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CAMELS ANALYSIS: A MAGNIFYING LENS TO ANALYSIS THE IMPACT OF MERGERS AND ACQUISITIONS ON BANKS

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ABSTRACT

The Central Government along with the Reserve Bank of India has taken various reform measures from time to time to build a strong and robust banking sector and make it less vulnerable to the external shocks. One of the most important reform measures is the Consolidation of the banks. This process of the integration is not new to the banking industry as the very first merger took place several years down the history.The most significant merger in the pre-independence time was of the three presidency banks: Bank of Madras, Bank of Bombay and Bank of Bengal in1935 to establish the Imperial Bank of India which was later renamed as State bank of India in 1955. **In 1993 the first merger between the two PSBs took place wherein the New Bank of India is merged with Punjab National Bank, resulting in reduction of the number of nationalized banks from 20 to 19.** *The concept of the mergers and acquisitions in the banking industry regained importance in the current scenario with the merger of the Associate banks of SBI and Bharatiya Mahila Bank with SBI followed by the launch of* **mega merger drive in 2019.** *The merger process can either be the voluntary or compulsory depending on the requirements of the country at that time. Earlier mergers were basically used as a tool to consolidate the weaker banks into strong banks to give new life to the weak banks, but later on the trend changed and numerous voluntary mergers took place with the objective to reap the benefits of the integration. The launch of the scheme of the mergers and acquisitions of the banks brings an impact not only on the banks involved in the process but also on the economy as a whole. Therefore, it becomes imperative to study the impact of such decisions on the financial health of the banks. The* **CAMELS** *ratings is the supervisory rating system which was originally developed in the U.S to examine the soundness of the banking system. In India, The High Level Steering Committee was constituted in the year 2011 to review the supervisory processes of the commercial banks recommended its application in the country. The present paper focus on the study of the concept of the mergers and latest trends of the mergers in Public sector banks. The CAMELS analysis is also studied in detail in the case of merger of BANK OF BARODA, VIJAYA BANK AND DENA BANK.*

KEYWORDS: *Mergers and Acquisitions, CAMELS, CAR, Liquidity Ratios, Sensitivity Analysis.*

Introduction

The economic reforms undertaken by the government and Reserve Bank of India Since 1992 were aimed to fulfill the twin objectives of ensuring the safety and soundness of the financial sector of the country and at the same time making the financial institutions efficient, functionally diverse and competitive. In a developing economy like India, RBI and the government has to play a crucial role in the development of the financial sector. The capital infusion undertaken by the government in PSBs provides strength to them and at the same time make them competitive. The relaxation of the entry norms for the private banks and foreign makes increases competition on the one hand and contributes in achieving the goals of the financial inclusion on the other hand.

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Thus the Reserve Bank of India, in February 2005, adopted a two track and gradualist approach:

- Consolidation in both public and private sectors
- Relaxed entry norms for gradual enhancement of foreign banks in a synchronized manner.

The Reserve bank of India provided suitable regulatory, institutional and supervisory framework to support the consolidations among the banks in the country with giving due consideration to the fact that the mergers and consolidations did not contribute in creating oligopolistic structure in the market. The strategy of **"TOO BIG TO FAIL**" was given due consideration while framing the policies of the mergers and the acquisitions.The various committees associated with mergers are: **Narasimhan Committee 1,Narasimhan Committee 2, Khan Committee, Verma Committee, Leeladhar Committee, Raghu ram Rajan Committee, P J Nayak Committee etc.** On the basis of the recommendations of these various committees the latest move of the mega merger drive of the PSBs was launched by the government of India.

Objectives of the Study

- To study the concept of the mergers and acquisitions of the banks.
- To analyse the latest trends of the mergers in Public sector banks
- To study the financial impact of the merger of the Bank of Baroda with Vijaya bank and Dena bank using CAMELS approach.

