A Case Study On Mergers And Amalgamations Of Canara Bank And Syndicate Bank

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Abstract. A well-functioning financial system is crucial for a modern economy, with banks playing a vital role in economic and social stability. Public Sector Banks, particularly, are key in generating revenues from rural areas and expanding financial services to underserved regions. This study examines Canara Bank's performance and growth over the past five years, focusing on key financial parameters and the recent merger with Syndicate Bank. The research employs a doctrinal methodology, using secondary data sources, mainly the annual reports of Canara Bank. Key performance indicators analyzed include operating profit, net profit/net loss, net NPA ratio, capital adequacy ratio, and advances, providing a comprehensive overview of the bank's financial health and growth. The analysis reveals trends in Canara Bank's financial performance, with fluctuations in operating profit and net profit, variations in the net NPA ratio, and changes in the capital adequacy ratio. The merger with Syndicate Bank is assessed, highlighting its effects on financial stability and operational efficiency. The merger between Canara Bank and Syndicate Bank is a significant event in the Indian banking sector, with implications for financial inclusion and service expansion in rural areas. The study discusses these impacts, offering insights into how the merger has influenced Canara Bank's performance and strategic direction. The study summarizes key findings and suggests future strategies to enhance Canara Bank's performance post-merger. Recommendations focus on improving financial metrics and leveraging the merger to expand services and increase revenue generation, particularly in rural areas.

Keywords: Bank Efficiency; Capital Adequacy Ratio; Return on Assets; Gross NPAs

1. Introduction

Traditionally, existing research has thoroughly discussed the effect of bank mergers on efficiency and risk (Mr. Prasanna S & Dr. Shailaja M L, 2023). That mergers can enhance operational efficiency and reduce risks by pooling resources and diversifying portfolios (Jha & ., 2023). The concept of bank mergers is not new and has been an international

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phenomenon for decades (Calzada et al., 2023). In many instances, mergers are initiated to address bank distress and to stabilize the financial system (Mao et al., 2022). In India, there is a rich history of bank mergers, with a notable example being the merger of New Bank of India with Punjab National Bank in 1993 (Kumari & Kumari, 2022). The financial performance of Indian banks before and after mergers, providing valuable insights into how these financial institutions navigate the complexities of amalgamation (Kashyap, 2022). Some studies have narrowed their focus to commercial banks alone (Kumar & Bahl, 2022). For instance, how mergers affect the commercial banking sector, noting that while some banks achieve significant economies of scale and enhanced market reach, others struggle with integration issues and cultural clashes (A, 2022). The broader impact of mergers often leads to consolidation in the banking industry (Naveenan et al., 2022). However, the motives and outcomes of these mergers are diverse, ranging from strategic expansion to regulatory compliance (Muhammad Ardiansyah & Alhamzah Alnoor, 2024).

Restructuring banks without mergers is also possible, as evidenced by the case of YES Bank (Akhtar et al., 2021). Central banks, such as the Reserve Bank of India, periodically issue policies and directives to manage the financial health of banks, sometimes steering them towards mergers (Jethwani & Ramchandani, 2022). Policies like these have significant impacts on various aspects of the economy. For instance, they can affect loan rates and terms for small businesses, highlighting the broader economic implications of bank restructuring.

The merger of Canara Bank and Syndicate Bank stands as a landmark event in the history of the Indian banking sector (B.L.O et al., 2022). Both banks have long and storied histories, each contributing significantly to the development of India's banking industry (Montgomery, 2022). This merger, effective from April 2020, reflects the Indian government's strategic initiative to consolidate the banking sector, aiming to enhance operational efficiency, financial stability, and inclusion (Dutt Sharma & Kumar Garg, 2022). Canara Bank, established in 1906 by Ammembal Subba Rao Pai in Mangalore, Karnataka, has grown into one of India's largest public sector banks (Dr. Satheesh E.K et al., 2022). Known for its extensive branch network and robust financial services, Canara Bank has played a crucial role in promoting financial inclusion, especially in rural areas. Over the years, the bank has consistently focused on expanding its reach and services to underserved regions, providing essential banking services to a wide demographic. The bank's operations have been characterized by steady growth in terms of assets, customer base, and service offerings. Syndicate Bank, founded in 1925 by T.M.A. Pai, Upendra Pai, and Vaman Kudva, also originated in Karnataka (Yogashree, 2020). With a history of innovation and customer-centric services, Syndicate Bank established a strong reputation for its focus on small businesses, agriculture, and rural development. The bank's robust network and innovative banking solutions made it a significant player in the Indian banking landscape. Syndicate Bank's contributions to financial inclusion and its customer-centric approach earned it a loyal customer base and a strong market presence.

The merger of these two banking giants was part of a broader strategy by the Indian government to consolidate the public sector banks, a move aimed at creating larger, stronger, and more resilient financial institutions (Chen & Vashishtha, 2017). This strategy was driven by the need to enhance operational efficiency, reduce redundancy, and create economies of scale that would benefit the broader economy. The primary objectives of the merger included improving operational efficiency by eliminating

redundancies, streamlining operations, and reducing costs (Bhatta, 2016). A larger scale of operations would enable better resource allocation and more efficient service delivery (Raj & Gurumoorthy, 2015). Additionally, a stronger combined balance sheet would enhance the bank's ability to withstand economic challenges and financial shocks, improving the bank's capital base, asset quality, and overall financial health. Furthermore, expanding financial services to underserved and rural areas was a critical objective, supporting the government's financial inclusion initiatives and driving economic growth in remote regions.

Prior to the merger, Canara Bank had been performing steadily, focusing on expanding its reach and services in rural areas. The bank's financial metrics showed stable growth in operating profit and a strong capital adequacy ratio, indicating a healthy financial position. However, like many banks in India, Canara Bank faced challenges with non-performing assets (NPAs), which affected its net profit. Syndicate Bank, known for its customer-centric approach, also demonstrated a robust financial performance. The bank's innovative banking solutions and strong presence in rural and semi-urban areas contributed to its steady growth. However, Syndicate Bank, too, grappled with asset quality issues, reflected in its net NPA ratio. The bank's capital adequacy was adequate, but there was a recognized need for capital infusion to support future growth.

The merger aimed to leverage the strengths of both banks, creating a more robust financial institution capable of withstanding economic challenges and contributing to the country's financial stability. The combined bank, now one of the largest public sector banks in India, has a significant presence with over 10,342 branches, making it well-positioned to serve a diverse customer base. The merger was expected to enhance the quality and efficiency of service delivery, benefiting customers with a broader range of products and services, improved customer service, and better accessibility to banking facilities. The extensive branch network of the combined entity was anticipated to enhance financial inclusion efforts, particularly in rural and underserved areas. This expansion would support the government's financial inclusion initiatives and drive economic growth in these regions.

