

**IMPACT OF MERGER AND ACQUISITION ON FINANCIAL
PERFORMANCE OF NEPALESE COMMERCIAL BANKS**

**A Dissertation Submitted to the Office of the Dean, Faculty of Management in
Partial Fulfillment of the Requirements for the Master of Business Studies(MBS)**

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Impact of Merger and Acquisition on Financial Performance of Nepalese Commercial Banks**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has 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 the dissertation.

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REPORT OF RESEARCH COMMITTEE

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We, the undersigned, have examined the dissertation entitled "**Impact of Merger and Acquisition on Financial Performance of Nepalese Commercial Banks**" presented by Shiva Raj Kharel, a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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ABBREVIATIONS

A.D	:	Anno Domini
B.S.	:	Bikram Sambat
BAFIA	:	Bank and Financial Institution Act, 2073 (2017)
BFI	:	Banks and Financial Institutions
CDR	:	Credit Deposit Ratio
CEO	:	Chief Executive Officer
EPS	:	Earnings Per Share
F/Y	:	Fiscal Year
GBIME	:	Global IME Bank Ltd.
i.e.	:	That is
LTD.	:	Limited
M&A	:	Mergers and Acquisitions
MPS	:	Market Price Per Share
NICA	:	NIC Asia Bank Limited.
NPL	:	Non-Performing Loan to Total Loan
NPM	:	Net Profit Margin
NRB	:	Nepal Rastra Bank
PRVU	:	Prabhu Bank Ltd.
ROA	:	Return on Assets
ROE	:	Return on Equity
Rs.	:	Rupees
S.D.	:	Standard Deviation
SBL	:	Siddhartha Bank Ltd.
SPSS	:	Statistical Package for the Social Science
T.U.	:	Tribhuvan University

ABSTRACT

Mergers and Acquisitions plays crucial roles as a financial tool which helps companies to grow rapidly and providing the good return to the owners and investors simultaneously. A merger is the combination of the similar firms and becoming one as the distinct entity, whereas in acquisition, acquirer entity acquires another entity and run under the acquired entity. A mergers and acquisitions has been taken as an important tool to control the unnatural growth of BFIs by central bank of Nepal. The terms merger and consolidation uses synonymously but they have different legal meaning.

The intention of the study is to analyze the current financial situation, to examine the influence of merger and acquisition on return on financial achievement of sample banks. To examine the relation among return on assets, market price per share, non-performing loan, earnings per share, return on equity, credit-deposit ratio, net profit margin and capital adequacy ratio of sample bank. In this research descriptive and causal comparative research design has been anticipated. Descriptive research design has been anticipated for the identification of the level or position of mergers and acquisitions. Further quantitative research methodology, four commercial banks as sample, primary numeric data, data was collected by observation and financial indices used are ROA, MPS, NPL, EPS, ROE, CDR, NPM and CAR in the research. The Research used financial tools and statistical tools like descriptive statistic, correlation, paired t-test etc. After merger the financial pointers are in diminishing movement. ROA, MPS, EPS, ROE and NPM are decreased but decreased NPL, increased CDR and increased CAR shown the positive result, and in combine, other variables decreased, increased CDR and increased CAR shown the positive results, others remained the satisfactory, since they all are in positive direction. In the correlation analysis after merger also there is same level of the correlations among the variables. Variables are positively correlated other than NPL. After merger among the four banks NIC Asia has only performed good by analyzing the financial performance. As per the individual pair t-test decreased MPS of GBIME, increased ROE of NIC Asia and decreased ROA, MPS, EPS, NPM and increased CAR is validated by the paired t test. By the paired t-test of sample commercial banks only increased CDR and CAR validated that implied there was a differences in a CDR and CAR is found after the merger.

Keywords: *Merger and Acquisition, Financial Performance, Pre-merger and Post-Merger.*

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

Banks are the financial institutions. Banks accept deposits and provide loans. It helps to spread out the money in the economy by circulating funds from the deficit to surplus area. Thus there is an important role of banks in the economy. Moreover, the healthy financial institutions provide positive impacts for the smooth functioning in the economy. Banks have the greater roles for providing loans and investment funds for the industries and corporate houses that help in capital formation, development of nation, employment creation, balancing the economic forces in the market etc. As the changes in the financial market, Banks and financial institutions (BFIs) also change their significant decisions. With the greater challenges in the economies, banks and financial institutions also aim for the mergers, so that helps to strengthen their financial positions, also to capture the market control. Mergers, acquisitions, takeovers, amalgamations are a wide spread phenomenon all over the world. In today's competitive world all financial institutions tend to maximize their shareholder's wealth by utilizing competitive advantage. Specially, in developed and developing countries the number of mergers are notable. In Nepal mergers and acquisitions of financial institutions are relatively new executions. Market structure and bank lending behavior is impacted by merger. NRB initiated the regulations on bank consolidation as a merger which help to enhance the banking system's capacity and ultimately provide the platform for financial intermediation between savers and borrowers and restore public confidence. As merger activities around the world have the same purpose, the most common purpose for merger is to increase efficiency and reduce cost (Shrestha, 2009).