Research Methodology

The present paper is a mix of conceptual and analytical study. The study of the concept of the mergers and the latest trends of mergers of PSBs has been done on the basis of the data collected from newspapers, websites and the journals. The case study of analysis of the financial impact using CAMLES analysis of the merger of the bank of Baroda with Vijaya Bank and Dena Bank has been done on the basis of the data collected from the annual reports of the concerned banks for the pre and the post-merger period.

Hypothesis

Null Hypothesis (H0): There is no significant difference in the financial performance of BOB before and after merger. **Alternate Hypothesis (H1):** There is significant difference in the financial performance of BOB before and after merger.

Concept of Mergers

The turmoil brought in by the introduction of the reforms in the banking sector through Liberalization, Privatization and Globalization has brought not only the competition but also structural reforms. The mergers and acquisitions (M&A) is one of the structural reform undertaken in this direction. The Accounting Standard 14 (AS14), Accounting for Amalgamations, classifies Amalgamations in 2 broad categories:

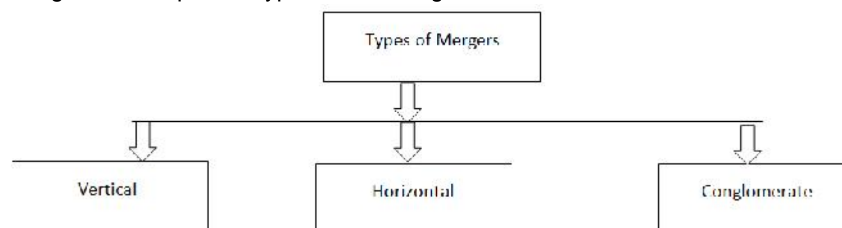
- Amalgamation in the nature of Merger
- Amalgamation in the nature of Purchase.

In the case of the **Amalgamation in the nature of Merger** there is genuine pooling of the assets, liabilities and the businesses of both the firms and the accounting treatment of the amalgamated entity highlights the sums equivalents to the more and less total of the assets and liabilities of the amalgamating firms. The shareholders interest of both the firms are given due consideration in such type of amalgamation in the nature of business.

In case of **Amalgamation in the nature of Purchase,** the business of one firm is acquired by the other firm with the intention of closing of the business of the amalgamating firm. The shareholders of the amalgamating bank do not have proportionate share in the shareholding

Types of Mergers

Following are the important types of the mergers:



Vertical Mergers

The mergers between the two firms engaged in supply of products for the same finished product come under the purview of the vertical mergers. Such merger can either be forward merger or the backward merger.

Horizontal Mergers

This is the most common form of merger wherein the two firms competing in the same market agrees to join hands with each other. The business of the one firm may be acquired by the other firm whose product is almost similar to each other or is closely related to each other.

Conglomerate Mergers

When merger takes place between the two firms which are engaged in unrelated business activities is termed as the conglomerate merger. This type of mergers results on sharing of expertise between the entities proposed to be merged.

Mega merger Drive of six Public sector banks with four PSBs (2019-2020)

Laying the strong foundation through Financial sector reforms is an ongoing endeavour of the government of India. In the direction of the dreams of establishing the Next Gen Banks and gaining the benefits of the consolidation, the Finance Minister, on 30 August 2019, announced the drive of mega merger of the Public sector banks in the Indian banking industry in which the consolidation of six public sector banks is planned to merge with four Public Sector banks.

The consolidation will result in reducing the number of PSBs to 12. The consolidation is based on the recommendations of the various committees highlighting the existence of the few strong public sector banks along with various small / local banks. The mergers proposed and approved is planned to be effective from 1st April 2020.

