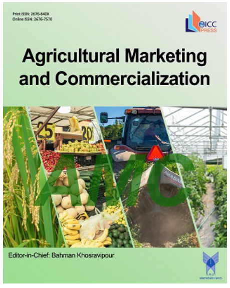

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Original Article

A Model for Bank Mergers and Acquisitions in the National Banking Sector

Alireza Razavi Nouri[1], Zahra Houshmand Neghabi[2]*, Gholamreza Askarzadeh[3], Mahmood Hematfar[4], Artin Beytari[5]

[1] *Department of Financial Management, SR.C. Islamic Azad University, Tehran, Iran*
[2] *Department of Management and Accounting, Isl.C., Islamic Azad University, Islamshahr, Iran*
[3] *Department of Financial Management, Ya.C., Islamic Azad University, Yazd, Iran*
[4] *Department of Accounting, Bo.C., Islamic Azad University, Borujerd, Iran*
[5] *Department of Accounting, ShQ.C., Islamic Azad University, Tehran, Iran*

***Corresponding author:** zahra.hooshmand@iau.ac.ir

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Abstract
This study aimed to set up an extensive framework of mergers and acquisitions (M&A) in the banking industry in the country. Applied nature, in terms of its purpose, and qualitative nature, in terms of the research draws on in-depth insights from twelve experts selected through snowball sampling until theoretical saturation was achieved. Participants consisted of university scholars with expertise in financial management and financial engineering, senior executives, and department heads in the Central Bank of the Islamic Republic of Iran.
Data analysis was conducted through open, axial, and selective coding procedures using the support of MAXQDA software. A careful examination of the interviews resulted in pulling out 57 different concepts, grouped into 14 main ones. These categories were then mapped onto the six dimensions of a paradigmatic model (i.e., causal conditions, central phenomenon, contextual factors, intervening conditions, strategies, and consequences), culminating in the final conceptual model of the study.
The results demonstrate that the main influencing factors of M&A activity in the banking industry are financial - structural, managerial - operational, regulatory and policymaking, as well as external environmental factors. Properly executed, mergers and acquisitions can be highly beneficial: reinforced capital bases and financial stability, operating cost economies, efficiency and productivity gains, reduction of credit and operational risk, better competitive positioning, and public confidence in the banking system. At the same time, the process can entail major difficulties such as the dissolution or administrative takeover of loss-making institutions, the need to build and upgrade technological infrastructure to facilitate real-time central bank supervision, the improvement of the quantitative and qualitative capacity of supervisory personnel, and the reassessment of the quality of assets across banks.

Keywords: Merger, Acquisition, Banking Industry

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1. INTRODUCTION

According to the latest statistics published by the Central Bank, of the 29 banks stood in its official website, only 11 are compliant with the minimum capital adequacy standards established by the Basel III framework. The other 18 have capital adequacy ratios below 8 percent. Moreover, the official data show that the general capital adequacy of the banking system has been negative for several years. If all the 29 banks are taken as equal (which is purely for analytical purposes), their average capital adequacy ratio would be around negative 20.83 percent (Tamizi, 2024).

This number does not mean that the aggregate level of capital adequacy of the banking system as a whole reflects this exact number, because banks themselves vary significantly in the size of assets and resources held. Nonetheless, in spite of the adoption of prudent measures such as controls on the balance sheet and partial improvements in recent years, the majority of the domestic banks continue to operate below the 8 percent threshold. In the case of a systemic shock, this vulnerability might well turn out to be highly destabilizing. It is worth noting that such calculations don't include two financial institutions - Noor and Caspian - that have been recently dissolved. Their inclusion would increase the number of banks and credit institutions having sub-8 percent capital adequacy ratios to twenty (Khorramshahi et al., 2023).

Central Bank data also show a continued inefficiency in the distribution of interest-free (qard al-hasan) deposits. Despite strong public demand (especially among younger citizens) for such facilities, a considerable share of savings-based qard al-hasan deposits has not been used for interest-free lending. In some years, only 63 percent of these deposits were spent on the intended purpose. Although legal and structural reforms introduced in 2007 led to improvements in this ratio, which was brought close to 90 percent in 2014 (after deducting required reserves), the figure stands at 113 percent in 2023, surpassing the 95 percent limit imposed by the Council of Ministers in 2007 after some fifteen years. At the same time, the proportion of savings-based qard al-hasan deposits to the total deposits has been decreasing (Silspour et al., 2024).

Structural inefficiency of commercial banks and gaps in the Law on Usury-Free Banking Operations, especially its silence on exact ratios of allocation of qard al-hasan resources, be it the savings account or current account, have contributed to distortions of the system (Moghimi, 2024). In 2023 alone, the banks received around 14,200 trillion current deposits in zero-interest under qard contracts. After deduction of the required reserves, total qard al-hasan deposits (both current and savings) amounted to about 17,230 trillion rials. Of this, only 5,602 trillion rials were extended as interest-free loans; the rest (11,628 trillion rials) were diverted to other, non-qard al-hasan uses.