Merger and acquisition is an important tool for corporate strategy. It also assists to boost up an enterprises' growth rapidly. The benefits of mergers and acquisitions are considerable. Merger and acquisition can generate cost efficiency through economies of scale, enhance revenue through gain in market share, utilizes portfolio variations, explores new markets, grows and expands, uses new opportunities, expands corporate capabilities, generate tax achievements and decreased cost of capital. Merger and Acquisition can be taken as an important financial tool for the growth of the company and helpful for achieving return to the owner and investors (Sherman—Hart, 2006).

The terms "Mergers" and "Acquisitions" are used as an interchangeable, but there is a slightly different meaning. A merger is a process of making a single entity by combining its sizes and resources that makes the company to operate as a single entity rather than operated individually. When one strong company acquires as a takeover to another company and legally establish as a stronger new company thus the purchase is an acquisition. From a legal point of view, the withdrawal company exit and, and buyer acquires the entity and is continues to be traded its stock in stock market, while the withdrawal company's stock is no more traded (Gaughan, 2011). In acquisition where different sizes similar company is gone through the processes and company's board of directors, employees and shareholders are formed from stronger entity (Straub, 2007). Like some mergers deals, in acquisitions, a company can buy another company with cash, stock or by both. And big company can acquire smaller company's all assets. The mergers and acquisitions can be categorized in horizontal, vertical and conglomerate which are driven by different corporate strategies (Ross et al., 2003)

Banking regulating agencies are always thriving for the creating efficient banking system. Thus, the central bank, the regulator is always working for the obtaining efficiency, productivity and perfection in the banking regulation. For the reduction of imperfection in the banking channel, Central bank formulates and implements various financial tools and policies.

The poor policies can be described by frequent changes in short-term policies to control the interest rates, capital adequacy ratio, cash reserve ratio, spread rates and credit flow in a free-market economy. For instance, NRB suddenly raised the paid-up capital of BFIs by issuing the monetary policy of 2072/2073 four times without analyzing its impact on stock market. But BFIs issued right shares and bonus shares to gather the required paid-up capital. Thus, NRB finally issued the monetary policy for 2075/76 and former Governor Chiranjibi Nepal has suggested BFIs to find suitable entities for the appropriate merger sooner or later.

There are major issues in Nepalese Financial Market as there are a large number of financial institutions but with the low paid-up capital and it is mainly centered on the urban area and less in rural area. In 2075 B.S there were 151 BFIs, by analyzing the current economy, the number was so much high, that led the unhealthy economic issues such are collecting high deposits by manipulating the interest rate, interest rate sensitivity,

capital shortfall for investing in the large project, increment of bad loan. large number of small BFIs in the market resulted such problems. Interest rate sensitivity brought another problem that the bank with lower capital base as per the financial analyst.

Merger and Acquisition is a new concept in Nepalese financial market. Nepal Rastra Bank introduced the Merger Bylaw 2068 (B.S) that is based on the Company Act 2063(B.S) article 177, BAFIA 2063 (B.S) article 68 and 69. NRB persuade all BFIs to go under the merger as combination of financial institution. Before the announcement of merger bylaw there were several institutions that has already gone through merger process, some were Laxmi Bank, Nepal Bangladesh Bank, and Narayani National Finance. Monetary policy was issued in 2015 A.D by NRB. And minimum capital of commercial banks and development banks were also changed as the NRB announced. For this four times increment for commercial banks. And for the development banks it levied twenty-four times increment. Commercial bank then required its paid up capital upto Rs. 8 billion, also Rs. 2.5 billion for the national level development bank. The requirement standard proposed by NRB helped to further enhancement of market. The merger and acquisition has started from early 2011 A.D in Nepalese BFIs sector. Up to June 2016, merger process brought 96 BFIs to 35 as a consolidated financial entity (NRB, 2016 A.D).

Companies should be familiar with issues and challenges before and after the merger. Why is there a need for merger, what is the scope of merger in Nepalese BFIs, what are the motives behind merger, whether practice of merger will be successful or not in developing country like ours is the main concern of Nepalese academician and researcher. The aggressive encouragements for merger and acquisition in Nepal had led to the question of what drives the company towards merger, what are the factors critical in merger and what are its potential impact to the banking sectors. Thus, it is the interest of this study, impact of merger and acquisition on financial performance of Global IME Bank Ltd., Prabhu Bank Ltd., NIC Asia Bank Ltd. and Siddhartha bank Ltd. The merger of the bank was held on 30th June 2013 for Bank of Asian Nepal and Nepal Industrial and Commerce Bank become the NIC Asia Bank Ltd., in 2012 Global Bank Ltd., IME Financial Institution and Lord Buddha Finance Ltd. merged as a Global IME Bank Ltd., in 2016 A.D, Grand Bank Nepal Limited., Kist Bank Ltd., Prabhu Bikash Bank, Gaurishankar Development Bank and Zenith Finance Limited merged and become

Prabhu Bank Ltd., on 20th June 2016 Siddhartha Bank and Business Universal Development Bank merged and became Siddhartha Bank Limited.

The main motives behind the merger and acquisitions are synergy, revenue enhancement, cost reduction, tax gains and increase core competency. Merger can be used as a tool for the strengthening the bank's monetary capacity and level of performance. Despite many benefits there are some challenges too such as data migration and settlement of duplication of branch which are challenging for the banks.

