

FINANCIAL PERFORMANCE ANALYSIS OF MERGER AND ACQUISITION ON COMMERCIAL BANKS IN NEPAL

A Dissertation submitted to the Office of the Dean, Faculty of Management in
partial fulfillment of the requirements for the Master's Degree

By

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Financial Performance Analysis of Merger and Acquisition on Commercial Banks in Nepal** ”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of this dissertation.

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REPORT OF RESEARCH COMMITTEE

Ms. Samiksha Thapa Magar has defended research proposal entitled "**Financial Performance Analysis of Merger and Acquisition on Commercial Banks in Nepal**" successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidelines of supervisor Rabindra Bhattarai submit the thesis for evaluation and viva-voce examination.

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ABBREVIATION

AIA:	American Insurance Association
ASEAN:	Association of Southeast Asian Nations
BAFIA:	Bank and Financial Institution Act
BFI:	Bank and Financial Institutions
BPE:	Business per Employee
CAR:	Capital Adequacy Ratio
CBR:	Cash and Bank Balance Ratio
CCR:	Core Capital Ratio
EPS:	Earning per Share
FIs:	Financial Institutions
HR:	Human Resources
IGSR:	Investment in Government Security Ratio
LLCR:	Loan Loss Coverage Ratio
LLP:	Loan Loss Provision
LLPR:	Loan Loss Provision Ratio
M&A:	Merger and Acquisition
MER:	Management Efficiency Ratio
NCC:	Nepal Credit and Commerce Bank
NPA:	Non-Performing Assets
NPL:	Non-Performing Loan
NPLR:	Non-Performing Loan Ratio
NPV:	Net Present Value
NRB:	Nepal Rastra Bank
P/E:	Price Earning
R & D:	Research and Development
ROA:	Return on Assets
ROE:	Return on Equity
GIBL:	Global IME Bank Limited

SBL: Siddhartha Bank Limited
MIN: Minimum
MAX: Maximum
SD: Standard Deviation

ABSTRACT

This study aims to assess the financial performance analysis of mergers and acquisitions involving Nepalese commercial banks. The best output in this study is determined using the CAMELS analysis. The research aims to evaluate the pre- and post-merger performance of the chosen banks and examine the performance of commercial banks. The study is crucial for Nepalese commercial bank management to comprehend the benefits and drawbacks of mergers and acquisitions on bank performance. This helped to improve the performance of the bank. Out of twenty merging commercial banks, two institutions were selected as a sample for the research. The computation of ratios, mean, standard deviation, and paired test was used to analyze the data. Tables with the results were displayed. The study's conclusions support the notion that GIBL and SBL, which acquired their own affiliate banks with significant non-performing asset counts to begin with, did not reap the advantages of their merger. Only in the post-merger phase do ratios pertaining to capital adequacy and liquidity appear to be improving. In a similar vein, the bank has not been able to raise the quality of its assets, and management efficiency ratios have not increased sufficiently. Following the merger, the bank's overall profits capacity and distribution have also declined. Overall, it can be said that the merger has not significantly changed GIBL and SBL's financial performance, at least not least in short run.

Keywords: *Acquisition and Merger, Provision for loan loss, non-performing credit Profit per Share ratio of cash reserves, ratio of capital adequacy*

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

As a middleman between savers and borrowers across a range of businesses, the banking industry is essential to the economy of every nation. Here is a summary of its relevance and the need of assessing its performance: Banks enable the transfer of money in the form of loans and credit from savers—people and businesses—to borrowers—businesses, governments, and individuals. Economic activity in a variety of industries, including manufacturing, services, construction, and agriculture, depends on this intermediation process. Banks help businesses grow by offering loans and financial services, which in turn allows them to invest in new ventures and hire staff. This in turn directly supports the nation's economic growth and national wealth. Overall economic stability depends heavily on the efficiency and stability of the banking industry. Efficient capital allocation, seamless payment systems, and general financial stability are all ensured by a healthy banking system. By funding infrastructure projects, helping small and medium-sized businesses (SMEs), and encouraging innovation through lending and investment, banks contribute to economic growth. Given its crucial role, assessing and keeping an eye on the banking sector's performance is crucial for a number of reasons: Potential threats to financial stability, such as non-performing loans, liquidity problems, or insufficient capitalization, can be found by evaluating the health of banks. To properly design monetary policy, set interest rates, and regulate financial institutions, policymakers rely on data from the banking industry. Increased investor confidence in the banking industry results from transparent and trustworthy performance measures, which promote capital inflows and investment. By keeping an eye on banks to make sure they follow rules and safeguard the interests of consumers and depositors, monitoring helps to keep the financial system trustworthy. Usually, governments and central banks monitor banks to make sure they follow legal requirements, handle risks sensibly, and operate responsibly. The stability and integrity of the banking industry depend heavily on regulatory scrutiny. (Das & Das, 2009).

On these platforms, buyers and sellers exchange financial instruments including derivatives, equities, bonds, and currencies. They make it easier to divide up resources

and capital between people who need money and people who have more money (surplus units).

This supervisory grading system evaluates the general soundness and stability of financial institutions such as banks. What the acronym stands for is evaluates the capital of the organization in light of its risk profile. It evaluates the bank's capital adequacy in light of prospective losses. assesses the loan and other asset quality owned by the organization. It looks at things like the quantity of non-performing loans and the caliber of the collateral. evaluates how well the institution's management is doing at reducing risks, following rules, and accomplishing strategic goals. examines the profitability of the organization, taking into account variables like return on equity (ROE), net interest margin, and return on assets (ROA). examines the institution's capacity to control liquidity risk and fulfill its immediate commitments. It assesses the institution's risk management practices for interest rates and other market risks.

Regulators and other interested parties have a systematic framework to assess and contrast the risk profile and financial health of various institutions thanks to the CAMELS model. It assists in identifying strengths and shortcomings, enabling focused oversight and remedial action as required. It is true that the CAMELS framework is a universally accepted tool for assessing the stability and soundness of financial institutions (FIs). Below is a summary of its creation, application, and global uptake: The Federal Reserve Bank, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (FDIC) are among the US regulatory agencies that created the CAMELS framework. It became apparent that there was a methodical way to evaluate and track the well-being of financial institutions like banks.

The regulatory agencies listed above in the United States make substantial use of the CAMELS framework for supervisory purposes. It aids in their assessment of each FI's financial stability, managerial efficacy, and overall risk profile. The CAMELS framework, or variations on it, has been used by several nations to evaluate the state of their own financial institutions. It is a typical instrument used by central banks and regulatory agencies in both developed and emerging countries to monitor and regulate financial institutions.

Aggregate indicators from individual FIs are used by the IMF to evaluate the general health of financial systems in its member nations. An essential component of the IMF's monitoring efforts is this evaluation, which aids in identifying risks and weaknesses that could have an impact on global and national financial stability. The CAMELS framework's organized design makes it possible for evaluations to be conducted consistently across various institutions and countries. It gives regulators a thorough understanding of the advantages and disadvantages of a FI, enabling them to make well-informed decisions and take focused supervisory action.

The CAMELS framework has undergone modifications throughout time to incorporate new elements and take into account shifting regulatory needs as well as shifts in the financial markets. Its continued development guarantees its applicability and efficacy in evaluating the intricate dynamics of contemporary financial institutions (Hilbers, Krueger & Moretti 2000).

As you said, the CAMELS framework is a well-known tool for evaluating the stability of financial institutions (FIs) along a number of important characteristics. Let's dissect the data in your paragraph on capital adequacy components, particularly as they relate to Nepalese commercial banks. Ratios of Apital Adequacy:

These ratios are essential for evaluating the resilience of financial organizations' balance sheets to shocks. Risks including interest rate risk, credit risk, and foreign currency risk are usually taken into account by the ratios.

Tier I Capital (Core/Primary Capital):

In the Nepalese context, Tier I capital includes:

- Paid-up capital
- Share premium
- Non-redeemable preference shares
- General reserve fund
- Accumulated profit
- Capital redemption reserve
- Capital adjustment fund

- Other free reserves

Core Capital Calculation:

To determine the core capital, certain items are deducted from the sum of all Tier I components. These deductions might include goodwill, fictitious assets, and investments in financial instruments beyond specified limits by the regulator (NRB).

Tier II Capital (Supplementary Capital):

Tier II capital in Nepal comprises:

- General loan loss provisions
- Assets revaluation reserves
- Hybrid capital instruments
- Subordinated term loans
- Exchange equalization reserves
- Excess loan loss provisions
- Investment adjustment reserves

Total Capital:

The total capital of commercial banks in Nepal is the sum of Tier I (core) capital and Tier II (supplementary) capital. This total provides a measure of the bank's overall financial strength and ability to absorb losses.

Importance of Capital Adequacy

- **Risk Management:** Capital adequacy ratios are critical for managing various financial risks effectively.
- **Regulatory Compliance:** Banks must maintain capital adequacy ratios as per regulatory requirements set by the central bank (NRB in this case).
- **Market Confidence:** Adequate capitalization instills confidence among depositors, investors, and other stakeholders in the financial institution's stability and resilience.

Conclusion

To summarize, the capital adequacy component of the CAMELS framework evaluates the extent to which financial institutions effectively manage risks by means of adequate capitalization. The Nepal Rastra Bank (NRB) has established precise definitions for Tier I and Tier II capital components for Nepalese commercial banks, guaranteeing that these institutions have sufficient reserves to absorb possible losses and preserve their financial stability. Regulators and other stakeholders can assess the robustness and overall health of Nepal's banking system with the use of this methodical technique.

This evaluates the caliber of a bank's holdings, especially its loans. Higher default risk and worse asset quality are indicated by a greater number of non-performing loans. For banks, it's an essential risk indicator.

Management Quality (M):

This assesses the qualitative facets of management, including risk management skills. Although it is challenging to quantify exactly, management quality may be assumed by using a variety of financial ratios and indicators in CAMELS and other models.

Earning Ability (E):

This gauges the performance and profitability of the bank. Profits are a key measure of how successfully a bank uses its resources and controls its obligations to turn a profit.

Liquidity (L):

The bank's capacity to pay short-term debts when they become due is evaluated by liquidity risk. When evaluating a bank's ability to handle unforeseen withdrawals or deposit outflows without negatively impacting its operations, liquidity ratios are essential.

Sensitivity to Market Risk (S):

Sensitivity quantifies the bank's exposure to a range of risks, such as market risk, interest rate risk, and other outside variables. This part assesses the bank's resilience to unfavorable market circumstances.

Together, these elements make up the CAMELS model, which analysts and regulators use to assess and monitor banks. Each element contributes to the maintenance of the stability and soundness of the financial system by shedding light on various facets of a bank's operational health and risk exposure.

1.2 Problem Statement

The CAMELS framework is a widely used technique to assess FIs' soundness. The American banks' regulating bodies created this arrangement. This system is utilized by the Federal Reserve Bank, the Federal Deposit Insurance Corporation, and the Comptroller of the Currency (McNally 1996). The majority of nations' monetary regulators use this approach to assess each FI's overall health.

Financial ratios are used in CAMELS analysis to assess banking operations on the basis of six dimensions: sensitivity, liquidity, earnings quality, asset quality, management effectiveness, and capital adequacy. A thorough understanding of a bank's performance may be obtained by the ratios based on the CAMELS framework (Nimalathasan, 2008); this performance assessment can be gauged from a number of factors, such as expenses, revenue, and profit (Johnes, Izzeldin & Pappas, 2009).

It facilitates comparisons across banks and acts as a benchmark, which is typically the average of the industrial sectors. It is simply computed and evaluated (Hassan & Bashir, 2003). (Halkos & Salamouris, 2004).

The banking industry is a vital and significant part of the economy that requires constant oversight. The nation's central bank oversees and regulates the banks at specific times in order to keep them from liquidating and going bankrupt. This is because huge loan losses and bank failures have raised concerns about banking supervision. The tools provided by CAMELS have been crucial in monitoring, guiding, regulating, and controlling the performance of banks. As stated by (Dang, 2011).

An effective supervisory tool is the CAMEL rating system. Because the CAMEL analytic technique is flexible and offers a globally uniform rating, it is advantageous. For these reasons, this research also identifies CAMEL as the primary model for evaluating banks' performance in AIA. According to this researcher, one of the greatest tools for analyzing a bank's performance is CAMEL.

Following the financial sector's economic liberalization in Nepal, the number of banks and other financial institutions has increased, sparking fierce rivalry between the

institutions, borrowers, and people. In addition to commercial banks, the government permitted the opening of development banks and financing firms in an effort to broaden public access to financial institutions.

There are a tonne of banks and other financial institutions in our nation right now. In order to decrease the number of financial institutions starting in 2011, the NRB has recently declared a merger and acquisition policy and implemented regulations to that effect. Therefore, the goal of this study is to determine if the commercial banks' overall performance has improved both before and after the merger and acquisition. Since the merger and acquisition were carried out under duress or at the NRB's request, they were not done willingly.

Due to a lack of capital, namely \$2 billion, Nepalese banks were unable to participate in the massive project prior to the introduction of the merger regulations. Therefore, in order to enable the bank to invest in large-scale projects, compete in the worldwide market, and strengthen the local banking sector while promoting the industry's correct growth, as well as their effectiveness and efficiency in carrying out their duties in the global market. The banking industry in Nepal is undergoing a very difficult period, thus NRB has introduced a new merger bylaw in the hopes that it would be the answer to all of the country's burning problems and that it is urgently needed. In May 2011, Nepal Rastra Bank, which oversees and regulates all BFIs, enacted a merger bylaw with great vigor. The majority of analysts and professionals think that there are too many participants in the Nepalese financial industry for the tiny market, and that these issues will only get worse if nothing is done about them soon. It is critical to understand how certain Nepalese banks are doing in this setting.

Using the CAMELS framework in the evaluation of Nepalese commercial banks facilitates a thorough analysis of their overall performance and risk profile. Stakeholders may get knowledge about the advantages, disadvantages, opportunities, and risks that these banks face by carefully examining each of these elements. This structured evaluation aids in making informed decisions regarding regulatory supervision, investment, and overall stability within the banking sector. The research questions below will be addressed by this study in light of the aforementioned issues:

- How have mergers and acquisitions impacted the CAR of particular commercial banks?
- Is there a connection between Nepalese commercial banks' financial performance, return on assets, and mergers and acquisitions?
- How have the mergers and acquisitions of the chosen commercial banks affected the management qualities?

1.3 Objectives of the Study

Investigating whether the financial performance of the chosen combined commercial bank—Global IME Bank Limited and Siddhartha Bank Limited—improved following the merger with CAMELS Criteria is the main goal of this study.

The following are the study's particular goals:

- To examine how a merger may affect banks' EPS, CAR, and CRR positions.
- To investigate the connection between Nepalese corporate banks' financial performance, return on assets, and mergers and acquisitions.
- To evaluate how the merger will affect the banks' ROA, LLP, and NPL positions.

1.4 Rational of the Study

Using the CAMELS model as a framework, the research you're discussing attempts to examine the effects of mergers and acquisitions (M&A) on efficiency improvements and overall performance within Nepalese Banking and Financial Institutions (BFIs). The goal of the study is to determine if BFI mergers in Nepal increase efficiency. Financial measurements (profitability ratios, cost-income ratios) and productive efficiency indicators (productivity measures, asset utilization, and the like) can be used to quantify efficiency. Its goal is to pinpoint the elements that lead to performance gains following a merger. Synergies from merging activities, economies of scale, better management techniques, increased market share, and strategy alignment are a few examples of these variables. The research will evaluate the general safety and soundness of BFIs following the merger using the CAMELS model (Capital Adequacy, Asset Quality, Management Quality, Earnings Ability, Liquidity, Sensitivity to Market Risk). This methodical technique aids in evaluating the overall effect on the resilience and health of the banks. Future scholars, research teams, and academics who are interested in examining the

effects of M&A on banking performance in emerging nations might build on the foundation this study provides. It acts as a point of reference for current conversations and upcoming research in this area.

1.5 Limitations of the Study

The major limitations of the study are as follows:

- i. While there are other metrics that may be used to assess a bank's performance, only the ROA, loan loss provision, nonperforming loan, EPS, CAR, and liquidity ratios are examined in this research.
- ii. The only secondary data used in this study was obtained from the annual reports of Global IME Bank and Siddhartha Bank Limited; data from other banks and financial intuitions that merged with these banks were not taken into consideration. The study's dependability on the data from the annual reports is what determines the validity of its findings.
- iii. Only Global IME Bank and Siddhartha Bank Limited are gathered for pre-merger data and information; the dates of other banks and financial institutions that combine with these banks are disregarded in this analysis.
- iv. Because this research is context-specific, its findings and interpretations could only apply to BFIs and not to other sectors of the Nepalese corporate community.
- v. Other performance parameters, such as risk and cash flow, have been disregarded in the quest to understand the financial performance of banks, aside from profitability.
- vi. The variables under investigation have data from the years 2070–2079 available. The year 2075 was chosen as the base year, the pre-merger era to be between 2070 and 2074, and the post-merger period to be between 2075 and 2079.

CHAPTER II

LITERATURE REVIEW

This chapter covers the study of the literature and offers a conceptual framework related to the post-merger performance of financial institutions in Nepal that has been studied by other researchers using the CAMELS model in established and emerging markets. The current theories of mergers and acquisitions are included in the literature review, along with actual research on the effects of these transactions. The study of Nepalese research on the influence of mergers and acquisitions on financial performance is another subject of the literature review, along with studies on the effect of these events on financial performance. In addition to that, it contains the background of the CAMELS models and a number of research' findings pertaining to financial institutions and banks.

2.1 Theoretical Review

An acquisition is the purchase of a controlling interest (and/or the entirety) by one company from another, whereas a merger is the combination of two entities such that one initial business loses its unique identity. The phrases "acquisition" and "merger" refer to the same type of transaction when two or more separate businesses combine to become one. A merger is a business transaction in which shares are traded between two or more firms, but only one of the companies remains. Mergers are often amicable and take place between businesses of approximately comparable size. The name of the resultant company will probably come from its composite businesses, whereas an acquisition is the buying of a business that is fully integrated into the acquiring company and operates as an operating division or subsidiary. Acquisitions are the taking over of the controlling shareholder stake of another business, whereas mergers are the combining or amalgamation of two or more independent companies into a single corporation where one survives and the others cease to exist as a corporate entity. Upon completion of the procedure, two distinct entities or companies are often present. A merger can be defined as an agreement whereby the assets of two companies are vested in or come under the control of one company, which may or may not be one of the original two companies. This company will have all of the shareholders of one or both of the merging companies as shareholders, and those shareholders will exchange their shares for shares in the other

company or a third company, either voluntarily or as a result of legal operation (Chukwuocha, 2019).

Acquisitions and mergers are crucial financial instruments that help businesses expand more quickly and give owners and investors profits (Sherman, 2006). A merger, in the words of Ross, Westerfield, and Jordan (2003), is the total absorption of one company by another, in which the acquiring company keeps its identity and the acquired company vanishes as a distinct entity. A merger is a corporate strategy often carried out by two or more companies under the terms of a merger agreement between the acquiring and acquired firms. Consolidation and merger are phrases that have been used interchangeably. Nevertheless, following the merger agreement, the two have distinct legal identities. A consolidation occurs when two businesses combine to form a single, new business. According to Ross et al. (2003), both the acquiring and the acquired firms eliminate their prior identities and names. In actuality, a merger in which business B merged with company A results in company A + company B = company A. When two companies consolidate, company A plus company B equals company C, which is a brand-new business (Gaughan 2011). A few hypotheses are put up to explain why a company might participate in mergers and acquisitions.

2.1.1 Power Theory

The ability of a market player or set of participants (individuals, businesses, partnerships, or others) to affect the type, price, and quality of a product in the marketplace is known as market power. Market strength can therefore result in excessively large and risk-free profits that are not competitive (Montgomery, 1985). According to the market power hypothesis, mergers and acquisitions will lead to a decline in the number of banks and a reduction in competition, which will raise market concentration and boost the banking industry's market power. Banks will be able to raise prices in the market and make more money as a result. For this reason, it is anticipated that mergers and acquisitions would enhance the performance of both bidders and targets (Hankir et al., 2011).

2.1.2 The Synergy Theory

The Theory of Synergy $PV(AB)$ exceeds $PV(A) + PV(B)$. According to the synergy hypothesis, businesses join when their combined worth exceeds the total of their separate values.

Synergies: –

- . Operating Synergies
- . Financial Synergies

When two businesses unite, their average cost of production is reduced, creating operating synergies. When two businesses unite, the average cost of funding the combined company's operations is decreased, creating financial synergies.

Operating Synergies: When two businesses unite, the average cost of production is lowered. This is known as an operating synergy.

Using Synergies

- . Economies of scale
- . Economies of scope

Economies of scale: The bidding firm and the target business only require one marketing or R&D division as increasing production size typically results in lower costs than higher revenues. These expenses can be decreased by the merged company.

Economies of scope: An efficiency gain leads to operating synergies; the bidding firm may operate more efficiently than the target. The management of the business that won the offer boosts the merged firm's efficiency after the takeover.

Financial Synergies: When two businesses join, the average cost of funding the businesses' operations is decreased. This is known as a financial synergy. These might come from: • **Tax gains:** By merging, the two businesses' combined tax liabilities can be lowered if the bidding firm is profitable while the target firm is losing money.

Opportunities from internal financing: One company might be making a lot of money that needs to be given back to investors because it is nearing the end of its life and can't find many projects with a high net present value (NPV), while another company might be

in need of a large sum of money for investment because it is a young company in its growth phase.

An internal capital market: It costs money to raise money from shareholders and distribute cash to shareholders. The two businesses may cut these costs together.

Greater debt capacity: If the merged company's loan capacity is higher than the total of the separate companies' debt capabilities, there may be more tax advantages (Malmstrom, 2011). This hypothesis attempts to reconcile two seemingly incompatible empirical data. Through the financing of positive net present value (NPV) projects that cannot be funded separately, mergers boost the combined values of acquirers and targets. Conglomerates are less valued than standalones since these initiatives are only modestly lucrative. This argument is in line with two seemingly incompatible empirical findings: (1) diverse organizations are less valuable than more focused stand-alone entities; and (2) mergers raise the combined value of the acquirer and target (Zsuzsanna & Anthony, 1999).

2.1.3 “Eat or be eaten” theory of mergers

The following presumptions form the foundation of the eat or be eaten theory, according to Gorton et al. (2005): Initially, managers can favor maintaining the independence of their companies. It is probable that managers from acquired companies will have less authority or maybe lose their positions in the new company. Second, there is a situation where a minimum of certain mergers provide value. Thirdly, a company of a certain size is unable to buy out a larger company. The acquisition is harder to finance the larger it gets. Therefore, the major policy tenet of the "eat or be eaten" thesis is that companies may engage in mergers and acquisitions in order to prevent being purchased by other companies, preserve their independence, grow their business, or save the employment of its management. Put differently, managers may engage in mergers and acquisitions for defensive reasons, meaning that by expanding their companies through acquisitions, they lessen the possibility of their companies being taken over.

2.1.4 Agency theory

According to agency theory, managers have an incentive to develop their companies beyond their current size. Growth expands the resources under managers' control, which

gives them more power. Because changes in remuneration are favorably correlated with growth in sales, it is also linked to increases in managers' compensation (Hankir et., 2011). According to agency theory, bidding banks' management engages in mergers and acquisitions for their own gain, disregarding the financial rationale (Asimakopoulos & Athanasoglou, 2013). Hubris theory is comparable to agency theory. According to the hubris argument, bidder banks' management is incurring a comparatively high cost as a result of their overconfidence in their capacity to identify the discounted target banks (Asimakopoulos & Athanasoglou, 2013). Both agency theory and hubris theory predict bidder performance of bidders is expected to decrease (Hankir et al., 2011).

2.2 Conceptual review

2.2.1 Definition of Performance

Any action taken by a particular participant on a particular occasion that has the potential to impact any other participant in any manner might be considered a "performance." We can refer to those who contribute to the other performances as the audience, observers, or co-participants, using a specific participant and his performance as a fundamental point of reference. A "part" or "routine" is a recurring pattern of action that is presented or performed during a performance and may also be presented or performed at other times. It is easy to compare these situational terminology to traditional structural ones. A social bond is likely to establish when the same person or artist plays the same role for the same audience on several times. A social role can be defined as the enactment of rights and duties associated with a particular status. It can be further stated that a social role consists of one or more parts, each of which may be performed by the same person or group of people repeatedly before different audiences.

Scholars concur that distinguishing between the behavioral or action component and the result component of performance is essential for understanding performance (Campbell, 1990; Campbell, McCloy, Oppler, & Sager, 1993). The actions a person takes at work are referred to as their behavioral aspect. It includes tasks like putting together an automobile engine, selling computers, instructing primary school students in basic reading, or doing heart surgery. Only actions that are pertinent to the objectives of the company fall under the purview of the performance concept: "Performance is what the organization hires one to do, and do well" (Campbell et al., 1993, p. 40). Accordingly, judgmental and

evaluative processes—rather than the activity itself—define performance (Motowidlo, Borman, & Schmit, 1997). Additionally, only actions which can be scaled, i.e., measured, are considered to constitute performance (Campbell et al., 1993).

2.2.2 Performance as a Multi-Dimensional Concept

The idea of performance has several dimensions. Borman & Motowidlo (1993) make a fundamental distinction between task and contextual performance. Task performance is the skill with which a person carries out tasks that support the "technical core" of the company. This input might come from direct sources (like manufacturing workers) or indirect sources (like supervisors or staff members). Activities that support the organizational, social, and psychological environments in which organizational goals are pursued but do not add to the technical core are referred to as contextual performance. Contextual performance include not just actions like supporting colleagues or being a dependable team player, but also recommendations for how to enhance work processes. The distinction between task and contextual performance is based on three fundamental presumptions (Borman & Motowidlo, 1997): (1) Task performance activities are tied to ability, whereas contextual performance activities are related to personality and motivation; (2) task performance activities are related to job context, although they differ from one job to the next;

(3) task performance is more prescribed and constitutes in-role behavior, whereas Activities that support the organizational, social, and psychological environments in which organizational goals are pursued but do not add to the technical core are referred to as contextual performance activities. In addition to acts like lending a hand to colleagues or being a dependable team member, contextual performance include offering recommendations for ways to streamline processes. According to Borman and Motowidlo (1997), there are three fundamental presumptions related to the distinction between task and contextual performance: (1) Task performance activities differ from job to job, whereas contextual performance activities are more consistent; (2) task performance is Correlated with aptitude, contextual performance is linked to motivation and personality; the factor includes sub-dimensions like (1) organizing and planning, (2) leading, motivating, and providing feedback to subordinates, (3) training, coaching, and developing subordinates, and (4) effectively communicating and informing others

(Borman & Brush, 1993). Researchers have focused on several facets of task performance in the past few years. For instance, as businesses prioritize customer service more, innovation and customer-oriented behavior become more crucial (Anderson & King, 1993).

Contextual performance

Numerous ideas related to contextual performance have been created by researchers. Broadly speaking, there are two categories of contextual performance: proactive behaviors that focus on enhancing and changing work procedures and organizational processes, and reactive behaviors that are primarily concerned with maintaining the organization's current state of smooth operation. The five components of organizational citizenship behavior—altruism, conscientiousness, civic virtue, courtesy, and sportsmanship—as well as pro-social organizational behavior (Brief & Motowidlo, 1986) and certain aspects of organizational spontaneity—such as assisting coworkers and safeguarding the organization, as noted by George & Brief (1992)—are among the "stabilizing" contextual performance behaviors. Personal initiative (Frese, Garst, & Fay, 2000; Frese, Kring, Soose, & Zempel, 1996), voice (Van Dyne & LePine, 1998), and taking the lead (Morrison & Phelps, 1999) are examples of the more proactive behaviors. Accordingly, contextual performance is a multifaceted term in and of itself rather than a singular collection of consistent actions (Van Dyne & LePine, 1998).

2.2.3 Financial Performance and Merger and Acquisition

It is believed that mergers would produce larger, newer firms that will optimize output increases and be efficient in allocating money, human resources, and other resources. It is thought that because larger banks have more resources, they can provide more services and products at lower operating costs, or through economies of scale. But the advantages are not realized, at least not to the amount that is thought. Reduced credit availability to the client base following the merger is one of the real effects of mergers on the banking sector that can be seen all over the world. The primary causes of this are the rise in interest rates over an acceptable threshold and the deterioration in the banking industry's competitiveness. Following the merger, banks have been seen to be involved in a variety of illicit actions, from corruption to anti-competitiveness. The extent of the size range at which economies of scale are evident is highly unknown. Following an institution's

merger, employee unhappiness frequently rises. There are several problems with the way that employees were managed following the merger.

The tremendous expansion and quick rise of BFIs has not only resulted in unethical competition and violations of banking regulations, but it has also made it impossible for the NRB to handle the issue because of its own constraints. Although appropriate research has not yet been conducted to determine whether merger helps to improve financial performance and makes them strong, the NRB's policy of encouraging bank and financial institution mergers has begun to pay off with the rise in the number of these institutions.

In order to assess how revenue increases and cost savings from mergers affect banks' performance, Cornett, McNutt, and Tehranian (2006) carried out a research. They discover that following a merger, the industry-adjusted operating performance of the combined banks significantly improves; large bank mergers outperform activity-diversifying mergers in terms of performance gains; geographically focused mergers outperform geographically diversifying mergers in terms of performance gains; and performance gains are greater following the introduction of nationwide banking in 1997. Furthermore, they discover that both cost-cutting and revenue-boosting initiatives lead to better performance. On the other hand, mergers with lower costs tend to yield greater revenue increases. Pazarskis and associates. (2006) have looked on how corporate mergers affect the manufacturing acquiring businesses' operational performance in Greece. Both financial and non-financial criteria are included in this study's evaluation of the financial performance. Financial ratios, which are categorized into three groups—solvency, liquidity, and profitability—are used to measure financial performance. The survey's most intriguing conclusion is that there is compelling evidence linking a merger or acquisition to a decline in a company's profitability.

