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Original Article

Two Banks, One Consolidation: A Comparative Study of Bank of Baroda and Vijaya Bank

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Abstract

This paper comparatively examines Bank of Baroda and Vijaya Bank in the context of the 2019 public-sector bank consolidation in India. Vijaya Bank was amalgamated with Bank of Baroda and Dena Bank with effect from 1 April 2019. The comparison is developed from the financial-performance and augmented with bank-specific published evidence. The analysis focuses on capital adequacy, asset quality and profitability, using capital adequacy ratio (CAR), return on assets (ROA), return on equity (ROE), net non-performing assets (Net NPA) and profit per employee as key indicators. The pre-merger evidence shows a materially different financial profile for the two institutions: Vijaya Bank reported positive ROA, ROE and profit per employee, whereas the cited 2018 series for Bank of Baroda reflected negative values on these profitability measures and a higher Net NPA ratio than Vijaya Bank. Following amalgamation, the combined institution exhibited a post-merger ROA of 0.06%, ROE of 0.76%, Net NPA of 3.13% and CAR of 13.30% in the comparative series used here. The outcomes demonstrate why merger analysis should not be reduced to size expansion alone. The financial condition of each constituent bank, asset-quality burden, capital position and integration period all impact interpretation of post-merger performance.

Keywords: *Bank of Baroda; Vijaya Bank; bank merger; financial performance; CRAMEL; capital adequacy; NPA; profitability; public-sector banks.*

Introduction

Bank mergers represent a chief form of structural change in financial systems. They can alter balance-sheet scale, branch networks, capital structure, risk exposure, operating costs and the composition of deposits and advances. In public-sector banking, consolidation has also been used as a policy instrument envisioned to create institutions with greater scale and capacity. The study frames bank merger as a multidimensional phenomenon affecting financial performance, customers and employees and specifically identifies financial performance as a comparison of pre-merger and post-merger indicators. The study applies a CRAMEL-oriented outline covering capital adequacy, resource quality, asset quality, management efficiency, earnings and liquidity, with paired-sample t-tests used for the reported aggregate financial analysis. Those results show significant improvement in CAR, Tier 1 capital, Net NPA, profit per employee, ROA, ROE and deposits-to-liabilities, while Tier 2 capital, secured advances, CASA and credit deployment were not noteworthy; NII/TA declined considerably.

To complement that aggregate analysis, the present paper selects two participant banks from the merger context—Bank of Baroda and Vijaya Bank—for a focused comparative case analysis. Bank of Baroda was the continuing entity, while Vijaya Bank became part of the amalgamated establishment. Bank of Baroda's official 2018-19 financial report accounts that the Government of India approved the amalgamation of Bank of Baroda, Dena Bank and Vijaya Bank and that the amalgamation took effect from 1 April 2019. The official report also cautions that financial results after the effective date include the operations of the erstwhile Vijaya Bank and Dena Bank and are therefore not directly comparable with earlier standalone periods. This makes the pair analytically useful while also requiring care: the comparison is not a comparison of two independent banks after 2019, but of two merger partners and the subsequent combined institution.

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Research Objectives

The research is made with the following objectives:

1. To compare the pre-merger financial profiles of Bank of Baroda and Vijaya Bank.
2. To compare their capital adequacy, asset quality and profitability indicators.
3. To scrutinize the financial context in which Vijaya Bank was absorbed into Bank of Baroda.
4. To relate the bank-specific evidence to the broader financial-performance findings.
5. To recognize the main methodological implications of comparing constituent banks with a post-merger consolidated institution.

Research Methodology

The study uses a comparative case-study design based on secondary financial data. Bank of Baroda and Vijaya Bank were selected as the two cases because they were directly involved in the same amalgamation. In tThe study financial performance is measured through capital adequacy, asset quality, operational efficiency, liquidity and profitability, and paired-sample t-tests are used for before-and-after merger analysis. For the present two-bank comparison, the principal indicators are CAR, ROA, ROE, Net NPA and profit per employee. Published 2018 ratio data are used to describe the pre-merger position of the two banks, while the post-merger comparison uses the combined Bank of Baroda series reported for 2019-20 in a published analysis of the three-bank merger. Bank of Baroda's official annual-report material is used for the legal effective date and its standalone balance-sheet figures as a main source of secondary data.