Compounding these problems are chronic inflation and currency depreciation, low depositor income levels, economic hardship, erosion of the spiritual ethos of qard al-hasan through promotional lotteries, cultural changes toward increased profit-seeking behavior, inefficient resource allocation without any apparent prioritization, failure to account for service fees as legitimate compensation for labor, declining levels of public trust due to inappropriate practices of loan disbursement, increasing numbers of non-performing loans, insufficient capital structures and low levels of registered capital in some banks, increasing claims against government and quasi-government players, and the practice of making loans in foreign currency and taking reimbursement Above all, the structural inefficiency of commercial banks is one of the most significant systemic problems that the country's banking sector faces (Gholich, 2024).

In advanced economies, mergers and acquisitions have been employed as a policy and market-based tool for a long time to resolve the structural weaknesses of the banking system and to react to the mounting financial pressures. At its most basic level, the idea behind mergers and acquisitions is a strategic partnership to create a bigger, stronger financial institution. In practice, however, the focus has been more on mergers - and with the intention of not just pairing up balance sheets, but of creating an institution that can offset the weaknesses of its predecessors, while generating real value for stakeholders and the newly-created bank itself (Novaka, 2024).

Historically, the banks in the country have been stepping in periodically to absorb or stabilize troubled institutions, especially in times of financially driven crises. These interventions were motivated mainly by the need to arrest the systemic risk from spreading throughout the banking network. While such actions have often been mandatory and crisis-driven, mergers may also be done voluntarily. Institutions with similar missions and strategic outlooks may consolidate to streamline the competitive landscape and improve the market coherence (Ebrahimi & Masoudi, 2024).

Yet, experience suggests that many mergers in the past have not been based on a true strategic fit or mutual agreement. Instead, they have often imposed high operational, cultural, and strategic costs on the institutions concerned - impact on quality of service, on contractual obligations, on market positioning, on human resources, and organizational culture. When approached strategically as opposed to reactively, however, mergers and acquisitions have the power to create synergy. Through structured collaboration and strategic alignments, banks can redefine their identity with a renewed presence - strengthen differentiation, boost competitiveness, and offer better value to current and potential customers (Stefanic et al., 2023).

Against this background, a coherent and context-specific model of M&A of the national banking industry is the main scientific goal of this research. The study aims at adding to the existing knowledge and practical experience of the banking sector. Accordingly, the primary research question may be formulated as follows: What is the appropriate merging and acquisition model for the country's banking industry?

2. THEORETICAL FOUNDATIONS

Mergers and acquisitions are officially defined in Clause 16 of Article 1 of the Law on the Implementation of General Policies of Article 44 of the Constitution of Iran. Under this provision, a merger happens when multiple banks lose their individual legal entity to create a new and united law, or when a single institution is incorporated into another. Such actions are usually taken to benefit the organizational structure by making organized structure bigger and stronger.

From a legal aspect, mergers are corporate acts based on the will of the shareholders. They require deliberate decision-making, negotiated agreement, and strategic evaluation by the stakeholders of the merging institutions. The goal is not simply to consolidate, but to build a stronger and more competitive organization.

What becomes crucial here is compliance with a proper framework for a merger, especially by the absorbing institution. Successful integration requires a model that can identify all the relevant causal, contextual, intervening, and basic factors that inform the merger process, as well as uncover the strategies and outcomes related to M&As activity in the banking sector. Numerous domestic and international studies have dealt with related dimensions of this issue.

Alipour and Zangeneh (2023), for example, investigated bank mergers and acquisitions through fintech-oriented firms as a strategic response against digital transformation, technological advancements, and open innovation frameworks. Drawing on signaling theory and Fama's efficient market hypothesis, they concluded that M&A activity allows banks to gain access to technological expertise, tacit knowledge, and specialized capabilities embedded in fintech firms. By examining the stock market's responses to M&A announcements, they were able to show how such transactions can affect future profitability. In an age dominated by rapidly evolving digitalization, banks pursue fintech acquisitions not only to stay competitive but to integrate innovation into their organizational structure. Beyond making a contribution to the academic literature, their findings provide practical guidance to bank executives about which acquisition strategies are likely to be most beneficial over the long term.

Similarly, Hedayati et al. (2023) designed a model that identified the factors affecting the collaboration between Iranian private banks and fintech companies using the meta-synthesis approach. Applying the seven-stage framework suggested by Sandelowski and Barroso, the researchers developed a conceptual model that includes six dimensions of the model: policy making, infrastructure, cultural development and training, customer orientation, process orientation, and tools, facilities, and incentives. The theoretical validity of the model was substantiated by the literature and supported by expert evaluation.

Ramazani et al. (2021), based on 2021, from a marketing perspective, in a quantitative study on co-banking models in bank and institutional mergers, firstly proposed a conceptual framework with 23 causal variables in six dimensions and 16 components. In the quantitative phase, they developed a 67-item questionnaire, validated by academic and banking experts, and used the structural equation modeling software to test the reliability, obtaining an average reliability score of 75 percent. After evaluating measurement and structural models and testing the proposed hypotheses, the final research model, which was reduced by eliminating six variables, was reduced to a framework of one core concept, six dimensions, and ten components.