2.3 Empirical Review

Gautam (2023) conducted study on mergers and acquisitions and how they affect commercial banks' financial results. Analyzing the impact of mergers on banks' financial performance is the study's primary goal. Survey methods of various types, including comparison and correlation approaches, are employed in descriptive research. The findings indicate a strong long-term association between financial success and M&A

transaction activity, with the acquiring corporations being able to create value as seen by the positive correlation.

An essay on the effects of mergers and acquisitions on the accounting-based performance of acquiring corporations in India was published in Aggarwal & Garg (2022). Previous research has looked at how M&A transactions have increased in India over the past 20 years and how mergers affect the acquiring company's accounting-based performance. The study's findings are not entirely consistent. In the last five years, the merger has had a major beneficial influence on the acquiring firm's profitability and liquidity, but it has had no discernible effect on the company's solvency. Businesses in the service sector have succeeded better than manufacturing companies, and in the longer run, they have begun to exhibit notable improvements in accounting variables. By analyzing 68 mergers that occurred during 2007–2008 and 2011–2012, this study expands on earlier research by capturing the aforementioned impact. The profitability, liquidity, and solvency categories include the seven factors that are used to measure the accounting-based performance. Five years prior to and five years following the merger are contrasted in terms of accounting-based performance. Three years prior to and following the merger are compared similarly. The mean of all seven parameters is compared arithmetically before and after the merger, and a paired sample "t" test is employed. To examine the effects of mergers on various company types, the firms were further subdivided into manufacturing and service sector enterprises.

The effect of media coverage on target firms' trading activity and liquidity surrounding domestic acquisition announcements: data from the UK is the subject of a study by Gorman et al. (2021). This study looks at how trading activity and share liquidity in target businesses are affected by news media coverage during the period of acquisition announcement. As a stand-in for media coverage, the quantity of articles printed in four major UK newspapers is used. Between 1996 and 2014, 350 domestic purchase acquisitions in the UK are included in the dataset. The effect of media coverage on target firms' trading activity and liquidity surrounding domestic acquisition announcements: data from the UK is the subject of a study by Gorman et al. (2021). This study looks at how trading activity and share liquidity in target businesses are affected by news media coverage during the period of acquisition announcement. As a stand-in for media

coverage, the quantity of articles printed in four major UK newspapers is used. Between 1996 and 2014, 350 domestic purchase acquisitions in the UK are included in the dataset.

An paper on mergers and acquisitions, worker outcomes, and local labor market concentration was published by Arnold (2019). The study's goal was to comprehend how mergers and acquisitions affect employees. According to the study's findings, mergers that have little effect on the concentration of the local labor market have little effect on workers' wages. I derive an index of concentration that incorporates information on industry substitutability using patterns of job-to-job migration in order to quantify local concentration. A matched difference-in-differences strategy and cross-sectional heterogeneity in the anticipated effects of M&As on local concentration are used to evaluate causal effects. After the ownership changes, the yearly salaries of employees in M&A businesses don't vary much in mergers that don't significantly affect the concentration of the local labor market. On the other hand, in mergers that result in a notable rise in the concentration of the local labor market, M&A workers' incomes decrease by more than 2 percent; these impacts are more pronounced in markets that are already highly concentrated. These tendencies are comparable in tradable businesses, indicating that shifts in the market power of the product are not what generate these impacts. The highest concentration changes from mergers have a negative knock-on effect on other businesses in the same labor market; inferred earnings elasticity with regard to local concentration is -0.22. According to the data, local concentration lowers wages by around 4-5 percent when compared to a completely competitive benchmark when seen through the prism of a basic Cournot model.

The impact of mergers and acquisitions on bank performance in Ghana was investigated by Musah et al. in 2020. The study specifically looked at how mergers and acquisitions affected Ghanaian commercial banks' net profit margin, return on equity, and return on assets. Over a ten-year period (2009–2018), data from the annual reports of eight commercial banks were gathered, and descriptive statistics, regression analysis, and correlation analysis were used for analysis. The results showed a substantial and negative correlation between acquisitions and mergers and net profit margin. The correlation between mergers and acquisitions and the return on assets of commercial banks in Ghana

is favorable, however not statistically significant. Additionally, there was a statistically negligible negative correlation between return on equity and mergers and acquisitions.

A study on the effects of business organization mergers and acquisitions on human resources was carried out in 2019 by Soundarya, Lavanya, and Hemalatha. When two businesses merge or acquire one another, it is assumed that the combined entity will be more valuable than the two businesses operating separately, i.e., to produce synergy. Due to increased corporate competitiveness in both the local and international markets, mergers and acquisitions among businesses are becoming more and more common. The purpose of mergers and acquisitions is covered in this essay. Financial, marketing, and operational problems are some of the reasons why some mergers and acquisitions fail. The failure of the mergers and acquisitions was also attributed to issues with human resources in the combined businesses. Thus, this essay suggests talking about HR-related topics.

An essay on the financial performance of mergers and acquisitions in India was published by Mehrotra & Sahay (2018). In 1991, the post-liberalization era gave rise to the wave of mergers and acquisitions, or M&A. The Monopolistic and Restrictive Trade Practice (MRTP) Act was lifted, and industrial licensing was also eliminated as part of the liberalized policies. With improved governance in India, the strategies ushered in a new and rising situation where combining firms became a well-opted tactic to combat the fierce competition. The aim of this article is to evaluate previous research on acquirers' financial success after mergers. According to the analysis, the majority of research has been done on M&A transactions that occurred in industrialized countries, where the practice dates back to the late nineteenth century. Moreover, announcements accounted for the majority of them. The assessment highlighted the research shortage in developing countries. This paper aims to assist scholars in comprehending the problems in M&A and suggests directions for further investigation.

An essay on the impact of mergers and acquisitions on corporate performance, with a case study of the Silknet Company, was published by Pachulia (2018). Using information from financial reports, researchers look at how mergers and acquisitions affect the corporate financial performance of Georgian companies in this article. The article

provides an overview of the literature on mergers and acquisitions and provides an example of a Georgian corporation. The goal of the new purchases, industry choices, and JSC Silkne's merger and acquisition strategy are all represented and examined in this article. As a result of the benefits of mergers and acquisitions being discovered through portfolio analysis, one tactic employed by JSC Silknet to expand its business portfolio is product diversification. Additionally, studies point to patterns in financial success based on return on equity, return on assets, and return An paper titled "Impact of Merger and Acquisitions on Financial Performance: Evidence from Selected Companies in India" was released in 2017 by Gupta & Banerjee. The goal of the article is to determine how a merger would affect liquidity and profitability. It examines the firms' three-year financial performance both before and after the merger. This study's sample size is made up of seven distinct businesses that had mergers and acquisitions between 2006 and 2012. Secondary data from three years before and after the merger, gathered from yearly audited financial statements from the years 2000 to 2015, was needed to meet the study's goal. The profitability and liquidity condition are evaluated using a variety of financial parameters. The statistical tool paired test, which SPSS uses on accounting ratios, is utilized in the analysis to determine the study's significance.

Tate & Yong (2016) conducted research for an essay on acquisitions and mergers. According to the human factor, trust is defined as a party's desire to be open to the activities of another party because they anticipate the other to carry out a certain activity that is crucial to the relationship or because they are unable to keep an eye on things. Moreover, trust is defined by Graebner as an individual, group, or organization's readiness to depend on the behavior of another party when there is opportunity or danger involved. According to Kooning (2015) and Maguire and Phillips, during the post-merger integration process, a lack of trust may contribute to the creation of identity threats and cultural disputes. A good beginning action would create trust, and this greater trust would encourage behavioral reactions, as demonstrated empirically by Konovsky and Pugh. Aryee, Budhwar, and Chen discovered that while trust raises organizational citizenship behavior, justice enhances trust. The favorable correlation between employee post-merger organizational identity and merger trust is supported by Lander's results.

Yaghoubi and colleagues (2016) released a piece about mergers and acquisitions. In order to give a thorough picture of what is known about mergers and which pieces of the jigsaw are still missing, the research set out to evaluate the pertinent literature on mergers and acquisitions. The study's conclusions show that merger activity has a wavy pattern, meaning that mergers are periodically concentrated in industries. Misvaluation, management herding, and shocks at the industry and economic levels are some of the hypothesized reasons of this erratic trend. When acquisitions are announced, the market often reacts negatively for the stocks of the acquirer and positively for the target stocks. There is a positive combined abnormal return. Several decades of research have shown consistent results. Previous studies also identify a number of Joash and Njagiru (2015) investigated if the merger affected the performance of Kenyan banks in any way. The study looks at the implications of mergers and acquisitions on profitability as well as how they affect the value of shareholders. An investigation were conducted on 14 banks that had merged or purchased others between 2000 and the present. Both open-ended and closed-ended questions from surveys were used to gather data. Using SPSS, the gathered data was examined, and the correlation coefficient was found. According to the study, mergers and acquisitions increased the combined or acquiring banks' stockholders' value. The researcher suggested that before beginning the merger or acquisition process, comprehensive feasibility assessments should be conducted. Additionally, it was suggested that the impacts of mergers and acquisitions in other economic sectors be measured in order to compare them to the consequences of the same procedures in the banking industry.

Using the CAMEL Approach, Anderibom et al. (2015) investigate the impact of mergers and acquisitions on the performance of commercial banks in Nigeria, with a focus on United Bank for Africa (UBA) Plc. The study makes use of secondary data that is taken from bank financial reports. The author applies a paired sample t-test on pre- and post-merger data. According to the report, M&A significantly and favorably impacted Nigeria's commercial banks' performance.

Juma and Wawire (2012) reviewed the prior research on bank mergers and acquisitions that demonstrates how these events affect investors' and business owners' wealth. This study's primary goal was to demonstrate whether mergers increase stockholder wealth.

This study came to the conclusion that there must be synergistic advantages in order to increase shareholder value. The operational and financial synergy motives are further subdivided under the synergy motivation. The study's findings demonstrated that mergers and acquisitions are the researcher's top concern, and that practically every facet of mergers has been covered in the literature, including how they affect efficiency, profitability, and synergy after a merger.

Raiyami (2010) examined how mergers affected Indian banks' productivity and efficiency. This study set out to investigate the reasons for mergers and acquisitions in the Indian banking industry as well as how they affect operational outcomes. A sample of six Indian banks that experienced mergers and acquisitions between 2000 and 2006 were chosen for this study. The author of this study examined the capital position, profitability, efficiency, liquidity, asset quality, and capital position of Indian banks using financial measures. The study's conclusion showed that mergers improve the chosen financial organizations' performance.

The impact of mergers on the performance of the banking industry in Singapore was examined by Sufian and Majid (2007). This study sought to determine the answers to questions like: can low-performing banks be acquired? Did mergers increase post-merger efficiency in Singaporean banking? How can the relative performance of Singapore banks be ascertained? Can a target bank with low efficiency lower the acquiring bank's post-merger efficiency? Can a bank with higher profitability and efficiency raise the acquiring bank's post-merger efficiency? A sample of all Singaporean banks that undertook mergers and acquisitions between 1998 and 2004 was used in this study. Tobin's regression and Data Envelop Analysis (DEA) were utilized in this study to assess the significance. The findings indicated that while low credit quality has a major detrimental effect on banks' performance, bank profitability has a major favorable influence on banks' efficiency.

Mylonidis and Kelnikola (2005) investigated the Greek banking system's merger activity. Assessing the financial results of recent mergers and acquisitions in the Greek banking industry is the primary goal. By examining the Greek banks' pre- and post-merger financial performance, the Operating Performance (OP) of the banks is the approach utilized to obtain the financial performance. The merger program is found to have a

positive effect on banks' operating performance but a negative impact on liquidity measures when compared to the ratios of non-merging banks. After the merger, the profits, operating efficiency, and labor productivity ratios of the bidding and target banks do not improve.

Gjirja (2003) looked into how mergers and acquisitions affected the Swedish banking sector's efficiency. The aim of this research was to assess the impact of bank merger efficiency in Sweden. A sample of 28 Swedish banks that underwent mergers between 1984 and 2002 were used in this investigation. The significance was tested in this study using the imbalanced panel data analysis approach. According to the investigation, the bank's technical efficiency did not significantly increase following the merger due to consolidation.

Table 1

Meta Table

S.N	Author	Topic	Objectives	Methodology	Findings
1	Gautam (2023)	merger and acquisition and its impact on financial performance of commercial banks	the study is to analyze the effect of merger on the financial performance of banks	Survey methods of various types, including comparison and correlation approaches, are employed in descriptive research.	Over time, there was a favorable association seen between the acquiring organizations' ability to develop value and their financial performance in the M&A deal.
2	Aggarwal, & Garg (2022)	Impact of mergers and acquisitions on accounting-based	to investigate the rise in M&A activity in India over the past 20	The average of all seven parameters before and after the merger are	Although the merger had no appreciable effect on the company's

		performance of acquiring firms in India.	years as well as the effect of mergers on the acquiring company's accounting-based performance.	compared mathematically, and a paired sample "t" test is then employed.	solvency status, it had a major beneficial influence on the acquiring firm's profitability and liquidity over the course of five years. service industry
3	Gorman, et al. (2021)	the effect of media coverage on target firms' trading activity and liquidity around domestic acquisition announcements evidence	To look into how news media coverage affects trade activity	Financial and statistical tools were used.	The analysis's findings imply that there is a positive correlation between target businesses' trading activity and stock liquidity and media attention.
4	Arnold, (2020)	Mergers and acquisitions, local labor market concentration, and worker outcomes	to understand impacts of mergers and acquisitions on workers.	Financial and statistical tools were used.	The incomes of employees are not significantly impacted by mergers that have little effects on the concentration

					of the local labor market.
5	Musah, et al. (2020)	the effect of merger and acquisition on bank performance in Ghana	The study looked at how mergers and acquisitions affected Ghanaian commercial banks' net profit margin, return on equity, and return on assets.	The application of regression analysis, correlation analysis, and descriptive statistics	The findings, however, suggested that mergers and acquisitions would not always result in improved bank performance as they were unable to provide clear proof of their influence on bank performance.
6	Soundarya, Lavanya, & Hemalatha, (2019)	Merger and Acquisition of Business Organization and its impact on Human Resources	to research the effects of business organization mergers and acquisitions on human resources.	Tools from finance and statistics were employed.	When two businesses merge or acquire one another, it is assumed that the combined entity will be more valuable than the two businesses operating separately, i.e., to produce synergy.

7	Mehrotra, & Sahay, (2018)	Systematic review on financial performance of mergers and acquisitions in India.	questionnaires, while financial data of combined bank over the two years prior to and following the merger was used to examine the effect on shareholders.	Numerous financial and statistical instruments were employed. Descriptive and analytical research designs were employed among them.	This paper suggests directions for further research and aims to assist scholars in comprehending the problems associated with M&A.
8	Pachulia, (2018)	impact of mergers and acquisitions on corporate performance: a case study of Silknet company	Examining the impact of mergers and acquisitions on the corporate financial performance of a Georgian firm using data from financial records	This article looks at JSC and Silkne's merger and acquisition strategy, industry decisions, and the objective of the new purchases. Product diversification is one strategy used by JSC Silknet to increase its company portfolio since portfolio analysis reveals benefits of mergers and	This study suggests trends in financial success based on return on equity, return on assets, and return on sales. The results show if mergers and acquisitions enhanced the company's financial performance.

9	Gupta & Banerjee (2017)	Impact of merger and acquisitions on financial performance: Evidence from selected companies in India	to evaluate how a merger may affect liquidity and profitability.	acquisitions.	This study's sample size is made up of seven distinct businesses that had mergers and acquisitions between 2006 and 2012. The profitability and liquidity condition are evaluated using a variety of financial parameters.	The analysis is conducted with the help of statistical tool paired test used on accounting ratios by SPSS to test the significance of the study. The finding of this study shows that there is no improvement in financial performance of acquirer companies after merger.
10	Tate, & Yang, (2019)	Mergers and acquisitions: The human factor	To analyze the threats during the post merger integration.	Financial and statistical tools were used.	The favorable correlation between employee post-merger organizational identity and trust in the merger is supported by Lander's results.	
11	Yaghoubi, et al. (2016)	Mergers and acquisitions	questionnaires, while the financial data of the	This essay provides a summary of the research on	The pattern of merger activity is wavy, meaning that	

			combined bank over the two years prior to and following the merger was used to examine the effect on shareholders.	mergers' cyclical character, which is known as merger waves in the literature.	over time, mergers tend to concentrate in certain industries. Misvaluation, management herding, and shocks at the industry and economic levels are some of the reasons given for this erratic trend.
12	Adhikari (2014)	Mergers in acquisition as in dispensable tool for strengthening banking and financial institution	-The study comes to the conclusion that the main goals of financial institution mergers are to raise paid-up capital, broaden their operational base, and lessen competition.	-The research designs used in this study are explanatory and descriptive.	-The study's findings indicate that bank financial performances are significantly correlated.
13	Shrestha (2014)	Value enhancement through merger and equalization	-To assess and contrast the commercial banks' financial results.	-CARMEL framework based on financial ratio analysis. Finance ratio analysis is the basis of the CARMEL framework.	The study's conclusion indicates that there is a strong correlation between financial performance
14	Mylonidis and Kelnikola	The merging activities in Greek banking	to view the Greek banking	The research designs used in this study are	The bidding and target banks' profits,

	(2015)	banking system	system's recent mergers and acquisitions' financial performance	explanatory and descriptive.	operating efficiency, and labor productivity ratios
15	Juma and Wawire (2012)	Studied the past literature related to banks mergers and acquisition that shows effect on the wealth of business owner and investors.	This study's primary goal was to demonstrate whether mergers increase stockholder wealth.	- The research designs used in this study are explanatory and descriptive.	- The study's findings demonstrated that mergers and acquisitions are the researcher's top concern, and that practically every facet of mergers has been covered in the literature, including how they affect efficiency, profitability, and synergy after a merger.
16	Raiyami (2010)	Analyzed the merger effects on the efficiency and productivity of banks in India.	This study's goal was to investigate the reasons for mergers and acquisitions in the	Raiyami (2010)	examined how merger impacts affected Indian banks' productivity and efficiency.
17	Sufian and	Analyzed the	- This study	- A descriptive	-The findings

	Majid (2007)	mergers effect on the performance of Singaporean banking sector.	set out to determine if mergers improved Singaporean banking's post-merger efficiency, among other topics.	research if approach employed in this work address the testing of hypotheses..	indicated that bank profitability is related to the of
18	Gjirja (2003)	Investigated the efficiency impact of mergers and acquisitions in the Swedish banking industry.	- This study's objective was to assess the impact of bank efficiency	Gjirja (2003)	examined how mergers and acquisitions affected the Swedish banking sector's efficiency.

2.4 Nepalese Studies

Financial ratios, according to Shrestha (2011), are one of the most important performance evaluation metrics, however because they don't account for input costs or product mix, they can occasionally be deceptive. The significance of mergers and acquisitions (M&A) is increasing in developing nations such as Nepal due to the large financial losses incurred by state firms. Without a doubt, there are strong reasons and goals for starting mergers and acquisitions. Even still, their accomplishments remain incredibly challenging, if not impossible. Mergers and acquisitions are intended to achieve three main goals. They are:

- i. Reduction of government spending.
- ii. In order to boost internal growth, efficiency, and productivity,
- ii. Promotion of functional expertise through active private sector engagement is needed.
- iii. In combined companies, accountability, corporate culture, and transparency are promoted in order to have better management and financial consequences.

Neupane (2013) looked at important aspects of mergers and acquisitions of Nepalese financial organizations and found that the Nigerian banking sector demonstrated how

combined businesses improved their capacity to get loans, raised staff productivity, and grew net assets. This research also made the case that mergers and acquisitions, when combined with sound corporate governance and information and communication technology packages, may boost staff productivity and the overall performance of banks.

The impact of mergers on various stakeholders, including employees, shareholders, and customers, is the subject of a thesis paper by Adhikari (2014) on mergers and acquisitions as a crucial tool for strengthening Nepalese banking and financial institutions. Earnings per share (EPS) and market value per share (MVPS) are used to assess the combined entities' financial standing. It does not offer a thorough examination of the combined institutions' pre- and post-merger financial circumstances. Due to a lack of data, secondary analysis has not been performed frequently in the past. However, the researcher's attempt to use secondary data to examine the impact of the merger—both before and after the merger—was made in this work. Thus, the current study will examine merger specifics, with a particular emphasis on the banking sector in Nepal. The analysis examines the chosen banks' operating performance both before and after the merger in terms of a number of statistics, including operating profit margin, net profit margin, ROA, and ROE.

A research report released by NRB (2015) has conducted exploratory research to examine the effects of mergers on banks and financial institutions, in addition to the Adhikari (2014) article. The NRB used three years' worth of pre- and post-merger data from 25 combined firms, in addition to primary data from 550 respondents. The study comes to the conclusion that the main motivations for financial institution mergers are to raise paid-up capital, broaden their operational base, and lessen competition. The merger has improved work culture and employee happiness, but it has caused a delay in the decision-making process. For the first two years, the six financial indicators that NRB used show a mixed picture, i.e., positive

According to Shrestha (2014), mergers and acquisitions are undertaken with the expectation that they would provide a mutually beneficial outcome for all parties involved as well as a chance to make money. M&A offers financial rewards in addition to career growth and progress and tax advantages and economies of scale. When done under the

right direction and oversight, mergers and acquisitions (M&A) may help an organization's whole structure rather than just one area.

Dhakal (2015) The Nepalese market was able to see a rising trend in merger and acquisition in the country's banking and financial institutions (BFIs) after the Nepal Rastra Bank approved the merger bylaws policy in 2011. The post-merger effects on the combined bank's staff, clients, and shareholders were the main focus of this investigation. Descriptive research was the methodology employed in this study, meaning that the findings were derived from the survey and analysis. The impact on shareholders was detected through study of financial data of the combined bank in the two years before to and following the merger, while the impact on staff and customers was assessed using surveys. According to the findings, employees were content with their jobs, pay, benefits, and other aspects of their working lives, but they were quite concerned about HR-related problems including socialization, positional conflicts, cultural misunderstandings, and favoritism. During the post-merger era, clients saw changes in value, product, and service, but they still needed more creative service. The bank had significantly improved in the post-merger phase, as seen by the overall financial statistics, boosting shareholder value.

2.5 Research Gap

An unknown issue that comes to light during a literature search and has potential for inquiry or additional examination is known as a "literature gap" or "research gap." The research literature has gaps, or inadequate or missing information. These are the topics that, due to their under-, under-, or antiquated nature, offer room for more study. A research gap may be defined as an issue or concern for which there is insufficient prior research or as one that needs to be updated due to its age. A comprehensive analysis of the body of research on the subject, including both the general and specialized domains, is required in order to detect any gaps in the literature. In order to identify research gaps, previous articles.

This study measures the impact of mergers on bank performance as well as comparative financial performance. In contrast to previous study, the measures utilized to assess the financial performance of combined commercial banks included ROA, EPS, CRR, NPL,

LLP, and capital adequacy ratio position. In contrast to previous research articles and theses, the samples used in this study are Global IME Bank and Siddhartha Bank Limited. To fully comprehend the impact of mergers and acquisitions on banks' financial performance, more investigation is needed.

It is unclear which of the three factors—merger, acquisition, or performance of commercial banks—dominates since the link between them is still unclear.

CHAPTER III

RESEARCH METHODOLOGY

This chapter covers the research methodology and data-driven analysis techniques. This study uses a variety of research methodologies, which are covered in this chapter under several categories and subheadings.

3.1 Research Design

The research methodology and methods for data-driven analysis are covered in this chapter. This chapter covers the many research approaches used in this study under several titles and categories.

3.2 Population and Sampling

For the purposes of this study, the total number of combined commercial banks represents the whole population. That means there are twenty commercial banks in the population. Two commercial banks in the private sector are selected as samples from the entire population. Global IME Bank Limited and Siddhartha Bank Limited are these. Because these two banks are appropriate for the research, the researcher adopted the purposive sample strategy in this investigation. Purposive sampling, often referred to as judgmental, selective, or subjective sampling, is a type of non-probability sampling in which researchers pick study participants from the public using only their own discretion. Before using this sampling technique, researchers must be aware of the goal of their study in order to choose and contact suitable people. Purposive sampling is used in this study by the researchers since GIBL bank and SBL are a good fit because they amalgamated four years before to the study's conduct and all the necessary data are readily available.

3.3 Data Collection Procedure

In order to conduct this research, four years of the respective banks' annual reports from 2070/71 to 2073/74) and four years of the respective banks' annual reports from 2075/76 to 2078/79) after the merger were obtained and made public by the bank following an audit. The fiscal years 2070–2071 and 2078–2079 are included.

3.4 Nature and Source of Data

The secondary data used in the study was gathered from a variety of sources, including bank supervision reports, yearly reports from several commercial banks, and banking and financial statistics that were released by Nepal Rastra Bank. For the purpose of conducting this research study, two banks are taken into consideration: Global IME Bank Limited and Siddhartha Bank Limited.

The primary source of data for this research project is secondary data. The following methods were used to get the data needed for the study: Library research study.

- Internet, home pages and related links visit.
- Directives of NRB.
- Journal and reports of NRB.
- Annual reports of the Siddhartha bank Limited and Global IME bank Limited.
- Articles, earlier research on relevant subjects, published works by other writers, and journals will be the additional sources.

3.5 Method of Data Analysis

These analytical, comparative, and descriptive tools are used in the study's data analysis. The CAMELS criterion is used as a framework for evaluating the bank's performance in addition to tables, percentages, and graphs; suitable ratios are chosen as a stand-in for capital, asset utilization, management, earning, liquidity, and sensitivity.

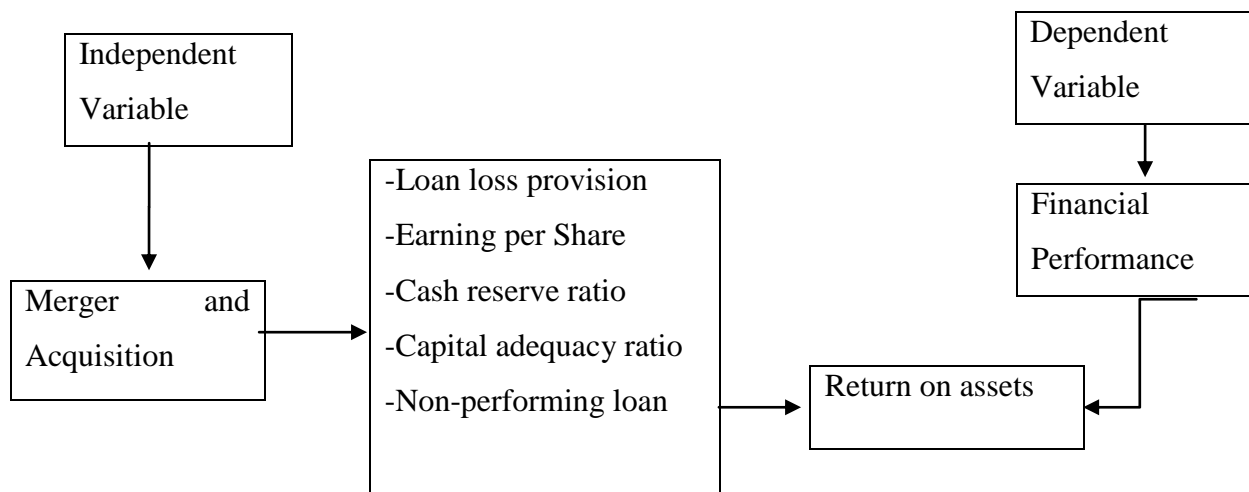
The performance of the banks in the CAMELS framework is assessed using financial analytic methods. The CAMELS components are used to classify these ratios. The pertinent components are analyzed using the major ratio categories listed below in terms of CAMELS.

3.6 Research Framework

A research framework has been created specifically for this investigation. It illustrates the correlation between the financial performance, which is the dependent variable, and the merger and acquisition, which is the independent variable. The article forms the foundation of the conceptual framework. The pre- and post-merger operational results of Global IME Bank and Siddhartha Bank, the example banks, have been compared in this article. Using descriptive and analytical methods, they evaluated the significance of the financial health of the chosen banks before and after the merger. They discovered that

while certain parts of the banking system had improved, others had suffered negative effects.

The conceptual framework that follows serves as the basis for this investigation. The framework demonstrates how the various ratios from the selected banks' pre-merger and post-merger periods are taken and compared. Return on assets is the metric used to measure the dependent variable of choice, which is financial performance (ROA). Loan Loss Provision (LLP), Earnings per Share (EPS), Cash Reserve Ratio (CRR), Capital Adequacy Ratio (CAR), and Non-Performing Loan (NPL) are other independent factors. Figure 1 presents an interpretation of the research framework for the study.



(Source: Gautam, 2023)

Figure 1: Research Framework

Define variables

Capital Adequacy Ratio (CAR)

Commercial banks have enough capital on hand to meet their needs. The ratio known as the capital adequacy measures a bank's capital as a percentage of its risk-weighted credit exposure. The Nepal Rastra Bank (NRB) suggests a minimum Core Capital Ratio (CCR) of 6% and a CAR of 11%.

$$\text{Capital Adequacy Ratio (CAR)} = \frac{\text{Total Capital Fund}}{\text{Total Risk Weighted Assets}} \times 100$$

(Minimum requirement as per NRB directive is 11%)

$$\text{Core Capital Ratio (CCR)} = \frac{\text{Total Core Capital Fund}}{\text{Total Risk Weighted Assets}} \times 100$$

(Minimum requirement as per NRB directive is 11%)

Where,

Total Capital Fund = Core Capital + Supplementary Capital

Total Risk Weighted Assets = On Balance Sheet Risk Weighted Items + Off Balance Sheet Risk Weighted Items.