A stronger financial position was expected for the merged entity, with improved capital adequacy and asset quality. This stability would enable the bank to withstand economic uncertainties and continue providing essential financial services to its customers. Additionally, the merger was expected to generate operational synergies, resulting in cost savings and increased efficiency. The consolidation of operations, technology platforms, and human resources would streamline processes and enhance the bank's overall performance. While the merger promised several benefits, it also posed significant challenges. Integrating two large banking institutions required careful planning and execution to ensure a smooth transition. Aligning the corporate cultures of Canara Bank and Syndicate Bank was a significant challenge. Ensuring that employees from both banks worked together cohesively required effective communication, training, and change management strategies. Integrating the technology platforms and systems of both banks was critical to ensuring seamless operations, necessitating investment in upgrading the IT infrastructure to support the larger scale of operations.

Managing human resources effectively was essential to the success of the merger. This included addressing redundancies, realigning roles, and ensuring that employees

were motivated and engaged throughout the transition process. The merged entity also had to comply with regulatory requirements and guidelines set by the Reserve Bank of India and other regulatory bodies, ensuring compliance while integrating operations was a complex task that required meticulous planning and execution. Since the merger, the combined entity has been working towards realizing the expected benefits and overcoming the challenges. The bank has reported improvements in operational efficiency, enhanced service delivery, and a stronger financial position. The integration process is ongoing, with continuous efforts to streamline operations and enhance customer experience.

The future prospects of the combined Canara Bank and Syndicate Bank look promising. The bank is well-positioned to leverage its extensive network and diversified product offerings to capture new market opportunities and drive growth. Continued focus on enhancing financial inclusion, improving asset quality, and investing in technology will be critical to sustaining long-term success. The bank is expected to continue expanding its reach in rural areas, promoting financial inclusion and supporting economic development in these regions. This expansion will be supported by the bank's extensive branch network and innovative banking solutions. Investing in digital transformation will be a key priority for the combined entity. Enhancing digital banking capabilities will improve customer experience, increase operational efficiency, and enable the bank to compete effectively in the digital age. The bank is likely to diversify its product offerings to cater to the evolving needs of its customers, introducing new financial products and services, such as digital payments, insurance, and investment products. Finally, the combined entity is expected to focus on sustainability initiatives, promoting environmentally responsible banking practices and supporting the transition to a green economy.

The merger of Canara Bank and Syndicate Bank marks a significant milestone in the Indian banking sector, reflecting the government's strategic initiative to consolidate public sector banks. This merger has created one of India's largest and most robust financial institutions, well-positioned to drive financial inclusion, enhance operational efficiency, and contribute to the country's economic stability. While the integration process poses several challenges, the combined entity's future prospects look promising, with opportunities for growth and innovation in the evolving banking landscape.

2. Methods

The study employed a descriptive research methodology to analyze the merger between Canara Bank and Syndicate Bank. Descriptive research is a type of research method that aims to accurately and systematically describe a population, situation, or phenomenon (Goyal & Joshi, 2012). In this context, it involves detailing the performance, strategies, and outcomes of the banks before and after the merger (Lowatcharin et al., 2021). This method is particularly suitable for the study as it allows for a thorough exploration of the banks' financial performance, operational changes, and integration processes, providing a clear picture of the impact of the merger (Carletti et al., 2021). To complement the descriptive approach, the study also utilized Qualitative Research Methods. These methods involve non-numerical data collection and analysis techniques that focus on understanding the underlying reasons, opinions, and motivations behind observed phenomena. In this study, qualitative methods helped to explore the broader implications of the merger, including employee perspectives, customer satisfaction, and

managerial strategies. This approach enabled a deeper understanding of the contextual factors influencing the merger and its outcomes.

The primary source of data for this study was secondary data, which refers to data that has already been collected by other researchers or institutions for different purposes. Secondary data offers a cost-effective and efficient means of gathering information, especially for large-scale analyses like this one. The secondary data in this study included annual reports from Canara Bank and Syndicate Bank, regulatory filings with bodies such as the Reserve Bank of India (RBI) and other relevant financial regulatory authorities, industry reports from analysts and research organizations, and media articles and press releases. Annual reports provided comprehensive insights into the financial performance, strategic initiatives, and operational highlights of the banks, while regulatory filings offered additional insights into the banks' compliance, risk management, and financial health. Industry reports provided a broader perspective on the banking sector's performance, trends, and the impact of mergers and acquisitions in the industry, and media coverage and press releases captured real-time updates and narratives on the merger's progress, challenges, and stakeholder reactions.

The collected data was subjected to descriptive analysis to summarize and describe the key features of the data. This involved calculating and comparing financial ratios, performance metrics, and other quantitative indicators before and after the merger. Descriptive statistics such as mean, median, and standard deviation were used to highlight trends and patterns in the data. Qualitative data was analyzed using thematic analysis, which involves identifying, analyzing, and reporting patterns (themes) within the data. This approach helped in understanding the broader implications of the merger, including its impact on employees, customers, and overall organizational culture. Thematic analysis provided a structured way to interpret qualitative data and derive meaningful insights. Additionally, a comparative analysis was conducted to assess the performance of Canara Bank and Syndicate Bank before and after the merger. This involved comparing key financial metrics and operational indicators across different time periods to evaluate the merger's impact. By employing a combination of descriptive research methodology and qualitative research methods, the study provided a comprehensive analysis of the merger between Canara Bank and Syndicate Bank. The use of secondary data, particularly from annual reports and other credible sources, ensured the reliability and validity of the findings. This methodological approach enabled a detailed examination of the merger's impact on financial performance, operational efficiency, and broader organizational dynamics, offering valuable insights for policymakers, banking professionals, and researchers.

3. Results and Discussion

3.1. Analysis of the bank's financials in pre and post-tenure of acquisition

Ratio analysis is recognized as a highly important tool in the field of financial analysis, widely used by stakeholders to gain deep insights into a company's financial health and operational efficiency. This method involves the meticulous computation of various ratios from pivotal financial statements, namely the profit and loss account and the balance sheet. The profit and loss account serves as a critical document, detailing the financial outcomes of a company's operations over a specific period, categorically presenting the net result as either profit or loss. Concurrently, the balance sheet offers a snapshot of the

company's financial standing, outlining assets, liabilities, and equity at a given point in time. Through Ratio Analysis, investors, creditors, and management gain the ability to assess the financial viability, performance trends, and overall fiscal stability of an organization, facilitating informed decision-making processes. This analytical approach not only highlights areas of strength but also identifies potential financial distress, guiding strategic planning and investment decisions.

This Framework includes calculating the profitability ratios of a syndicate and Canara bank from 2016 to 2019, i.e., four years (pre-merger), and 2020, i.e., one year (post-merger)—a total of five years of analysis and interpretation.