Filip et al. (2024), in their research paper titled "A Model for Bank Mergers and Acquisitions and Post-Merger Performance: Evidence from Sub-Saharan Africa," provided some of the fundamental dimensions that influence the frameworks of M&As in the banking industry. These included socio-political issues, geographical and regional factors, legal and regulatory frameworks, ICT infrastructure, and financial and profitability conditions. Their findings showed all of these elements have a statistically significant effect on the design and success of M&A models. Among them, the legal and regulatory dimension became the most decisive factor in influencing the patterns of merger and acquisition in the banking industry.

Similarly, Ullah and Rashid (2024) in their study on the development of M&A strategies for the banking industry came to the conclusion that the banking industry of Bangladesh, apart from being low on recommended reserve ratios, is also highly exposed to liquidity risk. They warn that the process of consolidation may not necessarily solve these structural weaknesses. Their analysis goes further and underscores the importance of technological and legal infrastructure for effective M&A processes for commercial banks.

Novoka (2024), analyzing the evolution of co-banking in the banking industry, found that the adoption of co-banking mechanisms tends to lead to massive consolidation in the banking network, which produces the wide-ranging macroeconomic impacts. One interesting result is the creation of a "super bank", which can result in a lack of granularity in the banking network and, ultimately, an increase in systemic concentration. While the granularity of firms has been an issue in the economic literature for a long time, the extension of this to banking is relatively recent. Empirical studies are now growing to show that granularity in banking networks can have significant macroeconomic consequences, good or bad, depending to a large extent on the performance and governance of the dominant super-bank.

3. RESEARCH METHODOLOGY

This study is applied in purpose and qualitative in design. The research process unfolded in the following stages:

Stage 1: Literature Review

A comprehensive review of theoretical foundations and prior studies related to mergers and acquisitions in banking.

Stage 2: Instrument Development (Interview Protocol)

Data were collected through semi-structured interviews. After reviewing relevant literature and consulting with academic advisors, the final interview guide included the following questions:

No.	Interview Question
1	What is your perspective on mergers and acquisitions in the national banking sector?
2	What are the key necessities and objectives of M&A in the banking industry?
3	Which structural characteristics of the banking sector could facilitate M&A policies?
4	What capabilities and competencies are required for successful banking M&A?
5	What strategies should guide the implementation of M&A policies?
6	In your view, what are the main factors influencing M&A in the banking sector?
7	What objectives are policymakers pursuing through banking M&A initiatives?
8	What consequences—positive or negative—may result from M&A in the banking industry?

Stage 3: Conducting Interviews
Using the snowball sampling method, interviews were held with university professors with a PhD in financial engineering and financial management, and senior managers, deputies, and heads of departments from the Central Bank of the Islamic Republic of Iran.
Stage 4: Data Coding and Analysis
Interview data were analysed using open, axial, and selective coding in order to identify causal conditions, contextual factors, the core phenomenon, intervening conditions, strategies, and outcomes.
Stage 5: Research Variables Validation
To ensure the credibility and rigor of the study, the following four evaluative criteria were put forward by Strauss and Corbin (1990): credibility, transferability, dependability, and confirmability.

4. FINDINGS

Data collection during the qualitative phase was based on semi-structured interviews. After twelve interviews with experts, a state of theoretical saturation was reached, which means that no new concepts were emerging and there was no need to continue the interviews.
The demographic characteristics of the sample, including the position, professional experience, and educational background, are presented below (Table 1).

4.1 Data Analysis Procedure

4.1.1 Conceptualization and Coding of Collected Data
Following the completion of interviews, open coding began. Key themes and central concepts were drawn out sequentially from each transcript, creating an initial pool of conceptual categories. As more interviews were analyzed, new information was added to the developing framework, and preliminary categories were refined as a result. This iterative process continued until saturation was reached, when no new conceptual categories were emerging.
Subsequently, related concepts were grouped into higher-order categories so that broader thematic structures could emerge. In accordance with qualitative content analysis methodology, coding was an iterative process of comparing and refining.
The purpose of axial coding was to try to establish relationships between the concepts that were identified during open coding. Concepts with conceptual similarity were grouped to make axes around common concepts to make cohesive categories. The detailed results of the open coding phase are shown in tables 2 through 7 (not reproduced here).
Strauss and Corbin have explained open coding as the analytic process of identifying, naming, and categorizing phenomena by close examination of data. In essence, it is a process of systematically categorizing the concepts obtained from interviews and documents based on their thematic interest and interrelationships.

Open Coding of Causal Conditions that Affect Mergers and Acquisitions in the National Banking Sector
Participants were asked:
In your opinion, what are the factors that coordinate

Table 1. Demographic Profile of Research Participants

No.	Position	Years of Experience	Education
1	Head of Revenue Department, Central Bank	14	PhD Candidate
2	Deputy of ICT and Communications Network, Central Bank	12	PhD
3	Deputy of Planning and Transformation, Central Bank	17	PhD
4	Associate Professor of Financial Management (University Faculty)	36	PhD
5	Head of Foreign Exchange and International Affairs, Central Bank	17	PhD
6	Assistant Professor of Financial Engineering (University Faculty)	15	PhD
7	Director General of Risk Assessment, Central Bank	20	PhD
8	Assistant Professor of Financial Engineering (University Faculty)	10	PhD
9	Assistant Professor of Financial Engineering (University Faculty)	20	PhD
10	Assistant Professor of Financial Management (University Faculty)	17	PhD
11	Assistant Professor of Financial Management (University Faculty)	14	PhD
12	Assistant Professor of Financial Management (University Faculty)	20	PhD