Assets Quality

Funds are gathered by commercial banks in the form of capital, deposits, etc. By providing loans to those who need money to invest in different options, it mobilizes these resources to produce specific returns. Lending is how the bank makes a sizable portion of its revenue. Essentially, advances and loans come in two varieties.

2. Non-Performing Loans (NPL)

When interest and principal payments are more than 90 days past due, when at least 90 days of interest payments have been capitalized, refinanced, or postponed by agreement, or when payments are less than 90 days past due but there are other solid grounds to doubt full repayment, the loan is considered non-performing.

$$\text{Non – Performing Loan} = \frac{\text{Total Non-Performing Loan}}{\text{Total Loan \& Advance}} \times 100$$

Earning

Profit is the surplus income that a firm makes throughout its operation. Earning is defined as excess revenue above costs. It is the final outcome of every enterprise. In general, a firm is operating well if its earnings are strong. In a similar vein, the bank's earnings show its overall success. The ultimate goal of every firm is to make money. Better financial standing is reflected in higher wages.

Following ratios depicts the earning position of SBL and GIBL.

$$\text{Earnings per Share (EPS)} = \frac{\text{Net Profit after Tax}}{\text{No.Of Share Outstanding}}$$

$$\text{Return on Equity (ROE)} = \frac{\text{Net Profit after Tax}}{\text{Total Shareholder's Fund}} \times 100$$

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

i. Cash Reserve Ratio (CRR)

It is the bare minimum of reserves, expressed as account balance with NRB, that a bank is required to maintain. This percentage guarantees the first line of defense of the bank to a minimal degree in fulfilling depositor commitments. It is the required reserve that the commercial bank must maintain in the form of cash in their NRB account in order to assure depositors of the bank's safety and to demonstrate the bank's goodwill. The NRB's rule states that the weekly average of the bank's total deposits must be maintained as the cash reserve ratio, or 3%. It is computed as follows:

$$\text{Cash Reserve Ratio (CRR)} = \frac{\text{Cash Balance In NRB}}{\text{Local Currency Deposit} - \text{Margin Deposit}} \times 100$$

ii. Cash and Bank Balance Ratio (CBR)

The ratio assesses the bank's capacity to fulfill short-term obligations. Therefore, it is important to have the optimal balance in order to fulfill their payment requirement. Additionally, this ratio is used to assess if the bank has enough cash on hand to meet depositors' unforeseen demands. The following formula is used to compute it:

$$\text{Cash and Balance ratio (CBR)} = \frac{\text{Cash and Bank Balance}}{\text{Total Deposit}}$$

iii. Investment in Government Security Ratio (IGSR)

Government securities are seen as risk-free investments that may be quickly turned into cash to cover an immediate need. Because of this, a specific amount of funds must be invested by every commercial bank in government securities. The formula for this ratio is;

$$\text{Investment in Govt. Security Ratio (IGSR)} = \frac{\text{Investment in Government Security}}{\text{Total Deposit}} \times 100$$

CHAPTER IV

RESULTS AND DISCUSSION

With an emphasis on the CAMELS components, this chapter addresses the methodical display and analysis of data gathered from various sources. The financial performance study of Global IME Bank Limited and Siddhartha Bank Limited focused on the six CAMELS components—capital adequacy, assets quality, management quality, earning quality, liquidity, and sensitivity—as indicated in the theoretical prescription. CAMELS has been used to examine the data that was gathered from bank annual reports.

4.1 Results

The information gathered from various sources has been organized and recorded in Excel tables. These figures are then subjected to further processing in order to assess and produce conclusions on the CAMELS Analysis financial performance of certain banks. Each section and component of the CAMELS analysis also describes the main findings of the study on the financial performance of Global IME Bank and Siddhartha Bank before and after the merger.

4.1.1 Capital Adequacy

In order to safeguard depositors' funds in individual banks, Capital Adequacy places a strong emphasis on the bank's adherence to requirements on the maintenance of minimum capital reserves. A bank's ability to materialize the risk that present and future depositors perceive about it is facilitated by an adequate amount of capital fund. The capital adequacy ratio and the core capital ratio are common measures of capital sufficiency.

4.1.1.1 Capital Adequacy Ratio

A stand-in for capital adequacy, the capital adequacy ratio (CAR), which measures a bank's internal strength, is the ratio of capital to risk-weighted assets. The purpose of minimum capital adequacy ratios is to guarantee that banks can withstand a certain amount of loss before going bankrupt. A bank that has a higher capital adequacy ratio is better able to withstand unanticipated losses before going bankrupt. According to the structure of the risk-weighted capital ratio, a financial institution (FI) must possess sufficient capital to sustain its risky assets. It is acknowledged in the sense that asset

structure and capital sufficiency are better indicators of one another than amount of liabilities. The three main numbers used to determine capital adequacy are risk-weighted assets, core capital, and supplemental Capital Ratio.

Table 2

Capital adequacy ratio

	Fiscal year	GIBL	SBL
	2070/71	12.91	12.23
	2071/72	12.34	11.46
	2072/73	10.66	11.22
	2073/74	11.52	11.25
Pre-merger	Min.	10.66	11.22
	Max.	12.91	12.23
	Mean	11.97	11.54
	SD	1.17	0.47
	2075/76	10.71	12.74
	2076/77	11.18	12.12
	2077/78	14.30	12.77
	2078/79	13.84	13.17
Post-merger	Min.	10.71	12.12
	Max.	14.30	13.17
	Mean	12.51	12.70
	SD	1.82	0.44

(Sources: Appendix 1, 2)

The minimum and maximum capital adequacy ratios of GIBL Bank prior to the merger were 10.66 and 12.91 percent, respectively, as indicated in Table 2. Following the merger, the CAR was 10.71 percent in 2075–2076; at its peak, it was 14.30 percent in 2077–2078. Prior to the merger, the average CAR for GIBL was 11.97 percent; following

the merger, it was 12.51 percent. The primary cause of the average small change in the capital adequacy ratio is the rise in risk-weighted assets relative to total capital over the course of the year. Prior to the merger, GIBL's CAR standard deviation was 1.17; however, following the merger, it increased to 1.82, indicating fluctuations in both total capital and total risk-weighted assets.

Prior to the merger, SBL's minimum and maximum capital adequacy ratios were 11.22 and 12.23 percent, respectively. Following the merger, the CAR was 12.74 percent in 2075–2076; however, in 2076–2077, the ratio marginally declined to 12.12 percent, and in 2078–2079, it reached its maximum point at 13.17 percent. Prior to the merger, SBL's mean CAR was 11.54 percent; following the merger, it is 12.70 percent. The CAR of SBL's standard deviation was 0.47 prior to the merger and 0.44 following it, indicating that the bank has maintained a stable level of capital and total risk-weighted assets following the merger.

4.1.1.2 Core Capital Ratio

The bare minimum of capital required by Federal Home lending Bank laws for thrift banks, such savings banks and lending companies, is known as core capital. Declared reserves and equity capital make up core capital. The purpose of the minimal requirement is to safeguard customers when they open bank accounts. Paid up capital, share premium, non-redeemable preference shares, general reserve fund, cumulative profit/loss, capital redemption reserve, capital adjustment fund/proposed bonus share, and other fee reserve are all considered core or main capital in the context of Nepal. Deductions are made for the amount of goodwill, fake assets, investments made over the NRB's statutory limit, and investments made in the securities of businesses with financial interests.

Table 3
Core Capital Ratio

	Fiscal Year	GIBL	SBL
	2070/71	12.15	8.77
	2071/72	11.62	8.29
	2072/73	9.95	7.68
	2073/74	10.58	8.85
Pre-merger	Min.	9.95	7.68
	Max.	12.15	8.85
	Mean	11.24	8.40
	SD	1.15	0.54
	2075/76	9.75	11.02
	2076/77	10.29	10.99
	2077/78	13.38	10.19
Post-merger	2078/79	12.82	9.26
	Min.	9.75	9.26
	Max.	13.38	11.02
	Mean	11.56	10.36
	SD	1.81	0.83

(Sources: Appendix 1, 2)

The greatest core capital ratio of GIBL Bank prior to the merger was 12.15 percent in 2070–2071 and reached its lowest point of 9.95 percent in 2072–2073 as indicated in Table 3.

Following the merger in 2075–2076, the CCR dropped to 9.75 percent; in 2076–2077, the ratio marginally climbed to 10.29 percent; and in 2077–2078, the CCR reached its maximum peak of 13.38 percent. Prior to the merger, the average CCR for GIBL was 11.24%; with the merger, it is now 11.56 percent. The GIBL's CCR standard deviation was 1.15 prior to the merger and 1.81 following it, indicating more volatility following the merger than before.

Prior to the merger, SBL's core capital ratio ranged from 8.77 percent in 2070–2071 to 8.85 percent in 2073–2074. Following the merger, the CCR reached its peak in the year 2075/746 with 11.02 percent. The ratio marginally declined to 10.99 percent in the year 2076/77, and 9.26 percent was reported in the year 2078/79. Prior to the merger, SBL's average CCR was 8.40 percent; following the merger, it is 10.36 percent. Prior to the merger, the standard deviation of SBL's CCR was 0.54; following the merger, it is 0.83. Following a merger, the standard deviation has increased due to a divergence in risk-weighted assets.

4.1.2 Assets Quality

A assessment or evaluation that determines the credit risk connected to a certain asset is called an asset quality rating. These assets, which include loans and investment portfolios, typically come with interest payments. The asset's quality may also be impacted by how well management manages credit risk and controls it.

This ratio, also known as the activity ratio or turnover ratio, is, in essence, the amount of revenue or turnover that a bank can produce from its assets and the process of lending the assets, if nothing else's. Three ratios must be computed in order to determine the asset quality. They are as follows:

4.1.2.1 Non-Performing Loan

The amount of borrowed money on which the debtor has missed at least ninety days of scheduled payments is known as a nonperforming loan (NPL). A nonperforming loan is one that is either past due or almost past due. The chances that a loan will be fully repaid are thought to be significantly reduced once it becomes nonperforming. Increased nonperforming loans are a sign that the bank is struggling and is not lending money with as much care.

Table 4*Non-Performing Loan Ratio*

	Fiscal Year	GIBL	SBL
Pre-merger	2070/71	3.95	2.74
	2071/72	3.54	2.75
	2072/73	2.85	1.82
	2073/74	5.62	1.47
	Min.	2.85	1.47
	Max.	5.62	2.75
	Mean	3.99	2.20
	SD	1.18	0.65
Post-merger	2075/76	7.49	1.32
	2076/77	3.99	1.11
	2077/78	2.85	0.77
	2078/79	2.70	1.39
	Min.	2.70	0.77
	Max.	7.49	1.39
	Mean	4.26	1.15
	SD	2.23	0.28

(Sources: Appendix 1, 2)

Table 4 illustrates that prior to the merger, the non-performing loan ratio of GIBL Bank was 2.85 percent in 2072–2073 and 5.62 percent in 2073–2074, respectively. Following the merger, in 2075–2076, the net profit margin reached its maximum point of 7.49 percent. In 2076–2077, the ratio marginally declined to 3.99 percent, but in 2078–2079, it was at its lowest point of 2.70 percent. Prior to the merger, GIBL's mean net profit margin was 3.99 percent; following the merger, it is 4.26 percent. Prior to the merger, the NPLR standard deviation for GIBL was 1.18; following the merger, it is 2.23. The bank's top concern is keeping the number of non-performing assets to themselves.

Prior to the merger, the NPLR standard deviation for GIBL was 1.18; following the merger, it is 2.23. The number of non-performing assets is the bank's biggest concern as it presents a difficulty and will negatively impact the bank's profitability.

Prior to the merger, SBL's non-performing loan ratio stood at 2.74 percent in 2070–2071; it reached its lowest point of 1.47 percent in 2073–2074 and its highest point of 2.75 percent in 2071–2072. Following the merger, the NPLR reached a peak of 1.32 percent in 2075–2076; however, by 2077–2078, it had fallen to 0.77 percent. Prior to the merger, SBL's mean net profit margin was 2.20 percent; following the merger, it is 1.15 percent. Prior to the merger, the NPLR standard deviation for SBL was 0.65; following the merger, it is 0.28. It demonstrates how the bank lowers the variance on nonperforming loans.

4.1.2.2 Loan Loss Coverage Ratio

The link between total loan loss provision and total nonperforming loan is known as the loan loss coverage ratio. It calculates the percentage of total nonperforming loans to total loan loss provisions. If any loans out of the total nonperforming become bad or fail, the bank's loss is compensated by the loan loss provision fund. Therefore, from that perspective, the banks benefit more from a larger loan loss coverage ratio.

Table 5
Loan Loss Coverage Ratio

	Fiscal Year	GIBL	SBL
	2070/71	94.65	79.14
	2071/72	106.66	104.51
	2072/73	117.64	124.94
	2073/74	80.76	64.66
Pre-merger	Min.	80.76	64.66
	Max.	117.64	124.94
	Mean	99.93	93.31
	SD	15.86	26.76
	2075/76	85.85	58.89
	2076/77	90.18	63.67
	2077/78	132.35	65.13
	2078/79	152.82	59.66
Post-merger	Min.	85.85	58.89
	Max	152.82	65.13
	Mean	115.30	61.84
	SD	32.64	3.04

(Sources: Appendix 1, 2)

Table 5 illustrates that prior to the merger, the loan loss coverage ratio of GIBL Bank was at its lowest point in 2070/71, at 94.65 percent, and reached its highest peak in 2072/73, at 117.64 percent. next the merger, LLCR was 85.85% in 2075–2076; the next year, 2076–2077, saw a minor increase to 90.18 percent; the ratio reached its peak in 2078–2079, at 152.82 percent. Prior to the merger, the average LLCR for GIBL was 99.93 percent; following the merger, it was 115.30 percent. Due to an increase in the overall loan loss provision following the tie-up, the average loan loss coverage ratio rose. Before the merger, the LLCR standard deviation for GIBL was 15.86, while after the merger, it is 32.64. Following the tie-up, the overall loan loss provision rose, which raised the average

loan loss coverage ratio. Prior to the merger, GIBL's LLCR standard deviation was 15.86; following the tie-up, it increased to 32.64, indicating increased volatility in nonperforming loans and loan loss provisions.

Prior to the merger, SBL's loan loss coverage ratio peaked in the year 2072–2073 at 124.94 percent, and it peaked in the year 2073–2074 at 64.66 percent. Following the merger in 2075–2076, the LLCR reached its lowest point of 58.89 percent; however, in 2077–2078, it reached 65.13 percent. Prior to the merger, SBL's mean LLCR was 93.31 percent; following the merger, it is 61.84 percent. Before the merger, the LLCR of SBL had a standard deviation of 26.76; following the merger, it was 3.04. The bank's investment program enhanced the loan loss coverage ratio following the merger and acquisition.

4.1.2.3 Loan Loss Provision Ratio

The amount that banks are obligated to lay aside or maintain for possible loan loss is known as the loan loss provision. Expenses for loan loss provisions are deductible. It is subtracted from the interest received. It is a reserve put in place by a bank to offset unforeseen losses brought on by loan amount default. This ratio illustrates the amount that the bank must set aside from the loans it releases to compensate the loss on future defaulted loans. Reduced loan loss provisions indicate a larger volume of both nonperforming and excellent loans at the bank. The entire amount set aside to cover the loss is known as the loan loss provision. From LLP to NPL, since the NPL is less, we may

Loan loss provision is the total amount set aside to cover the loss from LLP to NPL; if the NPL is smaller, we may conclude that the loan quality is higher. However, if the ratio of LLP to TL is higher, we may conclude that the loan quality is good. Nevertheless, we are at least secure since there is a larger provision for loan losses.

Table 6
Loan Loss Provision Ratio

	Fiscal Year	GIBL	SBL
	2070/71	3.74	2.17
	2071/72	3.77	2.88
	2072/73	3.35	2.27
	2073/74	4.53	0.95
Pre-merger	Min.	3.35	0.95
	Max.	4.53	2.88
	Mean	3.85	2.07
	SD	0.49	0.81
	2075/76	6.43	0.78
	2076/77	3.60	0.71
	2077/78	3.78	0.50
	2078/79	4.12	0.83
Post-merger	Min.	3.60	0.50
	Max.	6.43	0.83
	Mean	4.48	0.70
	SD	1.31	0.14

(Sources: Appendix 1, 2)

According to Table 6, the loan loss provision ratio of GIBL Bank was 3.74 percent in 2070–2071 and 3.35 percent in 2072–2073 prior to the merger. While the ratio reached its maximum of 4.53 percent in the years 2073–2074. Following the merger in 2076–2077, the LLPR reached its maximum of 6.43 percent, while in the year that followed, 2076–2077, the ratio was at a minimum of 3.60 percent. Prior to the merger, the average LLPR for GIBL was 3.85%; following the merger, it is 4.48 percent. The average net positive loan loss ratio is affected by the NRB's increase in the commercial bank's loan loss provision on advances and loans. The LLPR standard deviation of GIBL prior .

Prior to the merger, SBL's loan loss provision ratio was 2.17 percent in 2070–2071; it dropped to a minimum of 0.95 percent in 2073–2074; in 2071–2072, the ratio reached its maximum point of 2.88 percent. Prior to the merger, the average LLPR for SBL was 2.70 percent; following the merger, it is now 0.70 percent. Prior to the merger, the LLPR standard deviation for SBL was 0.81; following the merger, it is 0.14. Following the merger, the standard deviation was lower because the loan loss provision was steady.

4.1.3 Management Efficiency

Effective management is essential to every organization's success, yet it may be challenging to quantify. It is essentially a qualitative aspect that varies depending on the institution. As was previously said, a number of indicators might work in concert to indicate the soundness of management. The management quality in this case is determined only by the business per employee and the management efficiency ratio.

4.1.3.1 Management Efficiency Ratio

Table 7

Management Efficiency Ratio

	Fiscal Year	GIBL	SBL
Pre-merger	2070/71	322,652.37	1,447,448.65
	2071/72	498,199.22	1,876,463.60
	2072/73	319,479.48	1,786,807.64
	2073/74	344,609.60	2,067,410.22
	Min.	319,479.48	1,447,448.65
	Max.	498,199.22	2,067,410.22
	Mean	371,235.17	1,794,532.53
	SD	85,377.07	259,295.09
Post-merger	2075/76	436,084.79	1,726,245.96
	2076/77	1,207,485.45	1,559,427.93
	2077/78	801,595.16	1,372,454.91
	2078/79	826,602.47	1,135,990.31
	Min.	436,084.79	1,135,990.31
	Max.	1,207,485.45	1,726,245.96
	Mean	817,941.97	1,448,529.78
	SD	315,119.69	253,569.83

(Sources: Appendix 1, 2)

Table 7 illustrates that the Management Efficiency Ratio (MER) of GIBL Bank before to the merger was as low as 319,479.48 rupees in 2072–2073 and as high as 498,199.22 rupees in 2071–2072 years. The average GIBL MER before and after the merger were 371,235.17 and 817,941.97 rupees, respectively. This suggests that the bank maintained its profit margin despite the rise in staff count. Prior to the merger, GIBL's MER standard deviation was 85,377.07; following the merger, it was 315,119.69, reflecting a greater variation in net profit.

Prior to the merger, SBL's Management Efficiency Ratio (MER) ranged from a minimum of 1,447,448.65 rupees in 2070–2071 to a maximum of 2,067,410.22 in 2073–2074. Following the merger in 2075–2076, the ratio of MER dropped to 1,726,245.96 rupees. In 2074–2075, the ratio fell to 1,559,427.93 rupees, and in 2078–2079, it still dropped to 1,135,990.31 rupees. Before and after the merger, the mean MER of SBL was 1,794,532.53 rupees and is now 1,448,529.78 rupees. This suggests that the bank is not able to retain profit when staff numbers expand. Prior to the merger, the standard deviation of SBL's MER was 259,295.09; following the merger, it is 253,569.69.

4.1.3.2 Business per Employee Ratio

Table 8

Business per Employee Ratio

	Fiscal Year	GIBL	SBL
Pre-merger	2070/71	36,260,942.80	87,693,573.75
	2071/72	37,682,807.73	100,528,447.86
	2072/73	46,725,772.96	97,289,012.92
	2073/74	56,881,596.16	106,975,879.00
	Min.	36,260,942.80	87,693,573.75
	Max.	56,881,596.16	106,975,879.00
	Mean	44,387,779.91	98,121,728.38
	SD	9,531,767.75	8,033,847.27
Post-merger	2075/76	62,020,141.68	96,285,877.08
	2076/77	51,539,643.99	77,460,762.59
	2077/78	51,789,480.95	69,862,229.50
	2078/79	54,299,647.20	73,984,895.36
	Min.	51,539,643.99	69,862,229.50
	Max.	62,020,141.68	96,285,877.08
	Mean	54,912,228.46	79,398,441.13
	SD	4,899,781.09	11,678,839.86

(Sources: Appendix 1, 2)

As indicated in the Table 8, the business per employee ratio of GIBL bank before merger was lowest of 36,260,942.80 rupees in 2070/71 where BPE in its peak of 56,881,596.16 in 2073/74. Following the merger, in 2076/77, the ratio reached its lowest point at 51,539,643.99 rupees, while in 2075/76, BPE reached its greatest point at 62,020,141.68 rupees. Prior to the merger, the mean BPE of GIBL was 44,387,779.91 rupees; following the merger, it is 54,912,228.46 rupees. Prior to the merger, GIBL's BPE standard deviation was 9,531,767.75; following the merger, it was 4,899,781.09.

Prior to the merger, SBL's business per employee ratio was as low as 87,693,573.75 rupees in 2070–2071 and as high as 106,975,879 rupees in 2073–2074. Following the merger, the BPE was 96,285,877.08 rupees in 2075–2076; in 2077–2078, it reached its lowest point of 69,862,229.50 rupees; however, in 2078–2079, the ratio rose to 73,984,895.36 rupees. Before the merger, SBL's mean BPE was 98,121,728.38 rupees; following the merger, it is 79,398,441.13 rupees. Prior to the merger, SBL's BPE standard deviation was 9,531,767.75; following the merger, it was 11,678,839.86.

4.1.4 Earning

The net advantages of a company's operations are its earnings. Earnings are the total profit a business makes in a certain time frame, often one year or one quarter (three calendar months). Additionally, the amount that corporation tax is owed is earnings. Several more specialized words, such as EBITDA (earnings before interest, taxes, depreciation, and amortization) and EBIT, or earnings before interest and taxes, are used for a study of particular elements of company operations. The earning positions of GIBL and SBL are shown in the following ratios.

4.1.4.1 Earning per Share

Table 9

Earnings per Share

	Fiscal Year	GIBL	SBL
	2070/71	6.78	20.17
	2071/72	9.67	26.19
	2072/73	5.88	27.82
	2073/74	6.21	27.91
Pre-merger	Min.	6.21	20.17
	Max.	9.67	27.91
	Mean	7.14	25.52
	SD	1.73	3.66
	2075/76	8.84	18.28
	2076/77	28.67	22.49
	2077/78	14.55	25.40
	2078/79	11.85	21.90
Post-merger	Min.	8.84	18.28
	Max.	28.67	25.40
	Mean	15.98	22.02
	SD	8.78	2.93

(Sources: Appendix 1, 2)

As can be seen in Table 9, the GIBL Bank's earnings per share was 6.78 rupees in 2070–2071 before the merger. In 2071–2072 it dropped to 9.67 rupees, and in 2072–2073 it was at least 5.88 rupees. Following the merger, in 2075–2076, the EPS was 8.84 rupees. In 2076–2077, the ratio reached its greatest point of 28.67 rupees. In 2077–2078, the EPS dropped to 14.55 rupees. In 2078–2079, the ratio fell to 11.85 rupees once more. GIBL's average profit before and after the merger was 7.14 and 15.98 rupees, respectively. Prior

to the merger, the EPS standard deviation for GIBL was 1.73; following the merger, it was 8.78.

Before the merger, SBL's profits per share was 20.17 rupees in 2070–2071 and reached its peak in 2073–2074 at 27.91 rupees. Following the merger in 2076/77, the ratio climbed to 22.49 rupees, and in 2077/78, the EPS grew to 25.40 rupees. However, in 2078/79, the ratio declined to 21.90 rupees. The EPS had decreased to 18.28 rupees in 2075/76. SBL had an average earnings per share (EPS) of 25.52 rupees before to the merger, and it is now 22.02 rupees. Prior to the merger, the EPS standard deviation for SBL was 3.66; following the merger, it is 2.93.

4.1.4.2 Return on Equity

Table 10

Return on Equity

	Fiscal Year	GIBL	SBL
Pre-merger	2070/71	5.34	14.54
	2071/72	8.35	17.80
	2072/73	5.18	19.43
	2073/74	4.93	20.10
	Min.	4.93	14.54
	Max.	8.35	20.10
	Mean	5.95	17.97
	SD	1.61	2.48
Post-merger	2075/76	5.79	14.03
	2076/77	15.81	13.90
	2077/78	8.50	15.02
	2078/79	8.42	13.39
	Min.	5.79	13.39
	Max.	15.81	15.02
	Mean	9.63	14.08
	SD	4.31	0.68

(Sources: Appendix 1, 2)

Table 10 indicates that prior to the merger, the return on equity of GIBL Bank was 5.34 percent in 2070–2071; it reached its maximum point of 8.35 percent in 2071–2072; and it reached its lowest position of 4.93 percent in 2073–2074. Following the merger, the ROE was 5.79 percent in 2075–2076; however, in 2076–2077, the ratio reached its peak of

15.81 percent; in 2077–2078, the ROE dropped to 8.50 percent; and in 2078–2079, the ratio fell to 8.42 percent once again. Before and after the merger, GIBL's mean return on equity was 5.95 percent and 9.63 percent, respectively. Prior to the merger, GIBL's ROE standard deviation was 1.61; with the merger, it is 4.31. Prior to the merger, SBL Bank's return on equity ranged from a minimum of 14.54 percent in 2070–2071 to a maximum of 20.10 percent in 2073–2074. next the merger in 2075–2076, ROE was 14.03 percent; but, the next year, in 2076–2077, the ratio dropped to 13.90 percent; after that, in 2077–2078, ROE jumped to 15.02 percent; and once again, in 2078–2079, the ratio dropped to 13.39 percent. Prior to the merger, SBL's average ROE was 17.97 percent; following the merger, it was 14.08 percent. Before and after the merger, SBL's ROE standard deviations were 2.48 and 0.68, respectively.

4.1.4.3 Return on Assets

The measure of a company's profitability in relation to its total assets is called return on assets, or ROA. An analyst, investor, or manager can determine a company's level of asset utilization efficiency by looking at its return on assets (ROA). The greater the ROA, which is shown as a percentage, the better.

Table 11
Return on Assets

	Fiscal Year	GIBL	SBL
	2070/71	0.71	1.37
	2071/72	1.10	1.61
	2072/73	0.60	1.59
	2073/74	0.53	1.69
Pre-merger	Min.	0.53	1.37
	Max.	1.10	1.69
	Mean	0.73	1.56
	SD	0.25	0.14
	2075/76	0.61	1.54
	2076/77	1.83	1.59
	2077/78	1.14	1.49
	2078/79	1.14	1.17
Post-merger	Min.	0.61	1.17
	Max.	1.83	1.59
	Mean	1.18	1.45
	SD	0.50	0.19

(Sources: Appendix 1, 2)

Table 11 illustrates that prior to the merger, the return on assets (ROA) of GIBL Bank was 0.71 percent in 2070–2071 and climbed to 1.10 percent in 2071–2072; the ROA reached its lowest point in 2073–2074 at 0.53 percent. After the merger in 2075–2076, the return on assets (ROA) was 0.61 percent; in 2076–2077, the ratio reached its peak at 1.83 percent; in 2077–2078, the ROA dropped to 1.14 percent; and in 2078–2079, the ratio remained at 1.14 percent. Before the merger, GIBL's mean return on assets (ROA) was 0.73%; following the merger, it increased to 1.8%. The GIBL ROA standard deviation prior to the merger. Prior to the merger, SBL's return on assets was 1.37 percent in 2070–

2071 and reached a peak of 1.69 percent in 2073–2074. Following the 2075–2076 merger, ROA dropped to 1.54%; however, in the 2076–2077 merger year, the ratio climbed to 1.59 percent; in the 2077–2078 year, it declined to 1.49 percent; and in the 2078–2079 year, it dropped to 1.14 percent once again. SBL's mean return on assets (ROA) was 1.56 percent prior to the merger and is now 1.45 percent following it. Prior to the merger, the standard deviation of SBL's ROA was 0.14; following the merger, it is 0.19.

4.1.5 Liquidity

Liquidity for a bank means the ability to meet its financial obligations as they come due. Bank lending finances investments in relatively illiquid assets, but it funds its loans with mostly short-term liabilities. Thus, one of the main challenges to a bank is ensuring its own liquidity under all reasonable conditions.

A bank's capacity to pay its debts on time is referred to as its liquidity. Bank lending primarily uses short-term liabilities to make its loans, but it also invests investments in somewhat illiquid assets. Thus, one of the main challenges to a bank is ensuring its own liquidity under all reasonable conditions.

4.1.5.1 Cash Reserve Ratio

The Cash Reserve Ratio (CRR) is a minimum percentage of all client deposits that commercial banks are required to maintain as reserves, either in cash or as deposits with the central bank. CRR is determined in accordance with national central banks' policies.

