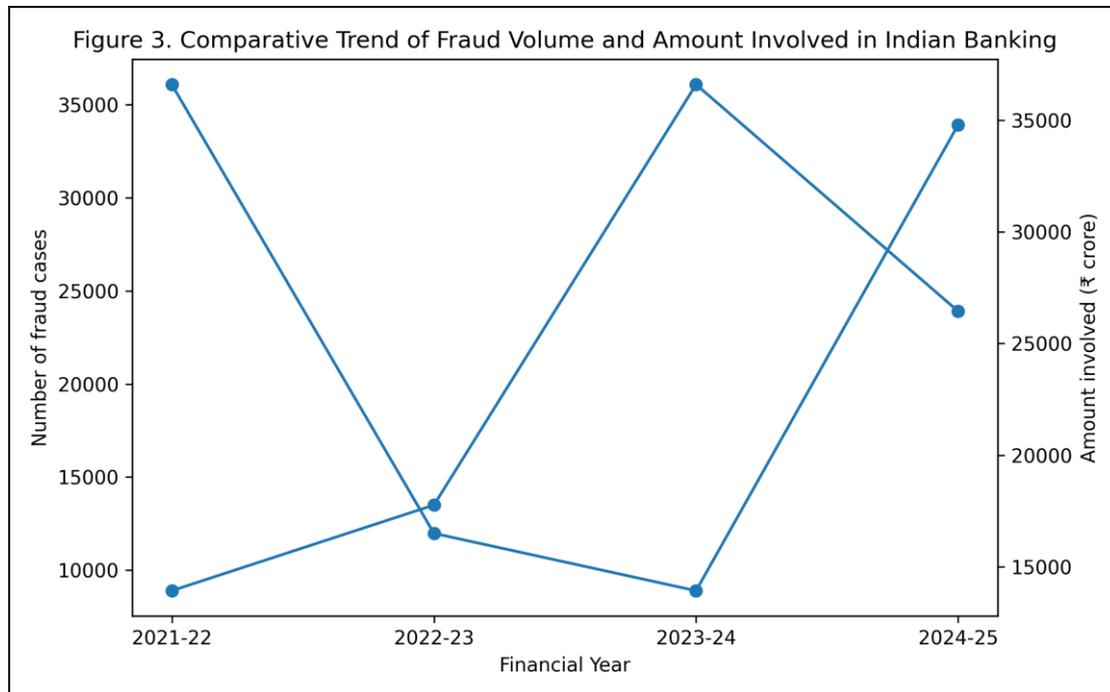
This divergence between fraud frequency and financial value highlights a structural shift in financial crime patterns:

- Digital frauds contribute significantly to the number of incidents but involve relatively smaller amounts.
- Credit and loan-related frauds remain fewer in number but account for a large share of financial losses.

The decline in monetary value during FY 2023–24 suggests a period dominated by high-frequency, low-value frauds. However, the increase in FY 2024–25 indicates that large-value fraud risks continue to persist, likely associated with corporate lending and legacy credit portfolios.

- **Comparative Analysis: Volume vs Value**

A combined analysis of fraud frequency and financial value provides deeper insight into the evolving risk structure within Indian banking.



**Figure 5: Fraud Volume vs Amount (Dual Trend Analysis)**

Source: Curated by the author

The figure demonstrates that fraud volume and financial losses do not move in the same direction. This indicates the coexistence of two distinct categories of financial crime:

- **High-frequency, low-value frauds**
  - Primarily digital payment and cyber-related frauds driven by technology adoption.
- **Low-frequency, high-value frauds:**
  - Credit and loan-related irregularities involving larger financial exposures.

This dual structure suggests that risk management strategies must address both operational cybersecurity risks and traditional credit governance challenges simultaneously.

- **Interpretation in the Context of Bank Mergers**

The observed fraud trends coincide with the post-merger integration phase of major public sector banks. While mergers are not direct causes of financial crimes, structural consolidation may influence institutional risk exposure through several mechanisms:

- **Integration of Technology Systems**

Merged banks must integrate multiple legacy IT systems, databases, and digital platforms. During this process, temporary vulnerabilities may emerge due to system incompatibility, data migration challenges, and delays in standardizing fraud detection tools.

- **Governance Restructuring**

Organizational restructuring alters reporting hierarchies and accountability structures. During transition phases, monitoring efficiency may temporarily decline, increasing opportunities for misconduct.

- **Expansion of Operational Scale**

Merged institutions operate with larger branch networks, broader customer bases, and higher transaction volumes. Increased scale naturally raises operational complexity and monitoring challenges.