1.2 Problem Statement

A problem statement is a short outline of the challenges or issue. Back then Nepalese banking sectors were gone through really tough phase and to cure this NRB brought the merger bylaw by assuming that it will be the remedy for the harsh phase. Nepal's regulatory body for the financial institution is NRB. NRB introduced force merger bylaw in May 2011 AD. Hoping that it will be the useful tool to improve and develop the fragile and problematic financial sectors. Experts' opinion on the Nepalese financial sector was that it was mostly congesting and if timely not sorted it would create more problems. NRB's liberal licensing policy only brought malpractices and unhealthy competitions among BFIs. With its merger bylaw NRB is trying to correct its previous decision of adopting liberal licensing policy. The outgrowth of BFIs led to the malpractices of banking norms and unhealthy competitions that made NRB headache to control BFIs effectively and efficiently. Merger bylaw of NRB would be the remedy for all the problems in the financial sector would be or not is the main concern of this research. Recently the financial institutions of Nepal have been characterized with several issues. Low volume of turnover, high interest rate in lending, high interest rate spread, inefficient management and lack of project were the main issues. Example of such financial institution was Gorkha Development Bank.

There is a weak supervision and missed corporate governance in Nepal such as in share market, capital market and finance. There is a problem to get proper information about what kind of impacts on above sector is created through merger bylaw as this will be important for the implementation and evaluation of merger bylaw. A merger formed by combination of two entities into one. Public companies merge and get its increasing shareholder value by increase in its share price and by gaining new market segments. Unlike an acquisition, merger is creation of a new entity by merging two.

The economic liberalization led to the massive growth of institutions which led a cutthroat competition. Government allowed to open commercial banks, development banks and finance companies by considering objectives of increased people's access to financial institution. NRB's merger bylaw help to maintain the liquidity in bank by minimizing the bad practice of loan endorsement as this before. In this context, it is crucial to know how selected Nepalese banking firms' performance is admirable or not. The study, therefore, aims to analyze and evaluate selected Nepalese Commercial Banks merger and acquisition which is used to evaluate the overall safety and soundness of a banks. Based on above problems this study focuses on the following issues:

- Does the current financial situation is satisfactory for sample banks?
- What is the relationship among return on assets, market price per share, non-performing loan, earnings per share, return on equity, credit-deposit ratio, net profit margin and capital adequacy ratio of sample banks due to merger and acquisition?
- Is there any influences of merger and acquisition on Global IME Bank Ltd., Prabhu Bank Ltd., NIC Asia Bank Ltd. and Siddhartha bank Ltd.?
- What are the profitability position, shareholders' value position, assets quality position and capital adequacy position after the merger and acquisition?

1.3 Objectives of the Study

The objective of study is to investigate whether of the financial performance of the selected merger and acquisition commercial banks improve after the merger within required criteria. Main objectives for the research can be listed below:

- To assess the current financial situation of sample banks.
- To analyze relationship among return on assets, market price per share, non-performing loan, earnings per share, return on equity, credit-deposit ratio, net profit margin and capital adequacy ratio of sample banks.
- To analyze the influences of merger and acquisition for the sample commercial banks.
- To examine the profitability positions, shareholders' value position, assets quality position and capital adequacy position after the merger and acquisitions.

1.4 Research Hypothesis

It describes the statement which helps to describe research questions and proposes the anticipated results. In other words, a research hypothesis can be described as the

prediction and which further tested for the verification in the research. The following hypothesis can be outlined for the verification of the study.

H1: There is a significant difference in bank's Return on Assets(ROA) between pre-post-merger and acquisition.

H2: There is a significant difference in bank's Market Price Per Share(MPS) between pre-post-merger and acquisition.

H3: There is a significant difference in bank's Non-Performing Loan(NPL) between pre-post-merger and acquisition.

H4: There is a significant difference in bank's Earnings Per Share(EPS) between pre-post-merger and acquisition.

H5: There is a significant difference in bank's Return on Equity(ROE) between pre-post-merger and acquisition.

H6: There is a significant difference in Credit-Deposit Ratio(CDR) between pre-post-merger and acquisition.

H7: There is a significant difference in Net Profit Margin(NPM) between pre-post-merger and acquisition.

H8: There is a significant difference in Capital Adequacy Ratio(CAR) between pre-post-merger and acquisition.

1.5 Rationale of the Study

It describes the importance of the investigation. This study plays the crucial roles for finding the goodness of merger and acquisition of Nepalese financial institutions. The findings of this study might quench the curiosity of students, experts, academicians and investors with respect to critical factors in merger of financial institutions in Nepal. Financial institutions which have already undergone and those which are going to enter into merger contract in future will also be benefitted from the findings of this study as it may serve as reference. The possible outcome of these research findings will be helpful to the regulatory body for further investigation concerning the merger by law's provisions and its impact on employees, stakeholders, clients, customers and in the financial market.

1.6 Limitations of the Study

Every studies have some significant limitations. Due to inclusion of sample data out of large population, it limits the study to some extent itself. The scope of study is restricted due to limited studies, references, time and resources. Furthermore, the major limitations of this study are listed as under.