Table 12
Cash Reserve Ratio

	Fiscal Year	GIBL	GBL
	2070/71	12.17	9.27
	2071/72	7.35	16.01
	2072/73	11.81	8.40
	2073/74	7.58	6.14
Pre-merger	Min.	7.35	6.14
	Max.	12.17	16.01
	Mean	12.61	7.12
	SD	2.62	4.25
	2075/76	18.32	8.98
	2076/77	8.64	7.05
	2077/78	11.39	5.46
	2078/79	12.08	6.99
Post-merger	Min.	8.64	5.46
	Max.	18.32	8.98
	Mean	12.61	7.12
	SD	4.09	1.44

(Sources: Appendix 1, 2)

As can be seen in Table 12, the cash reserve ratio of GIBL before to the merger was 12.17 percent in 2070–2071; it dropped to 7.35 percent in 2071–2072; it then grew to 11.81 percent in 2072–2073; finally, the CRR reached its lowest point in 2073–2074 at 7.58 percent. The combined rate of return (CRR) peaked in 2075–2076 at 18.32 percent. The CRR fell to 8.64 percent in 2076–2077, then rebounded to 11.39 percent in 2077–2078, and then jumped to 12.08 percent in 2078–2079, the following year of the merger. Prior to the merger, the average CRR for GIBL was 9.72%; following the merger, it is 12.61%.

Prior to the merger, the CRR standard deviation for GIBL was 2.62; with the merger, it is 4.09.

Prior to the merger, SBL's cash reserve ratio was 9.27 percent in 2070–2071; it reached its maximum point of 16.01 percent in 2071–2072; it then reached its lowest point of 6.14 percent in 2073–2074. Following the merger, the CRR grew to 8.98 percent in 2075–2076; however, the ratio fell to 7.05 percent in 2076–2077; the CRR reached its lowest point of 5.46 percent in 2077–2078; finally, the ratio marginally increased to 6.99 percent in 2078–2079.

4.1.5.2 Cash and Bank Balance Ratio

A higher ratio shows the higher and greater ability of the bank to meet unexpected demand of the depositors. On the contrary lower ratio indicates that bank might face liquidity crunch while paying obligations.

Table 13
Cash and Bank Balance Ratio

	Fiscal Year	GIBL	SBL
Pre-merger	2070/71	8.11	2.87
	2071/72	6.78	5.42
	2072/73	7.21	4.95
	2073/74	7.71	3.74
	Min.	6.78	2.87
	Max.	8.11	5.42
	Mean	7.45	4.25
	SD	0.58	1.16
Post-merger	2075/76	4.82	4.34
	2076/77	5.09	6.41
	2077/78	8.48	8.00
	2078/79	11.82	5.03
	Min.	4.82	4.34
	Max.	11.82	8.00
	Mean	7.55	5.95
	SD	3.30	1.61

(Sources: Appendix 1, 2)

The cash and bank balance ratio of GIBL Bank before to the merger was 8.11 percent in 2070–2071; it reached its lowest point of 6.78 percent in 2071–2072 (see Table 13). The CBR was at its lowest point of 4.82 percent following the merger in 2075–2076; however, it grew to 5.09 percent in the next year of the merger in 2076–2077; it then increased to 8.48 percent in 2077–2078; and it increased to 11.82 percent in the following year of the merger in 2078–2079. Prior to the merger, the average CBR for GIBL was 7.45%; with the merger, it is now 7.55 percent. Prior to the merger, the CBR standard deviation for GIBL was 0.58, and it is now 3.30.

Prior to the merger, SBL's cash and bank balance ratio was 2.87 percent in 2070–2071; by 2071–2072 it had risen to 5.42 percent. next the merger in 2075/76, the CBR was 4.34 percent; however, the next year, in 2076/77, the ratio grew to 6.41 percent, and the maximum point was reached in 2077/78, when the CBR was 8.00 percent. Prior to the merger, SBL's average CBR was 4.25 percent; following the merger, it was 5.95 percent. Prior to the merger, the CBR standard deviation for SBL was 1.16; with the merger, it is

4.1.5.3 Investment in Government Security Ratio

The government periodically makes available securities and short- and long-term obligation papers at a minimal rate of return and risk. These securities can be turned into cash to satisfy short-term obligations. For this reason, commercial banks must make a minimum amount of investments in government securities.

Table 14

Investment in Government security Ratio

	Fiscal Year	GIBL	SBL
	2070/71	12.94	10.20
	2071/72	10.37	5.60
	2072/73	6.59	7.99
	2073/74	8.07	11.82
Pre-merger	Min.	6.59	5.60
	Max.	12.94	11.82
	Mean	9.49	8.90
	SD	2.77	2.70
	2075/76	9.80	11.27
	2076/77	14.95	9.92
	2077/78	13.26	12.98
	2078/79	10.05	13.91
Post-merger	Min.	9.80	9.92
	Max.	14.95	13.91
	Mean	12.01	12.02
	SD	2.51	1.78

(Sources: Appendix 1, 2)

Table 14 illustrates that the government security ratio investment of GIBL Bank before to the merger was 12.94 percent in 2070–2071 and reached its lowest point of 6.59 percent in 2072–2073. Following the merger in 2075–2076, the IGSR was 9.80%; but, in 2076–2077, the ratio reached its maximum point at 14.95 percent; in 2077–2078, it dropped to 13.26%; and in 2078–2079, it dropped to 10.05 percent once again. Prior to the merger, the average GIBL IGSR was 9.49 percent; following the merger, it is 12.01 percent. Prior to the merger, the IGSR standard deviation for GIBL was 2.77, and it is now 2.51 following the merger.

Prior to the merger, SBL's investment in the government security ratio was 10.20 percent in 2070–2071; it reached its lowest point of 5.60 percent in 2071–2072; and it climbed to 11.82 percent in 2073–2074. Following the merger in 2075–2076, the IGSR decreased slightly to 11.27 percent; however, the ratio decreased again to 9.92 percent in 2076–2077; in 2077–2078, the IGSR increased to 12.98 percent; and in 2078–2079, the ratio reached its highest point at 13.91 percent. SBL's average IGSR was 8.90 percent prior to the merger and is now 12.02 percent following it. Prior to the merger, SBL's IGSR standard deviation was 2.70; following the merger, it is 1.78.

4.1.6 Sensitivity

Sensitivity is the degree to which a market instrument responds to shifts in underlying variables, usually as measured by how its price moves in response to such shifts. However, sensitivity is shown by the price-earnings ratio and spread ratio.

4.1.6.1 Price Earnings Ratio

The share price in relation to the company's yearly net income per share is measured by the price to earnings ratio, or PE Ratio. PE ratio displays the demand for a company's shares among investors right now. A high PE ratio often denotes stronger demand as a result of investors' expectations for future profits growth. The years in the PE ratio may be seen as the number of years of profits required to recoup the acquisition price. Given that it shows how much an investor is ready to pay for every dollar of earnings, the PE ratio is also referred to as the "multiple". Estimates of the profits per share for the following year are frequently used as the denominator when calculating PE ratios. If this occurs, it is often reported.

Table 15
Price Earnings Ratio

	Fiscal Year	GIBL	SBL
	2070/71	14.59	13.39
	2071/72	28.53	20.35
	2072/73	38.54	16.99
	2073/74	36.35	31.13
Pre-merger	Min.	14.59	13.39
	Max.	38.54	31.13
	Mean	29.50	20.47
	SD	10.83	7.66
	2075/76	43.35	26.54
	2076/77	8.72	13.34
	2077/78	16.91	12.52
	2078/79	15.70	13.52
Post-merger	Min.	8.72	12.52
	Max.	43.35	26.54
	Mean	21.17	16.48
	SD	15.22	6.72

(Sources: Appendix 1, 2)

Table 15 illustrates that prior to the merger, GIBL's price-to-earnings ratio was at its lowest point in 2070–2071 at 14.59 percent and reached its highest point in 2072–2073 at 38.54 percent. Following the merger, in 2076–2077, the P/E ratio reached its lowest point of 8.72, while in 2075–2076 it reached its greatest point of 43.35. Prior to the merger, GIBL's mean P/E ratio was 29.50; following the merger, it was 21.17. Prior to the merger, the GIBL P/E ratio's standard deviation was 10.83; following the merger, it is 15.22.

Prior to the merger, SBL Bank's price-to-earnings ratio was 13.39 in 2070–2071; it reached its maximum point of 31.13 in 2073–2074. The P/E ratio dropped to 26.54 in the

year 2075–2076 after the merger, dropped to 13.34 in the year 2076–2077 after the merger, dropped to 12.52 in the year 2077–2078 after the merger, and grew somewhat to 13.52 in the year 2078–2079 after the merger. Prior to the merger, SBL's mean P/E ratio was 20.47; following the merger, it is 16.48. Prior to the merger, the SBL P/E ratio's standard deviation was 7.66; following the merger, it is 6.72.

4.1.6.2 Spread Ratio

The interest rate that banks charge on loans to individuals in the private sector less the interest rate that commercial or comparable banks pay on demand, time, or savings deposits is known as the interest rate spread. However, the terms and circumstances associated with these rates vary every nation, making them less comparable.

Table 16

Spread Ratio

	Fiscal Year	GIBL	SBL
Pre-merger	2070/71	5.98	5.39
	2071/72	5.47	5.15
	2072/73	5.62	5.36
	2073/74	5.93	4.16
	Min.	5.47	4.16
	Max.	5.98	5.39
	Mean	5.75	5.02
	SD	0.24	0.58
Post-merger	2075/76	3.75	3.49
	2076/77	4.12	3.53
	2077/78	4.70	3.72
	2078/79	3.84	4.81
	Min.	3.75	3.49
	Max.	4.7	4.81
	Mean	4.10	3.89
	SD	0.43	0.62

(Sources: Appendix 1, 2)

Table 16 illustrates that the spread ratio of GIBL Bank prior to the merger peaked in 2070–2071 at 5.98 percent; it fell to 5.47 percent in 2071–2072. Following the merger in 2075–2076, the spread ratio dropped to 3.75 percent; however, the following year, in 2076–2077, the ratio increased to 4.12 percent; in 2077–2078, the spread ratio reached

4.70 percent; and in 2078–2079, the ratio dropped to 3.84 percent. Prior to the merger, GIBL's typical spread ratio was 5.75 percent; following the merger, it is 4.10 percent. Prior to the merger, the GIBL spread ratio's standard deviation was 0.24; following the merger, it is 0.43.

Prior to the merger, SBL's spread ratio was 5.39 percent in 2070–2071; in 2071–2072 it was somewhat lower at 5.15 percent. The spread ratio fell to 3.49 percent following the merger in 2075–2076; it then slightly increased to 3.53 percent in 2076–2077; it then increased to 3.72 percent in 2077–2078; and it reached its highest point of 4.81 percent once more in 2078–2079. Prior to the merger, SBL's mean spread ratio was 5.02 percent; following the merger, it is 3.89 percent. Before and after the merger, the spread ratio of SBL had a standard deviation of 0.58 and 0.62, respectively.

Descriptive Statistics

The data's descriptive statistics are explained in this section. It offers summaries of the factors included in the investigation. An overview of the factors considered in this research from 2013–14 to 2022–23 in summary statistics. FP was one of the dependent variables, whereas EPS, LLP, CRR, CAR, and NPL were the independent variables.

Table 16

Descriptive Statistics

Descriptive Statistics					
	Minimum	Maximum	Mean	Std. Deviation	C.Varianc e
ROA	1.01	2.92	1.8463	0.60508	.366
FP	6.78	26.88	16.1020	5.96800	35.617
EPS	11.08	23.69	15.1230	3.37977	11.423
LLP	1.21	3.86	.8210	0.94583	.895
CRR	3.11	1.571	3.05	3.30	1.09
CAR	7.50	43.10	23.0880	10.31307	106.359
NPL	2.072	5.476	3.1017	3.63618	4.039

The descriptive statistics of the selected factors that were looked at in this study are shown in Table 16. Their return on assets ranges from a minimum of 101% to a

maximum of 292%, with an average of 185%. The standard deviation is 61%. Their FP averages 16.10 percentages, with a minimum of 6.78 percentages and a maximum of 26.88 percentages. The standard deviation is 5.97%. The lowest percentages for EPS, LLP, CRR, CAR, and NPL are 11.08, 1.2, 3.11, 7.5, and 20.72, in that order. For EPS, LLP, CRR, CAR, and NPL, the maximum values are 23.69, 3.86, 1.57, 26.26, and 54.76, in that order. The EPS, LLP, CRR, CAR, and NPL mean values are 15.12, 0.82, 3.065, 23.8, and 3.10, respectively. The EPS, LLP, CRR, CAR, and NPL standard deviation values are 3.83, 0.95, 3.30, 10.13, and 3.64, respectively.

Correlations

The correlation coefficient quantifies the link between two or more variables. It also determines how much one variable affects another. The correlation coefficient has a range of +1 to -1. A +1 coefficient indicates a perfect positive correlation, whereas a -1 number indicates a perfect negative correlation. Furthermore, the correlation coefficient is 0 in the absence of any relationship between the variables. Positive correlation indicates a rise in value, whereas negative correlation implies a reduction in the value of the other variable when the value of one increases.

Table 17

Correlations

Correlations						
	FP	CAR	LLP	EPS	CRR	NPL
FP	1					
CAR	0.847**	1				
LLP	-0.186	-0.576	1			
EPS	-0.519	-0.667	0.479**	1		
CRR	0.423*	0.24	-0.108	-0.386	1	
NPL	0.814**	0.976**	-0.583	-0.593	0.153	1

The link between the independent and dependent variables is seen in Table 17. When the independent variable rises, the dependent variable will also rise, as shown by a positive r . In contrast, a negative r means that when the independent variable rises, the dependent variable will decrease. The Financial Performance (PF) and the CAR have a correlation value of -0.847, indicating a negative link.

The correlation coefficient between Loan loss provision (LLP) and Financial Performance (PF) is -0.186, indicating a negative relationship. The correlation coefficient between Financial Performance (PF) and Earnings per Share (EPS) is -0.519, indicating a negative relationship. A favorable link between CRR and financial performance is shown by the correlation value of 0.423. The very positive correlation that exists between Financial Performance (PF). The correlation value of 0.814 indicates NPL.

Table 18

Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.985 ^a	.970	.964	1.13055
a. Predictors: (Constant), NPL, EPS, CRR, CAR, LLP				

Table 18 shows that only 97% of the variation in ROA can be ascribed to independent variables, such as NPL, EPS, CRR, CAR, and LLP. The coefficient of determination is 0.985, and the multiple correlation coefficients are 0.97.

The correlation coefficient quantifies the link between two or more variables. It also determines how much one variable affects another. The correlation coefficient has a range of +1 to -1. A +1 coefficient indicates a perfect positive correlation, whereas a -1 number indicates a perfect negative correlation. Furthermore, the correlation coefficient is 0 in the absence of any relationship between the variables. Positive correlation indicates a rise in value, whereas negative correlation implies a reduction in the value of the other variable when the value of one increases.

Table 19

Correlations

Correlations

	FP	CAR	LLP	EPS	CRR	NPL
FP	1					
CAR	0.847**	1				
LLP	-0.186	-0.576	1			
EPS	-0.519	-0.667	0.479**	1		
CRR	0.423*	0.24	-0.108	-0.386	1	
NPL	0.814**	0.976**	-0.583	-0.593	0.153	1

All values in Table 19 fall between -1 and +1. When the independent variable rises, the dependent variable will also rise, as shown by a positive r . In contrast, a negative r means that when the independent variable rises, the dependent variable will decrease. The Financial Performance (PF) and the CAR have a correlation value of -0.847, indicating a negative link.

The correlation coefficient between Loan loss provision (LLP) and Financial Performance (PF) is -0.186, indicating a negative relationship. The correlation coefficient between Financial Performance (PF) and Earnings per Share (EPS) is -0.519, indicating a negative relationship. A favorable link between CRR and financial performance is shown by the correlation value of 0.423. The very positive correlation that exists between Financial Performance (PF). The correlation value of 0.814 indicates NPL.

Table 20

ANOVA

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1002.219	5	200.444	156.823	.000 ^b
	Residual	30.676	24	1.278		
	Total	1032.895	29			
a. Dependent Variable: FP						
b. Predictors: (Constant), NPL, EPS, CRR, CAR, LLP						

Table 20 indicates that the total regression model is significant based on the ANOVA test, which yields a significant value of 0.00 less than the 0.05 level of significance.

Table 21

Coefficients

Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.126	1.900		1.119	0.274
	CAR	-0.024	0.084	-0.014	-.285	0.778
	LLP	-0.692	0.304	-0.110	-2.278	0.032
	EPS	0.001	0.001	0.073	1.843	0.078
	CRR	0.530	0.028	0.915	18.852	0.000
	NPL	0.057	0.038	0.064	1.512	0.144

a. Dependent Variable: FP

The regression coefficients for the independent variables of Nepal's banks' non-performing loans (NPL), cash reserve ratio (CRR), capital adequacy ratio (CRA), earnings per share (EPS), and loan loss provision (LLP) are displayed in Table 20. In addition to the Financial Performance (FP) intercept value for the dependent variable. The regression coefficient for CAR is -0.024. The data indicates that a one percent increase in CAR would result in a rise of -0.024 percentage points in PF. Additionally, the p value of 0.778 for CAR indicates that it is statistically insignificant at the five percent significance level. As a result, there is very little negative association between CAR and PF. The loan loss provision (LLP) regression coefficient is -0.692. PF would decrease by -0.692 percentage points if LLP increased by 1%, according to the data, and the LLP P value of 0.032 suggests that the change is not statistically significant at the 5% significance level. As a result, there is little correlation between Financial Performance (PF) and the LLP. Similarly, the coefficient of regression for earnings per share (EPS) is.001. The Earnings per Share (EPS) Ratio's P value of 0.078 indicates that, at the 5% level of significance, the ratio is statistically insignificant. It also indicates that, for every percentage increase in the ratio, Financial Performance (PF) will increase by 0.001 percentage points. Consequently, the relationship between the EPS Ratio.

The coefficient of regression for the cash reserve ratio (CRR) is 0.530. At the 5% level of significance, the P value of EPS is 0.000, suggesting that it is statistically significant. It also demonstrates that Financial Performance (PF) increased by 0.530 percentage points for every 1% increase in the Cash Reserve Ratio (CRR). It is therefore notable that Non-performing Loans (NPL) and Financial Performance (PF) have a positive link. The liquid assets ratio has a regression coefficient of 0.057. According to the statistics, there is a 0.057 percentage increase in Financial Performance (PF) for every one percent increase in the NPL ratio. .. Furthermore, at the 5% significance level, the Financial Performance (PF) ratio is statistically insignificant, according to the P value of 0.144. Consequently, there is very little relationship between the liquid assets ratio and financial performance (PF).

4.2 Discussion

The financial performance of Nepal's commercial banks was analyzed by the researcher using merger and acquisition data. Finding out if the chosen combined commercial bank's financial performance improved or not following the merger is the study's primary goal. Additionally, the CAMELS criteria were used, and their trend was examined, in order to determine the financial performance. Because these two banks are appropriate for the research, the researcher employed the purposive sampling approach in order to meet the study's objectives. The study encompassed the years 2070–2071 and 2078–2079 for the variables, and GIBL and SBL banks were used. The base year was determined to be 2074, which was also the deadline for recapitalization. The pre-merger era was defined as the years 2070–2073–2074, and the post-merger period as the years 2075–2078–79. The secondary data, which is gathered through the banks' publicly available annual reports, was compared.

According to a research conducted in India, the tie-up did not enhance the performance of the country's commercial bank since the quality of the assets decreased as a result of a rise in non-performing assets (Upadhyay & Kurmi, 2020). Similar conclusions are reached in this analysis, suggesting that the bank may face difficulties as a result of the tie-up.

According to a research by Elizabeth M. Samuel, management efficiency is improving; nevertheless, the study's contrast finding indicates that, when compared to Nepal, there

has been no gain in management efficiency. The same Elizabeth analysis revealed that the banks' earning potential and liquidity were insufficient, and a similar conclusion was reached as a result.

The Synergy Theory $PV(AB) > PV(A) + PV(B)$ the synergy theory says that firms merge because the value of the combined firm is greater than the sum of the values of the individual firms however in this study the contrast result is drawn which signifies that there is no improvement in most of the financial indicators.

According to the current analysis, there is insufficient sensitivity to market ratios following a merger. In contrast to this study, a study conducted in Pakistan shows a positive shift in the sensitivity to market ratios (Zafar et al., 2017).

The Theory of Synergy $PV(AB)$ exceeds $PV(A) + PV(B)$. According to the synergy theory, businesses join when their combined value exceeds the sum of the values of their separate businesses. However, the study's comparison result shows that the majority of the financial indicators have not improved.

The Synergy Theory $PV(AB) > PV(A) + PV(B)$ the synergy theory says that firms merge because the value of the combined firm is greater than the sum of the values of the individual firms however in this study the contrast result is drawn which signifies that there is no improvement in most of the financial indicators.

The current analysis comes to the conclusion that the main goals of financial institution mergers are to raise paid-up capital, broaden their operational base, and lessen competition. A research conducted in Nepal that examined the 25 amalgamated organizations came to a similar result (Adhikari, 2014).

This analysis demonstrates that, despite an increase in the capital adequacy ratio, the Nepalese commercial bank's performance following the merger and acquisition has not improved. In contrast, the Nigerian study revealed that the merger and acquisition had enhanced the performance of the country's commercial bank (Anderobom et al., 2015).

However, a comparable study conducted in Pakistan revealed that there has been no change in the commercial performance there either.

Every research project has limitations that are dictated by the study's objectives, budget, and time constraints. Every piece of information displayed here is secondary information extracted from the relevant banks' annual reports. The population sample for this study consists of just 20 commercial banks, of which two were chosen for selection. Because of the tiny sample size, the study's conclusions could not be applied to a macro or massive scale.

With a coefficient of determination of 0.985 and multiple correlation coefficients of 0.97, it can be concluded that independent factors such as NPL, EPS, CRR, CAR, and LLP account for just 97% of the variance in ROA.

The overall importance of the regression model is demonstrated by the ANOVA test, which yields a significant result of 0.00 less than the 0.05 threshold of significance.

As the independent variable rises, the dependent variable will as well. In contrast, a negative r means that when the independent variable rises, the dependent variable will decrease. The Financial Performance (PF) and the CAR have a correlation value of -0.847, indicating a negative link.

The correlation coefficient between Loan loss provision (LLP) and Financial Performance (PF) is -0.186, indicating a negative relationship. The correlation coefficient between Financial Performance (PF) and Earnings per Share (EPS) is -0.519, indicating a negative relationship. A favorable link between CRR and financial performance is shown by the correlation value of 0.423. The very positive correlation that exists between Financial Performance (PF). The correlation value of 0.814 indicates NPL.

The regression coefficients for Nepal's banks' non-performing loans (NPL), cash reserve ratio (CRR), capital adequacy ratio (CRA), earning per share (EPS), and loan loss provision (LLP). In addition to the Financial Performance (FP) intercept value for the dependent variable. The regression coefficient for CAR is -0.024. The data indicates that a one percent increase in CAR would result in a rise of -0.024 percentage points in PF.

Additionally, the p value of 0.778 for CAR indicates that it is statistically insignificant at the five percent significance level. As a result, there is very little negative association between CAR and PF. The loan loss provision (LLP) regression coefficient is -0.692.

PF would decrease by -0.692 percentage points if LLP increased by 1%, according to the data, and the LLP P value of 0.032 suggests that the change is not statistically significant at the 5% significance level. As a result, there is little correlation between Financial Performance (PF) and the LLP. Similarly, the coefficient of regression for earnings per share (EPS) is 0.001. The Earnings per Share (EPS) Ratio's P value of 0.078 indicates that, at the 5% level of significance, the ratio is statistically insignificant. It also indicates that, for every percentage increase in the ratio, Financial Performance (PF) will increase by 0.001 percentage points. Consequently, there is no statistically significant correlation between the EPS Ratio and Financial Performance (PF).

The coefficient of regression for the cash reserve ratio (CRR) is 0.530. At the 5% level of significance, the P value of EPS is 0.000, suggesting that it is statistically significant. It also demonstrates that Financial Performance (PF) increased by 0.530 percentage points for every 1% increase in the Cash Reserve Ratio (CRR). It is therefore notable that Non-performing Loans (NPL) and Financial Performance (PF) have a positive link. The liquid assets ratio has a regression coefficient of 0.057. According to the statistics, there is a 0.057 percentage increase in Financial Performance (PF) for every one percent increase in the NPL ratio. Furthermore, at the 5% significance level, the Financial Performance (PF) ratio is statistically insignificant, according to the P value of 0.144. Consequently, there is very little relationship between the liquid assets ratio and financial performance (PF).

CHAPTER V

SUMMARY AND CONCLUSION

This chapter presents findings from a comparative analysis of the financial performance of GIBL and SBL, two commercial banks. It also attempts to offer some suggestions to the people who are concerned based on the study's result.

5.1 Summary

The banking and financial institutions in Nepal are experiencing a rise in mergers and acquisitions. It is mostly because of the 2011 Merger Bylaws that the NRB enforced on BFIs in Nepal. Because the BFIs were underperforming in the market, the NRB first had to apply forcible merger. BFIs themselves later decided to engage in merger activities. The three main causes were the open market, capital requirements, and liquidity crisis.

The financial performance of Nepal's commercial banks was analyzed by the researcher using merger and acquisition data. Finding out if the chosen combined commercial bank's financial performance improved or not following the merger is the study's primary goal. Additionally, the CAMELS criteria were applied, and their trend was examined, in order to determine the financial performance. Because these two banks are appropriate for the research, the researcher used the purposive sampling approach in order to meet the study's objectives. The study encompassed the years 2070–2071 and 2078–2079 for the variables, and GIBL and SBL banks were used.

The base year was determined to be 2074, which was also the deadline for recapitalization. The pre-merger era was defined as the years 2070–2073–2074, and the post-merger period as the years 2075–2078–79. The secondary data, which is gathered through the banks' publicly available annual reports, was compared. In chapter 4, the researcher presented and interpreted data along with its conclusions. The following is a summary of the study:

Given that the average capital adequacy ratio (CAR) for GIBL and SBL for the post-tie-up period is higher than the average pre-tie-up period and the average CCR for GIBL and SBL for the post-merger and acquisition period is higher than the average prior to the

merger and acquisition, we can conclude that the tie-up improved the banks' performance. We can conclude that the tie-up reduced the asset quality of GIBL bank because the average NPLR, LLCR, and LLPR of GIBL for the period following the merger and acquisition are greater than the average prior to the tie-up. However, we may conclude that SBL's asset quality has improved as a result of the merger and acquisition because the company's average NPLR, LLCR, and LLPR for the period following the tie-up are lower than they were prior to the tie-up. Therefore, after mergers and acquisitions, the commercial bank's total asset quality is mixed according to this study.

We may conclude that the tie-up has increased the management efficiency of GIBL bank because the average MER and BPE of GIBL for the period prior to the tie-up are lower than the period following the tie-up. Since SBL's average MER and BEP for the pre-tie-up period was greater than for the post-tie-up period, we may conclude that the tie-up had a detrimental effect on SBL's management effectiveness. Thus, following mergers and acquisitions, the commercial banks in our study had uneven overall managerial efficiency.

It is possible to conclude that GIBL's profits ratios increased following the tie-up because the company's average EPS, ROE, and ROA during the time following the merger and acquisition are greater than they were before to the tie-up. We can conclude that the tie-up had a negative effect on SBL's profit ratios because the company's average EPS, ROE, and ROA for the period prior to the merger and acquisition are greater than the average for the subsequent period. Thus, the study's total earnings for the commercial banks following mergers are inconsistent.

The average CRR of GIBL and SBL for the period after the merger and acquisition is higher than the mandatory set by NRB which is 3%, so we can say that both banks maintain their CRR. However, following the merger, the average IGSR and CBR of GIBL and SBL grew, indicating that the merger and acquisition had a satisfactory effect on the commercial banks' liquidity situation.

The average P/E ratio and spread of GIBL and SBL for the time following the merger and acquisition are lower than they were prior to the tie-up, indicating that the market's

expectations regarding the success of commercial banks have increased following the merger and that the bank's profit margin is unsatisfactory following the tie-up. All things considered, we may state that following the merger, the market sensitivity is unsatisfactory.

The financial indicators of the CAMELS framework were not statistically significant, according to the test of the mean difference of the two banks before and after the merger.

5.2 Conclusion

This study aims to investigate the effects of mergers and acquisitions on the financial performance of commercial banks following the implementation of a strict merger bylaw policy by Nepal Rastra Bank in 2011. Through the use of the CAMELS criterion, it analyzes and assesses the effect of M&A on the performance of the bank.

This analysis concludes that the bank is operating with sufficient capital, as required by the NRB, which stipulates a minimum of 11% CAR. Accordingly, the bank satisfies the NRB criteria for banking operations and is capital sound. It has improved bank capital since the merger.

The growing trend in asset quality supports the conclusion that, following the tie-up, GIBL has superior asset utilization. On the other hand, we can say that SBL weak in terms of asset usage, as the average assets quality of SBL is trending downward. Following a tie-up, commercial banks' asset quality is generally inconsistent.

The management efficiency ratio is trending upward, which supports the conclusion that, following the tie-up, GIBL has superior management efficiency. However, the SBL's management efficiency ratio is on the decline in terms of management effectiveness. Commercial banks' management effectiveness following mergers is generally uneven.

In a similar vein, banks' post-merger earnings performances are inconsistent. Following the merger, the bank's liquidity situation is good. After the merger, the market sensitivity is unsatisfactory.

Researchers' findings about the performance of banks in terms of mergers and acquisitions are conflicting. While capital suggests a statistically significant improvement in bank performance, other indicators such as assets, management, and earning mean point to inconsistent performance across commercial banks. Following the tie-up, commercial banks' liquidity situation is good. And Sensitivity demonstrates the adverse effect. Nevertheless, since the merger is not statistically significant, the banks' performance has not improved.

The report also emphasizes that BFIs must currently combine in order to preserve financial stability and the capital requirement; as a result, M&A should be carried out voluntarily rather than under duress. The merger shouldn't be viewed as the only way to solve the problems the market is facing. Furthermore, before to completing the merger, the banking institutions have to conduct sufficient due diligence in order to choose the best partners. Nevertheless, the analysis is constrained to concentrating on the two chosen financial institutions during an 8-year period and to evaluating the sample's performance using the CAMELS framework.