- **Legacy Credit Portfolio Risks**

Anchor banks inherit loan portfolios from merged entities, including stressed assets and unresolved exposures. These legacy risks may contribute to large-value fraud cases observed in fraud amount data.

- **Key Findings from Data Analysis**

The analysis generates several important findings:

- The Indian banking sector is experiencing a significant rise in fraud frequency, largely driven by digitalization and increased transaction volumes.
- Monetary losses remain concentrated in fewer high-value fraud cases, indicating persistent credit governance challenges.
- Fraud frequency and financial value exhibit different trends, highlighting the need for multi-dimensional risk management approaches.
- Post-merger institutions operate in a more complex environment where governance integration and system harmonization play critical roles in controlling financial crime risk.
- Operational risk exposure increases during integration phases, supporting theoretical arguments presented earlier in the study.

- **Summary of Findings**

Overall, the data analysis suggests that the Indian banking sector is undergoing a transformation in financial crime patterns. The rise in fraud incidents alongside fluctuating financial losses indicates a shift toward digital frauds while maintaining exposure to traditional credit-related risks. The timing of these trends within the post-merger period highlights the importance of robust governance mechanisms and operational risk controls during institutional restructuring. The findings support the argument that mergers may indirectly influence financial crime risk by increasing organizational complexity and creating transitional vulnerabilities that require proactive regulatory and managerial intervention.

### **Discussion and Interpretation**

The findings presented in the previous section provide important insights into the evolving nature of financial crimes within the Indian banking sector and their potential relationship with public sector bank mergers. This section interprets the results in light of theoretical frameworks and existing literature to explain how structural consolidation may influence financial crime risk through operational, technological, and governance-related mechanisms.

- **Interpretation of Fraud Trends**

The analysis shows a significant increase in the number of reported fraud cases alongside fluctuations in the total amount involved. This divergence suggests that the Indian banking sector is experiencing a structural shift in fraud typology. The rise in fraud frequency indicates the growing influence of digital and payment-related frauds, while the persistence of high-value frauds highlights continuing vulnerabilities in credit governance and institutional monitoring.

From a risk perspective, the increase in fraud cases does not necessarily imply a deterioration in banking integrity; it may also reflect improved detection and reporting systems. However, the sustained presence of large-value frauds suggests that structural governance challenges remain unresolved. This dual pattern supports the argument that modern banking institutions face both technology-driven operational risks and traditional credit-related risks simultaneously.

- **Link Between Mergers and Operational Complexity**

Public sector bank mergers significantly increased the operational scale of institutions. Larger banks manage broader customer bases, expanded branch networks, and higher transaction volumes. According to operational risk theory, increased complexity raises the probability of process failures and monitoring challenges.

During post-merger integration, banks must align policies, procedures, and technological platforms originating from different institutions. This transition can create temporary inconsistencies in operational controls, increasing exposure to fraud opportunities. The findings from the data analysis align with this theoretical expectation, as the rise in fraud incidents coincides with the period of institutional consolidation and digital expansion.

- **Governance Challenges in Post-Merger Banks**

Governance plays a central role in preventing financial crimes. Merged institutions often experience changes in reporting structures, decision-making hierarchies, and accountability frameworks. Such restructuring may temporarily weaken oversight mechanisms until governance systems stabilize.

The persistence of high-value fraud cases observed in the data suggests that governance integration remains a critical challenge. Larger institutions require stronger internal audit systems, unified compliance frameworks, and enhanced risk monitoring capabilities. If governance structures fail to adapt quickly to expanded organizational scale, opportunities for misconduct may increase.

This interpretation supports governance literature emphasizing that institutional growth must be accompanied by proportional strengthening of control mechanisms.

- **Technological Integration and Digital Fraud Risk**

Digital transformation has become a defining characteristic of the Indian banking sector. The integration of multiple legacy IT systems after mergers increases technological complexity and may create temporary vulnerabilities. Data migration, system interoperability issues, and differences in cybersecurity standards can affect fraud detection capabilities.

The sharp increase in fraud frequency observed in the data is consistent with global trends showing growth in digital fraud incidents. Technology-enabled frauds typically involve smaller amounts but occur more frequently, explaining the divergence between fraud volume and financial value.

Merged banks, operating on integrated digital platforms, must therefore prioritize cybersecurity governance and real-time monitoring systems to manage emerging risks effectively.

- **Legacy Credit Risks and High-Value Fraud**

Although digital frauds dominate by number, large-value frauds continue to account for substantial financial losses. These cases are often associated with credit and lending activities, which remain critical risk areas for public sector banks.

Mergers result in consolidation of credit portfolios, meaning that anchor banks inherit historical lending exposures from merged entities. If previous monitoring systems were weak, unresolved risks may surface during post-merger periods. This explains why monetary losses remain high despite changes in fraud frequency patterns.