3.2 Profitability Ratios (Related to Income and Expenditure)

Profitability ratios are critical tools for assessing an organization's performance in generating profit, which is a fundamental goal for any business. These ratios help measure how effectively a company is achieving its profit objectives. They are divided into two main categories: profit margin ratios and rate of return ratios. Profit margin ratios, such as gross profit margin and net profit margin, evaluate profitability at various stages of the income statement. Rate of return ratios, including return on equity, return on assets, earning power, and return on capital employed, assess the efficiency of the company's investments and resource utilization. Specific ratios and their formulas include the Operating Ratio, calculated as Operating Profit divided by Net Sales, multiplied by 100; the Net Profit Ratio, calculated as Net Profit before Tax divided by Sales, multiplied by 100; the Return on Capital Employed (ROCE), calculated as Net Profit before Interest and Tax divided by Capital Employed, multiplied by 100; the Return on Net Worth, calculated as Net Profit after Tax divided by Equity Fund, multiplied by 100; and the Return on Equity Capital, calculated as Profit available to Equity Shareholders (PATESH) divided by Equity Fund, multiplied by 100. The Equity Fund is defined as the sum of Equity Share Capital and Reserves and Surplus, minus Fictitious Assets. These calculations help stakeholders understand the financial health and performance efficiency of an organization.

### 3.3 Pre-merger ratio analysis of Syndicate Bank & Canara Bank (2016-2019)

The amounts listed in the table are in lakhs. The operating profit ratio measures a company's profit after covering variable production costs, including wages and raw materials. This ratio, expressed as a percentage of sales, reflects the company's efficiency in managing the costs and expenses linked to its business operations.

Table 1 Operating Profit Ratio of Syndicate Bank & Canara Bank

Syndicate Bank			
Years	Operating Profit	Net sales	OP Ratio
2016	414920	2384780	17.39%
2017	413395	2570651	16.08%
2018	397571	2455399	16.19%
2019	288350	2386284	12.08%
Canara Bank			
Years	Operating Profit	Net sales	OP Ratio
2016	21541.35	49305	43.69%

2017	20985.48	49308	42.56%
2018	19630.42	48743	40.27%
2019	25519.57	57858	38.92%
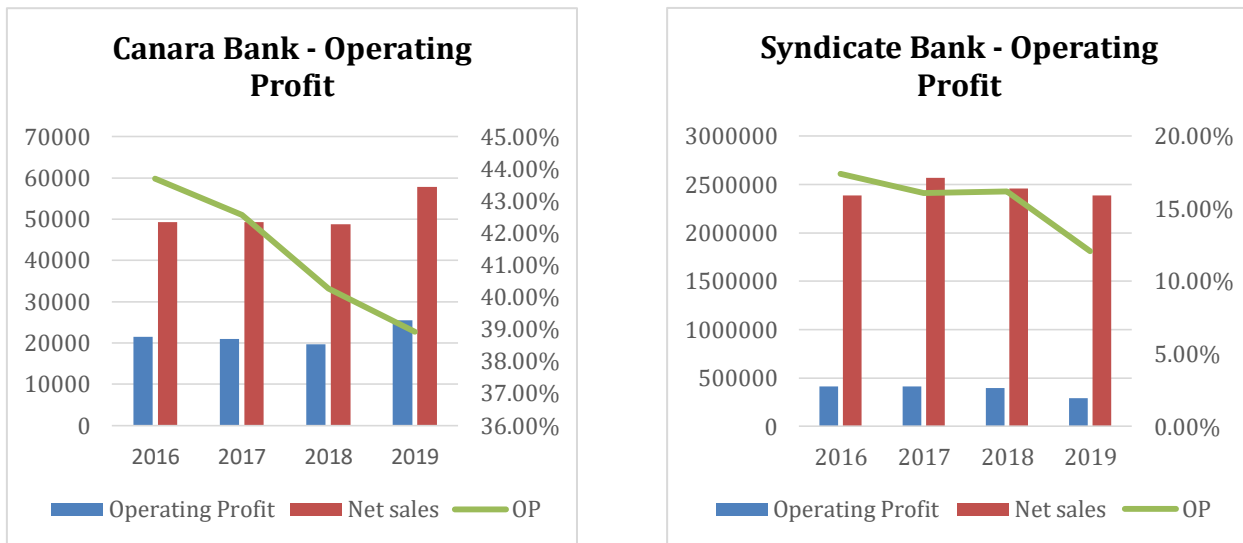
Figure 1 Examining the Operating Profit Ratios (OP Ratio) of Syndicate Bank and Canara

Bank from 2016 to 2019 reveals a clear difference in their performance. Syndicate Bank's OP Ratio is declining, dropping from 17.39% in 2016 to 12.08% in 2019. This indicates a decrease in their efficiency at converting sales into operating profit. Conversely, Canara Bank maintained a consistently higher OP Ratio, ranging from 40.27% to 43.69% throughout the period. This suggests that Canara Bank was significantly more efficient at generating operating profit from their sales than Syndicate Bank. It is important to note that without further analysis, it is difficult to pinpoint the exact reasons behind this difference. Potential factors could be variations in cost structures, pricing strategies, or the types of products and services each bank offers.
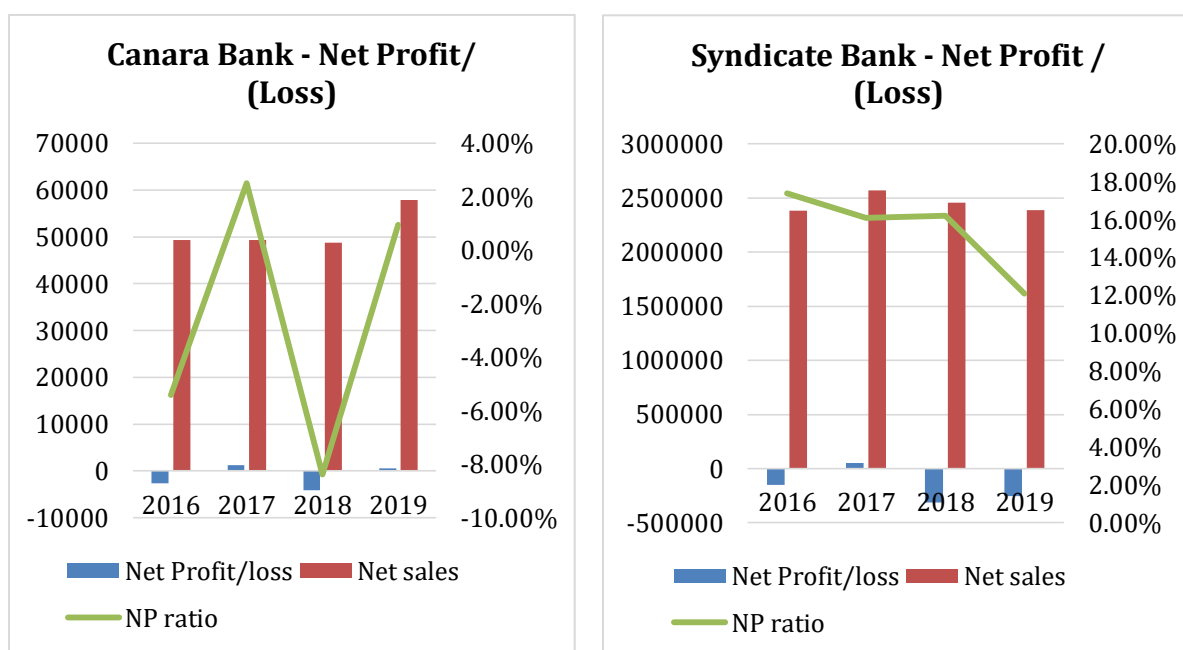
3.4. Net Profit Ratio