The details of the proposed merger are as follows:

Sr. No	Entities to be consolidated	Consolidated Entity (Anchor Bank)
1.	PNB+ OBC+ United Bank of India	PNB
2.	Canara Bank+ Syndicate Bank	CANARA BANK
3.	Union Bank+ Andhra Bank+ Corporation Bank	UNION BANK
4.	Indian Bank + Allahabad Bank	INDIAN BANK

The proposed merger is expected to classify the PSBs in the two broad categories:

Sr. No.	Banks With Strong National Presence and Global Reach	Banks to Strenghten National Presence and Regional Focus
1.	State Bank of India	Central Bank of India
2.	Punjab National Bank	Indian Overseas Bank
3.	Bank of Baroda	UCO Bank
4.	Canara Bank	Bank of Maharashtra
5.	Union Bank of India	Punjab and Sind Bank
6.	Bank of India	
7.	Indian Bank	

Case Study

Merger of Bank of Baroda, Dena Bank and Vijaya Bank (2019)

On 17 September 2018, the Finance Minister Mr. Arun Jaitely proposed the first three-way merger in the Indian Banking Industry. The proposal indicated the merger of three PSBs namely, Bank of Baroda, Dena Bank and Vijaya Bank with the objective to create the third biggest lender in the industry after SBI and HDFC. The combined entity is expected to have a business of more than 14.82 trillion.

The proposed merger was approved by the cabinet in Jan 2019 stating that the merger will be effective from 1 April 2019. The banks chosen for the proposed merger highlighted the intention of the government to merge 1 weak bank with 2 strong banks to create a strong banking entity.

The RBI released that from 1 April 2019, the branches of the Vijaya Bank and Dena Bank will function as the branches of the Bank of Baroda, similarly the customers (depositors and investors) of both the Vijaya Bank and Dena Bank will be customers of Bank of Baroda.

The merger brought an opportunity to create one of the best bank in the country for employees, partners and the stakeholders as well with the combined entity having wider network of branches and ATMs, Complete suite of products and Best in class processes. The tagline of the merger is:

Ab Saath Hain Teen, Behtar Se Behtareen

Bank of Baroda, Vijaya Bank and Dena Bank are now one- BANK OF BARODA

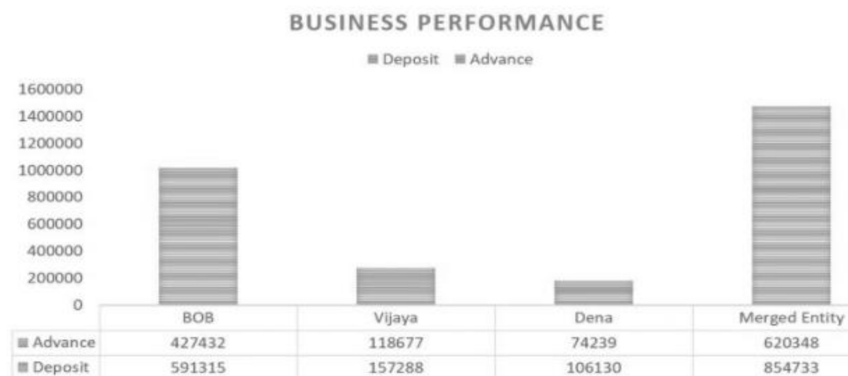
The combined financials of the merged entity are as follows:

Financial Parameters	Bank of Baroda (BoB)	Vijaya Bank	Dena Bank	Merged Entity
Total Business (Rs. Cr.)	10,29,810	2,79,575	1,72,940	14,82,325
Gross Advances (Rs. Cr.)	4,48,330	1,22,350	69920	6,40,600
Deposits (In Cr.)	5,81,485	1,57,325	1,03,020	8,41,830
Domestic Branches	5502	2130	1858	9490
Employees	56360	15875	13440	85675
Net NPA	5.40%	4.10%	11.04%	5.71%
CASA Ratio	35.52%	24.91%	39.80%	34.06%

Source: Business Standard 30th August, 2019.

Interpretation

- The merged entity business would approximately be 45% more than BOB current business. So, growth of approx. 1.5 times is expected from the merger.
- The combined advances and deposits of the merged entity are as follows



- Post-merger the branches of the bank will increase to 9490. If it is expected that the bank will maintain the same business per branch, then the required branches are 7916 resulting in consolidation of approx. 1559 branches. The savings of approx. 750 crore yearly is expected from the branch rationalisation.