Although the combined GIBL and SBL will profit from large-scale operations and have a larger part of the market, overall, it can be said that the merger has not significantly changed either company's financial performance, at least not in the near term.

5.3 Implications

Based on the findings, the following suggestions are offered to address the financial performance weaknesses of Global IME Bank Limited (GIBL) and Siddhartha Bank Limited (SBL).

Frequent assessments and reappraisals are necessary for the NRB to monitor the performance of the combined bank. Therefore, in order to aid with the creation of new merger laws or the modification of current ones, it is necessary to ascertain their financial situation. The current trend in mergers and acquisitions appears to be forced mergers in order to boost capital and lessen bank rivalry. To enable banks to expand to the highest echelon of the economy, the government and regulatory bodies ought to keep an eye on

the goings-on and promote the principles of the free market economy. The government ought to serve as a safeguard against violators of the rules that it has established.

Throughout the assessment period, the bank's capital adequacy ratio has been in compliance with Nepal Rastra Bank standards; nonetheless, it has been trending downward. It is imperative that the ratio remain steady, if at all feasible, since a higher CAR indicates a stronger bank. Banks must take into account, provide the required supervision for customers accepting loans, and thoroughly examine how loans are being used in order to increase loan performance, which in turn enhances the quality of the asset. Early in the merger phase, costs rise more sharply, therefore banks must be able to control costs and raise deposits for further investments in order to improve management effectiveness and boost profits. The bank has to make better investments. The bank's liquidity situation will improve if it makes prudent investments with the money that its depositors leave behind. Investors always want to see a strong and favorable return on their investment, therefore banks should reduce operational and other costs and improve their profits ratios. The main participants in the financial system are bank depositors. Depositors want a bank that is secure and trustworthy with their money, thus that bank should reduce the amount of nonperforming loans and use their funds to make safe, dependable investments. Because Nepal is a tiny nation with a large number of financial institutions, which has led to unhealthy rivalry amongst them, mergers and acquisitions are required in the Nepalese industry. Thus, M&A contributes to enhancing the banks' and financial institutions' healthy competitiveness.

It is also advised that future researches take into account the recently combined BFIs and take into account other financial ratios in addition to swap ratios in order to examine the consequences of merger.

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Appendix 1

Data related to GIBL bank before merger

Year	2070/71	2071/72	2072/73	2073/74
Total Deposit (Rs)	21,651,267,380	22,660,000,000	26,661,129,863	30,363,555,060
Margin Deposit (Rs)	192,379,434	184,921,086	225,788,615	330,672,755
Local CY Deposit (Rs)	20,985,187,002	21,472,357,000	26,047,414,000	29,452,027,164
Cash B in NRB(Rs)	3,208,177,924	1,781,908,890	3,390,928,368	2,440,628,429
Cash & Bank B(Rs)	1,134,487,771	1,110,582,218	1,386,737,562	1,491,783,661
Inv in Govt. Sec	4,072,795,028	3,566,967,220	2,829,230,570	3,454,160,993
Total Assets (Rs)	24,890,751,047	25,223,846,491	29,939,786,547	34,348,783,402
Net Profit (Rs)	354,827,828	390,000,000	248,254,007	707,840,700
Share/E(Rs)	2,260,000,000	2,630,000,000	2,978,149,773	4,230,964,405
No Of Share O/S	14,700,000	20,286,000	23,531,760	23,531,760
Tier I(Rs)	2,129,992,739	2,383,282,000	2,795,452,000	3,649,362,000
Tier II(Rs)	167,812,725	179,081,000	224,259,000	277,657,000
TRWA(Rs)	19,540,318,000	22,270,801,000	26,754,959,000	32,936,444,000
Total NPL(Rs)	445,272,000	492,273,630	413,227,605	225,571,000
Total Loan & Ad(Rs)	16,013,835,667	17,870,000,000	21,440,000,000	24,745,991,302
TLLP (Rs)	431,634,000	606,602,868	610,254,518	188,820,000
Spread (%)	5.98	5.47	5.62	5.93
MPS(Rs)	223	642	459	363
TN Staff	354	376	402	395

Data related to GIBL bank after merger

Year	2075/76	2076/77	2077/78	2078/79
Total Deposit(Rs)	58,795,094,314	57,260,544,471	65,979,798,734	72,815,826,896
Margin Deposit(Rs)	453,359,360	649,266,726	649,266,726	556,031,225
Local Cy Deposit(Rs)	57,679,950,329	56,526,108,021	65,382,208,387	70,708,110,584
Cash B in NRB(Rs)	10,482,207,981	4,826,762,612	7,372,594,535	8,472,933,064
Cash & Bank B(Rs)	2,834,880,212	2,913,384,795	5,597,323,345	8,606,158,430
Inv in Govt. Sec	5,762,025,574	8,558,259,993	8,747,513,391	7,314,960,417
Total Assets(Rs)	67,673,945,207	73,461,467,335	89,199,261,920	96,882,157,689
Net Profit(Rs)	413,408,381	1,341,516,334	1,021,232,240	1,108,473,906
Share/E(Rs)	7,137,443,024	8,486,492,525	12,008,054,730	13,161,002,598
No Of Share O/S	46,790,582	46,798,532	70,185,873	93,539,169
Tier I(Rs)	5,709,306,121	6,969,000,000	11,126,120,000	12,243,700,000
Tier II(Rs)	564,426,608	602,000,000	761,200,000	971,890,000
TRWA(Rs)	58,570,312,000	67,737,000,000	83,138,380,000	95,501,480,000
Total NPL(Rs)	3,606,048,000	2,129,000,000	1,805,000,000	1,829,000,000
Total Loan & Ad(Rs)	48,168,820,311	53,313,197,195	63,233,501,076	67,819,453,052
TLLP (Rs)	3,095,637,000	1,920,000,000	2,389,000,000	2,795,000,000
Spread (%)	3.75	4.12	4.70	3.84
MPS(RS)	383	250	246	186
TN Staff	948	1111	1274	1341

Appendix 2: Data related of SBL before merger

Year	2070/71	2071/72	2072/73	2073/74
Total Deposit(Rs)	28,392,822,287	35,414,007,591	44,740,731,784	64,934,358,551
Margin Deposit(Rs)	259,446,137	337,640,290	385,753,465	705,243,932
Local Cy Deposit(Rs)	27,406,194,394	34,244,624,787	43,083,927,625	63,386,126,466
Cash B in NRB(Rs)	2,656,846,863	5,953,656,422	3,753,171,906	3,847,268,039
Cash & Bank B(Rs)	828,929,311	2,080,673,827	2,311,713,758	2,427,539,325
Inv in Govt. Sec	3,198,200,433	2,135,831,110	4,000,613,850	7,673,072,600
Total Assets(Rs)	33,691,223,791	40,328,850,124	50,719,745,186	74,402,915,402
Spread Ratio	5.39	5.15	5.36	4.16
MPS(Rs)	300	810	678	869
Net Profit(Rs)	482,556,000	702,461,904	776,974,011	1,254,918,004
Share H/E(Rs)	2,663,603,349	3,203,255,464	3,777,875,073	6,241,966,703
TN Staff	370	401	525	607
No Of Share O/S	18,135,536	20,311,800	24,374,160	44,961,433
Tier I(Rs)	2,465,753,000	2,942,642,000	3,580,887,000	6,061,317,000
Tier II(Rs)	1,047,813,000	1,053,132,000	1,663,751,000	1,647,241,000
TRWA(Rs)	30,018,453,000	35,068,791,000	47,263,368,000	68,506,564,000
Total NPL(Rs)	567,868,000	768,289,000	669,484,000	828,957,000
Total Loan & Adv(Rs)	23,721,618,779	27,985,729,627	37,151,310,701	56,507,714,836
TLLP(Rs)	401,287,000	798,824,000	811,514,000	536,009,000

Data Related of SBL after merger

Year	2075/76	2076/77	2077/78	2078/79
Total Deposit(Rs)	77,317,559,299	94,579,591,123	114,923,367,534	139,609,497,543
Margin Deposit(Rs)	1,841,911,007	2,624,976,280	2,352,816,211	2,879,158,729
Local Cy Deposit(Rs)	76,142,421,346	94,178,433,120	114,244,895,625	138,940,268,799
Cash B in NRB(Rs)	6,672,330,906	6,454,927,243	6,105,971,370	9,507,945,122
Cash & Bank B(Rs)	3,358,580,443	6,064,343,255	9,188,931,833	7,026,261,872
Inv in Govt. Sec	8,712,275,000	9,378,054,230	14,919,238,985	19,417,686,528
Total Assets(Rs)	89,901,512,010	119,869,218,564	151,401,764,654	182,468,449,165
Spread Ratio	3.49	3.53	3.72	4.81
MPS(Rs)	485	300	318	296
Net Profit(Rs)	1,386,175,502	1,904,061,504	2,257,688,322	2,143,613,715
Share H/E(Rs)	9,881,108,049	13,702,828,294	15,031,035,234	16,011,271,000
TN Staff	803	1221	1645	1887
No Of Share O/S	75,845,353	84,643,853	88,876,045	97,877,671
Tier I(Rs)	9,273,351,000	11,952,193,000	13,520,872,000	14,231,784,000
Tier II(Rs)	1,444,109,000	1,234,813,000	3,433,078,000	6,008,672,000
TRWA(Rs)	84,146,878,000	108,801,328,000	132,722,481,000	153,630,155,000
Total NPL(Rs)	871,610,000	939,865,835	819,518,260	1,754,050,000
Total Loan & Adv(Rs)	65,903,646,622	84,714,709,737	106,538,676,802	125,914,136,614
TLLP(Rs)	513,256,000	598,416,611	533,783,640	1,046,452,000

FINANCIAL PERFORMANCE ANALYSIS OF MERGER AND AC...

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ABSTRACT This study aims to assess the financial performance analysis of mergers and acquisitions involving Nepalese commercial banks. The best output in this study is determined using the CAMELS analysis. The research aims to evaluate

the pre- and post-merger performance of the chosen **banks and** examine the performance **of** commercial banks.
The

study is crucial for Nepalese commercial bank management to comprehend the benefits and drawbacks of mergers and acquisitions on bank performance. This helped to improve the performance of the bank. Out of twenty merging commercial banks, two institutions were selected as a sample for the research. The computation of ratios, mean, standard deviation, and paired test was used to analyze the data. Tables with the results were displayed. The study's conclusions support the notion that GIBL and SBL, which acquired their own affiliate banks with significant non-performing asset counts to begin with, did not reap the advantages of their merger. Only in the post-merger phase do ratios pertaining to capital adequacy and liquidity appear to be improving. In a similar vein, the bank has not been able to raise the quality of its assets, and management efficiency ratios have not increased sufficiently. Following the merger, the bank's overall profits capacity and distribution have also declined. Overall, it can be said that the merger has not significantly changed GIBL and SBLs financial performance, at least not least in short run.

Keywords: Acquisition and Merger, Provision for loan loss, non-performing credit Profit per Share ratio of cash reserves, ratio of capital adequacy
CHAPTER-I INTRODUCTION
1.1 Background of the Study
As a middleman between savers and borrowers across a range of businesses, the banking industry is essential to the economy of every nation. Here is a summary of its relevance and the need of assessing its performance: Banks enable the transfer of money in the form of loans and credit from savers—people and businesses—to borrowers—businesses, governments, and individuals. Economic activity in a variety of industries, including manufacturing, services, construction, and agriculture, depends on this intermediation process. Banks help businesses grow by offering loans and financial services, which in turn allows them to invest in new ventures and hire staff. This in turn directly supports the nation's economic growth and national wealth. Overall economic stability depends heavily on the efficiency and stability of the banking industry. Efficient capital allocation, seamless payment systems, and general financial stability are all ensured by a healthy banking system. By funding infrastructure projects, helping small and medium-sized businesses (SMEs), and encouraging innovation through lending and investment, banks contribute to economic growth. Given its crucial role, assessing and keeping an eye on the banking sector's performance is crucial for a number of reasons: Potential

threats to financial stability, such as non-performing loans, liquidity problems, or insufficient capitalization, can be found by evaluating the health of banks. To properly design monetary policy, set interest rates, and regulate financial institutions, policymakers rely on data from the banking industry. Increased investor confidence in the banking industry results from transparent and trustworthy performance measures, which promote capital inflows and investment. By keeping an eye on banks to make sure they follow rules and safeguard the interests of consumers and depositors, monitoring helps to keep the financial system trustworthy. Usually, governments and central banks monitor banks to make sure they follow legal requirements, handle risks sensibly, and operate responsibly. The stability and integrity of the banking industry depend heavily on regulatory scrutiny. (Das & Das, 2009). On these platforms, buyers and sellers exchange financial instruments including derivatives, equities, bonds, and currencies. They make it easier to divide up resources and capital between people who need money and people who have more money (surplus units). This supervisory grading system evaluates the general soundness and stability of financial institutions such as banks. What the acronym stands for is: evaluates the capital of the organization in light of its risk profile. It evaluates the bank's capital adequacy in light of prospective losses. assesses the loan and other asset quality owned by the organization. It looks at things like the quantity of non-performing loans and the caliber of the collateral. evaluates how well the institution's management is doing at reducing risks, following rules, and accomplishing strategic goals. examines the profitability of the organization, taking into account variables like return on equity (ROE), net interest margin, and return on assets (ROA). examines the institution's capacity to control liquidity risk and fulfill its immediate commitments. It assesses the institution's risk management practices for interest rates and other market risks. Regulators and other interested parties have a systematic framework to assess and contrast the risk profile and financial health of various institutions thanks to the CAMELS model. It assists in identifying strengths and shortcomings, enabling focused oversight and remedial action as required. It is true that the CAMELS framework is a universally accepted tool for assessing the stability and soundness of financial institutions (FIs). Below is a summary of its creation, application, and global uptake: The Federal Reserve Bank, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (FDIC) are among the US regulatory agencies that created the CAMELS framework. It became apparent that there was a methodical way to evaluate and track the well-being of financial institutions like banks. The regulatory agencies listed above in the United States make substantial use of the CAMELS framework for supervisory purposes. It aids in their assessment of each FI's financial stability, managerial efficacy, and overall risk profile. The CAMELS framework, or variations on it, has been used by several nations to evaluate the state of their own financial institutions. It is a typical instrument used by central banks and regulatory agencies in both developed and emerging countries to monitor and regulate financial institutions. Aggregate indicators from individual FIs are used by the IMF to evaluate the general health of financial systems in its member nations. An essential component of the IMF's monitoring efforts is this evaluation, which aids in identifying risks and weaknesses that could have an impact on global and national financial stability. The CAMELS framework's organized design makes it possible for evaluations to be conducted consistently across various institutions and countries. It gives regulators a thorough understanding of the advantages and disadvantages of a FI, enabling them to make well-informed decisions and take focused supervisory action. The CAMELS framework has undergone modifications throughout time to incorporate new elements and take into account shifting regulatory needs as well as shifts in the financial markets. Its continued development guarantees its applicability and efficacy in evaluating the intricate dynamics of contemporary financial institutions (Hilbers, Krueger & Moretti 2000). As you said, the CAMELS framework is a well-known tool for evaluating the stability of financial institutions (FIs) along a number of important characteristics. Let's dissect the data in your paragraph on capital adequacy components, particularly as they relate to Nepalese commercial banks. Ratios of Capital Adequacy: ? These ratios are essential for evaluating the resilience of financial organizations' balance sheets to shocks. Risks including interest rate risk, credit risk, and foreign currency risk are usually taken into account by the ratios. 1. Tier I Capital (Core/Primary Capital): o In the Nepalese context, Tier I capital includes:

- Paid-up capital
- Share premium
- Non-redeemable preference shares
- General reserve fund
- Accumulated profit
- Capital redemption reserve
- Capital adjustment fund
- Other free reserves

o Core Capital Calculation:

- To determine the core capital, certain items are deducted from the sum of all Tier I components. These deductions might include goodwill, fictitious assets, and investments in financial instruments beyond specified limits by the regulator (NRB).

2. Tier II Capital (Supplementary Capital): o Tier II capital in Nepal comprises:

- General loan loss provisions
- Assets revaluation reserves
- Hybrid capital instruments
- Subordinated term loans
- Exchange equalization reserves
- Excess loan loss provisions
- Investment adjustment reserves

3. Total Capital: o The total capital of commercial banks in Nepal is the sum of Tier I (core) capital and Tier II

(supplementary) capital. This total provides a measure of the bank's overall financial strength and ability to absorb losses.

Importance of Capital Adequacy ? Risk Management: Capital adequacy ratios are critical for managing various financial risks effectively. ? Regulatory Compliance: Banks must maintain capital adequacy ratios as per regulatory requirements set by the central bank (NRB in this case). ? Market Confidence: Adequate capitalization instills confidence among depositors, investors, and other stakeholders in the financial institution's stability and resilience.

Conclusion To summarise, the capital adequacy component of the CAMELS framework evaluates the extent to which financial institutions effectively manage risks by means of adequate capitalisation. The Nepal Rastra Bank (NRB) has established precise definitions for Tier I and Tier II capital components for Nepalese commercial banks, guaranteeing that these institutions have sufficient reserves to absorb possible losses and preserve their financial stability. Regulators and other stakeholders can assess the robustness and overall health of Nepal's banking system with the use of this methodical technique. This evaluates the caliber of a bank's holdings, especially its loans. Higher default risk and worse asset quality are indicated by a greater number of non-performing loans. For banks, it's an essential risk indicator.

Management Quality (M): This assesses the qualitative facets of management, including risk management skills. Although it is challenging to quantify exactly, management quality may be assumed by using a variety of financial ratios and indicators in CAMELS and other models.

Earning Ability (E): This gauges the performance and profitability of the bank. Profits are a key measure of how successfully a bank uses its resources and controls its obligations to turn a profit.

Liquidity (L): The bank's capacity to pay short-term debts when they become due is evaluated by liquidity risk. When evaluating a bank's ability to handle unforeseen withdrawals or deposit outflows without negatively impacting its operations, liquidity ratios are essential.

Sensitivity to Market Risk (S): Sensitivity quantifies the bank's exposure to a range of risks, such as market risk, interest rate risk, and other outside variables. This part assesses the bank's resilience to unfavorable market circumstances.

Together, these elements make up the CAMELS model, which analysts and regulators use to assess and monitor banks. Each element contributes to the maintenance of the stability and soundness of the financial system by shedding light on various facets of a bank's operational health and risk exposure.

1.2 Problem Statement

The CAMELS framework is a widely used technique to assess FI's soundness. The American banks' regulating bodies created this arrangement. This system is utilized by the Federal Reserve Bank, the Federal Deposit Insurance Corporation, and the Comptroller of the Currency (McNally 1996). The majority of nations' monetary regulators use this approach to assess each FI's overall health. Financial ratios are used in CAMELS analysis to assess banking operations on the basis of six dimensions: sensitivity, liquidity, earnings quality, asset quality, management effectiveness, and capital adequacy. A thorough understanding of a bank's performance may be obtained by the ratios based on the CAMELS framework (Nimalathasan, 2008); this performance assessment can be gauged from a number of factors, such as expenses, revenue, and profit (Johnes, Izzeldin & Pappas, 2009). It facilitates comparisons across banks and acts as a benchmark, which is typically the average of the industrial sectors. It is simply computed and evaluated (Hassan & Bashir, 2003). (Halkos & Salamouris, 2004). The banking industry is a vital and significant part of the economy that requires constant oversight. The nation's central bank oversees and regulates the banks at specific times in order to keep them from liquidating and going bankrupt. This is because huge loan losses and bank failures have raised concerns about banking supervision. The tools provided by CAMELS have been crucial in monitoring, guiding, regulating, and controlling the performance of banks. As stated by (Dang, 2011). An effective supervisory tool is the CAMEL rating system. Because the CAMEL analytic technique is flexible and offers a globally uniform rating, it is advantageous. For these reasons, this research also identifies CAMEL as the primary model for evaluating banks' performance in AIA. According to this researcher, one of the greatest tools for analyzing a bank's performance is CAMEL. Following the financial sector's economic liberalization in Nepal, the number of banks and other financial institutions has increased, sparking fierce rivalry between the institutions, borrowers, and people. In addition to commercial banks, the government permitted the opening of development banks and financing firms in an effort to broaden public access to financial institutions. There are a tonne of banks and other financial institutions in our nation right now. In order to decrease the number of financial institutions starting in 2011, the NRB has recently declared a merger and acquisition policy and implemented regulations to that effect. Therefore, the goal of this study is to determine if the commercial banks' overall performance has improved both before and after the merger and acquisition. Since the merger and acquisition were carried out under duress or at the NRB's request, they were not done willingly. Due to a lack of capital, namely \$2 billion, Nepalese banks were unable to participate in the massive project prior to the introduction of the merger regulations. Therefore, in order to enable the bank to invest in large-scale projects, compete in the worldwide market, and strengthen the local banking sector while

promoting the industry's correct growth, as well as their effectiveness and efficiency in carrying out their duties in the global market. The banking industry in Nepal is undergoing a very difficult period, thus NRB has introduced a new merger bylaw in the hopes that it would be the answer to all of the country's burning problems and that it is urgently needed. In May 2011, Nepal Rastra Bank, which oversees and regulates all BFIs, enacted a merger bylaw with great vigor. The majority of analysts and professionals think that there are too many participants in the Nepalese financial industry for the tiny market, and that these issues will only get worse if nothing is done about them soon. It is critical to understand how certain Nepalese banks are doing in this setting. Using the CAMELS framework in the evaluation of Nepalese commercial banks facilitates a thorough analysis of their overall performance and risk profile. Stakeholders may get knowledge about the advantages, disadvantages, opportunities, and risks that these banks face by carefully examining each of these elements. This structured evaluation aids in making informed decisions regarding regulatory supervision, investment, and overall stability within the banking sector. The research questions below will be addressed by this study in light of the aforementioned issues: ? How have mergers and acquisitions impacted the CAR of particular commercial banks? ? Is there a connection between Nepalese commercial banks' financial performance, return on assets, and mergers and acquisitions? ? How have the mergers and acquisitions of the chosen commercial banks affected the management qualities? 1.3 Objectives of the Study Investigating

whether the financial performance of the chosen combined commercial bank—Global IME Bank

Limited and Siddhartha Bank Limited—improved following the merger with CAMELS Criteria is the main goal of this study. The following are the study's particular goals: ? ? To examine how a merger may affect banks' EPS, CAR, and CRR positions. To investigate the connection between Nepalese corporate banks' financial performance, return on assets, and mergers and acquisitions. ? To evaluate how the merger will affect the banks' ROA, LLP, and NPL positions. 1.4 Rational of the Study Using the CAMELS model as a framework, the research you're discussing attempts to examine the effects of mergers and acquisitions (M&A) on efficiency improvements and overall performance within Nepalese Banking and Financial Institutions (BFIs). The goal of the study is to determine if BFI mergers in Nepal increase efficiency. Financial measurements (profitability ratios, cost-income ratios) and productive efficiency indicators (productivity measures, asset utilization, and the like) can be used to quantify efficiency. Its goal is to pinpoint the elements that lead to performance gains following a merger. Synergies from merging activities, economies of scale, better management techniques, increased market share, and strategy alignment are a few examples of these variables. The research will evaluate the general safety and soundness of BFIs following the merger using the CAMELS model (Capital Adequacy, Asset Quality, Management Quality, Earnings Ability, Liquidity, Sensitivity to Market Risk). This methodical technique aids in evaluating the overall effect on the resilience and health of the banks. Future scholars, research teams, and academics who are interested in examining the effects of M&A on banking performance in emerging nations might build on the foundation this study provides. It acts as a point of reference for current conversations and upcoming research in this area. 1.5

Limitations of the Study The major limitations of the study are as follows

: i. While there are other metrics that may be used to assess a bank's performance, only the ROA, loan loss provision, nonperforming loan, EPS, CAR, and liquidity ratios are examined in this research. ii. The only secondary data used in this study was obtained from the annual reports of Global IME Bank and Siddhartha Bank Limited; data from other banks and financial intuitions that merged with these banks were not taken into consideration. The study's dependability on the data from the annual reports is what determines the validity of its findings. iii. Only Global IME Bank and Siddhartha Bank Limited are gathered for pre-merger data and information; the dates of other banks and financial institutions that combine with these banks are disregarded in this analysis. iv. Because this research is context-specific, its findings and interpretations could only apply to BFIs and not to other sectors of the Nepalese corporate community. v. Other performance parameters, such as risk and cash flow, have been disregarded in the quest to understand the financial performance of banks, aside from profitability. vi. The variables under investigation have data from the years 2070–2079 available. The year 2075 was chosen as the base year, the pre-merger era to be between 2070 and 2074, and the post-merger period to be between 2075 and 2079. CHAPTER II LITERATURE REVIEW This chapter covers the study of the literature and offers a conceptual framework related to the post-merger performance of financial institutions in Nepal that has been studied by other researchers using the CAMELS model in established and emerging markets.

The current theories of mergers and acquisitions are included in the literature review, along with actual research on the effects of these transactions. The study of Nepalese research on the influence of mergers and acquisitions on financial performance is another subject of the literature review, along with studies on the effect of these events on financial performance. In addition to that, it contains the background of the CAMELS models and a number of research findings pertaining to financial institutions and banks.

2.1 Theoretical Review An acquisition is the purchase of a controlling interest (and/or the entirety) by one company from another, whereas a merger is the combination of two entities such that one initial business loses its unique identity. The phrases "acquisition" and "merger" refer to the same type of transaction when two or more separate businesses combine to become one. A merger is a business transaction in which shares are traded between two or more firms, but only one of the companies remains. Mergers are often amicable and take place between businesses of approximately comparable size. The name of the resultant company will probably come from its composite businesses, whereas an acquisition is the buying of a business that is fully integrated into the acquiring company and operates as an operating division or subsidiary. Acquisitions are the taking over of the controlling shareholder stake of another business, whereas mergers are the combining or amalgamation of two or more independent companies into a single corporation where one survives and the others cease to exist as a corporate entity. Upon completion of the procedure, two distinct entities or companies are often present. A merger can be defined as an agreement whereby the assets of two companies are vested in or come under the control of one company, which may or may not be one of the original two companies. This company will have all of the shareholders of one or both of the merging companies as shareholders, and those shareholders will exchange their shares for shares in the other company or a third company, either voluntarily or as a result of legal operation (Chukwuocha, 2019). Acquisitions and mergers are crucial financial instruments that help businesses expand more quickly and give owners and investors profits (Sherman, 2006). A merger, in the words of Ross, Westerfield, and Jordan (2003),

is the total absorption of one company by another, in which **the acquiring** company keeps its **identity and the acquired**

company vanishes as a distinct entity. A merger is a corporate strategy often carried out by two or more companies under the terms of a merger agreement between the acquiring and acquired firms. Consolidation and merger are phrases that have been used interchangeably. Nevertheless, following the merger agreement, the two have distinct legal identities. A consolidation occurs when two businesses combine to form a single, new business. According to Ross et al. (2003), both the acquiring and the acquired firms eliminate their prior identities and names. In actuality, a merger in which business B merged with company A results in company A + company B = company A. When two companies consolidate, company A plus company B equals company C, which is a brand-new business (Gaughan 2011). A few hypotheses are put up to explain why a company might participate in mergers and acquisitions.