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Table 2. Open Coding of Causal Factors Affecting Banking M&A

No.	Source of Code	Description of Code
1	Interviews 1, 4, 5, 12	Digital transformation in the banking industry
2	Interviews 8, 9, 10, 11	Innovation-driven motives and expansion of modern banking services
3	Interviews 3, 11, 12	Need for growth and expansion within the banking sector
4	Interviews 3, 7, 10, 11, 12	Development of scientific, technological, and IT infrastructure
5	Interviews 5, 6, 7, 8, 9, 11, 12	Meeting current and future expectations of customers and stakeholders
6	Interviews 2, 5, 6, 7, 8, 9	Pressure from shareholders and industry policymakers
7	Interviews 1, 4, 8, 10, 11	Impact of economic sanctions on infrastructure and the reduced investment capacity of commercial banks
8	Interviews 1, 8, 12	Uncertainty in fiscal, monetary, and exchange-rate policies
9	Interviews 3, 12	Financial and knowledge-based support from the government and the central bank
10	Interviews 6, 8, 10, 12	Oversized organizational structures and rising operational costs
11	Interviews 2, 6, 7, 10	A growing number of banks and credit institutions with accumulated losses
12	Interviews 1, 6, 8, 9	Weak supervision and inadequate enforcement of regulations
13	Interviews 4, 5, 6, 7, 8, 9, 12	Need for structural redesign and systemic reengineering
14	Interviews 3, 4, 6	Emergence of a new global banking ecosystem
15	Interviews 3, 4, 5, 6, 9, 12	Integrated management of costs, revenues, and investments
16	Interviews 7, 9, 10	Risk management challenges in banking
17	Interviews 4, 8, 12	Enhancing competitiveness and alignment with international standards
18	Interviews 2, 4, 5, 6, 8	Preventing bankruptcy and liquidity crises
19	Interviews 2, 3, 5, 6, 7, 10, 11	Capital shortages and weak capital adequacy ratios

Table 3. Open Coding of Intervening Factors in Banking M&A

No.	Source of Code	Description of Code
1	Interviews 1, 3, 4, 6, 7, 8, 10	Economic instability, inflation, and recession
2	Interviews 2, 6	Exchange-rate volatility
3	Interviews 3, 7, 9, 11	Weaknesses in financial reporting practices
4	Interviews 6, 8, 10	Earnings management in commercial banks
5	Interview 2	Proliferation of small and fragmented banks
6	Interviews 1, 9	High ownership concentration in certain banks
7	Interviews 1, 2, 4, 5, 6, 8	Central bank policies on capital adequacy and supervisory requirements
8	Interview 4	Quality and stability of regulatory frameworks
9	Interviews 3, 7	Divergent organizational cultures and management styles across banks

mergers and acquisitions in the national banking industry?

Their responses led to the following set of causal conditions.

Causal conditions are the events and structural processes that form the basis of the central phenomenon. They assist in understanding why and how the actors in the banking system resort to mergers and acquisitions as a strategy (Table 2).

Open Coding of Intervening Conditions in Banking M&A

Participants were asked:

What intervening variables shape or influence the M&A process in the national banking sector?

Intervening conditions operate at a broader structural level and may either facilitate or constrain strategic action (Table 3).

Open Coding of the Core Phenomenon in Banking M&A

Participants were asked:

Into which core categories can banking mergers and acquisitions be conceptually grouped?

The central phenomenon represents the conceptual anchor of the research process (Table 4).

Open Coding of Contextual Conditions Affecting Banking M&A

Participants were asked:

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Table 4. Open Coding of the Core Phenomenon in Banking M&A

No.	Source of Code	Description of Code
1	Interviews 2, 4, 7, 8, 10, 11	Restructuring and strengthening the banking system for sustainability and efficiency
2	Interviews 1, 9, 10	Banking crisis management
3	Interview 4	Competitiveness and sustainable investment in the banking system
4	Interviews 5, 7	Enhancing operational efficiency

Table 5. Open Coding of Contextual Factors in Banking M&A

No.	Source of Code	Description of Code
1	Interviews 1, 5, 7	Economic growth rate
2	Interviews 1, 5, 7	Constraints in capital financing
3	Interview 4	International sanctions and external restrictions
4	Interview 7	Central bank policies on risk control and consolidation
5	Interviews 9, 10	Regulatory transparency and stability

Table 6. Open Coding of Strategic Measures in Banking M&A

No.	Source of Code	Description of Code
1	Interviews 2, 8	Integration of branch networks
2	Interviews 7, 9	Organizational restructuring of commercial banks
3	Interviews 6, 8, 10	Brand consolidation and unified identity creation
4	Interviews 1, 4, 5, 6, 8, 10	Capital increases and improvement of capital adequacy ratios
5	Interviews 3, 9	Management and resolution of non-performing loans
6	Interview 8	Integration of banking information systems
7	Interviews 1, 5, 7	Investment expansion in digital banking
8	Interviews 3, 7	Alignment with central bank policy directives
9	Interviews 3, 7	Managing sustainable relationships with customers and stakeholders
10	Interviews 5, 6, 7	Cultural integration to support successful consolidation

What contextual factors influence mergers and acquisitions in the banking sector?
Contextual conditions define the broader environment within which strategic actions unfold (Table 5).