- The actual number of the employees' post-merger will increase undoubtedly but if the bank is expected to make the same employee expense ratio the expected reduction in the no of employees ranges between 5500-6000. The main reason for which the unions opposes the mergers.
- The Dena Bank was under the PCA framework of RBI owing to very high NPA ratio. The merged entity will bring hardly change in the Net NPA % of BOB as the good quality assets of the Vijaya Bank balances off the bad quality assets of Dena Bank.
- The CASA % of the merged BOB will reduce to 34.06% from 35.52% showing negative trend.

The government of India with the objective to support the merger process smoothly decided to infuse Rs 5042 crore in Bank of Baroda to enhance its capital base to meet the additional expenses of the merger.

The SWAP ratio decided in the merger process is:

- For Vijaya Bank: Shareholders will get 402 equity shares for every 1000 shares held.
- For Dena Bank: Shareholders will get 110 equity shares for every 1000 shares held.

The no of Public Sector Banks functioning in the industry will come down to 18 after the merger. The merger is expected to create this merged entity as the third largest Public sector bank after SBI and PNB. The NPA ratio of 5.71% will be significantly better than the PSBs average of 12.13 %. The provision coverage ratio would be better at 67.5 per cent against an average of 63.7 per cent and the cost-to-income ratio of the combined entity would come down to 48.94 per cent as compared to average of 53.92 percent.

Camels Analysis

The consolidation always brings an impact on the banks under the process and the economy as a whole too. The impact may be positive or negative. Therefore, it becomes imperative to study the impact of the consolidation on the financials of the anchor banks during the pre and post period. In the consolidation process of the Bank of Baroda, Dena Bank and Vijaya Bank, the Bank of Baroda is the Anchor banks. The merger was effective from 1 April 2019. Therefore, for the purpose of the study the financials of the Bank of Baroda of 1 year pre and 1-year post merger has been taken for the purpose of the study. Hence the financials for the year ending 31 March 2018 is used as Pre-Merger data and the financials for the year ending 31 March 2020 is used as Post-merger data. For the purpose of the analysis CAMELS framework which was originally developed and implemented in US as a supervisory regulatory system to judge the financial soundness of the banks. In India it was recommended by a high level steering committee in 2012 to use this rating system to supervise and manage the financial soundness of the banks in the country.

CAMELS stands for :

- C: Capital Adequacy
- A: Asset Quality
- M: Management
- E: Earning
- L: Liquidity
- S: Sensitivity

The various ratios collected from the financial statements of the bank for the said period form the basis of the analysis. Thus the study is based on the analysis of the secondary data only.

Conceptual Framework of CAMELS Analysis

For the purpose of analysis various ratios have been used as a basis for analysing the financial soundness of the bank and thus help in studying whether the merger has brought any impact on the financial health of the concerned bank.The various ratios under each parameter are as follows:

- **C: Capital Adequacy**

The most important indicator for the financial soundness of a concern is that the firm should be adequately capitalised. It helps the firm to fulfil the interest of all the stakeholders and also prevents it from bankruptcy. Therefore, the adequately capitalised firm is always desirable. The banks have to abide by the RBI and BASEL norms for maintaining the adequately capital position.

The two ratios used for analysing the capital adequacy are:

- **Capital Adequacy Ratio**

Reserve Bank of India prescribes banks to maintain a minimum Capital to risk-weighted Assets Ratio (CRAR) of 9 % with regard to credit risk, market risk and operational risk on an on-going basis, whereas the Basel document has prescribed CRAR of 8%. It is the combination of Tier I and Tier II capital.

Formula:

$$CAR = \frac{\text{Tier I capital + Tier II capital}}{\text{Risk Weighted Assets}} \times 100$$

Analysis:

The higher ratio is desirable. It indicates that the bank is adequately capitalized.

- **Advances to Total Assets Ratio**

The ratio indicates the part of the total assets given as advances by the bank. A bank with aggressive lending policies will give large proportion of its assets as Advances with the objective to earn more income in the form of interest whereas the situation will be opposite for the bank with conservative approach of lending.