2.1.1 Power Theory The ability

of a market player **or** set **of participants** (individuals, businesses, partnerships, **or others**) to affect the type, **price**, and **quality**

of a product in the marketplace is known as market power. Market strength can therefore result in excessively large and risk-free profits that are not competitive (Montgomery, 1985). According to the market power hypothesis, mergers and acquisitions will lead to a decline in

the number of banks and a reduction in **competition, which** will raise **market concentration and**

boost the banking industry's market power. Banks will be able to raise prices in the market and make more money as a result. For this reason, it is anticipated that mergers and acquisitions would enhance the

performance of both bidders **and** targets (**Hankir et al., 2011**). **2.1.2 The Synergy Theory** The Theory of **Synergy**

$PV(AB) > PV(A) + PV(B)$. According to the synergy hypothesis, businesses join when their combined worth exceeds the total of their separate values. Synergies: – . Operating Synergies . Financial Synergies When two businesses unite, their average cost of production is reduced, creating operating synergies. When two businesses unite, the average cost of funding the

combined company's operations is decreased, creating financial synergies. Operating Synergies: When two businesses unite, the average cost of production is lowered. This is known as an operating synergy. Using Synergies . Economies of scale . Economies of scope Economies of scale: The bidding firm and the target business only require one marketing or R&D division as increasing production size typically results in lower costs than higher revenues. These expenses can be decreased by the merged company. Economies of scope: An efficiency gain leads to operating synergies; the bidding firm may operate more efficiently than the target. The management of the business that won the offer boosts the merged firm's efficiency after the takeover. Financial Synergies: When two businesses join, the average cost of funding the businesses' operations is decreased. This is known as a financial synergy. These might come from: • Tax gains: By merging, the two businesses' combined tax liabilities can be lowered if the bidding firm is profitable while the target firm is losing money. • Opportunities from internal financing: One company might be making a lot of money that needs to be given back to investors because it is nearing the end of its life and can't find many projects with a high net present value (NPV), while another company might be in need of a large sum of money for investment because it is a young company in its growth phase. • An internal capital market: It costs money to raise money from shareholders and distribute cash to shareholders. The two businesses may cut these costs together. • Greater debt capacity: If the merged company's loan capacity is higher than the total of the separate companies' debt capabilities, there may be more tax advantages (Malmstrom, 2011). This hypothesis attempts to reconcile two seemingly incompatible empirical data. Through the financing of positive net present value (NPV) projects that cannot be funded separately, mergers boost the combined values of acquirers and targets. Conglomerates are less valued than standalones since these initiatives are only modestly lucrative. This argument is in line with two seemingly incompatible empirical findings: (1) diverse organizations are less valuable than more focused stand-alone entities; and (2) mergers raise the combined value of the acquirer and target (Zsuzsanna & Anthony, 1999). 2.1.3 "Eat or be eaten" theory of mergers The following presumptions form the foundation of the eat or be eaten theory, according to Gorton et al. (2005): Initially, managers can favor maintaining the independence of their companies. It is probable that managers from acquired companies will have less authority or maybe lose their positions in the new company. Second, there is a situation where a minimum of certain mergers provide value. Thirdly, a company of a certain size is unable to buy out a larger company. The acquisition is harder to finance the larger it gets. Therefore, the major policy tenet of the "eat or be eaten" thesis is that companies may engage in mergers and acquisitions in order to prevent being purchased by other companies, preserve their independence, grow their business, or save the employment of its management. Put differently, managers may engage in mergers and acquisitions for defensive reasons, meaning that by expanding their companies through acquisitions, they lessen the possibility

of their companies **being taken over.** 2.1.4 Agency theory According to **agency theory, managers have** an incentive to develop **their** companies **beyond their** current **size. Growth**

expands the resources under managers' control, which gives them more power. Because changes in remuneration are favorably correlated with growth in sales, it is also linked to increases in managers' compensation (Hankir et., 2011). According to agency theory, bidding banks' management engages in mergers and acquisitions for their own gain, disregarding the financial rationale (Asimakopoulos & Athanasoglou, 2013). Hubris theory is comparable to agency theory. According to the hubris argument, bidder banks' management is incurring a comparatively high cost as a result of their overconfidence in their capacity to identify the discounted

target banks (Asimakopoulos & Athanasoglou, 2013). Both **agency theory and hubris theory** predict bidder **performance of bidders is expected to decrease (Hankir et al., 2011).** 2.2

Conceptual review 2.2.1 Definition of Performance Any action taken by a particular participant on a particular occasion that has the potential to impact any other participant in any manner might be considered a "performance." We can refer to those who contribute to the other performances as the audience, observers, or co-participants, using a specific participant and his performance as a fundamental point of reference. A "part" or "routine" is a recurring pattern of action that is presented or performed during a performance and may also be presented or performed at other times. It is easy to compare these situational terminology to traditional structural ones. A social bond is likely to establish when the same person or artist plays the same role for the same audience on several times. A social role can be defined as the enactment of rights and duties associated with a

particular status. It can be further stated that a social role consists of one or more parts, each of which may be performed by the same person or group of people repeatedly before different audiences. Scholars concur that distinguishing between the behavioral or action component and the result component of performance is essential for understanding performance (Campbell, 1990; Campbell, McCloy, Oppler, & Sager, 1993). The actions a person takes at work are referred to as their behavioral aspect. It includes tasks like putting together an automobile engine, selling computers, instructing primary school students in basic reading, or doing heart surgery. Only actions that are pertinent to the objectives of the company fall under the purview of the performance concept: "Performance is what the organization hires one to do, and do well" (Campbell et al., 1993, p. 40). Accordingly, judgmental and evaluative processes—rather than the activity itself—define performance (Motowidlo, Borman, & Schmit, 1997). Additionally, only actions which can be scaled, i.e., measured, are considered to constitute performance (Campbell et al., 1993).

2.2.2 Performance as a Multi-Dimensional Concept

The idea of performance has several dimensions. Borman & Motowidlo (1993) make a fundamental distinction between task and contextual performance. Task performance is the skill with which a person carries out tasks that support the "technical core" of the company. This input might come from direct sources (like manufacturing workers) or indirect sources (like supervisors or staff members). Activities that support the organizational, social, and psychological environments in which organizational goals are pursued but do not add to the technical core are referred to as contextual performance. Contextual performance include not just actions like supporting colleagues or being a dependable team player, but also recommendations for how to enhance work processes. The distinction between task and contextual performance is based on three fundamental presumptions (Borman & Motowidlo, 1997): (1) Task performance activities are tied to ability, whereas contextual performance activities are related to personality and motivation; (2) task performance activities are related to job context, although they differ from one job to the next; (3) task performance is more prescribed and constitutes in-role behavior, whereas Activities that support the organizational, social, and psychological environments in which organizational goals are pursued but do not add to the technical core are referred to as contextual performance activities. In addition to acts like lending a hand to colleagues or being a dependable team member, contextual performance include offering recommendations for ways to streamline processes. According to Borman and Motowidlo (1997), there are three fundamental presumptions related to the distinction between task and contextual performance: (1) Task performance activities differ from job to job, whereas contextual performance activities are more consistent; (2) task performance is Correlated with aptitude, contextual performance is linked to motivation and personality; the factor includes sub-dimensions like (1) organizing and planning, (2) leading, motivating, and providing feedback to subordinates, (3) training, coaching, and developing subordinates, and (4) effectively communicating and informing others (Borman & Brush, 1993). Researchers have focused on several facets of task performance in the past few years. For instance, as businesses prioritize customer service more, innovation and customer-oriented behavior become more crucial (Anderson & King, 1993). Contextual performance Numerous ideas related to contextual performance have been created by researchers. Broadly speaking, there are two categories of contextual performance: proactive behaviors that focus on enhancing and changing work procedures and organizational processes, and reactive behaviors that are primarily concerned with maintaining the organization's current state of smooth operation. The five components of organizational citizenship behavior—altruism, conscientiousness, civic virtue, courtesy, and sportsmanship—as well as pro-social organizational behavior (Brief & Motowidlo, 1986) and certain aspects of organizational spontaneity—such as assisting coworkers and safeguarding the organization, as noted by George & Brief (1992)—are among the "stabilizing" contextual performance behaviors. Personal initiative (Frese, Garst, & Fay, 2000; Frese, Kring, Soose, & Zempel, 1996), voice (Van Dyne & LePine, 1998), and taking the lead (Morrison & Phelps, 1999) are examples of the more proactive behaviors. Accordingly, contextual performance is a multifaceted term in and of itself rather than a singular collection of consistent actions (Van Dyne & LePine, 1998).

2.2.3 Financial Performance and Merger and Acquisition

It is believed that mergers would produce larger, newer firms that will optimize output increases and be efficient in allocating money, human resources, and other resources.

It is thought that because larger banks have more resources, they can provide more services and products at lower operating costs, or

through economies of scale. But the advantages are not realized, at least not to the amount that is thought. Reduced credit availability to the client base following the merger is one of the real effects of mergers on the banking sector that can be seen all

over the world. The primary causes of this are the rise in interest rates over an acceptable threshold and the deterioration in the banking industry's competitiveness. Following the merger, banks have been seen to be involved in a variety of illicit actions, from corruption to anti-competitiveness. The extent of the size range at which economies of scale are evident is highly unknown. Following an institution's merger, employee unhappiness frequently rises. There are several problems with the way that employees were managed following the merger. The tremendous expansion and quick rise of BFI's has not only resulted in unethical competition and violations of banking regulations, but it has also made it impossible for the NRB to handle the issue because of its own constraints. Although appropriate research has not yet been conducted to determine whether merger helps to improve financial performance and makes them strong, the NRB's policy of encouraging bank and financial institution mergers has begun to pay off with the rise in the number of these institutions. In order to assess how revenue increases and cost savings from mergers affect banks' performance, Cornett, McNutt, and Tehranian (2006) carried out a research. They discover that following a merger, the

industry-adjusted operating performance of the combined **banks significantly** improves; **large bank mergers**

outperform activity- diversifying mergers in terms of performance gains; geographically focused mergers outperform geographically diversifying mergers in terms of performance gains;

and performance gains are greater following **the** introduction **of nationwide banking in 1997** . Furthermore, **they**

discover that both cost-cutting and revenue-boosting initiatives lead to better performance. On the other hand, mergers with lower costs tend to yield greater revenue increases. Pazarskis and associates. (2006) have looked on how corporate mergers affect the manufacturing acquiring businesses' operational performance in Greece. Both financial and non-financial criteria are included in this study's evaluation of the financial performance. Financial ratios, which are categorized into three groups— solvency, liquidity, and profitability—are used to measure financial performance. The survey's most intriguing conclusion is that there is compelling evidence linking a merger or acquisition to a decline in a company's profitability. 2.3 Empirical Review Gautam (2023) conducted study on mergers and acquisitions and how they affect commercial banks' financial results. Analyzing the impact of mergers on banks' financial performance is the study's primary goal. Survey methods of various types, including comparison and correlation approaches, are employed in descriptive research. The findings indicate a strong long-term association between financial success and M&A transaction activity, with the acquiring corporations being able to create value as seen by the positive correlation. An essay on the effects of mergers and acquisitions on the accounting-based performance of acquiring corporations in India was published in Aggarwal & Garg (2022). Previous research has looked at how M&A transactions have increased in India over the past 20 years and how mergers affect the acquiring company's accounting-based performance. The study's findings are not entirely consistent. In the last five years, the merger has had a major beneficial influence on the acquiring firm's profitability and liquidity, but it has had no discernible effect on the company's solvency. Businesses in the service sector have succeeded better than manufacturing companies, and in the longer run, they have begun to exhibit notable improvements in accounting variables. By analyzing 68 mergers that occurred during 2007–2008 and 2011–2012, this study expands on earlier research by capturing the aforementioned impact. The profitability, liquidity, and solvency categories include the seven factors that are used to measure the accounting-based performance. Five years prior to and five years following the merger are contrasted in terms of accounting-based performance. Three years prior to and following the merger are compared similarly. The mean of all seven parameters is compared arithmetically before and after the merger, and a paired sample "t" test is employed. To examine the effects of mergers on various company types, the firms were further subdivided into manufacturing and service sector enterprises. The effect of media coverage on target firms' trading activity and liquidity surrounding domestic acquisition announcements: data from the UK is the subject of a study by Gorman et al. (2021). This study looks at how trading activity and share liquidity in target businesses are affected by news media coverage during the period of acquisition announcement. As a stand-in for media coverage, the quantity of articles printed in four major UK newspapers is used. Between 1996 and 2014, 350 domestic purchase acquisitions in the UK are included in the dataset. The effect of media coverage on target firms' trading activity and liquidity surrounding domestic acquisition announcements: data from the UK is the subject of a study by Gorman et al. (2021). This study looks at how trading activity and share liquidity in target businesses are affected by news media coverage during the period of acquisition announcement. As a stand-in for media coverage, the quantity of articles

printed in four major UK newspapers is used. Between 1996 and 2014, 350 domestic purchase acquisitions in the UK are included in the dataset. An paper on mergers and acquisitions, worker outcomes, and local labor market concentration was published by Arnold (2019). The study's goal was to comprehend how mergers and acquisitions affect employees. According to the study's findings, mergers that have little effect on the concentration of the local labor market have little effect on workers' wages. I derive an index of concentration that incorporates information on industry substitutability using patterns of job-to-job migration in order to quantify local concentration. A matched difference-in-differences strategy and cross-sectional heterogeneity in the anticipated effects of M&As on local concentration are used to evaluate causal effects. After the ownership changes, the yearly salaries of employees in M&A businesses don't vary much in mergers that don't significantly affect the concentration of the local labor market. On the other hand, in mergers that result in a notable rise in the concentration of the local labor market, M&A workers' incomes decrease by more than 2 percent; these impacts are more pronounced in markets that are already highly concentrated. These tendencies are comparable in tradable businesses, indicating that shifts in the market power of the product are not what generate these impacts. The highest concentration changes from mergers have a negative knock-on effect on other businesses in the same labor market; inferred earnings elasticity with regard to local concentration is -0.22. According to the data, local concentration lowers wages by around 4-5 percent when compared to a completely competitive benchmark when seen through the prism of a basic Cournot model. The impact of mergers and acquisitions on bank performance in Ghana was investigated by Musah et al. in 2020. The study specifically looked at how mergers and acquisitions affected Ghanaian commercial banks' net profit margin, return on equity, and return on assets. Over a ten-year period (2009–2018), data from the annual reports of eight commercial banks were gathered, and descriptive statistics, regression analysis, and correlation analysis were used for analysis. The results showed a substantial and negative correlation between acquisitions and mergers and net profit margin. The correlation between mergers and acquisitions and the return on assets of commercial banks in Ghana is favorable, however not statistically significant. Additionally, there was a statistically negligible negative correlation between return on equity and mergers and acquisitions. A study on the effects of business organization mergers and acquisitions on human resources was carried out in 2019 by Soundarya, Lavanya, and Hemalatha. When two businesses merge or acquire one another, it is assumed that the combined entity will be more valuable than the two businesses operating separately, i.e., to produce synergy. Due to increased corporate competitiveness in both the local and international markets, mergers and acquisitions among businesses are becoming more and more common. The purpose of mergers and acquisitions is covered in this essay. Financial, marketing, and operational problems are some of the reasons why some mergers and acquisitions fail. The failure of the mergers and acquisitions was also attributed to issues with human resources in the combined businesses. Thus, this essay suggests talking about HR-related topics. An essay on the financial performance of mergers and acquisitions in India was published by Mehrotra & Sahay (2018). In 1991, the post-liberalization era gave rise to the wave of mergers and acquisitions, or M&A. The Monopolistic and Restrictive Trade Practice (MRTP) Act was lifted, and industrial licensing was also eliminated as part of the liberalized policies. With improved governance in India, the strategies ushered in a new and rising situation where combining firms became a well-opted tactic to combat the fierce competition. The aim of this article is to evaluate previous research on acquirers' financial success after mergers. According to the analysis, the majority of research has been done on M&A transactions that occurred in industrialized countries, where the practice dates back to the late nineteenth century. Moreover, announcements accounted for the majority of them. The assessment highlighted the research shortage in developing countries. This paper aims to assist scholars in comprehending the problems in M&A and suggests directions for further investigation. An essay on the impact of mergers and acquisitions on corporate performance, with a case study of the Silknet Company, was published by Pachulia (2018). Using information from financial reports, researchers look at how mergers and acquisitions affect the corporate financial performance of Georgian companies in this article. The article provides an overview of the literature on mergers and acquisitions and provides an example of a Georgian corporation. The goal of the new purchases, industry choices, and JSC Silkne's merger and acquisition strategy are all represented and examined in this article. As a result of the benefits of mergers and acquisitions being discovered through portfolio analysis, one tactic employed by JSC Silknet to expand its business portfolio is product diversification. Additionally, studies point to patterns in financial success based on return on equity, return on assets, and return An paper titled "Impact of Merger and Acquisitions on Financial Performance: Evidence from Selected Companies in India" was released in 2017 by Gupta & Banerjee. The goal of the article is to determine how a merger would affect liquidity and profitability. It examines the firms' three-year financial

performance both before and after the merger. This study's sample size is made up of seven distinct businesses that had mergers and acquisitions between 2006 and 2012.

Secondary data from **three years** before **and** after the **merger**, gathered **from** yearly **audited financial statements from** the years **2000**

to 2015, was needed to meet the study's goal. The profitability and liquidity condition are evaluated using a variety of financial parameters. The statistical tool paired test, which SPSS uses on accounting ratios, is utilized in the analysis to determine the study's significance. Tate & Yong (2016) conducted research for an essay on acquisitions and mergers. According to the human factor, trust is defined as a party's desire to be open to the activities of another party because they anticipate the other to carry out a certain activity that is crucial to the relationship or because they are unable to keep an eye on things. Moreover, trust is defined by Graebner as an individual, group, or organization's readiness to depend on the behavior of another party when there is opportunity or danger involved. According to Kooning (2015) and Maguire and Phillips, during the post-merger integration process, a lack of trust may contribute to the creation of identity threats and cultural disputes. A good beginning action would create trust, and this greater trust would encourage behavioral reactions, as demonstrated empirically by Konovsky and Pugh. Aryee, Budhwar, and Chen discovered that while trust raises organizational citizenship behavior, justice enhances trust. The favorable correlation between employee post-merger organizational identity and merger trust is supported by Lander's results. Yaghoubi and colleagues (2016) released a piece about mergers and acquisitions. In order to give a thorough picture of what is known about mergers and which pieces of the jigsaw are still missing, the research set out to evaluate the pertinent literature on mergers and acquisitions. The study's conclusions show that merger activity has a wavy pattern, meaning that mergers are periodically concentrated in industries. Misvaluation, management herding, and shocks at the industry and economic levels are some of the hypothesized reasons of this erratic trend. When acquisitions are announced, the market often reacts negatively for the stocks of the acquirer and positively for the target stocks. There is a positive combined abnormal return. Several decades of research have shown consistent results. Previous studies also identify a number of Joash and Njangiru (2015) investigated if the merger affected the performance of Kenyan banks in any way. The study looks at the implications of mergers and acquisitions on profitability as well as how they affect the value of shareholders. An investigation was conducted on 14 banks that had merged or purchased others between 2000 and the present. Both open-ended and closed-ended questions from surveys were used to gather data. Using SPSS, the gathered data was examined, and the correlation coefficient was found. According to the study, mergers and acquisitions increased the combined or acquiring banks' stockholders' value. The researcher suggested that before beginning the merger or acquisition process, comprehensive feasibility assessments should be conducted. Additionally, it was suggested that the impacts of mergers and acquisitions in other economic sectors be measured in order to compare them to the consequences of the same procedures in the banking industry. Using the CAMEL Approach, Anderibom et al. (2015) investigate

the impact of mergers and acquisitions on the performance of commercial **banks in Nigeria**, with **a**

focus on United Bank for Africa (UBA) Plc. The study makes use of secondary data that is taken from bank financial reports. The author applies a paired sample t-test on pre- and post-merger data. According to the report, M&A significantly and favorably impacted Nigeria's commercial banks' performance. Juma and Wawire (2012) reviewed the prior research on bank mergers and acquisitions that demonstrates how these events affect investors' and business owners' wealth. This study's primary goal was to demonstrate whether mergers increase stockholder wealth. This study came to the conclusion that there must be synergistic advantages in order to increase shareholder value. The operational and financial synergy motives are further subdivided under the synergy motivation. The study's findings demonstrated that mergers and acquisitions are the researcher's top concern, and that practically every facet of mergers has been covered in the literature, including how they affect efficiency, profitability, and synergy after a merger. Raiyami (2010) examined how mergers affected Indian banks' productivity and efficiency. This study set out to investigate the reasons for mergers and acquisitions in the Indian banking industry as well as how they affect operational outcomes. A sample of six Indian banks that experienced mergers and acquisitions between 2000 and 2006 were chosen for this study. The author of this study examined the capital position,

profitability, efficiency, liquidity, asset **quality, and capital position of Indian banks** using financial measures. **The study**'s conclusion showed **that**

mergers improve the chosen financial organizations' performance.

The impact of mergers on the performance of the banking industry **in** Singapore **was**

examined by Sufian and Majid (2007). This study sought to determine the answers to questions like: can low-performing banks be acquired? Did mergers increase post-merger efficiency in Singaporean banking? How can the relative performance of Singapore banks be ascertained? Can a target bank with low efficiency lower the acquiring bank's post-merger efficiency? Can a bank with higher profitability and efficiency raise the acquiring bank's post-merger efficiency? A sample of all Singaporean banks that undertook mergers and acquisitions between 1998 and 2004 was used in this study. Tobin's regression and Data Envelopment Analysis (DEA) were utilized in this study to assess the significance. The findings indicated that while low credit quality has a major detrimental effect on banks' performance, bank profitability has a major favorable influence on banks' efficiency. Mylonidis and Kelnikola (2005) investigated the Greek banking system's merger activity. Accessing

the financial results **of recent mergers and acquisitions in** the **Greek banking** industry is **the**

primary goal. By examining the Greek banks' pre- and post-merger

financial performance, the Operating Performance (OP) of the banks is **the**

approach utilized to obtain the financial performance. The merger program is found to have

a positive effect **on banks' operating performance but a negative impact on liquidity**

measures when compared to the ratios of non-merging banks. After the merger, the

profits, operating efficiency, and labor productivity ratios of the bidding and target **banks do not improve**

. Gjirja (2003) looked into how

mergers and acquisitions affected **the Swedish banking** sector's efficiency. **The** aim **of this** research **was to** assess **the** impact **of** bank merger **efficiency in Sweden**

. A sample of 28 Swedish banks that underwent mergers between 1984 and 2002 were used in this investigation. The significance was tested in this study using the imbalanced panel data analysis approach. According to the investigation, the bank's technical efficiency did not significantly increase following the merger due to consolidation. Table 1 Meta Table S.N
 Author Topic Objectives Methodology Findings 1 Gautam (2023) merger and acquisition and its impact on financial performance of commercial banks the study is to analysis the effect merger on the financial performance of banks Survey methods of various types, including comparison and correlation approaches, are employed in descriptive research. Over time, there was a favorable association seen between the acquiring organizations' ability to develop value and their financial performance in the M&A deal. 2 Aggarwal, & Garg (2022) Impact of mergers and acquisitions on accounting- based performance of acquiring firms in India. to investigate the rise in M&A activity in India over the past 20 years as well as the effect of mergers on the acquiring company's accounting- based performance. The average of all seven parameters before and after the merger are compared mathematically, and a paired sample "t" test is then employed. Although the merger had no appreciable effect on the company's solvency status, it had a major beneficial influence on the acquiring firm's profitability and liquidity over the course of five years. service industry 3 Gorman, et al. (2021) the effect of media coverage on target firms' trading activity and liquidity around domestic acquisition announcements evidence To look into how news media coverage affects trade activity Financial and statistical tools were used. The analysis's findings imply that there is a positive correlation between target businesses' trading activity and stock liquidity and media attention. 4 Arnold, (2020) Mergers and acquisitions, local labor market concentration, and worker outcomes to understand impacts of mergers and acquisitions on workers. Financial and statistical tools were used. The incomes of employees are not significantly impacted by mergers that have little effects on the concentration of the local labor market. 5

Musah, et al. (2020) the effect of merger and acquisition on bank performance in Ghana The study looked at how mergers and acquisitions affected Ghanaian commercial banks' net profit margin, return on equity, and return on assets. The application of regression analysis, correlation analysis, and descriptive statistics The findings, however, suggested that mergers and acquisitions would not always result in improved bank performance as they were unable to provide clear proof of their influence on bank performance. 6 Soundarya, Lavanya, & Hemalatha, (2019) Merger and Acquisition of Business Organization and its impact on Human Resources to research the effects of business organization mergers and acquisitions on human resources. Tools from finance and statistics were employed. When two businesses merge or acquire one another, it is assumed that the combined entity will be more valuable than the two businesses operating separately, i.e., to produce synergy. 7 Mehrotra, & Sahay, (2018) Systematic review on financial performance of mergers and acquisitions in India. questionnaires, while the financial data of the combined bank over the two years prior to and following the merger was used to examine the effect on shareholders. Numerous financial and statistical instruments were employed. Descriptive and analytical research designs were employed among them. This paper suggests directions for further research and aims to assist scholars in comprehending the problems associated with M&A. 8 Pachulia, (2018) impact of mergers and acquisitions on corporate performance: a case study of Silknet company Examining the impact of mergers and acquisitions on the corporate financial performance of a Georgian firm using data from financial records This article looks at JSC Silkne's merger and acquisition strategy, industry decisions, and the objective of the new purchases. Product diversification is one strategy used by JSC Silknet to increase its company portfolio since portfolio analysis reveals benefits of mergers and acquisitions. This study suggests trends in financial success based on return on equity, return on assets, and return on sales. The results show if mergers and acquisitions enhanced the company's financial performance. 9

Gupta & Banerjee (2017) Impact of merger and acquisitions on financial performance: Evidence from selected companies in India

to evaluate how a merger may affect liquidity and profitability. This study's sample size is made up of seven distinct businesses that had mergers and acquisitions between 2006 and 2012. The

The analysis is conducted with the help of statistical tool paired test used on accounting ratios by SPSS to test the significance of the study. The

profitability and liquidity condition are evaluated using a variety of financial parameters.

finding of this study shows that there is no improvement in financial performance of acquirer companies after merger

. 10 Tate, & Yang, (2019) Mergers and acquisitions: The human factor To analyze the threats during the post merger integration. Financial and statistical tools were used. The favorable correlation between employee post- merger organizational identity and trust in the merger is supported by Lander's results. 11 Yaghoubi, et al. (2016) Mergers and acquisitions questionnaires, while the financial data of the combined bank over the two years prior to and following the merger was used to examine the effect on shareholders. This essay provides a summary of the research on mergers' cyclical character, which is known as merger waves in the literature. The pattern of merger activity is wavy, meaning that over time, mergers tend to concentrate in certain industries. Misvaluation, management herding, and shocks at the industry and economic levels are some of the reasons given for this erratic trend. 12 Adhikari (2014) Mergers in acquisition as in dispensable tool for strengthening banking and financial institution - The study comes to the conclusion that the main goals of financial institution mergers are to raise paid-up -The research designs used in this study are explanatory and descriptive. -The study's findings indicate that bank financial performances are significantly correlated. capital, broaden their operational base, and lessen competition. 13 Shrestha (2014) Value enhancement through merger and equalization -To assess and contrast the commercial banks' financial results. -CAMEL framework based on financial ratio analysis. Finance ratio analysis is the basis of the CAMEL framework. The study's conclusion indicates that there is a strong correlation between financial performance 14

Mylonidis and Kelnikola (2015) The merging activities in Greek banking system to view **the**

Greek banking system's recent mergers and acquisitions' financial performance. The research designs used in this study are explanatory and descriptive. The bidding and target banks' profits, operating efficiency, and labor productivity ratios 15

Juma and Wawire (2012) Studied the past literature related to banks mergers and acquisition that shows effect on the wealth of business owner and investors

. This study's primary goal was to demonstrate whether mergers increase stockholder wealth. - The research designs used in this study are explanatory and descriptive. - The study's findings demonstrated that mergers and acquisitions are the researcher's top concern, and that practically every facet of mergers has been covered in the literature, including how they affect efficiency, profitability, and synergy after a merger. 16

Raiyami (2010) Analyzed the merger effects on the efficiency and

This study's goal was to investigate the reasons for Raiyami (2010) examined how merger impacts affected Indian banks' productivity of banks in India. mergers and acquisitions in the productivity and efficiency. 17

Sufian and Majid (2007) Analyzed the mergers effect on the performance of Singaporean banking sector. - This study set out to

determine if mergers improved Singaporean banking's post- merger efficiency, among other topics. - A descriptive research approach was employed in this work to address the testing of hypotheses.. -The findings indicated that bank profitability is related to 18

Gjirja (2003) Investigated the efficiency impact of mergers and acquisitions in the Swedish banking industry. - This study 's objective was to assess the impact of bank efficiency

Gjirja (2003) examined how mergers and acquisitions affected the Swedish banking sector's efficiency. 2.4 Nepalese Studies Financial ratios, according to Shrestha (2011), are one of the most important performance evaluation metrics, however because they don't account for input costs or product mix, they can occasionally be deceptive. The significance of mergers and acquisitions (M&A) is increasing in developing nations such as Nepal due to the large financial losses incurred by state firms. Without a doubt, there are strong reasons and goals for starting mergers and acquisitions. Even still, their accomplishments remain incredibly challenging, if not impossible. Mergers and acquisitions are intended to achieve three main goals. They are: i. Reduction of government spending. In order to boost internal growth, efficiency, and productivity, ii. Promotion of functional expertise through active private sector engagement is needed. iii. In combined companies, accountability,

corporate culture, and transparency are promoted in order to have better management and financial consequences. Neupane (2013

) looked at important aspects of mergers and acquisitions of Nepalese financial organizations and found that the Nigerian banking sector demonstrated how combined businesses improved their capacity to get loans, raised staff productivity, and grew net assets. This research also made the case that mergers and acquisitions, when combined with sound corporate governance and information and communication technology packages, may boost staff productivity and the overall performance of banks. The impact of mergers on various stakeholders, including employees, shareholders, and customers, is the subject of a thesis paper by Adhikari (2014) on mergers and acquisitions as a crucial tool for strengthening Nepalese banking and financial institutions. Earnings per share (EPS) and market value per share (MVPS) are used to assess the combined entities' financial standing. It does not offer a thorough examination of the combined institutions' pre- and post-merger financial circumstances. Due to a lack of data, secondary analysis has not been performed frequently in the past. However, the researcher's attempt to use secondary data to examine the impact of the merger—both before and after the merger—was made in this work. Thus, the current study will examine merger specifics, with a particular emphasis on the banking sector in Nepal. The analysis examines the chosen banks' operating performance both before and after the merger in terms of a number of statistics, including operating profit margin, net profit margin, ROA, and ROE. A research report released by NRB (2015) has conducted exploratory research to examine the effects of mergers on banks and financial institutions, in addition to the Adhikari (2014) article. The NRB

used three years' worth of pre- and post-merger data from 25 combined firms, in addition to primary data from 550 respondents. The study comes to the conclusion that the main motivations for financial institution mergers are to raise paid-up capital, broaden their operational base, and lessen competition. The merger has improved work culture and employee happiness, but it has caused a delay in the decision-making process. For the first two years, the six financial indicators that NRB used show a mixed picture, i.e., positive. According to Shrestha (2014), mergers and acquisitions are undertaken with the expectation that they would provide a mutually beneficial outcome for all parties involved as well as a chance to make money. M&A offers financial rewards in addition to career growth and progress and tax advantages and economies of scale. When done under the right direction and oversight, mergers and acquisitions (M&A) may help an organization's whole structure rather than just one area. Dhakal (2015) The

Nepalese market was able to see a rising **trend in merger and acquisition in** the country's **banking and financial institutions (BFIs)** after the **Nepal**

Rastra Bank approved the merger bylaws policy in 2011. The post-merger effects on the combined bank's staff, clients, and shareholders were the main focus of this investigation. Descriptive research was the methodology employed in this study, meaning that the findings were derived from the survey and analysis.