Open Coding of Strategic Actions Influencing Banking M&A
Participants were asked:
What strategies are most influential in implementing mergers and acquisitions in the national banking sector?
Strategies represent deliberate actions taken in response to the central phenomenon (Table 6).

Coding the Consequences of Mergers and Acquisitions in the National Banking Industry
Consequences refer to the results that are tangible and intangible, which are created by mergers and acquisitions (M&A) in the banking sector of the country. The results are the end product of the decisions that are made (Table 7). The questions asked during the interview include:
In your view, what are the consequences of mergers and acquisitions for the national banking industry?
Their responses are summarized below.

4-1-2 Axial Coding
Axial coding aims to find relationships between categories developed during open coding. Usually, this process is guided by a paradigmatic model. This stage of coding enables the researcher to systematically connect concepts and build a theory. A central category (the core phenomenon) is developed and connected to other categories. Causal conditions are events or factors that influence the phenomenon.
Table (8-13) were showed the Axial Coding of Causal Factors Affecting M&A in the National Banking Industry; Axial Coding of Intervening Factors in M&A; Coding the Core Phenomenon of M&A in the National Banking Industry; Axial Coding of Contextual Factors Affecting M&A; Axial Coding of M&A Strategies in the National Banking Industry; and Axial Coding of M&A Consequences, consequently.
As evident above, M&A in the national banking industry has both constructive and demanding outcomes. On the one hand, it improves capital structures, increases efficiency, reduces risk exposure, improves competitive positioning, and helps rebuild public trust. On the other hand, it requires difficult structural changes, technology upgradation for

Table 7. Coding of M&A Consequences in the National Banking Industry

No.	Source of Code	Description
1	Interviews 1, 5, 7	Strengthening banks' capital base and financial capacity
2	Interviews 8, 12	Reduction in operating costs
3	Interviews 1, 5, 6, 9, 10, 11	Improved efficiency and productivity
4	Interviews 1, 3	Lower credit and operational risk
5	Interviews 4, 5, 7, 10	Enhanced competitive positioning and industry leadership
6	Interview 10	Increased public trust
7	Interviews 3, 4, 6, 8	Dissolution and administrative takeover of loss-making banks and credit institutions
8	Interviews 1, 2, 3, 5, 6, 7, 8, 9, 10	Development and upgrading of technological infrastructure to enable real-time, up-to-date central bank supervision
9	Interviews 7, 8	Strengthening the quantitative and qualitative capacity of central bank supervisory staff
10	Interviews 1, 4, 6, 8	Asset quality review within banks

Table 8. Axial Coding of Causal Factors

No.	Coding Axis	Description
1	Financial–Structural	Large and complex banking structures are increasing cost burdens
		Growth in the number of loss-making banks and credit institutions
		Need for structural redesign and reengineering of the national banking system.
		Integrated cost, revenue, and investment management in banking
2	Managerial–Operational	Innovation-driven motives and development of modern banking services
		Meeting current and future needs of customers and stakeholders
		Digital transformation in banking
		Risk management enhancement
		Greater competitiveness and alignment with international standards
		Preventing bankruptcy and liquidity crises
3	Regulatory and Policy	Need for growth and expansion in the banking industry
		Weak oversight and evaluation of branches, laws, and regulations
4	Environmental	Development of scientific and technological infrastructure
		Pressure from shareholders and industry planners
		Impact of economic sanctions on infrastructure and reduced investment capacity
		Uncertainty in government monetary, exchange rate, and inflation policies
		Financial and knowledge-based support from the government and the central bank
		Emergence of a modern global banking ecosystem
		Capital shortages or weak capital adequacy ratios

Table 9. Axial Coding of Intervening Factors

No.	Coding Axis	Description
1	Organizational	Weak financial reporting practices
		Earnings management in commercial banks
		Proliferation of small, fragmented banks
		High ownership concentration in certain banks
		Divergent organizational cultures, management styles, and structures
2	Environmental	Exchange rate volatility
		Economic instability, inflation, and recession
		Central bank policies on capital adequacy and supervisory requirements
		Quality and stability of laws and regulations

Table 10. Core Phenomenon Coding

Coding Axis	Description
Restructuring and strengthening the banking system for sustainability and efficiency	Banking crisis management Competitive resilience and sustainable investment Improved operational efficiency

Table 11. Axial Coding of Contextual Factors

No.	Coding Axis	Description
1	Macroeconomic Factors	Economic growth rate Constraints in capital financing International sanctions and restrictions
2	Legal Factors	Central bank policies on risk control and consolidation Stability and transparency of laws and regulations

Table 12. Axial Coding of M&A Strategies

No.	Coding Axis	Description
1	Structural Strategies	Integration of branch networks Organizational restructuring of commercial banks Brand consolidation and unified identity building
2	Financial and Capital Strategies	Capital increases and improved capital adequacy ratios Management and resolution of non-performing loans
3	Operational Strategies	Integration of banking systems and platforms Expanded investment in digital banking Alignment with central bank policies Sustainable relationship management with customers and stakeholders Cultural integration to support successful consolidation

Table 13. Axial Coding of M&A Consequences

No.	Coding Axis	Description
1	Positive Outcomes	Stronger capital base and financial capacity Lower operating costs Higher efficiency and productivity Reduced credit and operational risk Stronger competitive position and industry leadership Increased public confidence
2	Challenging Outcomes	Dissolution and administrative takeover of loss-making banks and credit institutions Development of technological infrastructure to enable real-time central bank supervision Strengthening supervisory human capital at the central bank Comprehensive asset quality review within banks

real-time monitoring, improved regulatory capabilities, and strict re-evaluation of asset quality.