- This study is mainly relying on secondary data only.
- Out of 25(2079-09-23) commercial banks, the study is limited to Global IME Bank Ltd., Prabhu Bank Ltd., NIC ASIA Bank Ltd. and Siddhartha Bank Ltd. only. This study is based on secondary data taken from annual financial reports of Sample Companies.
- This study covers the ten years' time period from 2013/014 to 2022/023. Only financial, descriptive and causal comparative tools are used for analysis.
- This study uses purposive and convenience sampling method on the base of M&A.
- The results of the study could not be generalized to other sectors such as manufacturing and trading enterprises as it is conducted on the financial sector.
- This study covers pre-merger time period from 2013/2014 to 2017/2018 and post-merger time period from 2018/2019 to 2022/2023.

CHAPTER-II

LITERATURE REVIEW

Literature is the study related material for the research such as articles, news, case studies, and previous works, diagrams etc. Thus review of literature is related to the studying, identifying, understanding and learning of the concept of the required topic. After selections of topic researcher should focus on the study of relevant data. The relevant conceptualizations are reviewed under this chapter, which affect the variables of the study. Various empirical studies are carried out with reviewing dependent and independent variables that helps to develop theoretical framework for the study. A literature review is a study of authors sources on a given topics and that provides the additional view on current knowledge and help to identify relevant theories, empirical reviews and the gap in the relevant research.

2.1 Theoretical Review

It describes the fundamental concepts of the related subject. The brief summary of prior reviews of M&A provide the greater benefits from merger. Brief understanding of related prior research would help the researcher to find the insights of the research. The critical examination and integrations of the various theories, models, ideas and key topics are done. It helps to understand the phenomenon and helps to establish the foundation of the work, justification of the research questions and positioning the study in the broader academic context. Mergers and Acquisitions are exercised for the shared ideas, shared management, shared capital, shared norms, policies, values, shared resources and strong positions on market. Mergers and acquisitions helps entity to make stronger. And stronger entities can easily compete with the top players in the market. The various theories of M&A are helpful to describe the motives that the companies go for the M&A deals. Most important concepts for the research can be described as follows.

2.1.1 Concept of Mergers and Acquisitions

The merger and acquisitions are mostly occurring event across the world. In Nepal there have been also executions of mergers and acquisitions for the business entities and for banking and financial institutions too. Merger is the absolute integration of one firm with

another similar size firm. The merger has the collaboration between the entities and they make a brand new company and both of the previous entities lost their legal identities and only new company exists as a legal company (Ross et al., 2003). Mixing of the Entities purposes for the Resources achievement, Growth of Entities, Enrichment and for the Renovation of the Entities can be described as the term merger (Ransariya, 2010).

Whereas in acquisition acquired firm ends its identity and acquirer firm maintains the identity. In acquisition weak company is being swallowed by the stronger company (Ross et al., 2003). Consolidation can be described as the possessions of stronger and bigger company over the weaker company. Consolidation makes the weaker company to vanish in the business world from the legal point of view (Okonkwo, 2004).

Long term goals of the entities going for the mergers and acquisitions, mainly for the achieving synergies by amalgamating two companies for the achievement of competitive advantage (Porter, 1985).

2.1.2 Difference in Mergers and Acquisitions

Merger is also known as the amalgamation. Merger is the activity of two or more companies come across and form the new entities then such activity is called as the merger. Basically concept of merger explains that combination of two or more companies with mutual understanding and forming a new company with new management is called the merger. For Example, company S and company T come under merger and forming the brand new company U. In such newly formed company there is also new management is formed and operates distinctly. Usually after merger some employees are cut off with the decision of the new management. Merger has time consuming and expensive process. Acquisitions is the acquirement by the strong entity over the weak entity on financially. In acquisition there is the mutual understanding and consent, where both of the company arrives at the common agreement in friendly manner. In acquisition there is no legal entity of the acquired company after acquisitions. There is no new management is formulated but previous management is run for the operation of business, minor changes are done as per the necessity. For Example, if company A is financially strong company and company B is weak then A acquires company B, and company A only exist. The legal identity of the company B is vanished. Acquisitions is less expensive than merger. If the acquisitions are done in unfriendly way without the mutual consent of the parties in such case it is called the takeover (Doshi, 2021).

2.1.3 Major Types of Mergers and Acquisitions

There are several types of mergers and acquisitions. But most popular mergers and acquisitions are Horizontal, Vertical, Conglomerate, Congeneric and Reverse.

a) Horizontal

Horizontal mergers and acquisitions are mergers of the similar nature, similar background and similar size entities forming the new entities. Basically the operating industries and stages of the companies are same. For example, merger and acquisitions between the banks. The mergers are formed between the competitors in the market. It helps to overcome the competition, obtain economic scale and increase market power. Horizontal mergers blend the two companies of the similar size that produces competitive advantage to the rivals (Ross et al., 2003).

b) Vertical

If mergers and acquisitions are within vertical stages of the same industries. And if companies are along the value chain it is vertical merger. Basically the merger is occurred between the buyer and seller of the same industries which are occurred on the different stages of the industry. In the vertical merger backward and forward integration may be there. If the company is doing mergers towards the suppliers it is backward and if it towards the consumer, then it is forward integration. For example, if the Tire manufacturing company merges with the resin industries, the raw material supplier then it is backward and if it merges with the major wholesaler then it is forward merger. The main motive for the vertical merger is to reduce the cost of product and increase profit (Doshi, 2022).