The impact on shareholders was detected **through** study **of financial data of** the combined **bank in**

the two years before to and following the merger, while the impact on staff and customers was assessed using surveys. According to the findings, employees were content with their jobs, pay, benefits, and other aspects of their working lives, but they were quite concerned about HR-related problems including socialization, positional conflicts, cultural misunderstandings, and favoritism. During the post-merger era, clients saw changes in value, product, and service, but they still needed more creative service. The bank had significantly improved in the post-merger phase, as seen by the overall financial statistics, boosting shareholder value. 2.5 Research Gap An unknown issue that comes to light during a literature search and has potential for inquiry or additional examination is known as a "literature gap" or "research gap." The research literature has gaps, or inadequate or missing information. These are the topics that, due to their under-, under-, or antiquated nature, offer room for more study. A research gap may be defined as an issue or concern for which there is insufficient prior research or as one that needs to be updated due to its age. A comprehensive analysis of the body of research on the subject, including both the general and specialized domains, is required in order to detect any gaps in the literature. In order to identify research gaps, previous articles . This study measures the impact of mergers on bank performance as well as comparative financial performance. In contrast to previous study, the measures utilized to assess the financial performance of combined commercial banks included ROA, EPS, CRR, NPL, LLP, and capital adequacy ratio position. In contrast to previous research articles and theses, the samples used in this study are Global IME Bank and Siddhartha Bank Limited. To fully comprehend the impact of mergers and acquisitions on banks' financial performance, more investigation is needed. It is unclear which of the three factors—merger, acquisition, or performance of commercial banks—dominates since the link between them is still unclear. CHAPTER III RESEARCH METHODOLOGY This chapter covers the research methodology and data-driven analysis techniques. This study uses a variety of research methodologies, which are covered in this chapter under several categories and subheadings. 3.1 Research Design The research methodology and methods for data-driven analysis are covered in this chapter. This chapter covers the many research approaches used in this study under several titles and categories. 3.2 Population and Sampling For the purposes of this study, the total number of combined commercial banks represents the whole population. That means there are twenty commercial banks in the population. Two commercial banks in the private sector are selected as samples from the entire population. Global IME Bank Limited and Siddhartha Bank Limited are these. Because these two banks are appropriate for the research, the researcher adopted the purposive sample strategy in this investigation. Purposive sampling, often referred to as judgmental, selective, or subjective sampling, is a type of non-probability sampling in which researchers pick study participants from the public using only their own discretion. Before using this sampling technique, researchers must be aware of the goal of their study in order to choose and contact suitable people. Purposive sampling is used in this study by the researchers since GIBL bank and SBL are a good fit because they amalgamated four years before to the study's conduct and all the necessary data are readily available. 3.3 Data Collection Procedure In order to conduct this research, four years of the respective banks' annual reports—

from 2070/71 to 2073/74) and four years of the respective banks' annual reports— from 2075/76 to 2078/79)—after the merger were obtained and made public by the bank following an audit. The fiscal years 2070–2071 and 2078–2079 are included.

3.4 Nature and Source of Data The secondary data used in the study was gathered from a variety of sources, including bank supervision reports, yearly reports from several commercial banks, and banking and financial statistics that were released by Nepal Rastra Bank. For the purpose of conducting this research study, two banks are taken into consideration: Global IME Bank Limited and Siddhartha Bank Limited. The primary source of data for this research project is secondary data. The following methods were used to get the data needed for the study: Library research study, Internet, home pages and related links visit, Directives of NRB, Journal and reports of NRB, Annual reports of the Siddhartha bank Limited and Global IME bank Limited, Articles, earlier research on relevant subjects, published works by other writers, and journals will be the additional sources.

3.5 Method of Data Analysis These analytical, comparative, and descriptive tools are used in the study's data analysis. The CAMELS criterion is used as a framework for evaluating the bank's performance in addition to tables, percentages, and graphs; suitable ratios are chosen as a stand-in for capital, asset utilization, management, earning, liquidity, and sensitivity. The performance of the banks in the CAMELS framework is assessed using financial analytic methods. The CAMELS components are used to classify these ratios. The pertinent components are analyzed using the major ratio categories listed below in terms of CAMELS.

3.6 Research Framework A research framework has been created specifically for this investigation. It illustrates the correlation between the financial performance, which is the dependent variable, and the merger and acquisition, which is the independent variable. The article forms the foundation of the conceptual framework. The pre- and post-merger operational results of Global IME Bank and Siddhartha Bank, the example banks, have been compared in this article. Using descriptive and analytical methods, they evaluated the significance of the financial health of the chosen banks before and after the merger. They discovered that while certain parts of the banking system had improved, others had suffered negative effects. The conceptual framework that follows serves as the basis for this investigation. The framework demonstrates how the various ratios from the selected banks' pre-merger and post-merger periods are taken and compared. Return on assets is the metric used to measure the dependent variable of choice, which is financial performance (ROA). Loan Loss Provision (LLP), Earnings per Share (EPS), Cash Reserve Ratio (CRR), Capital Adequacy Ratio (CAR), and Non-Performing Loan (NPL) are other independent factors. Figure 1 presents an interpretation of the research framework for the study.

Independent Variable: Merger and Acquisition
 Dependent Variable: Loan loss provision, Earning per Share, Financial Performance, Cash reserve ratio, Capital adequacy ratio, Return on assets, Non-performing loan (Source: Gautam, 2023)

Figure 1: Research Framework

Define variables: Capital Adequacy Ratio (CAR) Commercial banks have enough capital on hand to meet their needs. The ratio known as the capital adequacy measures a bank's capital as a percentage of its risk-weighted credit exposure. The Nepal Rastra Bank (NRB) suggests a minimum Core Capital Ratio (CCR) of 6% and a CAR of 11%.

$$\text{Capital Adequacy Ratio (CAR)} = \frac{\text{Total Capital Fund}}{\text{Total Risk Weighted Assets}} \times 100$$
 (Minimum requirement as per NRB directive is 11%)

$$\text{Core Capital Ratio (CCR)} = \frac{\text{Total Core Capital Fund}}{\text{Total Risk Weighted Assets}} \times 100$$
 (Minimum requirement as per NRB directive is 11%)
 Where, Total Capital Fund = Core Capital + Supplementary Capital
 Total Risk Weighted Assets = On Balance Sheet Risk Weighted Items + Off Balance Sheet Risk Weighted Items. Assets Quality Funds are gathered by commercial banks in the form of capital, deposits, etc. By providing loans to those who need money to invest in different options, it mobilizes these resources to produce specific returns. Lending is how the bank makes a sizable portion of its revenue. Essentially, advances and loans come in two varieties.

2. Non-Performing Loans (NPL) When interest and principal payments are more than 90 days past due, when

at least 90 days of interest payments have been capitalized, refinanced, or postponed by agreement, or when payments are less than 90 days past due but there are other solid grounds to doubt

full repayment, the loan is considered non-performing.
$$\text{Non-Performing Loan} = \frac{\text{Total Non-Performing Loan}}{\text{Total Loan}} \times 100$$

Earning Profit is the surplus income that a firm makes throughout its operation. Earning is defined as excess revenue above costs. It is the final outcome of every enterprise. In general, a firm is operating well if its earnings are strong. In a similar vein, the bank's earnings show its overall success. The ultimate goal of every firm is to make money. Better financial standing is reflected in higher wages. Following ratios depicts the earning position of SBL and GIBL.

$$\text{Earnings per Share (EPS)} = \frac{\text{Net Profit after Tax}}{\text{No. Of Share Outstanding}}$$

$$\text{Return on Equity (ROE)} = \frac{\text{Net Profit after Tax}}{\text{Total Shareholder's Fund}} \times 100$$

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

i. Cash Reserve Ratio (CRR) It is the bare minimum of reserves, expressed as

account balance with NRB, that a bank is required to maintain. This percentage guarantees the first line of defense of the bank to a minimal degree in fulfilling depositor commitments. It is the required reserve that the commercial bank must maintain in the form of cash in their NRB account in order to assure depositors of the bank's safety and to demonstrate the bank's goodwill. The NRB's rule states that the weekly average of the bank's total deposits must be maintained as the cash reserve ratio, or 3%.

It is computed as follows: **Cash Reserve Ratio (CRR) = Cash Balance In NRB × 100 Local Currency Deposit–Margin Deposit** ii. **Cash and Bank Balance Ratio (CBR)** The ratio assesses the bank's capacity to

fulfill short-term obligations. Therefore, it is important to have the optimal balance in order to fulfill their payment requirement. Additionally, this ratio is used to assess if the bank has enough cash on hand to meet depositors' unforeseen demands. The following formula is used to compute it:

Cash and Balance ratio (CBR) = Cash and Bank Balance Total Deposit iii. **Investment in Government Security Ratio (IGSR)** **Government securities are** seen as risk-free

investments that may be quickly turned into cash to cover an immediate need. Because of this, a specific amount of funds must be invested by every commercial bank in government securities. The formula for this ratio is; Investment in Govt. Security Ratio (IGSR) = Investment in Government Security × 100 Total Deposit CHAPTER IV RESULTS AND DISCUSSION With an emphasis on the CAMELS components, this chapter addresses the methodical display and analysis of data gathered from various sources.

The financial performance study of Global IME **Bank Limited and Siddhartha Bank Limited** focused on

the six CAMELS components—capital adequacy, assets quality, management quality, earning quality, liquidity, and sensitivity—as indicated in the theoretical prescription. CAMELS has been used to examine the data that was gathered from bank annual reports. 4.1 Results The information gathered from various sources has been organized and recorded in Excel tables. These figures are then subjected to further processing in order to assess and produce conclusions on the CAMELS Analysis financial performance of certain banks. Each section and component of the CAMELS analysis also describes the main findings of the study on the financial performance of Global IME Bank and Siddhartha Bank before and after the merger. 4.1.1 Capital Adequacy In order to safeguard depositors' funds in individual banks, Capital Adequacy places a strong emphasis on the bank's adherence to requirements on the maintenance of minimum capital reserves. A bank's ability to materialize the risk that present and future depositors perceive about it is facilitated by an adequate amount of capital fund. The capital adequacy ratio and the core capital ratio are common measures of capital sufficiency. 4.1.1.1 Capital Adequacy Ratio A stand-in for capital adequacy, the capital adequacy ratio (CAR), which measures a bank's internal strength, is the ratio of capital to risk-weighted assets. The purpose of minimum capital adequacy ratios is to guarantee that banks can withstand a certain amount of loss before going bankrupt. A bank that has a higher capital adequacy ratio is better able to withstand unanticipated losses before going bankrupt. According to the structure of the risk-weighted capital ratio, a financial institution (FI) must possess sufficient capital to sustain its risky assets. It is acknowledged in the sense that asset structure and capital sufficiency are better indicators of one another than amount of liabilities. The three main numbers used to determine capital adequacy are risk-weighted assets, core capital, and supplemental Capital Ratio. Table 2 Capital adequacy ratio Fiscal year GIBL SBL Pre-merger 2070/71 2071/72 2072/73 2073/74 Min. Max. Mean SD 12.91 12.34 10.66 11.52 10.66 12.91 11.97 1.17 12.23 11.46 11.22 11.25 11.22 12.23 11.54 0.47 Post-merger 2075/76 2076/77 2077/78 2078/79 Min. Max. Mean SD 10.71 11.18 14.30 13.84 10.71 14.30 12.51 1.82 12.74 12.12 12.77 13.17 12.12 13.17 12.70 0.44 (Sources: Appendix 1, 2) The minimum and maximum capital adequacy ratios of GIBL Bank prior to the merger were 10.66 and 12.91 percent, respectively, as indicated in Table 2. Following the merger, the CAR was 10.71 percent in 2075–2076; at its peak, it was 14.30 percent in 2077–2078. Prior to the merger, the average CAR for GIBL was 11.97 percent; following the merger, it was 12.51 percent. The primary cause of the average small change in the capital adequacy ratio is the rise in risk-weighted assets relative to total capital over the course of the year. Prior to the merger, GIBL's CAR standard deviation was 1.17; however, following the merger, it increased to 1.82, indicating fluctuations in both total capital and total risk-weighted assets. Prior to the merger, SBL's minimum and maximum capital adequacy ratios were 11.22 and 12.23 percent, respectively. Following the merger, the CAR was 12.74 percent in 2075–2076; however, in 2076–2077, the ratio marginally declined to 12.12 percent, and in 2078–2079, it reached its maximum point at 13.17 percent. Prior to the merger, SBL's mean

CAR was 11.54 percent; following the merger, it is 12.70 percent. The CAR of SBL's standard deviation was 0.47 prior to the merger and 0.44 following it, indicating that the bank has maintained a stable level of capital and total risk-weighted assets following the merger.

4.1.1.2 Core Capital Ratio The bare minimum of capital required by Federal Home lending Bank laws for thrift banks, such savings banks and lending companies, is known as core capital. Declared reserves and equity capital make up core capital. The purpose of the minimal requirement is to safeguard customers when they open bank accounts.

Paid up capital, share premium, non-redeemable preference shares, general reserve fund, cumulative profit/loss, capital redemption reserve, capital adjustment fund/proposed bonus share, and other fee reserve

are all considered core or main capital in the context of Nepal. Deductions are made for the amount of goodwill, fake assets, investments made over the NRB's statutory limit, and investments made in the securities of businesses with financial interests.

Table 3 Core Capital Ratio Fiscal Year GIBL SBL 2070/71 2071/72 2072/73 2073/74 Pre-merger Min. Max. Mean SD 2075/76 2076/77 2077/78 Post-merger 2078/79 Min. Max. Mean SD (Sources: Appendix 1, 2) 12.15 11.62 9.95 10.58 9.95 12.15 11.24 1.15 9.75 10.29 13.38 12.82 9.75 13.38 11.56 1.81 8.77 8.29 7.68 8.85 7.68 8.85 8.40 0.54 11.02 10.99 10.19 9.26 9.26 11.02 10.36 0.83

The greatest core capital ratio of GIBL Bank prior to the merger was 12.15 percent in 2070–2071 and reached its lowest point of 9.95 percent in 2072–2073 as indicated in Table 3. Following the merger in 2075–2076, the CCR dropped to 9.75 percent; in 2076–2077, the ratio marginally climbed to 10.29 percent; and in 2077–2078, the CCR reached its maximum peak of 13.38 percent. Prior to the merger, the average CCR for GIBL was 11.24%; with the merger, it is now 11.56 percent. The GIBL's CCR standard deviation was 1.15 prior to the merger and 1.81 following it, indicating more volatility following the merger than before. Prior to the merger, SBL's core capital ratio ranged from 8.77 percent in 2070–2071 to 8.85 percent in 2073–2074. Following the merger, the CCR reached its peak in the year 2075/746 with 11.02 percent. The ratio marginally declined to 10.99 percent in the year 2076/77, and 9.26 percent was reported in the year 2078/79. Prior to the merger, SBL's average CCR was 8.40 percent; following the merger, it is 10.36 percent. Prior to the merger, the standard deviation of SBL's CCR was 0.54; following the merger, it is 0.83. Following a merger, the standard deviation has increased due to a divergence in risk-weighted assets.

4.1.2 Assets Quality A assessment or evaluation that determines the credit risk connected to a certain asset is called an asset quality rating. These assets, which include loans and investment portfolios, typically come with interest payments. The asset's quality may also be impacted by how well management manages credit risk and controls it.

This ratio, also known as the activity ratio or turnover ratio

, is, in essence, the amount of revenue or turnover that a bank can produce from its assets and the process of lending the assets, if nothing else's. Three ratios must be computed in order to determine the asset quality. They are as follows:

4.1.2.1 Non-Performing Loan The amount of borrowed money on which the debtor has missed at least ninety days of scheduled payments is known as a nonperforming loan (NPL). A nonperforming loan is one that is either past due or almost past due. The chances that a loan will be fully repaid are thought to be significantly reduced once it becomes nonperforming. Increased non-performing loans are a sign that the bank is struggling and is not lending money with as much care.

Table 4 Non-Performing Loan Ratio Fiscal Year GIBL SBL 2070/71 2071/72 2072/73 Pre-merger 2073/74 Min. Max. Mean SD 2075/76 2076/77 2077/78 2078/79 Post-merger Min. Max. Mean SD (Sources: Appendix 1, 2) 3.95 3.54 2.85 5.62 2.85 5.62 3.99 1.18 7.49 3.99 2.85 2.70 2.70 7.49 4.26 2.23 2.74 2.75 1.82 1.47 1.47 2.75 2.20 0.65 1.32 1.11 0.77 1.39 0.77 1.39 1.15 0.28

Table 4 illustrates that prior to the merger, the non-performing loan ratio of GIBL Bank was 2.85 percent in 2072–2073 and 5.62 percent in 2073–2074, respectively. Following the merger, in 2075–2076, the net profit margin reached its maximum point of 7.49 percent. In 2076–2077, the ratio marginally declined to 3.99 percent, but in 2078–2079, it was at its lowest point of 2.70 percent. Prior to the merger, GIBL's mean net profit margin was 3.99 percent; following the merger, it is 4.26 percent. Prior to the merger, the NPLR standard deviation for GIBL was 1.18; following the merger, it is 2.23. The bank's top concern is keeping the number of non-performing assets to themselves. Prior to the merger, the NPLR standard deviation for GIBL was 1.18; following the merger, it is 2.23. The number of non-performing assets is the bank's biggest concern as it presents a difficulty and will negatively impact the bank's profitability. Prior to the merger, SBL's non-performing loan ratio stood at 2.74 percent in 2070–2071; it reached its lowest point of 1.47 percent in 2073–2074 and its highest point of 2.75 percent in 2071–2022. Following the merger, the NPLR reached a peak of 1.32 percent in 2075–2076; however, by 2077–2078, it had fallen to 0.77 percent. Prior to the merger, SBL's mean net profit

margin was 2.20 percent; following the merger, it is 1.15 percent. Prior to the merger, the NPLR standard deviation for SBL was 0.65; following the merger, it is 0.28. It demonstrates how the bank lowers the variance on nonperforming loans.

4.1.2.2 Loan Loss Coverage Ratio The link between total loan loss provision and total nonperforming loan is known as the loan loss coverage ratio. It calculates the percentage of total nonperforming loans to total loan loss provisions. If any loans out of the total nonperforming become bad or fail, the bank's loss is compensated by the loan loss provision fund. Therefore, from that perspective, the banks benefit more from a larger loan loss coverage ratio.

Table 5 Loan Loss Coverage Ratio Fiscal Year GIBL SBL

Year	Min.	Max.	Mean	SD
2070/71	94.65	106.66	117.64	80.76
2071/72	80.76	80.76	117.64	99.93
2072/73	15.86	79.14	104.51	124.94
2073/74	64.66	64.66	124.94	93.31
2075/76	26.76	85.85	152.82	85.85
2076/77	115.30	32.64	58.89	63.67
2077/78	65.13	59.66	58.89	65.13
2078/79	61.84	3.04	85.85	90.18

(Sources: Appendix 1, 2)

Table 5 illustrates that prior to the merger, the loan loss coverage ratio of GIBL Bank was at its lowest point in 2070/71, at 94.65 percent, and reached its highest peak in 2072/73, at 117.64 percent. next the merger, LLCR was 85.85% in 2075–2076; the next year, 2076–2077, saw a minor increase to 90.18 percent; the ratio reached its peak in 2078–2079, at 152.82 percent. Prior to the merger, the average LLCR for GIBL was 99.93 percent; following the merger, it was 115.30 percent. Due to an increase in the overall loan loss provision following the tie-up, the average loan loss coverage ratio rose. Before the merger, the LLCR standard deviation for GIBL was 15.86, while after the merger, it is 32.64. Following the tie-up, the overall loan loss provision rose, which raised the average loan loss coverage ratio. Prior to the merger, GIBL's LLCR standard deviation was 15.86; following the tie-up, it increased to 32.64, indicating increased volatility in nonperforming loans and loan loss provisions. Prior to the merger, SBL's loan loss coverage ratio peaked in the year 2072–2073 at 124.94 percent, and it peaked in the year 2073–2074 at 64.66 percent. Following the merger in 2075–2076, the LLCR reached its lowest point of 58.89 percent; however, in 2077–2078, it reached 65.13 percent. Prior to the merger, SBL's mean LLCR was 93.31 percent; following the merger, it is 61.84 percent. Before the merger, the LLCR of SBL had a standard deviation of 26.76; following the merger, it was 3.04. The bank's investment program enhanced the loan loss coverage ratio following the merger and acquisition.

4.1.2.3 Loan Loss Provision Ratio The amount that banks are obligated to lay aside or maintain for possible loan loss is known as **the loan loss provision**. Expenses for **loan** loss provisions **are deductible. It is** subtracted **from** the **interest** received. It **is**

a reserve put in place by a bank to offset unforeseen losses brought on by loan amount default. This ratio illustrates the amount that the bank must set aside from the loans it releases to compensate the loss on future defaulted loans. Reduced loan loss provisions indicate a larger volume of both non- performing and excellent loans at the bank. The entire amount set aside to cover the loss is known as the loan loss provision. From LLP to NPL, since the NPL is less, we may Loan loss provision is the total amount set aside to cover the loss from LLP to NPL; if the NPL is smaller, we may conclude that the loan quality is higher. However, if the ratio of LLP to TL is higher, we may conclude that the loan quality is good. Nevertheless, we are at least secure since there is a larger provision for loan losses.

Table 6 Loan Loss Provision Ratio Fiscal Year GIBL SBL

Year	Min.	Max.	Mean	SD
2070/71	3.74	2.17	3.74	2.17
2071/72	3.77	2.88	3.35	2.27
2072/73	3.35	2.27	4.53	3.35
2073/74	0.95	0.95	4.53	2.88
2075/76	3.85	2.07	3.85	2.07
2076/77	0.49	0.81	6.43	3.60
2077/78	3.78	4.12	3.60	6.43
2078/79	1.31	0.78	0.71	0.50
Post-merger	0.83	0.50	0.83	0.70

(Sources: Appendix 1, 2)

According to Table 6, the loan loss provision ratio of GIBL Bank was 3.74 percent in 2070–2071 and 3.35 percent in 2072–2073 prior to the merger. While the ratio reached its maximum of 4.53 percent in the years 2073–2074. Following the merger in 2076–2077, the LLPR reached its maximum of 6.43 percent, while in the year that followed, 2076–2077, the ratio was at a minimum of 3.60 percent. Prior to the merger, the average LLPR for GIBL was 3.85%; following the merger, it is 4.48 percent. The average net positive loan loss ratio is affected by the NRB's increase in the commercial bank's loan loss provision on advances and loans. The LLPR standard deviation of GIBL prior . Prior to the merger, SBL's loan loss provision ratio was 2.17 percent in 2070–2071; it dropped to a minimum of 0.95 percent in 2073–2074; in 2071–2072, the ratio reached its maximum point of 2.88 percent. Prior to the merger, the average LLPR for SBL was 2.70 percent; following the merger, it is now 0.70 percent. Prior to the merger, the LLPR standard deviation for SBL was 0.81; following the merger, it is 0.14. Following the merger, the standard deviation was lower because the loan loss provision was steady.

4.1.3 Management Efficiency Effective management is essential to every organization's success, yet it may be challenging to quantify. It is essentially a qualitative aspect that varies depending on the institution. As was previously said, a number of indicators might work in concert to indicate

the soundness of management. The management quality in this case is determined only by the business per employee and the management efficiency ratio. 4.1.3.1 Management Efficiency Ratio Table 7 Fiscal Year GIBL SBL Pre-merger 2070/71 2071/72 2072/73 2073/74 Min. Max. Mean SD 322,652.37 498,199.22 319,479.48 344,609.60 319,479.48 498,199.22 371,235.17 85,377.07 1,447,448.65 1,876,463.60 1,786,807.64 2,067,410.22 1,447,448.65 2,067,410.22 1,794,532.53 259,295.09 2075/76 436,084.79 1,726,245.96 2076/77 1,559,427.93 2077/78 801,595.16 1,372,454.91 2078/79 1,135,990.31 Post-merger Min. 436,084.79 1,135,990.31 1,207,485.45 826,602.47 Max. 1,726,245.96 Mean 1,448,529.78 SD 1,207,485.45 817,941.97 315,119.69 253,569.83 (Sources: Appendix 1, 2) Table 7 illustrates that the Management Efficiency Ratio (MER) of GIBL Bank before to the merger was as low as 319,479.48 rupees in 2072–2073 and as high as 498,199.22 rupees in 2071–2072 years. The average GIBL MER before and after the merger were 371,235.17 and 817,941.97 rupees, respectively. This suggests that the bank maintained its profit margin despite the rise in staff count. Prior to the merger, GIBL's MER standard deviation was 85,377.07; following the merger, it was 315,119.69, reflecting a greater variation in net profit. Prior to the merger, SBL's Management Efficiency Ratio (MER) ranged from a minimum of 1,447,448.65 rupees in 2070–2071 to a maximum of 2,067,410.22 in 2073–2074. Following the merger in 2075–2076, the ratio of MER dropped to 1,726,245.96 rupees. In 2074–2075, the ratio fell to 1,559,427.93 rupees, and in 2078–2079, it still dropped to 1,135,990.31 rupees. Before and after the merger, the mean MER of SBL was 1,794,532.53 rupees and is now 1,448,529.78 rupees. This suggests that the bank is not able to retain profit when staff numbers expand. Prior to the merger, the standard deviation of SBL's MER was 259,295.09; following the merger, it is 253,569.69.

4.1.3.2 Business per Employee Ratio Table 8 Business per Employee Ratio Fiscal Year GIBL SBL 2070/71 87,693,573.75 2071/72 100,528,447.86 36,260,942.80 37,682,807.73 2072/73 97,289,012.92 2073/74 106,975,879.00 Pre-merger Min. 87,693,573.75 Max. 106,975,879.00 Mean SD 46,725,772.96 56,881,596.16 36,260,942.80 56,881,596.16 44,387,779.91 9,531,767.75 98,121,728.38 8,033,847.27 2075/76 96,285,877.08 2076/77 2077/78 2078/79 Post-merger Min. Max. Mean SD 62,020,141.68 51,539,643.99 51,789,480.95 54,299,647.20 51,539,643.99 62,020,141.68 54,912,228.46 4,899,781.09 77,460,762.59 69,862,229.50 73,984,895.36 69,862,229.50 96,285,877.08 79,398,441.13 11,678,839.86 (Sources: Appendix 1, 2) As indicated in the Table 8, the business per employee ratio of GIBL bank before merger was lowest of 36,260,942.80 rupees in 2070/71 where BPE in its peak of 56,881,596.16 in 2073/74. Following the merger, in 2076/77, the ratio reached its lowest point at 51,539,643.99 rupees, while in 2075/76, BPE reached its greatest point at 62,020,141.68 rupees. Prior to the merger, the mean BPE of GIBL was 44,387,779.91 rupees; following the merger, it is 54,912,228.46 rupees. Prior to the merger, GIBL's BPE standard deviation was 9,531,767.75; following the merger, it was 4,899,781.09. Prior to the merger, SBL's business per employee ratio was as low as 87,693,573.75 rupees in 2070–2071 and as high as 106,975,879 rupees in 2073–2074. Following the merger, the BPE was 96,285,877.08 rupees in 2075–2076; in 2077–2078, it reached its lowest point of 69,862,229.50 rupees; however, in 2078–2079, the ratio rose to 73,984,895.36 rupees. Before the merger, SBL's mean BPE was 98,121,728.38 rupees; following the merger, it is 79,398,441.13 rupees. Prior to the merger, SBL's BPE standard deviation was 9,531,767.75; following the merger, it was 11,678,839.86.

4.1.4 Earning The net advantages of a company's operations are its earnings. Earnings are the total profit a business makes in a certain time frame, often one year or one quarter (three calendar months). Additionally, the amount that corporation tax is owed is earnings. Several more specialized words, such as EBITDA (earnings before interest, taxes, depreciation, and amortization) and EBIT, or earnings before interest and taxes, are used for a study of particular elements of company operations. The earning positions of GIBL and SBL are shown in the following ratios.

4.1.4.1 Earning per Share Table 9 Earnings per Share Fiscal Year GIBL SBL Pre-merger 2070/71 2071/72 2072/73 2073/74 Min. Max. Mean SD 6.78 9.67 5.88 6.21 6.21 9.67 7.14 1.73 20.17 26.19 27.82 27.91 20.17 27.91 25.52 3.66 2075/76 8.84 18.28 2076/77 28.67 22.49 2077/78 14.55 25.40 Post-merger 11.85 Min. 8.84 Max. 28.67 Mean 15.98 SD 8.78 21.90 18.28 25.40 22.02 2.93 (Sources: Appendix 1, 2) As can be seen in Table 9, the GIBL Bank's earnings per share was 6.78 rupees in 2070–2071 before the merger. In 2071–2072 it dropped to 9.67 rupees, and in 2072–2073 it was at least 5.88 rupees. Following the merger, in 2075–2076, the EPS was 8.84 rupees. In 2076–2077, the ratio reached its greatest point of 28.67 rupees. In 2077–2078, the EPS dropped to 14.55 rupees. In 2078–2079, the ratio fell to 11.85 rupees once more. GIBL's average profit before and after the merger was 7.14 and 15.98 rupees, respectively. Prior to the merger, the EPS standard deviation for GIBL was 1.73; following the merger, it was 8.78. Before the merger, SBL's profits per share was 20.17 rupees in 2070–2071 and reached its peak in 2073–2074 at 27.91 rupees. Following the merger in 2076/77, the ratio climbed to 22.49 rupees, and in 2077/78, the EPS grew to 25.40 rupees. However, in 2078/79, the ratio declined to 21.90 rupees. The EPS had decreased to 18.28 rupees in 2075/76. SBL had an

average earnings per share (EPS) of 25.52 rupees before to the merger, and it is now 22.02 rupees. Prior to the merger, the EPS standard deviation for SBL was 3.66; following the merger, it is 2.93.