Formula:

$$\text{Advances to Total Assets Ratio} = \frac{\text{Advances}}{\text{Total Assets}} \times 100$$

Analysis

The higher ratio for advances to total assets is preferable.

Asset Quality

The loans distributed by the banks to meet the credit needs of the peoples of the country are the assets of the banks as they help to generate revenue too. The quality of the assets of the bank should be very good as the negative asset quality will have a spill over impact on the financial soundness of the concern. The bad asset quality brings negative impact in the stakeholder's interest on one side and on profitability too on the other side as a large amount of provisioning is required to be done. Therefore, it becomes imperative to evaluate the asset quality on a continuous basis.

The ratios used for the purpose are:

- **Gross NPA to Gross Advances**

This ratio represents the status of NPA without deducting the provision.

Formula: $\text{Gross NPA to Gross Advances} = \frac{\text{Gross NPA}}{\text{Gross Advances}} \times 100$

Analysis:

Lower ratio is preferable.

- **Net NPA to Net Advances**

Net NPA is calculated by reducing the cumulative balance of provisions outstanding at the period end from gross NPA. This ratio shows the proportion of the assets that have turned bad debts from the total advances distributed by the bank.

Formula: $\text{Net NPA to Net Advances} = \frac{\text{Net NPA}}{\text{Net Advances}} \times 100$

Analysis

Lower ratio is preferable as non-payments leads to losses to the bank and detoriates the quality of assets but sometimes the slow growth in the net advances may led to lower ratios irrespective of the same NPA.

M: Management

M stands for Management Capabilities. It focuses on the ability of the management to identify, analyse, monitor and control the risk of the organisation. The various ratios calculated for the purpose of analysing the management skills are as follows:

- **Business per Employee**

The most important consideration after the merger is that the organisation should deploy the human resources in an effective manner so that the adequate business per employee could be generated. The business should be increased to cope up with the increased workforce otherwise it will bring negative impact on the jobs of the employees.

Formula for calculation:

$\text{Business per Employee} = \frac{\text{Total Business (Deposits + Advances)}}{\text{No. of Employees}}$

Higher ratio is preferable as it indicates increased efficiency of the employees of the organisation.

- **Profit per Employee**

The ratio indicates the profitability of the bank per employee. It also indicates the efficiency in the management of the organisation.

Formula for calculation:

$\text{Profit per Employee} = \frac{\text{Net Profits}}{\text{No. of Employees}}$

Higher ratio is preferable.

- **Return on Assets**

The ratio indicates the profitability of the employees in relation to the total assets owned by it.

Formula:

$\text{Return on Assets (ROA)} = \frac{\text{Net Income}}{\text{Total Assets}} \times 100$

Higher ratio is always preferable indicating efficient management of the assets of the organisation.

- **Return on Equity**

The ratio is calculated to judge how efficiently the organisation is managing its operations and generating maximum benefits for the shareholder's investment.

Formula:

$\text{Return on Equity (ROE)} = \frac{\text{Net Income}}{\text{Shareholder's Wealth}} \times 100$

Higher ratio is always preferable.

E: Earnings Quality

E stands for the Earning Quality of the organisation. The ratio indicates the not only the ability to generate the profits but also focus on maintaining sustainability in it. The ratios calculated under this highlights the future earning capabilities of the organisation too. Organisations with high ratios have greater opportunity to invest in future course of activities to generate more profits.

- **Operating Profits to Total Assets**

The ratio highlights the efficient management of the operations of the organisation. The ratio indicates how well the organisation is using its assets to get the maximum revenues.

Formula:

$$\text{Operating Profits to Total Assets} = \frac{\text{EBIT}}{\text{Total Assets}} \times 100$$

Here, EBIT stands for Earning before Income and Tax

Higher ratio is preferable indicating the maximum utilisation of the assets to generate profits.