c) Conglomerate

In conglomerate merger the merger between two companies have no any competitor relationship. Conglomerate mergers and acquisitions are the mergers between the organization which are from the different industries. The mergers between the completely different industries is conglomerate merger. For example, merger between textile company and internet company. The main motive behind the conglomerate merger is to attain the diversification and growth of the business in the long run. There is no any strategic synergy from the conglomerate merger for the immediate but it may help for the future. It also helps to minimize the risk of the portfolio (Gaughan, 2002).

d) Congeneric

Congeneric merger and acquisition can be described as the extension of the business which has outward movement. Congeneric merger is usually done between the similar

nature of business but the product line is different. For instance, the amalgamation between the Biscuit company and cookies company. In this merger, company has added advantages of the extension of the products, services and technologies (Karlson, 2019).

e) Reverse

If the mergers and acquisitions is done in the reverse way, then in that case it is called reverse merger. If small company acquires the big company, then in that case it is called the reverse merger. Reverse merger is a strategy usually done by the company for the reviving the sick company and restructuring the company and company further sales the acquired company. Also if private company buys publicly listed company then in such case too it is called reverse merger. In some case there can be seen Subsidiary company buying parent company (Dumont, 2022).

2.1.4 Motives Behind Mergers and Acquisitions

There are some motives behind the Mergers and Acquisitions. Because every company seeks some motives before going to the further mergers and acquisitions process. Mergers and Acquisitions help to achieve various benefit for the company. Major motives for the mergers and acquisitions can be describes as below.

a) Creates Synergy Effects

Synergy can be describing as the added outcome or value if working by combining than the individual separately. With the mergers and acquisitions two or more companies are worked together and they can achieve the synergies. When two companies' merges the combined value of the shares is usually achieving the higher price than the separate value. Synergies can be in three forms operational, financial and managerial (Ross et al., 2003)

b) Economies of Scale

Mergers and acquisitions helps to combine the different entities that helps to make a company big thus big company produces the goods and services in the large quantities then company is able to attain the profit by minimizing its cost (Motis, 2007).

c) Diversification

Mergers and acquisitions help to achieve the diversification of the portfolio. The diversification helps to achieve reduced risk, shared knowledge, shared management etc. which helps to achieve the portfolio management in the diversified manner (Kwak, 2002).

d) Increased Market Power

Mergers and acquisitions help to attain the increased market power. As mergers and acquisitions help to achieve the increased size in the market in such case large scale production, minimization of cost and increased market dominance help to capture the market. Other competitors are not able to compete in the long run (Kenton, 2023).

e) Cost Reduction and Tax Saving

Mergers and acquisitions help to achieve the cost reduction by shared ideas, new efficient management, new policies, large scale productions etc. that minimizes the product cost. Company can get the tax gains by merging with the losses companies. The merged entity has less tax liabilities as there is losses in the company that is merged with the profit company. And in acquisition of assets help to revalued the company and if value of assets is increased, in such case the tax deduction for depreciation will be beneficial (Ross et al., 2003).

f) Increase in Shareholders' Value

Usually in the mergers and acquisitions there is association with the financial performance. Mergers and acquisitions help to achieve the maximization of the shareholders' value. It can be seen by increased value of earnings per share and market price per share (Gohling, 2012).

2.1.5 Mergers Bylaw in Nepal

Mergers and acquisition are an important instrument for the management of the bank and financial institution. Thus for the proper monitoring and efficient management of the BFIs the merger bylaw plays crucial role. By adopting 1980's economic liberalization, there was a significant growth of the Banks and financial institutions. Even though central bank anticipated the easy access of the banking and finance in every part of country, it led to the various financial complexities, challenges, problems, malpractice, bad corporate governance and unhealthy competition among the BFIs. Moreover, The International Monetary Fund (2008) states on its research that one third of the Nepalese BFIs had severe problems such was excessive liquidity, inadequate working capital, and excessive operating expenses. And mismanagement and unhealthy competition was another major problem. Merger was not the subject of choice but it was the only strategy for the Nepal Rastra Bank for the increment and strengthen the capacity of BFIs to face the competitive market, if not then they have to collapsed (Gautam, 2012). By observing such situation of the Nepalese financial market finally NRB planned for the improvement of health of Nepalese financial sector. For this NRB introduced Merger Bylaw 2068 B.S, which was

based upon the Company Act 2063 article 177 and BAFIA 2063 article 68 and 69. And finally the Merger Bylaw pressurized all the BFIs to find the suitable partner and come under the merger as a consolidation. As this NRB's Bylaw persuaded to merge the BFIs if they are operated and owned by the same business family, relatives and groups. And if they come under the shortfall of the capital they must go under the merger. If CAR imposed by NRB is not matched as per the standard, then in such case too BFIs should go for the Merger for the financial strengthening as to meet the credit risk and operational risk.

2.1.6 Historical Background of Mergers and Acquisitions in Nepal

The concept of Merger and acquisition in Nepalese Bank and financial institutions is relatively new. Merger Bylaw was introduced on 2011 AD in Nepal. NRB introduced it in Nepal. NRB escalated the needed paid up capital from Rs. 2 billion to Rs. 8 billion by the introduction of merger Bylaw. NRB's financial statement report, Mid Jan, 2020 shows the data for the merger. Merger and acquisition started from 2012 A.D and mostly done from 2016 A.D afterward and it is running till date. Bank of Kathmandu was acquired by Global IME Bank in 2023. Mega Bank has merged with the Nepal investment Bank in 2023, Laxmi Bank and Sunrise Bank in 2023 as recent merger.