4.1.4.2 Return on Equity Table 10 Return on Equity Fiscal Year GIBL SBL 2070/71 2071/72 8.35 5.34 17.80 14.54 Pre-merger 2073/74 Min. Max. Mean SD 5.18 4.93 4.93 8.35 5.95 1.61 19.43 20.10 14.54 20.10 17.97 2.48 Post-merger 2075/76 2076/77 2077/78 2078/79 Min. Max. Mean SD 5.79 15.81 8.50 8.42 5.79 15.81 9.63 4.31 14.03 13.90 15.02 13.39 13.39 15.02 14.08 0.68 (Sources: Appendix 1, 2) Table 10 indicates that prior to the merger, the return on equity of GIBL Bank was 5.34 percent in 2070–2071; it reached its maximum point of 8.35 percent in 2071–2072; and it reached its lowest position of 4.93 percent in 2073–2074. Following the merger, the ROE was 5.79 percent in 2075–2076; however, in 2076–2077, the ratio reached its peak of 15.81 percent; in 2077–2078, the ROE dropped to 8.50 percent; and in 2078–2079, the ratio fell to 8.42 percent once again. Before and after the merger, GIBL's mean return on equity was 5.95 percent and 9.63 percent, respectively. Prior to the merger, GIBL's ROE standard deviation was 1.61; with the merger, it is 4.31. Prior to the merger, SBL Bank's return on equity ranged from a minimum of 14.54 percent in 2070–2071 to a maximum of 20.10 percent in 2073–2074. next the merger in 2075–2076, ROE was 14.03 percent; but, the next year, in 2076–2077, the ratio dropped to 13.90 percent; after that, in 2077–2078, ROE jumped to 15.02 percent; and once again, in 2078–2079, the ratio dropped to 13.39 percent. Prior to the merger, SBL's average ROE was 17.97 percent; following the merger, it was 14.08 percent. Before and after the merger, SBL's ROE standard deviations were 2.48 and 0.68, respectively.

4.1.4.3 Return on Assets The measure of a company's profitability in relation to its total assets is called return on assets, or ROA. An analyst, investor, or manager can determine a company's level of asset utilization efficiency by looking at its return on assets (ROA). The greater the ROA, which is shown as a percentage, the better. Table 11 Return on Assets Fiscal Year GIBL SBL Pre-merger 2070/71 2071/72 2072/73 2073/74 Min. Max. Mean SD 0.71 1.10 0.60 0.53 0.53 1.10 0.73 0.25 1.37 1.61 1.59 1.69 1.37 1.69 1.56 0.14 Post-merger 2075/76 2076/77 2077/78 2078/79 Min. Max. Mean SD 0.61 1.83 1.14 1.14 0.61 1.83 1.18 0.50 1.54 1.59 1.49 1.17 1.17 1.59 1.45 0.19 (Sources: Appendix 1, 2) Table 11 illustrates that prior to the merger, the return on assets (ROA) of GIBL Bank was 0.71 percent in 2070–2071 and climbed to 1.10 percent in 2071–2072; the ROA reached its lowest point in 2073–2074 at 0.53 percent. After the merger in 2075–2076, the return on assets (ROA) was 0.61 percent; in 2076–2077, the ratio reached its peak at 1.83 percent; in 2077–2078, the ROA dropped to 1.14 percent; and in 2078–2079, the ratio remained at 1.14 percent. Before the merger, GIBL's mean return on assets (ROA) was 0.73%; following the merger, it increased to 1.8%. The GIBL ROA standard deviation prior to the merger. Prior to the merger, SBL's return on assets was 1.37 percent in 2070–2071 and reached a peak of 1.69 percent in 2073–2074. Following the 2075–2076 merger, ROA dropped to 1.54%; however, in the 2076–2077 merger year, the ratio climbed to 1.59 percent; in the 2077–2078 year, it declined to 1.49 percent; and in the 2078–2079 year, it dropped to 1.14 percent once again. SBL's mean return on assets (ROA) was 1.56 percent prior to the merger and is now 1.45 percent following it. Prior to the merger, the standard deviation of SBL's ROA was 0.14; following the merger, it is 0.19.

Liquidity for a bank means the ability to meet its financial obligations as they come due. Bank lending finances investments in relatively illiquid assets, but it funds its loans with mostly short-term liabilities. Thus, one of the main challenges to a bank is ensuring its own liquidity under all reasonable conditions

. A bank's capacity to pay its debts on time is referred to as its liquidity. Bank lending primarily uses short-term liabilities to make its loans, but it also invests investments in somewhat illiquid assets. Thus, one of the main challenges to a bank is ensuring its own liquidity under all reasonable conditions.

4.1.5.1 Cash Reserve Ratio The Cash Reserve Ratio (CRR) is a minimum percentage of all client deposits that commercial banks are required to maintain as reserves, either in cash or as deposits with the central bank. CRR is determined in accordance with national central banks' policies. Table 12 Cash Reserve Ratio Fiscal Year GIBL GBL Pre-merger 2071/72 2072/73 2073/74 Min. Max. Mean SD 12.17 7.35 11.81 7.58 7.35 12.17 12.61 2.62 9.27 16.01 8.40 6.14 6.14 16.01 7.12 4.25 Post-merger 2075/76 2076/77 2077/78 2078/79 Min. Max. Mean SD 18.32 8.64 11.39 12.08 8.64 18.32 12.61 4.09 8.98 7.05 5.46 6.99 5.46 8.98 7.12 1.44 (Sources: Appendix 1, 2) As can be seen in Table 12, the cash reserve ratio of GIBL before to the merger was 12.17 percent in 2070–2071; it dropped to 7.35 percent in 2071–2072; it then grew to 11.81 percent in 2072–2073; finally, the CRR reached its lowest point in 2073–2074 at 7.58 percent. The combined rate of return (CRR) peaked in 2075–2076 at 18.32 percent. The CRR fell to 8.64 percent in 2076–2077, then rebounded to 11.39 percent in 2077–2078, and then jumped to 12.08 percent in 2078–2079, the following year of the merger. Prior to the merger, the average CRR for GIBL was 9.72%; following the merger, it is 12.61%. Prior to the merger, the CRR standard deviation for GIBL was 2.62;

with the merger, it is 4.09. Prior to the merger, SBL's cash reserve ratio was 9.27 percent in 2070–2071; it reached its maximum point of 16.01 percent in 2071–2072; it then reached its lowest point of 6.14 percent in 2073–2074. Following the merger, the CRR grew to 8.98 percent in 2075–2076; however, the ratio fell to 7.05 percent in 2076–2077; the CRR reached its lowest point of 5.46 percent in 2077–2078; finally, the ratio marginally increased to 6.99 percent in 2078–2079.

4.1.5.2 Cash and Bank Balance Ratio A higher ratio shows the higher and greater ability of the bank to meet unexpected demand of the depositors. On the contrary lower ratio indicates that bank might face liquidity crunch while paying obligations.

Table 13 Cash and Bank Balance Ratio

Fiscal Year	GIBL	SBL	Pre-merger	2070/71	2071/72	2072/73	2073/74	Min.	Max.	Mean	SD
Pre-merger	8.11	6.78	7.21	7.71	6.78	8.11	7.45	0.58	2.87	5.42	4.95
Post-merger	4.82	5.09	8.48	11.82	4.82	11.82	7.55	3.30	4.34	6.41	8.00
	5.03	4.34	8.00	5.95	1.61						

(Sources: Appendix 1, 2) The cash and bank balance ratio of GIBL Bank before to the merger was 8.11 percent in 2070–2071; it reached its lowest point of 6.78 percent in 2071–2072 (see Table 13). The CBR was at its lowest point of 4.82 percent following the merger in 2075–2076; however, it grew to 5.09 percent in the next year of the merger in 2076–2077; it then increased to 8.48 percent in 2077–2078; and it increased to 11.82 percent in the following year of the merger in 2078–2079. Prior to the merger, the average CBR for GIBL was 7.45%; with the merger, it is now 7.55 percent. Prior to the merger, the CBR standard deviation for GIBL was 0.58, and it is now 3.30. Prior to the merger, SBL's cash and bank balance ratio was 2.87 percent in 2070– 2071; by 2071–2072 it had risen to 5.42 percent. next the merger in 2075/76, the CBR was 4.34 percent; however, the next year, in 2076/77, the ratio grew to 6.41 percent, and the maximum point was reached in 2077/78, when the CBR was 8.00 percent. Prior to the merger, SBL's average CBR was 4.25 percent; following the merger, it was 5.95 percent. Prior to the merger, the CBR standard deviation for SBL was 1.16; with the merger, it is 4.1.

4.1.5.3 Investment in Government Security Ratio The government periodically makes available securities and **short- and long-term obligation papers at a minimal rate of return and risk** . These securities **can be** turned **into cash** to satisfy **short-term**

obligations. For this reason, commercial banks must make a minimum amount of investments in government securities.

Table 14 Investment in Government security Ratio

Fiscal Year	GIBL	SBL	2070/71	12.94	10.20	2071/72	10.37	5.60	Pre-merger	2072/73	2073/74	Min.	Max.	Mean	SD
Pre-merger	6.59	8.07	6.59	12.94	9.49	7.99	11.82	5.60	11.82	8.90	2.77	2.70			
Post-merger	9.80	14.95	13.26	10.05	9.80	14.95	12.01	2.51	11.27	9.92	12.98	13.91	9.92	13.91	12.02
	1.78														

(Sources: Appendix 1, 2) Table 14 illustrates that the government security ratio investment of GIBL Bank before to the merger was 12.94 percent in 2070–2071 and reached its lowest point of 6.59 percent in 2072–2073. Following the merger in 2075–2076, the IGSR was 9.80%; but, in 2076–2077, the ratio reached its maximum point at 14.95 percent; in 2077–2078, it dropped to 13.26%; and in 2078–2079, it dropped to 10.05 percent once again. Prior to the merger, the average GIBL IGSR was 9.49 percent; following the merger, it is 12.01 percent. Prior to the merger, the IGSR standard deviation for GIBL was 2.77, and it is now 2.51 following the merger. Prior to the merger, SBL's investment in the government security ratio was 10.20 percent in 2070–2071; it reached its lowest point of 5.60 percent in 2071–2072; and it climbed to 11.82 percent in 2073–2074. Following the merger in 2075–2076, the IGSR decreased slightly to 11.27 percent; however, the ratio decreased again to 9.92 percent in 2076–2077; in 2077–2078, the IGSR increased to 12.98 percent; and in 2078–2079, the ratio reached its highest point at 13.91 percent. SBL's average IGSR was 8.90 percent prior to the merger and is now 12.02 percent following it. Prior to the merger, SBL's IGSR standard deviation was 2.70; following the merger, it is 1.78.

4.1.6 Sensitivity Sensitivity is the degree to which a market instrument responds to shifts in underlying variables, usually as measured by how its price moves in response to such shifts. However, sensitivity is shown by the price-earnings ratio and spread ratio.

4.1.6.1 Price Earnings Ratio The share price in relation to the company's yearly net income per share is measured by the price to earnings ratio, or PE Ratio. PE ratio displays the demand for a company's shares among investors right now. A high PE ratio often denotes stronger demand as a result of investors' expectations for future profits growth. The years in the PE ratio may be seen as the number of years of profits required to recoup the acquisition price. Given that it shows how much an investor is ready to pay for every dollar of earnings, the PE ratio is also referred to as the "multiple". Estimates of the profits per share for the following year are frequently used as the denominator when calculating PE ratios. If this occurs, it is often reported.

Table 15 Price Earnings Ratio

Fiscal Year	GIBL	SBL	Pre-merger	2070/71	2071/72	2072/73	2073/74	Min.	Max.	Mean	SD
Pre-merger	14.59	28.53	38.54	36.35	14.59	38.54	29.50	10.83	13.39	20.35	16.99
Post-merger	43.35	8.72	16.91								

Performance (PF) is -0.186, indicating a negative relationship. The correlation coefficient between Financial Performance (PF) and Earnings per Share (EPS) is -0.519, indicating a negative relationship. A favorable link between CRR and financial performance is shown by the correlation value of 0.423. The very positive correlation that exists between Financial Performance (PF). The correlation value of 0.814 indicates NPL. Table 18 Model Summary Model Summary Model R R Square Adjusted R Square Std. Error of the Estimate 1 .985a .970 .964 1.13055 a. Predictors: (Constant), NPL, EPS, CRR, CAR, LLP Table 18 shows that only 97% of the variation in ROA can be ascribed to independent variables, such as NPL, EPS, CRR, CAR, and LLP. The coefficient of determination is 0.985, and the multiple correlation coefficients are 0.97. Table 18 Correlations The correlation coefficient quantifies the link between two or more variables. It also determines how much one variable affects another. The correlation coefficient has a range of +1 to -1. A +1 coefficient indicates a perfect positive correlation, whereas a -1 number indicates a perfect negative correlation. Furthermore, the correlation coefficient is 0 in the absence of any relationship between the variables. Positive correlation indicates a rise in value, whereas negative correlation implies a reduction in the value of the other variable when the value of one increases. Table 18 Correlations Correlations FP CAR LLP EPS CRR NPL FP 1 CAR 0.847** 1 LLP -0.186 -0.576 1 EPS -0.519 -0.667 0.479** 1 CRR 0.423* 0.24 -0.108 -0.386 1 NPL 0.814** 0.976** -0.583 -0.593 0.153 1 All values in Table 18 fall between -1 and +1. When the independent variable rises, the dependent variable will also rise, as shown by a positive r. In contrast, a negative r means that when the independent variable rises, the dependent variable will decrease. The Financial Performance (PF) and the CAR have a correlation value of -0.847, indicating a negative link. The correlation coefficient between Loan loss provision (LLP) and Financial Performance (PF) is -0.186, indicating a negative relationship. The correlation coefficient between Financial Performance (PF) and Earnings per Share (EPS) is -0.519, indicating a negative relationship. A favorable link between CRR and financial performance is shown by the correlation value of 0.423. The very positive correlation that exists between Financial Performance (PF). The correlation value of 0.814 indicates NPL. Table 19 ANOVA ANOVAa Model Sum of Squares df Mean Square F Sig. 1 Regression 1002.219 5 200.444 156.823 .000b Residual 30.676 24 1.278 Total 1032.895 29 a. Dependent Variable: FP b. Predictors: (Constant), NPL, EPS, CRR, CAR, LLP Table 19 indicates that the total regression model is significant based on the ANOVA test, which yields a significant value of 0.00 less than the 0.05 level of significance. Table 20 Coefficients Coefficientsa Model Unstandardized B Coefficients Std. Error Standardized Coefficients Beta t Sig. 1 (Constant) 2.126 1.900 1.119 0.274 CAR -0.024 0.084 -0.014 -.285 0.778 LLP -0.692 0.304 -0.110 -2.278 0.032 EPS 0.001 0.001 0.073 1.843 0.078 CRR 0.530 0.028 0.915 18.852 0.000 NPL 0.057 0.038 0.064 1.512 0.144 a. Dependent Variable: FP The regression coefficients for the independent variables of Nepal's banks' non-performing loans (NPL), cash reserve ratio (CRR), capital adequacy ratio (CRA), earnings per share (EPS), and loan loss provision (LLP) are displayed in Table 20. In addition to the Financial Performance (FP) intercept value for the dependent variable. The regression coefficient for CAR is -0.024. The data indicates that a one percent increase in CAR would result in a rise of -0.024 percentage points in PF. Additionally, the p value of 0.778 for CAR indicates that it is statistically insignificant at the five percent significance level. As a result, there is very little negative association between CAR and PF. The loan loss provision (LLP) regression coefficient is -0.692. PF would decrease by -0.692 percentage points if LLP increased by 1%, according to the data, and the LLP P value of 0.032 suggests that the change is not statistically significant at the 5% significance level. As a result, there is little correlation between Financial Performance (PF) and the LLP. Similarly, the coefficient of regression for earnings per share (EPS) is 0.001. The Earnings per Share (EPS) Ratio's P value of 0.078 indicates that, at the 5% level of significance, the ratio is statistically insignificant. It also indicates that, for every percentage increase in the ratio, Financial Performance (PF) will increase by 0.001 percentage points. Consequently, the relationship between the EPS Ratio. The coefficient of regression for the cash reserve ratio (CRR) is 0.530. At the 5% level of significance, the P value of EPS is 0.000, suggesting that it is statistically significant. It also demonstrates that Financial Performance (PF) increased by 0.530 percentage points for every 1% increase in the Cash Reserve Ratio (CRR). It is therefore notable that Non-performing Loans (NPL) and Financial Performance (PF) have a positive link. The liquid assets ratio has a regression coefficient of 0.057. According to the statistics, there is a 0.057 percentage increase in Financial Performance (PF) for every one percent increase in the NPL ratio. . Furthermore, at the 5% significance level, the Financial Performance (PF) ratio is statistically insignificant, according to the P value of 0.144. Consequently, there is very little relationship between the liquid assets ratio and financial performance (PF).

their trend was examined, in order to determine the financial performance. Because these two banks are appropriate for the research, the researcher employed the purposive sampling approach in order to meet the study's objectives. The study encompassed the years 2070–2071 and 2078–2079 for the variables, and GIBL and SBL banks were used. The base year was determined to be 2074, which was also the deadline for recapitalization. The pre-merger era was defined as the years 2070–2073–2074, and the post-merger period as the years 2075–2078–79. The secondary data, which is gathered through the banks' publicly available annual reports, was compared. According to a research conducted in India, the tie-up did not enhance the performance of the country's commercial bank since the quality of the assets decreased as a result of a rise in non-performing assets (Upadhyay & Kurmi, 2020). Similar conclusions are reached in this analysis, suggesting that the bank may face difficulties as a result of the tie-up. According to a research by Elizabeth M. Samuel, management efficiency is improving; nevertheless, the study's contrast finding indicates that, when compared to Nepal, there has been no gain in management efficiency. The same Elizabeth analysis revealed that the banks' earning potential and liquidity were insufficient, and a similar conclusion was reached as a result. The Synergy Theory $PV(AB) > PV(A) + PV(B)$ the synergy theory says that firms merge because the value of the combined firm is greater than the sum of the values of the individual firms however in this study the contrast result is drawn which signifies that there is no improvement in most of the financial indicators. According to the current analysis, there is insufficient sensitivity to market ratios following a merger. In contrast to this study, a study conducted in Pakistan shows a positive shift in the sensitivity to market ratios (Zafar et al., 2017). The Theory of Synergy $PV(AB)$ exceeds $PV(A) + PV(B)$. According to the synergy theory, businesses join when their combined value exceeds the sum of the values of their separate businesses. However, the study's comparison result shows that the majority of the financial indicators have not improved. The Synergy Theory $PV(AB) > PV(A) + PV(B)$ the synergy theory says that firms merge because the value of the combined firm is greater than the sum of the values of the individual firms however in this study the contrast result is drawn which signifies that there is no improvement in most of the financial indicators. The current analysis comes to the conclusion that the main goals of financial institution mergers are to raise paid-up capital, broaden their operational base, and lessen competition. A research conducted in Nepal that examined the 25 amalgamated organizations came to a similar result (Adhikari, 2014). This analysis demonstrates that, despite an increase in the capital adequacy ratio, the Nepalese commercial bank's performance following the merger and acquisition has not improved. In contrast, the Nigerian study revealed that the merger and acquisition had enhanced the performance of the country's commercial bank (Anderobom et al., 2015). However, a comparable study conducted in Pakistan revealed that there has been no change in the commercial performance there either. Every research project has limitations that are dictated by the study's objectives, budget, and time constraints. Every piece of information displayed here is secondary information extracted from the relevant banks' annual reports. The population sample for this study consists of just 20 commercial banks, of which two were chosen for selection. Because of the tiny sample size, the study's conclusions could not be applied to a macro or massive scale. With a coefficient of determination of 0.985 and multiple correlation coefficients of 0.97, it can be concluded that independent factors such as NPL, EPS, CRR, CAR, and LLP account for just 97% of the variance in ROA. The overall importance of the regression model is demonstrated by the ANOVA test, which yields a significant result of 0.00 less than the 0.05 threshold of significance. As the independent variable rises, the dependent variable will as well. In contrast, a negative r means that when the independent variable rises, the dependent variable will decrease. The Financial Performance (PF) and the CAR have a correlation value of -0.847, indicating a negative link. The correlation coefficient between Loan loss provision (LLP) and Financial Performance (PF) is -0.186, indicating a negative relationship. The correlation coefficient between Financial Performance (PF) and Earnings per Share (EPS) is -0.519, indicating a negative relationship. A favorable link between CRR and financial performance is shown by the correlation value of 0.423. The very positive correlation that exists between Financial Performance (PF). The correlation value of 0.814 indicates NPL. The regression coefficients for Nepal's banks' non-performing loans (NPL), cash reserve ratio (CRR), capital adequacy ratio (CRA), earning per share (EPS), and loan loss provision (LLP). In addition to the Financial Performance (FP) intercept value for the dependent variable. The regression coefficient for CAR is -0.024. The data indicates that a one percent increase in CAR would result in a rise of -0.024 percentage points in PF. Additionally, the p value of 0.778 for CAR indicates that it is statistically insignificant at the five percent significance level. As a result, there is very little negative association between CAR and PF. The loan loss provision (LLP) regression coefficient is -0.692. PF would decrease by -0.692 percentage points if LLP increased by 1%, according to the data, and the LLP P value of 0.032 suggests that the change is not statistically significant at the 5% significance level. As a result, there is little correlation between

Financial Performance (PF) and the LLP. Similarly, the coefficient of regression for earnings per share (EPS) is 0.001. The Earnings per Share (EPS) Ratio's P value of 0.078 indicates that, at the 5% level of significance, the ratio is statistically insignificant. It also indicates that, for every percentage increase in the ratio, Financial Performance (PF) will increase by 0.001 percentage points. Consequently,

there is no statistically significant correlation between the EPS Ratio and Financial Performance (PF). The

coefficient of regression for the cash reserve ratio (CRR) is 0.530. At the 5% level of significance, the P value of EPS is 0.000, suggesting that it is statistically significant. It also demonstrates that Financial Performance (PF) increased by 0.530 percentage points for every 1% increase in the Cash Reserve Ratio (CRR). It is therefore notable that Non-performing Loans (NPL) and Financial Performance (PF) have a positive link. The liquid assets ratio has a regression coefficient of 0.057. According to the statistics, there is a 0.057 percentage increase in Financial Performance (PF) for every one percent increase in the NPL ratio. Furthermore, at the 5% significance level, the Financial Performance (PF) ratio is statistically insignificant, according to the P value of 0.144. Consequently, there is very little relationship between the liquid assets ratio and financial performance (PF).

CHAPTER V SUMMARY AND CONCLUSION This chapter presents findings from a comparative analysis of the financial performance of GIBL and SBL, two commercial banks. It also attempts to offer some suggestions to the people who are concerned based on the study's result.

5.1 Summary The banking and financial institutions in Nepal are experiencing a rise in mergers and acquisitions. It is mostly because of the 2011 Merger Bylaws that the NRB enforced on BFs in Nepal. Because the BFs were underperforming in the market, the NRB first had to apply forcible merger. BFs themselves later decided to engage in merger activities. The three main causes were the open market, capital requirements, and liquidity crisis. The financial performance of Nepal's commercial banks was analyzed by the researcher using merger and acquisition data. Finding out if the chosen combined commercial bank's financial performance improved or not following the merger is the study's primary goal. Additionally, the CAMELS criteria were applied, and their trend was examined, in order to determine the financial performance. Because these two banks are appropriate for the research, the researcher used the purposive sampling approach in order to meet the study's objectives. The study encompassed the years 2070–2071 and 2078–2079 for the variables, and GIBL and SBL banks were used. The base year was determined to be 2074, which was also the deadline for recapitalization. The pre-merger era was defined as the years 2070–2073–2074, and the post-merger period as the years 2075–2078–79. The secondary data, which is gathered through the banks' publicly available annual reports, was compared. In chapter 4, the researcher presented and interpreted data along with its conclusions. The following is a summary of the study: Given that the average capital adequacy ratio (CAR) for GIBL and SBL for the post- tie-up period is higher than the average pre-tie-up period and the average CCR for GIBL and SBL for the post-merger and acquisition period is higher than the average prior to the merger and acquisition, we can conclude that the tie-up improved the banks' performance. We can conclude that the tie-up reduced the asset quality of GIBL bank because the average NPLR, LLCR, and LLPR of GIBL for the period following the merger and acquisition are greater than the average prior to the tie-up. However, we may conclude that SBL's asset quality has improved as a result of the merger and acquisition because the company's average NPLR, LLCR, and LLPR for the period following the tie-up are lower than they were prior to the tie-up. Therefore, after mergers and acquisitions, the commercial bank's total asset quality is mixed according to this study. We may conclude that the tie-up has increased the management efficiency of GIBL bank because the average MER and BPE of GIBL for the period prior to the tie-up are lower than the period following the tie-up. Since SBL's average MER and BEP for the pre-tie-up period was greater than for the post-tie-up period, we may conclude that the tie-up had a detrimental effect on SBL's management effectiveness. Thus, following mergers and acquisitions, the commercial banks in our study had uneven overall managerial efficiency. It is possible to conclude that GIBL's profits ratios increased following the tie-up because the company's average EPS, ROE, and ROA during the time following the merger and acquisition are greater than they were before to the tie-up. We can conclude that the tie-up had a negative effect on SBL's profit ratios because the company's average EPS, ROE, and ROA for the period prior to the merger and acquisition are greater than the average for the subsequent period. Thus, the study's total earnings for the commercial banks following mergers are inconsistent. The average CRR of GIBL and SBL

for the period after the merger and acquisition is higher than the

mandatory set by NRB which is 3%, so we can say that both banks maintain their CRR. However, following the merger, the average IGSR and CBR of GIBL and SBL grew, indicating that the merger and acquisition had a satisfactory effect on the commercial banks' liquidity situation. The average P/E ratio and spread of GIBL and SBL for the time following the merger and acquisition are lower than they were prior to the tie-up, indicating that the market's expectations regarding the success of commercial banks have increased following the merger and that the bank's profit margin is unsatisfactory following the tie-up. All things considered, we may state that following the merger, the market sensitivity is unsatisfactory. The financial indicators of the CAMELS framework were not statistically significant, according to the test of the mean difference of the two banks before and after the merger.

5.2 Conclusion

This study aims to investigate the effects

of mergers and acquisitions on the financial performance of commercial banks following the implementation of a strict merger bylaw policy by Nepal Rastra Bank in 2011. Through the use of the CAMELS criterion, it analyzes and assesses the effect of M&A on the performance of the bank. This analysis concludes that the bank is operating with sufficient capital, as required by the NRB, which stipulates a minimum of 11% CAR. Accordingly, the bank satisfies the NRB criteria for banking operations and is capital sound. It has improved bank capital since the merger. The growing trend in asset quality supports the conclusion that, following the tie-up, GIBL has superior asset utilization. On the other hand, we can say that SBL weak in terms of asset usage, as the average assets quality of SBL is trending downward. Following a tie-up, commercial banks' asset quality is generally inconsistent. The management efficiency ratio is trending upward, which supports the conclusion that, following the tie-up, GIBL has superior management efficiency. However, the SBL's management efficiency ratio is on the decline in terms of management effectiveness. Commercial banks' management effectiveness following mergers is generally uneven. In a similar vein, banks' post-merger earnings performances are inconsistent. Following the merger, the bank's liquidity situation is good. After the merger, the market sensitivity is unsatisfactory. Researchers' findings about the performance of banks in terms of mergers and acquisitions are conflicting. While capital suggests a statistically significant improvement in bank performance, other indicators such as assets, management, and earning mean point to inconsistent performance across commercial banks. Following the tie-up, commercial banks' liquidity situation is good. And Sensitivity demonstrates the adverse effect. Nevertheless, since the merger is not statistically significant, the banks' performance has not improved. The report also emphasizes that BFIs must currently combine in order to preserve financial stability and the capital requirement; as a result, M&A should be carried out voluntarily rather than under duress. The merger shouldn't be viewed as the only way to solve the problems the market is facing. Furthermore, before to completing the merger, the banking institutions have to conduct sufficient due diligence in order to choose the best partners. Nevertheless, the analysis is constrained to concentrating on the two chosen financial institutions during an 8-year period and to evaluating the sample's performance using the CAMELS framework. Although the combined GIBL and SBL will profit from large-scale operations and have a larger part of the market, overall, it can be said that the merger has not significantly changed either company's financial performance, at least not in the near term.

5.3 Implications

Based on the findings, the following suggestions are offered to address the financial performance weaknesses of Global IME Bank Limited (GIBL) and Siddhartha Bank Limited (SBL). Frequent assessments and reappraisals are necessary for the NRB to monitor the performance of the combined bank. Therefore, in order to aid with the creation of new merger laws or the modification of current ones, it is necessary to ascertain their financial situation. The current trend in mergers and acquisitions appears to be forced mergers in order to boost capital and lessen bank rivalry. To enable banks to expand to the highest echelon of the economy, the government and regulatory bodies ought to keep an eye on the goings-on and promote the principles of the free market economy. The government ought to serve as a safeguard against violators of the rules that it has established. Throughout the assessment period, the bank's capital adequacy ratio has been in compliance with Nepal Rastra Bank standards; nonetheless, it has been trending downward. It is imperative that the ratio remain steady, if at all feasible, since a higher CAR indicates a stronger bank. Banks must to take into account, provide the required supervision for customers accepting loans, and thoroughly examine how loans are being used in order to increase loan performance, which in turn enhances the quality of the asset. Early in the merger phase, costs rise more sharply, therefore banks must be able to control costs and raise deposits for further investments in order to improve management effectiveness and boost profits. The bank has to make better investments. The bank's liquidity situation will improve if it makes prudent investments with the money that its depositors leave behind. Investors always want to see a strong and favorable return on their investment, therefore banks should reduce operational and

other costs and improve their profits ratios. The main participants in the financial system are bank depositors. Depositors want a bank that is secure and trustworthy with their money, thus that bank should reduce the amount of nonperforming loans and use their funds to make safe, dependable investments. Because Nepal is a tiny nation with a large number of financial institutions, which has led to unhealthy rivalry amongst them, mergers and acquisitions are required in the Nepalese industry. Thus, M&A contributes to enhancing the banks' and financial institutions' healthy competitiveness. It is also advised that future researches take into account the recently combined BFIs and take into account other financial ratios in addition to swap ratios in order to examine the consequences of merger. 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 2078/79 45 2072/73 46 47 48 2070/71 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67