The Net Profit Margin, alternatively known as the Net Profit Ratio, stands as a pivotal indicator of a company's profitability, taking into account all incurred expenses. This ratio reveals the amount of profit a company secures from each dollar of revenue it generates. The calculation involves dividing the net profit by net sales, with the result presented as a percentage. A higher value of this ratio signifies a company's adeptness in translating sales into tangible profits, indicating efficient operational and financial practices. Conversely, a lower ratio points to potential areas for enhancement, either in managing costs more effectively or in refining pricing strategies. For a comprehensive evaluation of a company's financial well-being, it is crucial to benchmark this ratio against industry standards and monitor its fluctuation over time, thereby gaining insight into the company's performance and strategic positioning.

Table 2 Net Profit Ratio

Syndicate Bank			
Years	**Net Profit/loss**	**Net sales**	**NP ratio**

Years	Net Profit/loss	Net sales	NP ratio
2016	(151725)	2384780	17.39%
2017	51745	2570651	16.08%
2018	(311169)	2455399	16.19%
2019	(252420)	2386284	12.08%
Canara Bank			
Years	**Net Profit/loss**	**Net sales**	**NP ratio**
2016	(2670.3)	49305	-5.41%
2017	1233.61	49308	2.50%
2018	(4087.32)	48743	-8.38%
2019	547.5	57858	0.95%

Figure 2 Examining the Net Profit Ratio of Syndicate Bank and Canara

While Syndicate Bank's Operating Profit Ratio indicated a decline in efficiency, the Net Profit Ratio paints a starker picture for both banks. Syndicate and Canara Bank struggled with profitability (2016-2019). Syndicate Bank incurred significant losses in only one year, with the negative Net Profit Ratio worsening. Canara Bank also experienced losses in two out of the four years, and even in profitable years, the Net Profit Ratio remained very low. This suggests that both banks faced challenges beyond just converting sales to operating profit. Their struggles likely stemmed from factors impacting the bottom line, such as high operating expenses, bad loans, or insufficient revenue growth. Both banks' consistently negative or low Net Profit Ratios raise serious concerns about their financial health and profitability.

3.5. Return on Capital Employed

Return on Capital Employed (ROCE) is a critical financial metric used to evaluate how efficiently a company utilizes its capital to generate profits. It measures the percentage of profit a company earns in relation to the capital it has invested in its operations, encompassing both debt and equity. Essentially, ROCE provides insights into how

effectively a company converts its invested capital into earnings. A higher ROCE indicates efficient capital management and signifies that the company is generating substantial profits relative to the capital employed. This suggests that the company is utilizing its resources effectively and achieving a good return on its investment. Companies that consistently maintain high ROCE levels are typically regarded positively by investors and stakeholders because of their capacity to generate substantial returns on the capital invested in their operations.

Table 3 Return on Capital Employed

Syndicate Bank			
Years	**NPBIT**	**Capital Employed**	**ROCE**
2016	(89433)	30933335	-0.289%
2017	81186	30059038	0.27
2018	(427662)	32559269	-1.31%
2019	(303882)	31297086	-0.97%
Canara Bank			
Years	**NPBIT**	**Capital Employed**	**ROCE**
2016	7105.13	538268.08	1.32
2017	8868.04	568464.34	1.56
2018	9527.04	599185.21	1.59
2019	10548.76	676202.80	1.56
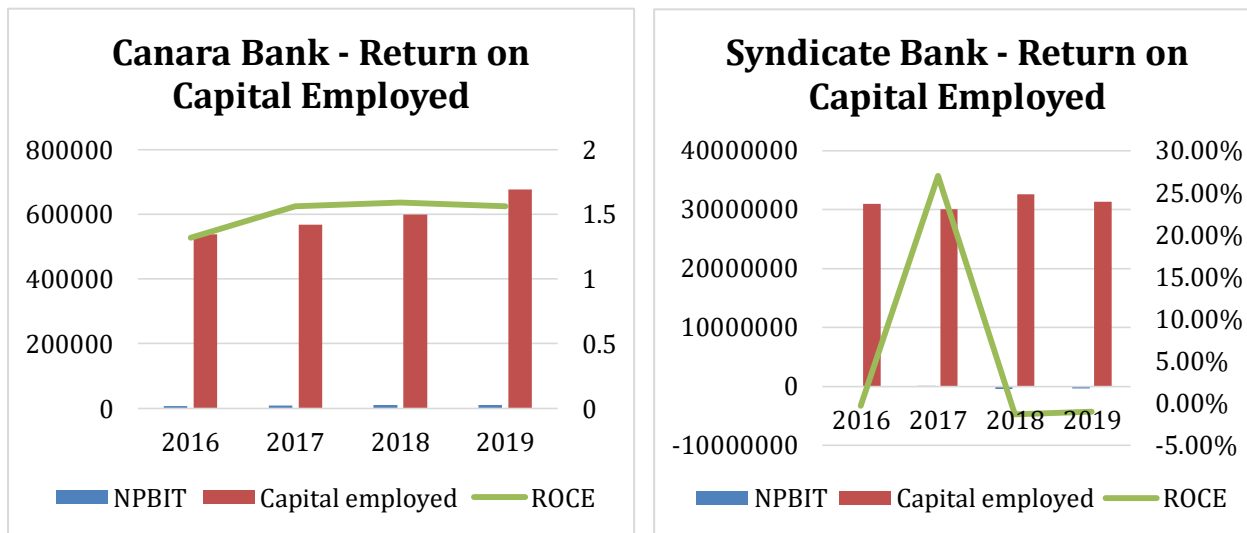
Figure 3 Examining the Return on Capital Employed of Syndicate Bank and Canara

Conversely, a low ROCE may indicate potential inefficiencies in capital utilization. It could imply that the company is not effectively leveraging its capital to generate profits, possibly due to inefficient operations, excessive investment in assets with low returns, or other factors that hinder profitability. A persistently low ROCE may raise concerns among investors and analysts about the company's financial health and operational efficiency. ROCE serves as a crucial indicator of a company's financial performance and efficiency in utilizing its capital resources. It provides valuable insights into how effectively management is deploying the company's funds to generate earnings, influencing strategic

decisions and investor perceptions. Understanding ROCE helps stakeholders assess the financial health and profitability potential of a company within its industry context, guiding investment decisions and strategic planning.