- **Net Profits to Total Assets**

This ratio indicates how much profit is left after paying off interest and taxes. It is calculated against total assets.

Formula:

$$\text{Net Profits to Total Assets} = \frac{\text{Earning after interest and taxes}}{\text{Total Assets}} \times 100$$

Analysis

The higher ratio is preferable.

- **Cost Income Ratio**

The ratio highlights the ratio between the cost and income of the organisation. The efforts are always focussed on reducing the cost in proportion to the income.

Formula:

$$\text{Cost income ratio} = \frac{\text{Cost}}{\text{Income}} \times 100$$

Analysis

Low ratio is always preferable.

L stands for Liquidity

Balancing the liquidity and the profitability is one of the most important strategic goal of an organisation. The banks need to generate the adequate amount of profits by investing them in the long term securities but at the same time has to maintain the liquidity position too. The adverse liquidity position can negatively impact the image of the bank. The ratios calculated to measure the liquidity position are as follows:

- **Liquid Assets to Total Assets**

This ratio indicates the percentage of liquid assets in the total assets of the balance sheet of a bank to evaluate the overall liquidity position of the bank. The liquid assets include cash in hand, money at call and short notice, balance with Reserve bank of India and balance with banks. The total assets include the revaluation of all the assets.

Formula:

$$\text{Liquid Assets to Total Assets} = \frac{\text{Liquid Assets}}{\text{Total Assets}} \times 100$$

Analysis

Higher ratio is always considered preferable.

- **Liquid Assets to Total Deposits**

The ratio indicates the liquidity availability to the depositors of the bank. Higher ratio indicates the sound liquid position of the bank.

Formula:

$$\text{Liquid assets to Total Deposits} = \frac{\text{Liquid Assets}}{\text{Total Assets}} \times 100$$

Analysis

Higher ratio is always considered desirable.

S stands for Sensitivity Analysis

The analysis is concerned with analysing the sensitivity of the organisation to the market risk exposures. It measures how the lending to the specific industries can impact on the profitability and the financial soundness of the organisation.

The main aspects covered under this section of the analysis are:

- **Doubtful debts/ Total Loans**
- **Provision of Loan/ Total Loans**
- **Long term deposits/ Total Deposits**
- **Demand** deposits/ Total Deposits

Data Analysis and Interpretation

Table 1: Capital Adequacy (CAR) (%)

Capital Adequacy	Pre-merger	Post-merger
Capital Adequacy Ratio	13.42	13.30
Advances to Total Assets Ratio	59.58%	60.05%

Interpretation

The capital adequacy ratio of the bank highlights that although the% of CAR post-merger has reduced slightly in comparison to the pre-merger period but yet the ratio is high as compared to the minimum prescribed CAR hence reflecting the sound financial health of the BOB after merger too.

The ratio of the advances to the total assets have also been improved slightly post-merger, although the increase is not much.

Table 2: Asset Quality (%)

Asset Quality	Pre-merger	Post-merger
Gross NPA to Total Advances	9.61	9.40
Net NPA to Net Advances	3.33	3.13

Interpretation

The ratio of the Gross NPA to the total assets have been reduced after the merger of the bank with two other banks. Reduction in % highlights the improved asset quality of the bank.

The Net NPA to Net advances ratio has also been reduced slightly not much indicting the lower NPAs after the consolidation thus maintaining the asset quality of the bank.

Table 3: Management Efficiency (%)

Management Capability of the Banks	Pre-Merger	Post-Merger
Business per Employee	18.88	18.77
Net Profit Per Employee	.78	.65
Return on Asset	.06%	.05%
Return on Equity	1.18%	1.23%

The business per employee and the Net Profit per employee have witnessed a declining trend although the decline is not much. The consolidation process has brought a challenge to the anchor bank to effectively manage and supervise the processes and hence the ratios declined slightly.

The return on assets has although declined after merger but the return on equity has been improved after the merger.