4–2 Presenting the M&A Model for the National Banking Industry

This study uses Strauss and Corbin's grounded theory approach in axial coding. MAXQDA software was applied to manage and analyze the qualitative data. Grounded theory provides a systematic approach to the examination of the relationships among the categories and the development of a cohesive understanding of the phenomenon under study. It enables the researcher to determine:

• The causal and contextual conditions that motivate actors to be directed towards a central phenomenon,

• The strategies used to handle that situation and make the core category come true,

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• The intervening factors that may limit or channel those influences, and

The first two are "complete readies," and the last is the "blooded" one, which is "the resulting consequences of mergers and acquisitions within the national banking sector".

The proposed model of mergers and acquisitions in the banking industry is presented in Figure 1.

According to the model, the causal drivers of the mergers and acquisitions in the banking sector can be categorized into four broad groups:

Financial–structural factors:

Overextended and cumbersome banking structures that create excessive cost burdens; increasing numbers of loss-making banks and credit institutions; the need for systemic redesign and structural reengineering; and integrated management of costs, revenues, and investments across the industry.

Managerial–operational factors:

Innovation-based ambitions and growth through modern banking services; the responsiveness to the contemporary demands or expectations of customers and stakeholders; digital transformation; improved risk management; higher competitiveness in line with international standards; the prevention of bankruptcy and liquidity crisis.

Regulatory and policy factors:

The need for development and growth of industries, along with weakness in supervision at the branch level, and the enforcement of laws and regulations.

Environmental factors:

Expanding of scientific and technological infrastructure; pressure due to shareholders and sector planners; influence of economic sanction on infrastructure and the investment capacity of banks; uncertainty regarding monetary policy, exchange rate, and inflation policies; financial and knowledge-based support of the government and central bank; the development of a modern global banking system; and shortage of capital or low capital adequacy ratios.