The Return on Capital Employed (ROCE) paints a contrasting picture for Syndicate Bank and Canara Bank. Syndicate Bank's ROCE remained negative throughout the period (2016-2019) except for a marginally positive value in 2017. This indicates they struggled to generate meaningful profit on the capital they employed. Conversely, Canara Bank maintained a consistently positive ROCE, ranging from 1.32% to 1.59%. This suggests that Canara Bank was more efficient in utilizing its capital to generate profits than Syndicate Bank. The significant difference in ROCE highlights a potential weakness in Syndicate Bank's capital management strategies. They might have been over-invested in unproductive assets, burdened by high operating costs, or had lower sales volume than Canara Bank. Further analysis is needed to pinpoint the exact reasons behind this disparity.

3.5. Return on Net Worth (RONW)

Return on Net Worth (RONW), also referred to as Return on Equity (ROE), is a key financial metric used to assess a company's profitability relative to its shareholders' equity, or net worth. It measures the percentage of profit a company earns in relation to the equity invested by its shareholders. Essentially, RONW provides insights into how effectively a company utilizes shareholder funds to generate profits. A higher RONW indicates efficient management of shareholder funds and signifies that the company is generating substantial profits relative to the equity invested. This suggests that the company is effectively utilizing the capital contributed by shareholders to create value and returns. Companies that consistently achieve high RONW levels are frequently regarded favorably by investors, as they showcase an ability to produce significant returns on shareholders' investments.

Conversely, a low RONW may suggest inefficiencies in capital utilization or challenges in generating profits from shareholder investments. It could be indicative of factors such as inefficient operations, low profitability margins, or high dividend payouts that reduce retained earnings and impact returns. A persistently low RONW may raise concerns among investors and stakeholders about the company's profitability and financial health. RONW is a critical metric for evaluating a company's profitability and efficiency in utilizing shareholder funds. It provides valuable insights into how well a company generates profits relative to the equity contributed by shareholders, influencing investor perceptions and strategic decisions. Understanding RONW helps stakeholders assess the financial performance and return potential of a company, guiding investment strategies and financial management practices.

Table 4 Return on Net Worth

Syndicate Bank			
Years	NPAT/NLAT	Equity Fund	RONW
2016	(151725)	1371368	-1.10%
2017	51745	1571416	3.29%
2018	(311169)	1657242	-18.77%
2019	(252420)	1827584	-13.81%
Canara Bank			

Years	NPAT/NLAT	Equity Fund	RONW
2016	(151725)	1371368	-1.10%
2017	51745	1571416	3.29%
2018	(311169)	1657242	-18.77%
2019	(252420)	1827584	-13.81%
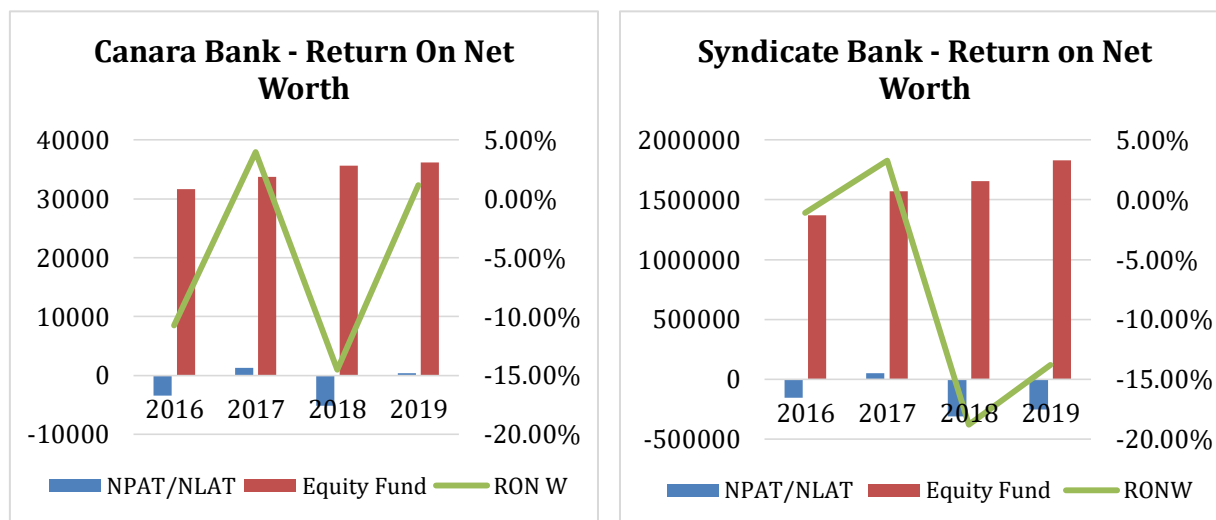
Figure 4 Examining the Return on Net Worth of Syndicate Bank and Canara

Interestingly, the Return on Net Worth (RONW) tables for Syndicate Bank and Canara Bank show identical figures. This is likely due to the data source or the tables' construction. Since Net Profit After Tax (NPAT) and Equity Fund are likely the same for both banks (assuming the merger happened after 2019), the RONW calculations would also be the same. Both Syndicate and Canara Bank struggled with profitability throughout the period (2016-2019), as evidenced by the negative RONW for three out of the four years. The single positive RONW value in 2017 is minimal, suggesting limited profitability even in that year.