Table 4: Earning Quality (%)

Earnings Quality	Pre-Merger	Post-Merger
Operating Profits to Total Assets	1.72	1.70
Net Profits to Total Assets	.05	.047
Cost income ratio	52.01%	47.86%

Interpretation

The operating profits ratio and the net profit ratio to the total assets has although reduced post-merger but the reduction is very nominal. In the very first year of the merger of BOB it has been able to reduce its cost-income ratio indicating the efficient management of the activities of the organisation and increased profitability and improved earning quality of the bank.

Table 5: Liquidity

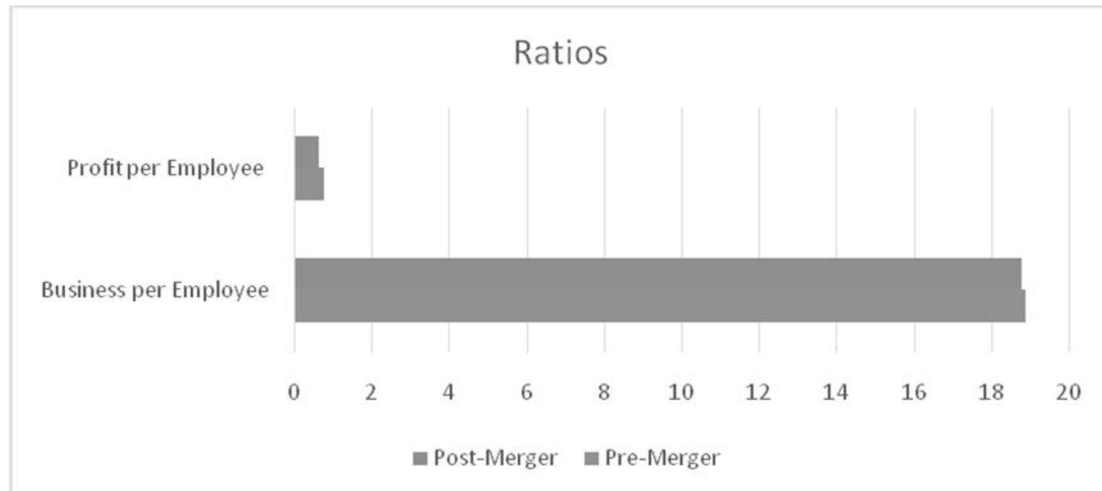
Liquidity	Pre-Merger	Post-Merger
Liquid Assets to Total Deposit	12.9	14.10
Liquid assets to Total Assets	10.45	11.28

Interpretation

The ratios of the Liquid assets to total assets and Liquid Assets to the total deposit of the bank has improved post-merger indicating the improved liquidity position of the bank after the merger.

Table 6: Business per Employee and Profit per Employee

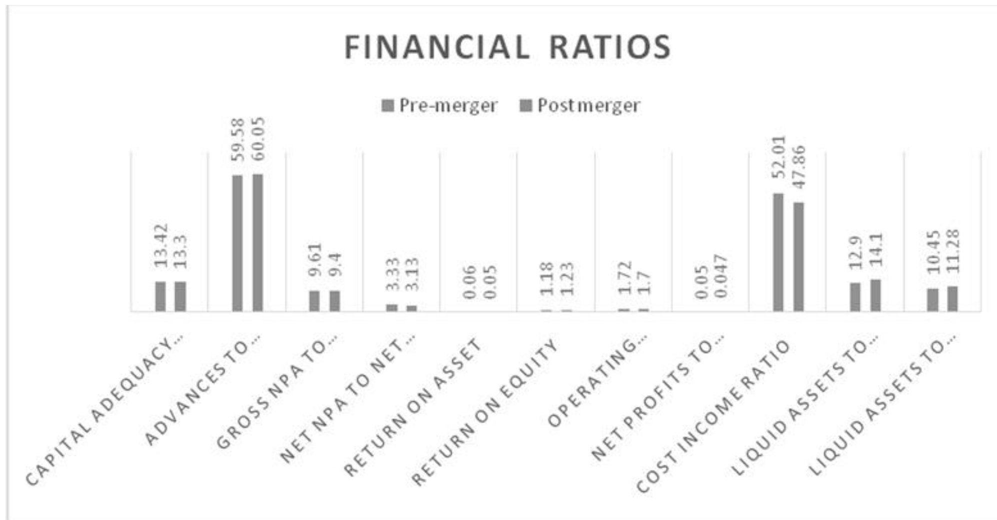
Ratio	Pre-Merger	Post-Merger
Business per Employee	18.88	18.77
Profit per Employee	.78	.65