As NRB adopted pressure policy for the commercial banks to go under the merger the wave of big merger has started. From 32 to 27 to 20 commercial banks were came under the merger (Mid Jan 2024 A.D). As per the former governor Dr. Chiranjeevi Nepal Long term interest of the country is on the stability of banks, security of banks and deposit are also cared for the long term sustainability (Paudel, My Republica 2023). As Maha Prasad Adhikari, Governor of Nepal has a view on mergers that it reduces financial intermediation and it also assist to create capable and powerful organization. The Competitive advantage, growth in operation and minimization of expenses etc. are the remarkable advantages of merger and acquisitions. As per the Dr. Nepal in current economy 12 to 15 commercial banks would be very much sufficient.

2.1.7 Demergers and Its Motives

Demerger is the another concept in the merger and acquisitions. Organization uses demerger strategies in certain case only. Demerger is the concept of the separation of the large organization into smaller organization. In other word the dividing big company in smaller company is called demerger. In demerger each separated company has separate legal identities and original big company has no any legal entity. Demerger usually

formed in the three major types. If the part of the business is separated and forming the new separated entity, then it is called spin off demerger. In spin off ownership and management has no change. If the company splits into the new business units and original company has no identity, then it is called split up demerger. Split up builds new management and new ownership. If the split of the IPO is done in the business, then it is called equity carve out demerger where parent company has no control on the equity on new entity. In this demerger there is the inflow of cash. Motives behind the demerger is long term survival, managing existing business, business diversification, cost reduction etc. (Dwivedi, 2022).

2.1.8 Takeover

Takeover is another important concept in the mergers and acquisitions. When the acquiring of the small business by big business in a friendly way or with the mutual understanding of the both party then it is called as the acquisitions. On the other hand, when acquisitions are done from the strong company to the weak company on the unfriendly manner or without the mutual understanding of the both parties then that can be called as the takeover (Kenton, 2020).

2.1.9 Mergers, Acquisitions and Corporate Restructuring

There are corporate strategies of the firms. The structure can be changed. The operation, finance, products and services etc. can be rearranged. It can be described as the corporate restructuring. Usually the corporate restructuring is done by the firms for the long term goals. Mainly the restructuring is done by the firms, if firm suffered from the financial deficiencies which threatens for the survival of the company and if the firms wants growth then in such case the expansion of business leads the corporate restructuring. Corporate restructuring focuses on the significant change in the business strategies. Improvement of the internal business is called internal restructuring such as business diversification, demergers, selling the part of business etc. On the other hand, external restructuring helps to grow the business on the long term by forming joint venture, forming strategic alliances, acquiring non-core business etc. (Doshi, 2021).

2.1.10 Mergers, Acquisitions and Performance Measure

Mergers and acquisition mainly done for the increased value of the company, better synergy, better management, better shareholders' wealth, increased market power etc. Basically performance of mergers and acquisitions can be measured in terms of shareholders' value and operating performance of the company. Pre and Post mergers

data are analyzed for the identification of the difference in the performance or not. Shareholders' value is analyzed by the analysis of the change in the share price, dividend and market price. It is the analysis in which whether post-merger phase help in the increment of shareholders' wealth or not. In another method, there analyzes by the observation of the managerial value. In managerial performance economic gain, operating synergy, tax reduction and profitability is analyzed. The profitability is analyzed for the measurement of the performance of the entity with earlier and later merger period and also compared with industry benchmark and comes into the conclusion whether the merger has positive result or not (Vyas, 2008).

2.1.11 Challenges of Mergers and Acquisitions

There are various hazards and difficulties are undercover in the mergers and acquisitions. If the mergers and acquisitions are not addressed properly it will make some serious problems for the entities. If the employees' cultures are not integrated properly it will clash. If employees' are not willing to work after the merged entity, then there will be problem of employees' retention in the organization. Conducting the right and proper valuation is also mind-bending issue for the acquirer. Proper formation of the board of director and management team is yet another major challenges (Patel, 2024).

2.1.12 Theories on the Mergers and Acquisitions

There have been several theories profound by various scholars which can be described as follows.

Synergy Theory

Synergy is a concept associated with physical sciences. It is less associated to finance and economics (Dertwinkel-Kalk & Wey, 2016). It refers to type of result where combination of two items produce an effect which is often greater than the individual effect of the items operating individually. Simply, synergy indicates to a positive situation where $2+2=5$ (Dertwinkel- Kalk & Wey, 2016). In mergers and acquisitions synergy can be obtained. In the theory of synergies, it is understanding that firms utilize the different resources and technical competencies to create greater value (Gohlich, 2012). Umber et al., (2011) showed that there are three types of synergies. Firstly, there is the cost of production that creates operational synergy, the cost of capital that creates financial synergy and the price-related which creates collusive synergy. According to Hinker et al., (2011) synergy provides an explanation for M&As that helps to boost future cash flows and to increase the value of the firm. Gohlich (2012) indicates that the synergies also arise from increase in revenue and cost reduction due to the gains of consolidation. Financial synergies can

be obtaining by deduction in the cost of capital. Financial engineering, cash slacks and tax savings helps to obtain financial synergies (Hankir et al., 2011).