The method is descriptive and comparative instead of causal. Differences between the two banks cannot be attributed solely to merger policy because their business models, asset quality, provisioning, geographical reach, balance-sheet structures and pre-existing financial conditions differed. Similarly, the post-merger figures incorporate the operations of multiple institutions and should not be interpreted as the performance of Vijaya Bank alone.

Comparative Financial Profile

The following data shows the comparative financial profile of the two banks:

Indicator (2018)	Bank of Baroda	Vijaya Bank	Comparative observation
ROA	-0.33%	0.4%	BoB reported a negative ROA in the cited series; Vijaya reported positive ROA.
ROE	-5.6%	7.39%	BoB reported negative ROE; Vijaya reported positive ROE.
Net NPA	5.49%	4.32%	BoB's Net NPA ratio was higher than Vijaya's.
CAR	12.13%	13.9%	Both banks reported capital ratios above 12%; Vijaya's reported CAR was higher.

The selected pre-merger indicators reveal a varied financial conditions. Vijaya Bank's 2018 ratios were ROA 0.40%, ROE 7.39%, Net NPA 4.32%, CAR 13.90% and profit per employee ₹4.52 lakh. The corresponding cited Bank of Baroda series reported ROA of -0.33%, ROE of -5.60%, Net NPA of 5.49%, CAR of 12.13% and profit per employee of -₹4.42 lakh. These figures display that the two institutions entered the merger with different combinations of profitability, asset quality and capital strength. Vijaya Bank's positive profitability measures and higher CAR contrasted with Bank of Baroda's negative profitability measures and higher Net NPA in the cited year.

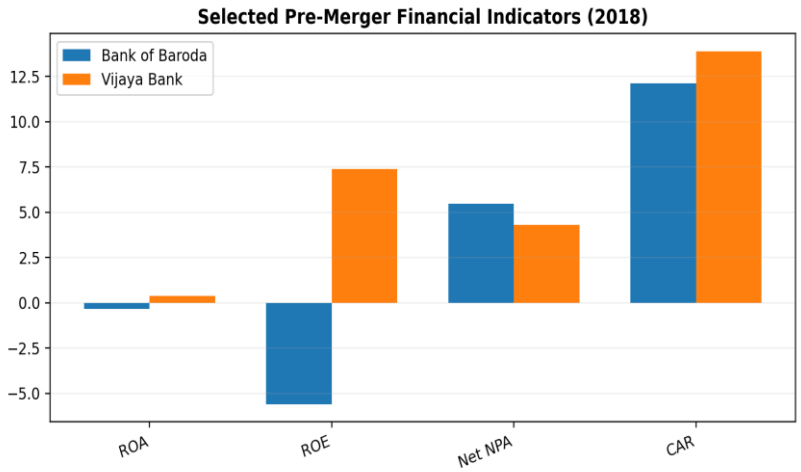


Figure 1. Selected 2018 financial indicators of Bank of Baroda and Vijaya Bank.

Source: Compiled from the published comparative ratio series; figures are percentages except profit per employee, which is in ₹ lakh.

Bank of Baroda: Pre-Merger Scale

Bank of Baroda entered the amalgamation as the Vendee and already possessed a large balance sheet. Its official 2018-19 financial report records standalone deposits of ₹638,689.72 crore and advances of ₹468,818.74 crore at 31 March 2019. The corresponding 2017-18 values were ₹591,314.82 crore in deposits and ₹427,431.83 crore in advances. Thus, deposits increased by approximately 8.0% and advances by approximately 9.7% over the year. The report also registers the formal approval and effective date of the three-bank amalgamation. These figures are important because the merger combined a relatively large continuing institution with Vijaya Bank and Dena Bank, producing a substantially larger balance sheet after 1 April 2019.

