

**THE IMPACT OF MERGERS AND ACQUISITIONS ON FINANCIAL
PERFORMANCE OF BANK AND FINANCIAL INSTITUTIONS (BFIs) IN
NEPAL**

A Thesis

By

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Submitted in partial fulfillment of the requirement for the degree of

Master of Business Studies (MBS)

In the

Faculty of Management

Tribhuvan University

Kirtipur, Kathmandu

September, 2018

RECOMMENDATION LETTER

It is certified that thesis entitled “**The Impact of Mergers and Acquisitions on the financial performance of Bank and Financial institutions in Nepal**” submitted by Surendra Kumar Joshi is an original piece of research work carried out by the candidate under my supervision. Literary presentation is satisfactory and the thesis is in a form suitable for publication. Work evinces the capacity of the candidate for critical examination and independent judgment. Candidate has put in at least 60 days after registering the proposal. The thesis is forwarded for examination.

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CERTIFICATION OF AUTHORSHIP

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the reference section of the thesis.

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Date:.....

APPROVAL SHEET

We, the undersigned, have examined the thesis entitled “**The Impact of Mergers and Acquisitions on the financial performance of Bank and Financial institutions in Nepal**” presented by **Surendra kumar joshi** a candidate for the degree of Masters of Business Studies (MBS) and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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ACKNOWLEDGEMENT

This study entitled “The Impact of Mergers and Acquisitions on the financial performance of Bank and Financial institutions in Nepal” has been conducted for the partial requirement for the degree of Master in Business Studies (MBS) of Tribhuvan University. Every project whether big or small is successful largely due to the effort of a number of wonderful people who have always give their valuable advice or lent a helping hand. I sincerely appreciate the inspiration; support and guidance of all those people who have been instrumental in making this study a success.

My foremost appreciation and thanks goes to my honorable supervisor Phul Prasad Subedi for his close supervision, advice and encouragement during the research work. I am highly indebted and very thankful for his continuous support and constructive suggestion that have enabled this research project to achieve its present form. Moreover, I am also indebted and thankful to all respected teachers who motivated support and instruction in completing my overall Master in Business Studies (MBS) degree.

Special mention goes to Prof. Bhawani Shankar Acharya (Chairperson, research committee) for his timely and continuous guidance throughout the study. He not only reviewed my work but also suggested valuable advice and insights. I like to thanks teachers and other members of Central Department of Management who support and inspired me to complete this thesis and MBS degree.

Finally, I would like to appreciate all my family members and friends for their affection and support that has inspired me to achieve every success including this study. I would also like to take full responsibility of any kind of deficiency presented in this study.

Surendra Kumar Joshi

September, 2018

ABSTRACT

After completing to write the thesis entitle “The Impact of Mergers and Acquisitions on the financial performance of Bank and Financial institutions in Nepal”. Mergers and Acquisitions perform a vital role in the development of economic and enabling firm achieves varied objective and financial strategies. In Nepal have been merging with the goal of improving their financial performance. Most study has observed that observed that mergers did not lead to an improvement in financial performance as indicated by their profitability and earnings ratios. This study examined the bank that have merged or acquired in Nepal for the period between 2011 and 2018. The study has guided by the following specific objectives: To determine effects of mergers and acquisitions on the profitability, liquidity and asset quality. Using the different financial tools like net interest margin, return on equity, return on assets, credit to core capital and deposit ratio, cash and bank balance ratio, liability to total assets ratio, non-performing loan ratio, loan loss coverage ratio, loan loss provision ratio and research made use of secondary data obtain from the bank’s annual report and statement. Covering a period of 2011 and 2017, the work evaluated the performance of Nepalese banks and financial institutions before and after mergers and acquisitions the using paired sample t-test. The collected data was analyzed using SPSS. The study found out that merger and acquisition provide mix result.

Profitability and ratios after merger and acquisition are decline but asset quality ratios after merger and acquisition are improve. But there is not statically significant change before and after merger and acquisitions. The result shows that merger and acquisitions provide positive signal in BFIs. Based on the finding of the study recommended Nepal Rastra bank should improve merger and acquisition policy and bank and financial institutions also take different corrective actions while they are going merger and acquisitions and they should focus shareholders wealth maximization not only fulfillment of capital requirement set by NRB.

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ABBREVIATIONS / ACRONYMS

BAFIA	:	Bank and Financial Institutions Act
BFI	:	Bank and Financial Institutions
BOD	:	Board of Directors
CAR	:	Capital Adequacy Ratio
CCD	:	Credit to Core Capital and Deposit Ratio
CZBIL	:	Citizen Bank International Ltd.
DDA	:	Due Diligence Audit
FPO	:	Further Public Offering
GON	:	Government of Nepal
L/A	:	Liability to Assets
M&A	:	Merger and Acquisition
MNBBL	:	Muktinath Bikas Bank Ltd.
NBFI	:	Nepalese Bank and Financial Institutions
NEPSE	:	Nepal Stock Exchange
NGOs	:	Non-Government Organizations
NIM	:	Net Interest Margin
NPA	:	Non-Performing Assets
NPL	:	Non-Performing Loan
NPM	:	Net Profit Margin
NRB	:	Nepal Rastra Bank
ROA	:	Return on Assets
ROE	:	Return on Equity
SPSS	:	Statistical Package for the Social Sciences