Agency Theory

This theory is described by (Jensen & Mackling 1976). Jensen and Meckling (1976) suggested that the shareholders (principals) and management (agents) are rational enough to maximize their utility. In neo-classical economic theory it is assumed that the only focus in the firm is to maximize profits (Schmitz, 2013). However, behavioral economists have found that the objectives of management are to maximize their own interest. In modern enterprises, the ownership is diversified and scattered, the management are often in charge. The management have always focus on the increased possession, better payroll, and better working conditions (Hongxia, 2011). (Gauld, 2016) states that the modern organization makes it very difficult and costly to observe the management effectively. The managers can manipulate data and reports in order to increase the value of the firm. The adverse selection and moral hazard indicates information asymmetry in markets (Peleg & Ravi, 2019). Management of the firm is positively or negatively reflected with the Market Price of share. The M&As are value enhancing (Gohling 2012).

Value Creation Theory

In the resource-based view, the competitive advantage and overall performance is determined by firm's resources and abilities (Barney, 1991). In the resource-based theory, the resources firm owns or control is relative to the resources available in the economy and the availability of the opportunities to use these resources, determine the value that creates (Krishnan & Lefanowicz, 2009). To ensure firm's competitiveness, the management of the firm should continuously remap and reconfigure its resources and potentials. Mergers and acquisitions are thus means for the creating value by transferring resources and capabilities. That helps the firms with technical competencies (Graebner et al., 2017). Rabbiosi and Sangane (2013) refer to this type of transfer as reverse knowledge transfer, where knowledge is flowed to the parent firm from the target firm. This transfer of capabilities serves as a key to compensate for the hurdles faced by firms operating in less developed economies. The acquisition of firms in more advance economies helps firms to blend quickly in market that allows the entities to attain competitive advantages and getting good positions in the global market (Demirbag et al., 2010).

Market Power Theory

In the market power theory, Feinberg (1985) allocative synergy can be obtained by firm, by bigger the size of firms, the bigger the market power taking other factor as constant. The higher market power allows the consolidated firms to set higher prices and to gain higher margins through the increase in number of customers. established that horizontal M&As create firms with greater market powers than other types of M&As. With fewer suppliers in the market, the action of an individual supplier is clearly noticeable, and the probability of non-compliance is identified. The easier it is to discover non-compliance, the lower the monitoring costs, this results in enhanced stability, profitability and creates attractiveness of conglomerate (Eckbo and Wier 1985).

Behavioral theory

The behavioral theory or its hypothesis is more focused on correlation between merger activity and stock market valuation. Merges and acquisitions occur as a result of overvalued markets and managerial timing. The behavioral theory presumes that overvalued markets and managerial timing serves for the creating merger waves (Eckbo, 2010). Similarly, Kropf and Viswanathan (2004) said that these overpriced stocks are accepted by target management in short period by analyzing synergy with overvaluation and timing. There have been studies regarding the behavioral pattern of the decision-making bodies with regards to merger activities. As per the empirical study done by Millender and Tate (2005) using a sample of Forbes 500 firms from 1980 to 1994, it was stated. We find that overconfident CEO are likely to carry out merger activity than the rational CEO's at any point in time. In financial market biasness is usually observes with the risk of irrational behavior is larger in M&A (Nielsen and Bierrre, 2010).

2.2 Empirical Review

An empirical review can be described as the academic review of previous journals, articles and theses which focuses on the summarizing and analyzing the findings of research studies.

2.2.1 Review of Journals and Articles

Adhikari et al., (2023) examined the Influence of Mergers and Acquisitions on the financial achievements of Commercial Banks in Nepal. In the research researcher used quantitative method for the research. Secondary data was acquiring. And that was used from the annual audited financial report. Total 7 commercial banks were taken in the study and set of 13 financial ratios were used. The three years before and after data were

used and derived the financial performance. Paired t test was used in the research for the easy understanding and analysis. The result found that there was no significant improvement on the financial ratio but the result was significant on the leverage ratio and liquidity ratio. Shareholders' wealth was not significantly improved.

Chiaramonte et al., (2022) examined the Mergers and Acquisitions in the financial Industry with Bibliometric Survey and Future Investigate Directions. The application of bibliometric reviews was growing immensely in finance, and also continuous mergers and consolidation process of firms across countries had greatly influenced this study on mergers and acquisitions (M&A) in the financial industry. From 4500 papers were taken and it was further refined with keyword and journal quality and finally it helped to reviewing 174 as the final sample. By gathering bibliometric and content analysis, it helped to identify journals, articles, research questions, authors, institutions that helped to contribute to the researcher. Moreover, this study helped to analyze and identifying five leading research streams and their evolution over time, that was extensively discussed.

Richard & Apolinaris (2022) examined the effect of Mergers and Acquisitions on Abnormal gains and Financial achievement of Banks Listed on the Indonesia Stock Exchange. This study helped to find out the performance of the stock market at Indonesian banking firm with the help of mergers and acquisitions in the year 2019. The research helped to conclude the effect of M&A. And M&A effect on the performance is checked. A 3 firm was taken as a sample in the 2019. This study primarily used two methods such was the event study method with a market model approach and an accounting approach based method, that helped to examine the impact of M&A. The results were analyzed where abnormal returns measured using CAR and that were not better after M&A and financial performance measured by ROA, ROE, BOPO, gross NPL, and LDR also gave poor results after M&A. But after the merger and acquisition firm's size was huge and statistically also it was noteworthy.