Bank of Baroda	FY 2017-18	FY 2018-19	Approx. change
Deposits (₹ crore)	591,314.82	638,689.72	8.0%
Advances (₹ crore)	427,431.83	468,818.74	9.7%

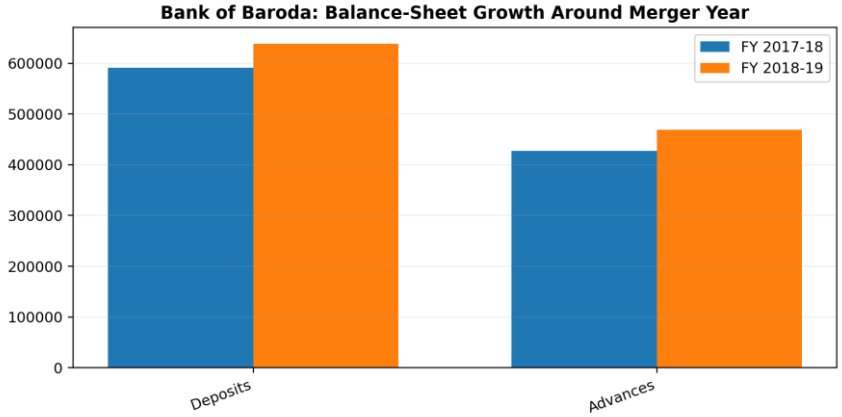


Figure 2. Bank of Baroda deposits and advances around the merger year.

Vijaya Bank: Pre-Merger Position

Vijaya Bank entered the merger with a smaller but comparatively different financial profile. The published 2018 ratio series reports ROA of 0.40%, ROE of 7.39%, Net NPA of 4.32%, CAR of 13.90% and profit per employee of ₹4.52 lakh. The same series shows that Vijaya Bank's CAR remained in the vicinity of 11–14% across 2012–2018, while profitability and asset-quality indicators swung. The 2018 Net NPA ratio of 4.32% indicates that asset quality remained a relevant concern, but it was below the 5.49% figure reported for Bank of Baroda in the same comparative series. These differences are significant for merger analysis because a combined institution inherits both financial strengths and financial stresses from its constituent banks.

From a resource perspective, Vijaya Bank was not simply a passive target. It brought deposits, advances, employees, branches, customers and an established franchise into the merged institution. Consequently, the economic effect of the merger should be assessed through the combined institution's capacity to integrate these resources while maintaining asset quality and profitability.

Post-Merger Financial Context

Indicator	Vijaya Bank 2018	Combined BoB 2019-20	Observed change
ROA (%)	0.4	0.06	-0.34 percentage points
ROE (%)	7.39	0.76	-6.63 percentage points
Net NPA (%)	4.32	3.13	-1.19 percentage points
CAR (%)	13.9	13.3	-0.60 percentage points

The combined post-merger series reports ROA of 0.06%, ROE of 0.76%, Net NPA of 3.13% and CAR of 13.30%. Relative to Vijaya Bank's 2018 standalone figures, the united entity had a lower ROA and ROE, a lower Net NPA ratio and a slightly lower CAR. However, this comparison must be interpreted cautiously. The post-merger figures incorporate Bank of Baroda and Dena Bank as well as Vijaya Bank and therefore cannot be treated as a direct continuation of Vijaya Bank's standalone performance. Bank of Baroda's official financial report clearly notes that post-April-2019 results include the operations of the erstwhile Vijaya Bank and Dena Bank and are not comparable with the corresponding earlier periods in a simple one-to-one manner.

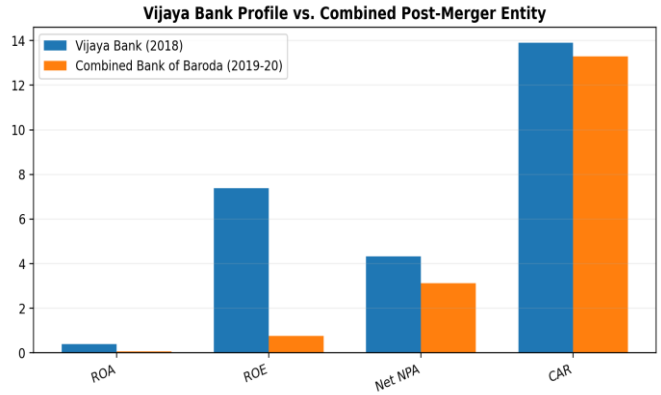


Figure 3. Vijaya Bank's selected 2018 ratios compared with the combined post-merger entity.