While the tables provide the same data, they reinforce the earlier conclusion about banks facing profitability challenges. Further analysis using separate bank data (pre-merger) or additional financial ratios could provide a more nuanced understanding of their performances.
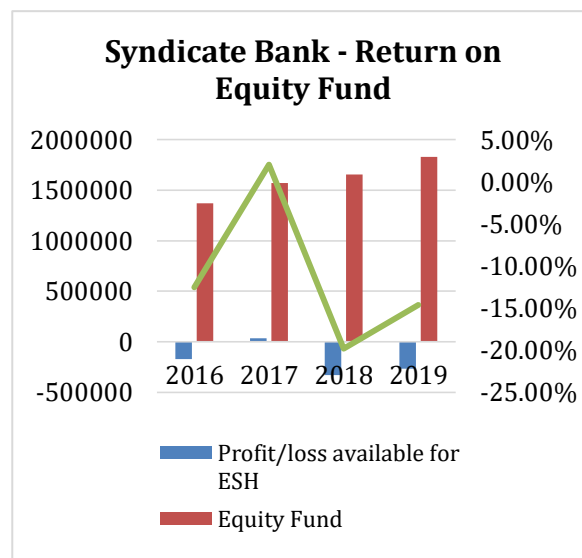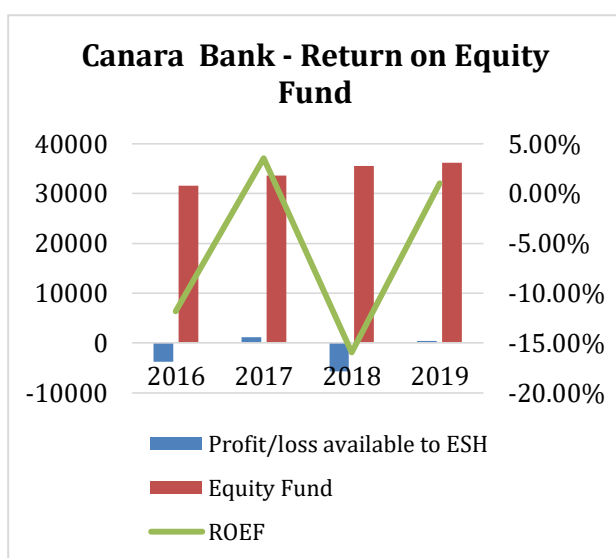
3.6. Return on Equity (ROE)
This financial ratio measures a company's profitability about its shareholders' equity (net worth). It shows how effectively the company uses shareholder investment to generate profit. A high ROE suggests efficient use of shareholder funds and strong profit generation. Conversely, a low ROE indicates the company is not creating enough returns for its shareholders, potentially due to inefficiency or low profitability.

Table 5 Return on Equity

Syndicate Bank			
Years	**Profit/loss**	**Equity Fund**	**ROEF**

Years	Profit/loss available for ESH	Equity Fund	ROEF
2016	(172416)	1371368	-12.57%
2017	32456	1571416	2.06%
2018	(329220)	1657242	-19.86%
2019	(268040)	1827584	-14.66%
Canara Bank			
Years	**Profit/loss available for ESH**	**Equity Fund**	**ROEF**
2016	(3737.03)	31603.2	-11.82%
2017	1200.546	33685.54	3.56%
2018	(5682.88)	35604.84	-15.96%
2019	377.68	36177.23	1.04%

Figure 5 Examining the Return on Equity Fund of Syndicate Bank and Canara

The Return on Equity for Shareholders (ROEF) tables for Syndicate Bank and Canara Bank show similar trends of negative profitability for most years. For Syndicate Bank, ROEF is negative in three of the four years, ranging from -12.57% to -19.86%. This indicates a significant decline in the return on investment for shareholders. Canara Bank also faced negative ROEF in two out of four years, but the negative values were smaller (-11.82% and -15.96%) compared to Syndicate Bank. Additionally, Canara Bank had a slightly positive ROEF in 2017 (3.56%). This suggests that shareholders in both banks experienced a decline in the return on their investments. However, Canara Bank managed profitability challenges slightly better than Syndicate Bank during the period analyzed. It is important to note that the specific term "Profit/loss available for ESH" might require further clarification for a more precise interpretation.

3.7. Post-merger Ratio Analysis

On August 30, 2019, Finance Minister Nirmala Sitharaman announced that Syndicate Bank would merge with Canara Bank. The Board of Directors of Canara Bank approved the

merger on September 13, 2019, and the Union Cabinet gave its approval on March 4, 2020. The performance of the bank after the merger is analyzed below.

Table 6 Operating Ratio

Year	Operating profit/loss	Net sales	OP ratio
2020	25740.96	61558.15	41.82%
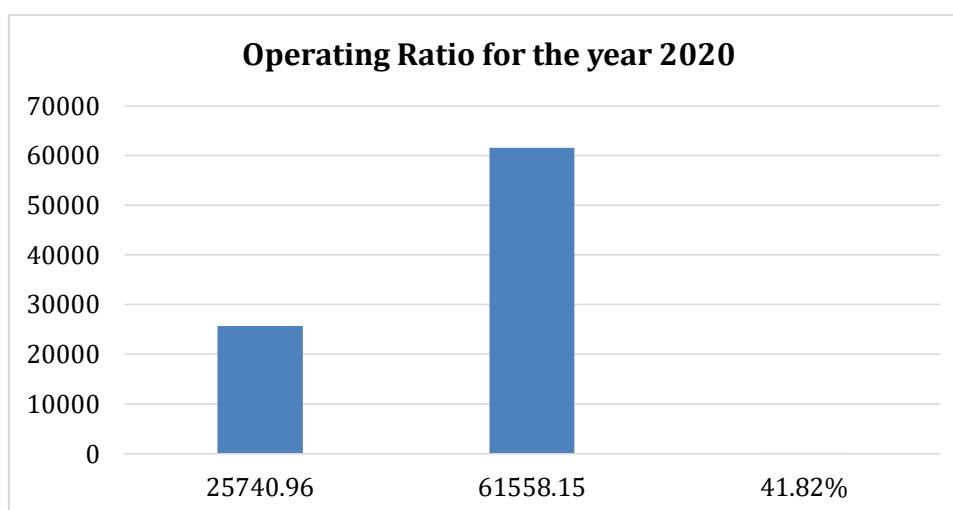
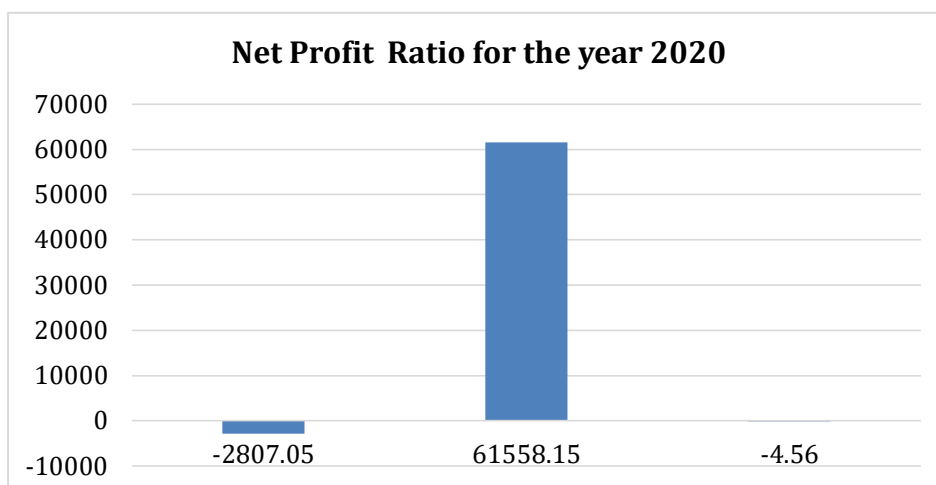**Figure 6** Operating Ratio for the year 2020

In Table No. 6, after the corporate action of acquisition, the financials of the Canara Bank showed some nuanced change in their profits/losses; in this case, the operating ratio is greater than the last year. It has increased by 2.9%. Operating profit justifies the bank has enough funds to operate or function efficiently without paying off debts or unnecessary expenses. The profit is 25740.96, and the net sales are 61558.15, so dividing these two numerical numbers and multiplying by 100 gives the operating profit ratio. After acquiring a syndicate bank, Canara Bank has improved its operating profit and increased its sales by 3700 crores, indicating a good sign of this action.