The model goes on to suggest that the results of mergers

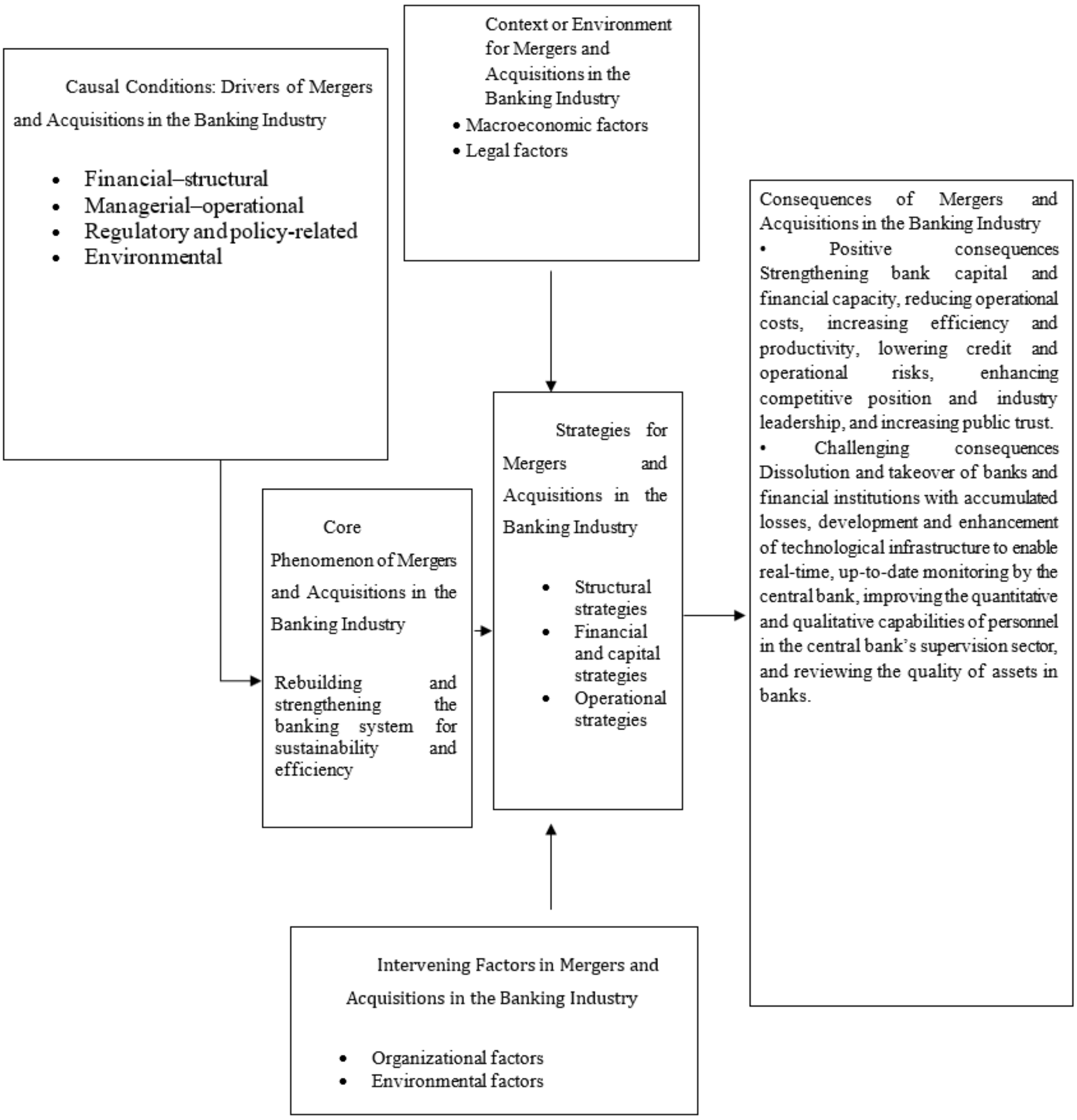

Figure 1. Mergers and Acquisitions Model of the National Banking Industr

and acquisitions create both constructive and demanding results.

Some of the positive outcomes include strengthened capital bases, lower operating costs, better efficiency and productivity, lower credit and operational risks, better competitive positioning and industry leadership, and increased public trust.

Challenging outcomes include the dissolution and administrative takeover of distressed banks and credit institutions; technological infrastructure development and upgrade to facilitate real-time and up-to-date supervision by the central bank; strengthening of the quantitative and qualitative capacity of the supervisory personnel; and the comprehensive asset quality reviews across banks.

4–3 Selective Coding

Selective coding is the final phase of analysis in the grounded theory approach of Strauss and Corbin. At this stage, categories that were found during the axial coding process are integrated and modified into a coherent narrative, which is focused on the core category. The central category is the main theme of the research, that is, the main concept around which the qualitative data are organized and interpreted.

In this study, the core category has been:

Restructuring and shoring the banking system for sustainability and efficiency.

During selective coding, the relations between fourteen important indicators were elaborated. The structured components of the M&A model are shown in Table 14.

4–4 Validation of the Conceptual Model

The validity of the proposed model was determined using the criteria of fit and workability articulated by Strauss and Corbin (1990). Feedback from the interview participants was used to evaluate this process.

With respect to fit, after the results of the interviews, two interviewees checked whether the results are in place of the actual banking practice. Based on their feedback, a few minor refinements were made in the naming of some of the categories in order to achieve conceptual precision.

As regards workability, continuous comparison was made between the obtained data and the theoretical foundations and previous literature. Semi-structured interview questions were iteratively improved to make them more practical and clear at each stage.

In qualitative studies, both validity and reliability are rarely addressed by four set criteria:

Credibility

This criterion is related to the authenticity and plausibility of the findings. In the present study, the researcher was able to sustain their involvement in the research environment for about 80 days. Interview recordings were repeated, and all aspects of the research process, including categories and participant insights, were carefully recorded and discussed.

Transferability

Transferability is the degree to which findings can be applied in other situations. In support of this criterion, the results are detailed enough and sufficiently deep so that readers can determine if they apply to similar settings.

Dependability

In qualitative research, dependability replaces the concept of reliability. To reinforce the dependability, consideration was given to developing a research situation, changes in the phenomenon under study, and situations. All recorded interviews, transcriptions, interview guides, participant lists, derived categories, and researcher notes were systematically archived and documented.

Confirmability

Confirmability relates to the extent to which results are influenced by participants rather than researcher bias.

Table 14. Indicators of the M&A Model in the National Banking Industry

Category	Components
Causal factors of M&A in the banking industry	Financial–structural
	Managerial–operational
	Regulatory and policy
	Environmental
Contextual factors of M&A	Macroeconomic factors
	Legal factors
Intervening factors of M&A	Organizational factors
	Environmental factors
M&A strategies in the banking industry	Structural strategies
	Financial and capital strategies
	Operational strategies
Consequences of M&A in the banking industry	Positive outcomes
	Challenging outcomes
Core phenomenon of M&A in the banking industry	Restructuring and strengthening the banking system for sustainability and efficiency

In order to ensure that this is the case, all research data, interpretation, and analytical steps have been systematically recorded from the very start. Extracted concepts and categories were shared with the interviewed persons for review; the corrective feedback from them was taken into account, and final confirmations were obtained where needed.

5. DISCUSSION AND CONCLUSION

This research aimed to create a holistic model of mergers and acquisitions (M&A) in the national banking sector using a qualitative methodological approach based on in-depth interviews with financial and banking experts. The process of data analysis through open, axial, and selective coding allowed for the systematic identification of key concepts and categories. Finally, 57 concepts were reduced to 14 key categories. These categories were then structured in a paradigmatic model consisting of six dimensions: causal conditions, the core phenomenon, contextual factors, intervening conditions, strategies, and consequences. In this way, a holistic and systematic model of M&A dynamics in the banking sector of the country has been created.