The findings suggest that credit risk governance remains a key area requiring continuous oversight even after structural consolidation.

- **Theoretical Interpretation**

The results of the study can be interpreted through the theoretical frameworks discussed earlier:

- **Fraud Triangle Theory:**

- Post-merger integration may increase opportunities for misconduct due to temporary control gaps and role ambiguity.

- **Operational Risk Theory:**

- Increased organizational complexity and system integration challenges elevate operational risk exposure.

- **Institutional Theory:**

- Policy-driven reforms may create gaps between formal governance structures and practical implementation during transition phases.

Together, these theories explain how mergers may indirectly influence financial crime risk without being direct causes of fraud.

- **Implications for Risk Governance**

The findings highlight several governance implications for merged public sector banks:

- Strengthening internal control systems during integration phases is essential.
- Technology integration should be accompanied by enhanced cybersecurity measures.
- Governance frameworks must evolve to match increased organizational scale.
- Credit monitoring systems require continuous improvement to detect high-value fraud risks.
- Risk culture and accountability mechanisms must be aligned across merged entities.

## **Conclusion**

The present study examined the potential relationship between recent public sector bank mergers in India and the increased risk of financial crimes from an operational and governance perspective. The analysis was based on theoretical frameworks, existing literature, and authentic banking fraud data reported by the Reserve Bank of India. The findings highlight that while bank consolidation is primarily aimed at strengthening financial stability and improving efficiency, the transitional phase following mergers introduces operational complexities that may increase exposure to financial crime risks.

The analysis of fraud trends revealed a significant rise in the number of reported fraud cases in recent years, indicating a shift toward high-frequency digital and payment-related frauds. At the same time, large-value frauds continue to persist, particularly in credit and lending activities. This dual pattern suggests that the Indian banking sector faces both emerging technology-driven risks and traditional governance-related vulnerabilities. The divergence between fraud frequency and monetary value demonstrates that financial crime risk is multi-dimensional and cannot be assessed solely through a single indicator.

From a theoretical perspective, the findings align with the Fraud Triangle Theory, Operational Risk Theory, and Institutional Theory. Bank mergers increase organizational size and complexity, requiring integration of systems, processes, and governance structures. During this transition, temporary control gaps, accountability ambiguities, and technological vulnerabilities may emerge, creating opportunities for financial misconduct. Thus, mergers do not directly cause financial crimes but may indirectly influence risk exposure by altering institutional structures and operational environments.

The study further highlights the importance of governance in managing post-merger risks. Effective internal controls, unified compliance systems, strong audit mechanisms, and enhanced cybersecurity frameworks are essential for minimizing vulnerabilities. As merged banks operate with larger customer bases and expanded digital platforms, risk management practices must evolve accordingly. The persistence of high-value frauds also indicates the need for stronger credit monitoring and early warning systems within consolidated institutions.

Overall, the study concludes that public sector bank mergers represent a strategic reform with long-term benefits; however, the integration period constitutes a critical risk phase that requires proactive governance and operational oversight. Strengthening risk governance during this transition is essential to ensure that the benefits of consolidation are not undermined by increased financial crime exposure.

The study contributes to existing literature by linking banking consolidation with financial crime risk within the Indian context, an area that has received limited scholarly attention. Future research may build on this work by conducting bank-level empirical analysis, comparative international studies, or quantitative modeling to further understand the long-term implications of mergers on financial crime dynamics.

### Future Implications

The findings of this study highlight several important future implications for the Indian banking sector following public sector bank mergers.

First, merged banks will need stronger and more integrated risk governance frameworks to manage increased organizational complexity. Unified internal controls, improved compliance systems, and clear accountability structures will be essential to reduce financial crime vulnerabilities.

Second, the growing role of digital banking suggests that future fraud prevention will increasingly depend on technology-driven solutions. Adoption of artificial intelligence, data analytics, and real-time transaction monitoring will be important for early detection of digital and cyber-related frauds.

Third, regulatory authorities may need to adopt more dynamic supervisory approaches tailored to large consolidated institutions. Continuous monitoring and stronger reporting standards will help address emerging risks associated with digital transactions and institutional expansion.

Fourth, organizational integration and risk culture alignment will remain critical. Training, ethical practices, and consistent governance standards across merged entities can help reduce insider-related risks.

Finally, future research can focus on empirical bank-level analysis and long-term evaluation of merger outcomes to better understand the relationship between consolidation and financial crime risk.

Overall, the future success of bank mergers will depend on how effectively institutions strengthen governance, technology, and risk management practices to ensure financial stability while minimizing fraud exposure.

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