Comparative Discussion

The comparison highlights three dominant dimensions. First, capital strength differed before consolidation. Vijaya Bank's reported CAR of 13.90% exceeded Bank of Baroda's 12.13% in the quoted 2018 series. The combined post-merger CAR of 13.30% remained within the same broad range. This indicates that the merger did not simply characterize an increase in capital adequacy through scale; rather, the combined capital position reflected the interaction of the constituent banks' capital structures.

Second, asset quality was a major issue for both banks, but the reported levels differed. Vijaya Bank's Net NPA ratio of 4.32% was lower than Bank of Baroda's 5.49%. The combined post-merger figure of 3.13% was lower than both cited standalone 2018 figures. This pattern is directionally stable, which reports a statistically significant decline in aggregate Net NPA from 4.6 to 2.9 after merger.

Third, profitability displays the greatest contrast. Vijaya Bank reported positive ROA, ROE and profit per employee in the cited 2018 data, whereas Bank of Baroda's corresponding figures were negative. The post-merger combined ROA and ROE were positive but modest in the cited 2019-20 series. This advocates that the post-merger institution was operating through a transition period in which scale and integration were accompanied by continuing profitability pressures. The study reinforces this multidimensional interpretation: ROA and ROE increased significantly in its broader sample, but NII/TA declined significantly and wage costs increased significantly.

The comparison also demonstrates the prominence of choosing appropriate performance measures. A merger can improve capital adequacy and asset quality while simultaneously creating pressure on interest margins or integration costs. Therefore, a single ratio cannot adequately represent post-merger financial performance. CRAMEL-type frameworks are useful because they combine capital, asset quality, management efficiency, earnings and liquidity..

Major Findings

Folowing are the major findings of this research study:

- Bank of Baroda and Vijaya Bank entered the 2019 merger with materially different financial profiles.
- Vijaya Bank's cited 2018 CAR, ROA, ROE and profit-per-employee measures were positive, while Bank of Baroda's quoted profitability measures were negative.
- Bank of Baroda's cited Net NPA ratio was higher than Vijaya Bank's, indicating a comparatively heavier asset-quality burden in the selected year.
- The official Bank of Baroda report approves that Vijaya Bank and Dena Bank were amalgamated with Bank of Baroda effective 1 April 2019.
- The combined post-merger series conveyed positive ROA and ROE, a lower Net NPA ratio and CAR of 13.30%, but these values cannot be interpreted as Vijaya Bank's standalone post-merger performance.
- The reports show a significant improvement in CAR, Tier 1 capital, Net NPA, profit per employee, ROA, ROE and deposits-to-liabilities after merger, alongside a significant decline in NII/TA.

Comparison of constituent banks with the consolidated entity requires caution because differences may reflect starting conditions, integration, provisioning and the inclusion of multiple banks.

Conclusion

This comparative study of Bank of Baroda and Vijaya Bank demonstrates the complexity of evaluating bank mergers. The two institutions entered the 2019 amalgamation with different levels of profitability, asset quality and capital adequacy. Vijaya Bank's cited 2018 ratios specified positive profitability and a relatively stronger CAR, while Bank of Baroda's cited ratios reflected negative profitability and a higher Net NPA ratio. Bank of Baroda, however, was the continuing institution with a substantially larger balance sheet, making the merger a combination of different financial profiles rather than a simple absorption of an institution of equivalent scale.

The post-merger signal provides a more nuanced picture. The combined institution recorded positive profitability ratios and a lower Net NPA ratio in the cited post-merger series, while the broader study found noteworthy improvements in several capital, asset-quality, efficiency and profitability measures. At the same time, the decline in NII/TA determines that not all financial indicators moved in the same direction. Accordingly, the principal academic implication is that merger performance should be

assessed through a multidimensional framework and over an adequate post-merger period. Capital adequacy, asset quality, profitability, liquidity, operating efficiency and interest-income performance should be observed together.

For future research, a longer bank-level panel covering at least three to five years before and after amalgamation would improve comparability. Such research could also control for macroeconomic conditions, regulatory changes, provisioning cycles and bank-specific characteristics. The two-bank comparison presented here should therefore be viewed as a focused case analysis that complements, rather than replaces, the aggregate CRAMEL analysis in the attached Karnataka study.

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Nil.

Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of thesis paper.

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