The results of this research show that the causal factors of M&As in the banking system of Iran can be categorized into four broad categories: financial-structural factors, managerial-operational factors, regulatory and policy-related factors, and environmental factors. This categorization clearly shows that M&As are not only financial decisions but are the result of a complex process of structural forces, regulatory necessities, and environmental constraints.

At the heart of the model is the core phenomenon, which is the restructuring of the banking system via mergers and acquisitions with the objective of improving resilience, efficiency, and competitiveness. In the Iranian case, this objective cannot be achieved without active and intelligent central bank intervention, in addition to the need for harmonization among key stakeholders.

The presence of contextual factors, such as the level of corporate governance, the maturity of supervisory structures, the strength of technological infrastructure, and the effectiveness of human capital in supervisory positions, is crucial in determining the success or failure of M&A efforts. Simultaneously, intervening factors such as macroeconomic instability, inflationary and exchange-rate challenges, legal limitations, and public demands can either make the process easier or more difficult.

Mergers and acquisitions in the national banking system, therefore, are not merely technical or financial operations. They take place in a complex institutional, social, and economic context.

The strategic directions are focused on the design of mergers based on the quality of assets, process reengineering, banking technology integration, improved real-time monitoring, and human capital capacity building. The strategies would result in positive outcomes only if they are implemented through phased planning, risk management, and effective communication with stakeholders.

The consequences are naturally dual in nature. The positive implications of the consequences include the improvement of capital structure, cost of operations, productivity, credit and operational risks, competitive advantage, and public confidence. The negative implications of the consequences include dealing with distressed banks, immediate improvement in monitoring and technological infrastructure, human capital development, and overall assessment of asset quality.

The dual nature of the consequences highlights an important point. Mergers and acquisitions in the banking sector are not a short-term solution. They are a challenging process that demands prudent management and a roadmap to ensure long-term success.

CONCLUSION

In conclusion, the model described in this research provides a comprehensive and systematic view of the M&A process in the banking sector in Iran. It illustrates that successful consolidation requires the simultaneous alignment of three key pillars:

1. A nimble and data-driven regulatory structure, headed by the central bank.
2. Technology integration at the level of the individual banks.
3. Improved human capital capacity among both regulators and bank executives.

Only through the simultaneous alignment of these three pillars can M&A activity add not only to structural reorganization, but also to resilience, efficiency, and public confidence.

Policy and Managerial Recommendations

On the basis of the results, one of the most important steps is the formulation of a clear and step-by-step regulatory policy for bank mergers and acquisitions. The central bank needs to formulate strict guidelines related to capital adequacy, asset quality, ownership, and corporate governance. Banks participating in the merger and acquisition process need to have a clear understanding of the regulatory policies and expected outcomes to avoid confusion and resistance from institutions.

At the same time, the technological environment for real-time monitoring needs to be improved. Without a comprehensive information system and a uniform data format, the merger and acquisition process may pose risks of concealed weaknesses. The need for intelligent supervisory systems and real-time reporting systems is therefore imperative to ensure continuous monitoring during the integration process.

Human capital development in monitoring and merger management is also imperative. The evidence suggests that most of the problems associated with the merger and acquisition process are a result of a lack of knowledge and expertise among managers and regulators. Training and development programs in asset valuation, risk management, and banking technology integration can therefore help minimize mistakes during the implementation process and boost public confidence.

Institutionally, banks are encouraged to structure their merger procedures along the lines of value roadmaps. These strategies need to establish well-articulated goals, key performance metrics, staged timelines, and procedures for constant review. Synergy, whether cost or revenue, should ideally be sought from the very beginning of the process, as opposed to mere cosmetic consolidation or simple asset transfers.

Communication and public trust management are, finally, critical components of a successful consolidation strategy. Open and consistent communication with depositors, employees, and the capital markets can help stave off rumors and reduce public distrust. Regular updates and genuine assurances about depositor protection will be crucial in enhancing the social capital of the merging banks.

Finally, it is suggested that a mechanism for evaluating mergers should be developed jointly by the central bank and commercial banks. This mechanism could include independent audits, stress tests, and comparisons of performance on various indicators before and after a merger. This would not only improve transparency and accountability but would also provide a basis for learning from experience in future mergers.

In general, the successful execution of mergers and acquisitions in the domestic banking sector would require a judicious mix of institutional development, technological development, human capital development, and effective communication management. Only then can mergers and acquisitions become a force for stability, improving resilience, productivity, and public confidence rather than creating new sources of instability.

Like all qualitative research, this study has some limitations. Firstly, the study was limited to financial and banking experts, and the views of other parties, like customers and bank employees, were not taken into account. Secondly, the results are derived solely from the interview process, and hence any generalization regarding the overall banking system has to be treated with caution. Thirdly, the study is limited to the structural and institutional framework of the banking system in Iran, and results may vary in other settings.

Future studies can benefit from a combination of qualitative and quantitative approaches to statistically confirm the proposed model. Comparative studies involving mergers and acquisitions in Iran, together with other banking systems, can further enhance the analytical framework. The inclusion of the views of customers and employees, as direct stakeholders, can further shed light on the social and cultural aspects of consolidation. Finally, longitudinal studies based on post-merger performance indicators can further help to shed light on the long-term implications of banking sector consolidation.

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