The slight reduction in both the ratios are highlighted in the above mentioned chart.

The consolidated table for the analysis is as follows:

Ratio	Pre-merger	Post- merger
Capital Adequacy Ratio	13.42	13.3
Advances to Total Assets Ratio	59.58	60.05
Gross NPA to Total Advances	9.61	9.4
Net NPA to Net Advances	3.33	3.13
Return on Asset	0.06	0.05
Return on Equity	1.18	1.23
Operating Profits to Total Assets	1.72	1.7
Net Profits to Total Assets	0.05	0.047
Cost income ratio	52.01	47.86
Liquid Assets to Total Deposit	12.9	14.1
Liquid assets to Total Assets	10.45	11.28



T test Analysis

With theobjective to analyse the difference in the financial performance of the anchor bank i.e. Bank of Baroda after its consolidation with Vijaya bank and Dena Bank, the CAMEL analysis has been used. Various financial ratios on the basis of the annual financial statements has been calculated and used for the study. As the merger was effective from the year 1 April 2019 therefore, the data pertaining to the year ending 31 March 2019 is used as Pre merger and the data as per annual report for the year ending 31 March 2020 is used as post-merger data.

T test analysis is used to analyse the significance of the difference in the financial position of the bank in the pre and post-merger period.

Null Hypothesis (H0): There is no significant difference in the financial performance of BOB before and after merger.

Alternate Hypothesis (H1): There is significant difference in the financial performance of BOB before and after merger.

Hypothesis Testing

	Mean	Standard Deviation	Variance	Standard error	N
Pre-Merger	14.94	24.57	603.69	7.42	11
Post-Merger	14.74	23.98	575.21	7.22	11

Degree of freedom = 10-1=9

Confidence level = 95%

Value of t as calculated from the data using difference test = .470

Table value at given confidence level= 2.228

As the table value> computed value, null hypothesis is accepted stating that the merger has not brought any significant impact on the financial ratios of the anchor bank i.e. Bank of Baroda.

Summary of the Case Study

Although the hypothesis testing reveals no significant change in the financial ratios of the consolidated entity but on the basis of this analysis it cannot be said that the merger does not bring any impact. The merger of Bank of Baroda is the recent merger, very few data is available for the purpose of the study therefore 1 year pre and 1-year post merger is considered for the study. The actual and significant effect will come after the passage of time. Merger also have some non-financial impact also such as employee's attitude which cannot be measured in numeric terms but do have significant impact on the performance of the bank post-merger, which should be given due consideration too at the time of merger.

Conclusion

The, mergers and acquisitions, a tool to reap the benefits of the economy of scale by the RBI and the Central government has been used since times immemorial. The amalgamation of one bank with other bank can either be in the nature of merger or in the nature of purchase. The various committees associated with this concept has evaluated it in context of the Indian Banking Industry and recommended its application appropriately.

The concept regained importance with the launch of mega merger drive of the consolidation of Public sector banks which will result in reducing the number of PSBs to 12 and the scheme will be effective from 1 April 2020. The merger brings an impact not only on the entities proposed to be merged but also on the economy as a whole. Therefore, it is important to study the financial implications of the mergers too. The usage of CAMELS approach instead of Ratio analysis provides a suitable framework for the purpose. The above case study revealed there is no significant impact on the financial indicators pre and Post-Merger. But it cannot be used as a guiding tool alone to take decision on the mergers. Various other implications should also be given due consideration.

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