Table 7 Net Profit Ratio

Year	Net profit /loss	Net sales	NP ratio
2020	(2807.05)	61558.15	-4.56

As Table No 7 shows, the Net Profit Ratio, Canara (merged) bank has recorded a net loss of 2807.05 crores compared to 547.5 crore profit in 2019 before amalgamation. There is a drop in 3.61% of net profit in 1 year. It may be because of the losses and expenditures that were due or accrued on behalf of the syndicate bank; there may be an incurrence of that effect in Canara Bank's financials in 2020. Also, because the country faced a pandemic this year, the profit was significantly reduced, and the bank incurred a net loss of 2807.05 crore. The bank had a (4.56%) negative ratio, which would take time to recover because the newly amalgamated bank would have to figure out different protocols and procedures or guidelines after this merger.
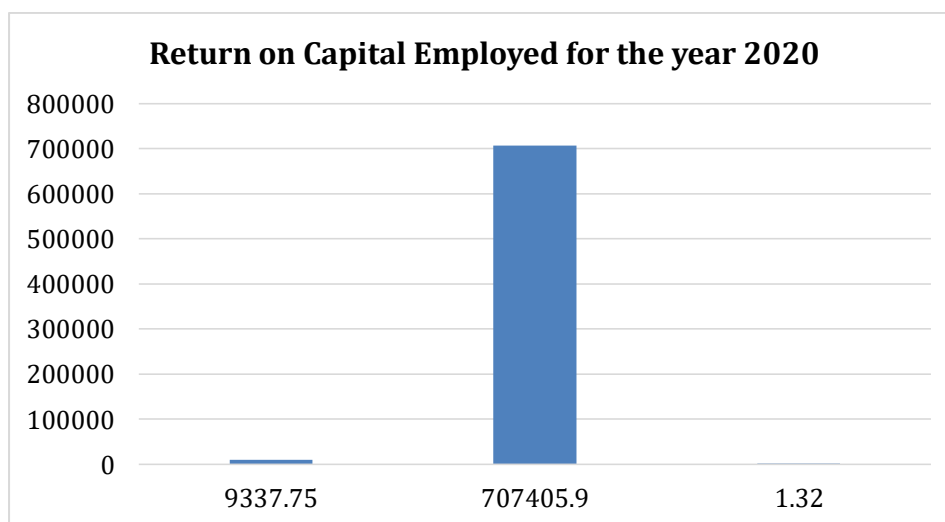
Figure 7 Net Profit Ratio for the year 2020

The graph indicates that Canara Bank experienced a net loss of 2807.05 crore in 2020. Despite generating a substantial revenue of 61558.15 crore, the bank's net profit ratio was -4.56%, signifying that the bank incurred a loss relative to its revenue. This negative net profit ratio reflects the financial challenges the bank faced in 2020, possibly due to integration issues and other costs associated with the merger

Table 8 Return on Capital Employed

Year	NPBIT	Capital Employed	ROCE
2020	9337.75	707405.90	1.32

**Figure 8** Return on Capital Employed for the year 2020

This year, Table 8 shows that the bank earned ₹9337.75 crore in net profit before interest and tax, which is ₹1211 crore lower than the previous year. Despite this, the

capital employed after the merger increased by ₹31,203 crore, the highest among the last five years of ROCE calculation. However, the return is 0.24% less than last year because the net profit before interest and tax decreased. The data indicates that after the merger, Canara Bank experienced a significant drop in profits, which could be due to various reasons or challenges associated with amalgamation, as many companies face to some extent. This clarifies the bank's profitability and the efficiency with which its capital is used. In other words, this ratio measures how well a company is generating profits from its capital. Here, the bank has generated fewer profits than needed.

Table 9 Return on Net Worth

Year	NPAT/NLAT	Equity fund	RONW
2020	(2557.43)	39292.96	-6.78%
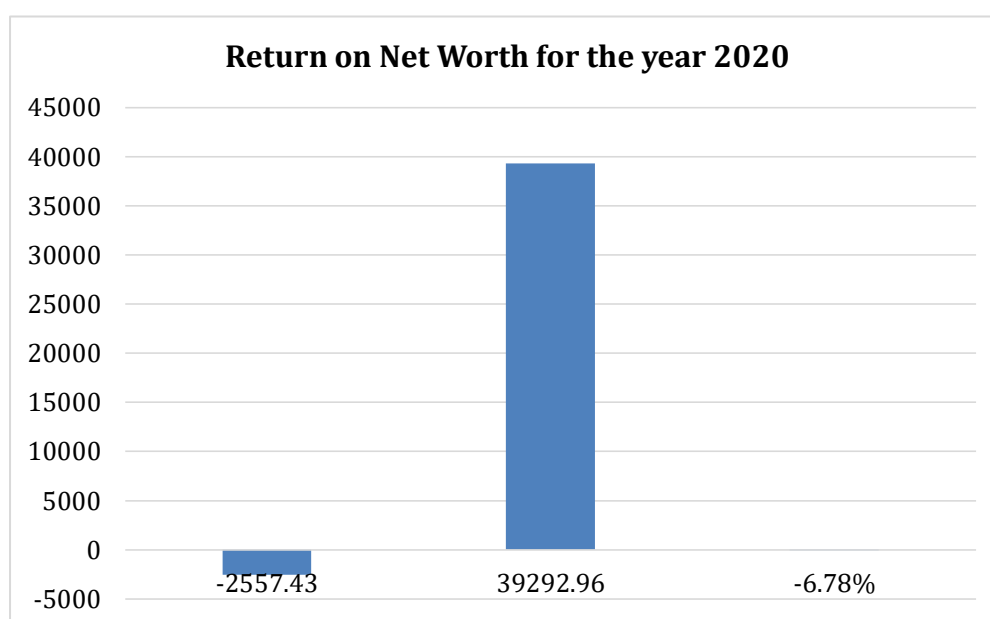
**Figure 9** Return on Net Worth for the year 2020

In Table No. 9, Return on Net Worth (RONW) measures a company's profitability in percentage. We calculate it by dividing the net income of the firm in question by shareholders' equity. The net income or loss after tax is for the past 12 months.

As the data from previous years stated, there was a drastic up and down in the return of net worth; 2016 and 2018 recorded a negative figure for RONW, whereas 2017 and 2019 recorded a positive one. After this merger, Canara Bank again showed a negative return on the net worth of -6.78%, which is not the lowest one, but it is terrible in terms of how the same bank performed well last year, it recorded 1.16%, and then in 2020, there had a fall of 7.94% of return. It was preferred because the equity fund had increased by 3115 crores from last year, and the net profit of 419.65 from last year transformed into a loss of 2557.43 in the current year. It may be because of various reasons like the pandemic or the negative effect of acquiring a loss-making bank, i.e., a syndicate bank. There will be a chance to redeem in the coming years, which should be the focus of this newly formed bank.

Table 10 Return on Equity Fund

Year	Profit/loss available to ESH	Equity fund	ROEF
2020	(2812.7)	39292.96	-7.15%
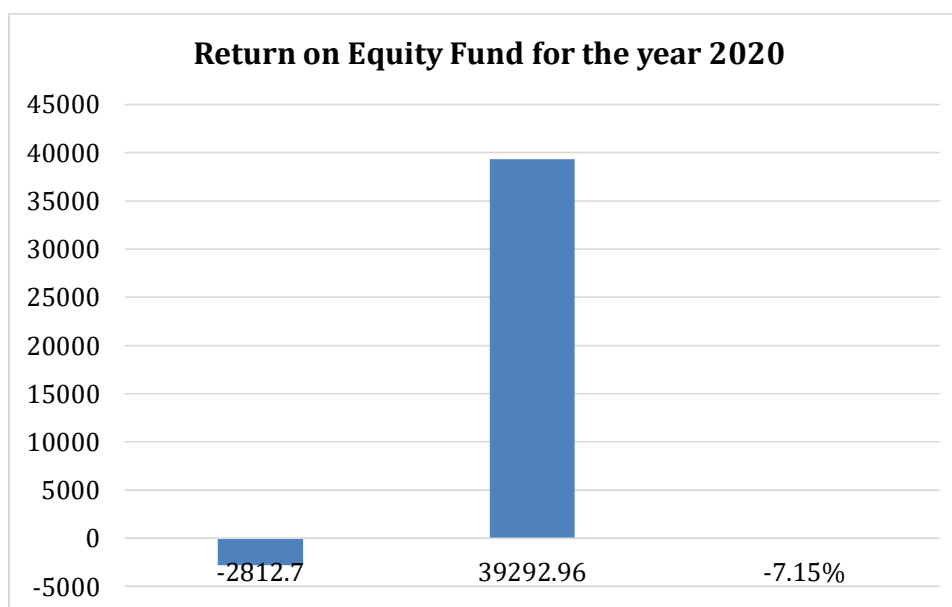
Figure 10 Return on Equity Fund for the year 2020

As mentioned in the above table no 4.15, the ROEF of 2020 is negative, i.e., -7.15, which in comparison to last year is a drastic fall as in 2019, Canara Bank had a positive ratio (1.04%). The fall recorded was 8.19% in just 12 months. The reason is implied that it got amalgamated, and the side effects of the corporate action led to a fall in the ratio. It happened due to losses that were made available to equity shareholders, as, in the previous year, 377,68 crore was given to shareholders after deducting preference dividends from the net profit after tax. Also, the equity fund by which the loss or profit available is divided was larger in denomination compared to 2019. It is not the highest loss incurred in this 5-year analysis, as the highest was in 2018, which was almost 2870 crore more loss expected than it incurred in 2020. Hence, the post-merger analysis is completed, and it was interpreted taking into consideration the banks' financials, like balance sheets and income statements based on profitability ratios for five years. So, here, another objective is accomplished.

3.8. Findings

In the year following the merger and amalgamation of Canara Bank and Syndicate Bank, the financial outcomes present a mixed picture, revealing some of the challenges inherent in such large-scale corporate integrations. Notably, the operating ratio of the merged entity experienced an uptick, increasing by 2.9%. This increment indicates a relative rise in the bank's operating expenses as a percentage of its net sales, which could suggest inefficiencies or increased costs associated with the merger process.

Simultaneously, the bank's net profit trajectory took a downturn, witnessing a decline of 3.61% over the same period. This reduction in net profit marginally reflects the immediate financial strains posed by the merger, potentially attributed to integration costs, adjustments in operational strategies, or other merger-related expenditures. Furthermore, post-merger, Canara Bank's profitability metrics have not met expectations, indicating that the bank has secured fewer profits than anticipated. This outcome could be seen as a reflection of the short-term financial burdens and operational challenges that often accompany such significant organizational changes.

Compounding these financial challenges, Canara Bank reported a negative return on net worth of -6.78% after the merger. This negative return underlines the issues in generating shareholder value after the merger, signifying that the bank's net income was insufficient to compensate for its equity base. Lastly, a significant decrease in the return on equity post-merger was observed, marking a stark contrast to the financial performance metrics before the merger. This drastic fall further emphasizes the difficulties in maintaining profitability and shareholder value in the transitional phase following a merger. Overall, these financial indicators highlight the complexities and immediate financial repercussions faced by Canara Bank post-merger, underscoring the intricate balance between long-term strategic benefits and short-term financial performance in the wake of such significant corporate amalgamations.

There should be a clear communication strategy to inform all stakeholders about the merger and its implications. Effective communication will help manage expectations, reduce uncertainties, and foster a sense of trust and transparency among employees, customers, and investors. Clear communication ensures that everyone understands the reasons for the merger, the benefits it aims to achieve, and any potential challenges that might arise. A detailed plan should be developed to integrate various systems and processes. This plan should address the technical and operational aspects of the merger, including IT systems, workflows, and organizational structures. Proper integration is crucial for maintaining efficiency, minimizing disruptions, and ensuring that the combined entity can operate smoothly. This plan should also outline steps to harmonize different corporate cultures and practices to create a cohesive organization. There should be a focus on retaining key talent and ensuring that employees are adequately trained to handle the changes that come with the merger. Retaining key personnel is vital for maintaining business continuity and preserving institutional knowledge.

4. Conclusions

This case study on the mergers and amalgamations involving Canara Bank and Syndicate Bank elucidates that such corporate maneuvers are instrumental in fostering an organization's sustainable competitive edge. Nonetheless, it is imperative to acknowledge the considerable strain these events place on individuals, manifesting in psychological, behavioral, health, performance, and survival challenges for both personnel and the institutions, whether they are banking or non-banking financial entities. The complexities of the post-merger integration process are noted as especially challenging, marked by the need to swiftly handle numerous tasks, frequently with incomplete information. Despite these hurdles, the long-term prospects for Canara Bank post-amalgamation appear promising. The merger has endowed Canara Bank with an enhanced customer base, an enlarged distribution network, and an augmented suite of products, thereby significantly

boosting the bank's opportunities for cross-selling its offerings. This analysis underscores the multifaceted impacts of mergers and amalgamations, presenting a nuanced understanding of their implications for corporate strategy and individual well-being within the banking sector.

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