Bajgai & Pradhan (2021) researched the Assessment of Financial Achievements and Service Facility Improvement After Merger and Acquisition of Financial Institutions of Nepal. Merger and acquisition integrated two or more similar entities into one. Gradually banking sectors started to perform the merger and acquisition in Nepal. Merger bylaw 2068 BS was introduced. NRB introduced and the main objective was to reduce BFIs in terms of number and enhance financial stability. Which helped to promoting public

confidence on the banking sector. which encouraged and compelled the banking sectors for execution of merger and acquisition process so they can attain long-term sustainability. The study was assessed to identify the impact of merger and acquisition on financial achievement and service quality of financial institutions of Nepal. In the study category A and B bank were taken which were established after merger and acquisition process. The cross-sectional study was used. Out of total 385 employees of banking sectors was taken as sample. financial achievement and service quality of banks (category A and B) was significantly different. The later-merger condition had significant result as the p value was less than significant level.

Bhatta (2021) researched the Effect of Bank Merger on the Shareholders Wealth and Post-Merger Situation of Nepalese Banking Industry. Researcher studied mergers led to change in banks share ownership. In the research, bank efficiency was increases with increase competent and merged ideas. Excess capital enabled to compete with foreign banks. The objectives and questions were also incorporated as well as the scope, the significance and purpose, and the position of the research study. It found that engaging in such mergers and acquisitions strategies was to create or appreciate the value of the returns of the shareholders. The asset was acquired by acquiring company for the exchange of acquiring company's stock. Financial synergies were increase in the acquired company.

Gautam (2020) examined Shareholders' Value Affected by Merger Process of Bank and Analysis of Post-Merger Situation of Nepalese Banking Industry. Merger and Acquisition could be best tool for the analyzing efficient achievement of financial industry and identifying the issues underlying the system. The models also helped to reduce the cost of activities, increase market rivalry and profitableness of firms. In the international financial markets, M&A could be tested for the competitive advantage and expanding operations of financial institutions. Despite these expectations only few met for the initials.

Dhakal (2019) researched the Impact and Challenges of Merger and Acquisition in Nepalese Banking and Financial Institution. The research method used in this paper was descriptive research, which implied the outcome based on the survey and the analysis. In the study mergers and acquisitions impact was analyzed through questionnaires for the employee and customers. The analysis of financial data of merged bank in 2 years of

earlier and later merger phase helped to identify the impact on the shareholders. In the analysis employees were well content with the salary, benefits, works, working surrounding etc. But they were also impacted in the HR issues like cultural quarrel, positions issues, socialization, inequality etc. The customer felt the good mixture of positive outcome such was good value, better product and service, in post-merger phase also required innovative service too. The financial data helped to found the improvement in post-merger phase with increased shareholder's value. But there were several challenges too. They were swap ratio, formation of BOD, management team structure, HR sector, IT issues etc. Therefore, M&A was good measure to enhance the weaker institutions into the stronger institutions. The BFIs should also take into account like, the socio cultural factor with procedural and physical factors for merger. They could involve in expert or investment banks for the full-fledged merger to avoid delay.

Stunda (2019) assessed the Impact of Mergers and Acquisitions on Acquiring Firms. In the study researcher observed the firms which undergone merger and acquisition. Also this examined the impact of merger and acquisitions on the firm's security prices. These studies gave a mixed result. Some of the study shown negative and some shown the positive effect in the stock price. This study helped to extend the prior studies by inclusion of both number of firms and number of years increasingly. When the acquiring firms were compared with non-engaging firm the stock price of acquiring firm found notably negative, on the other hand non engaging firm had notably positive effect on the stock price. And when acquiring firms were compared to the industry membership it was found that there was a significant negative effect on stock price, but shown exception on the oil, gas industry and banking and financial services industry. These two industries were characterized by significantly positive result. These results were noteworthy for the investor, managers, researcher, scholar and experts as it might be as a useful insight to the effect of merger and acquisition. The perspective of acquiring firms and security prices analysis was very useful for this. This study also stipulated that certain firms in industries have positive impact and some others firms may have a negative impact.

Mehrotra & Sahay (2018) researched on Monetary Performance of Mergers and Acquisitions in India. The post-liberalization 1991 helped as a trigger for the Mergers and Acquisitions (M&A) wave. The withdrawal of industrial licensing, lifting of monopolistic and restrictive trade practice act was the key inclusion on the liberalized policies. The strategies acted as an initiation for the emerging scenario where the

integration in business was the good measure to compete the unhealthy rivalry through better governance in India. The articles aimed to inspect the literature which were previously published which were relevant to post merger financial performance of acquirers. The review assessed that the research was aimed for the merger deals that was took place in developed countries in early nineteenth century. Further, most of deals were announcement-related. This review helped to find out the gap in the related research which were undertaken in emerging nations. This article tried to assist the researchers and evaluator for the better understanding of the issues in M & A and also suggested the right path for future investigation.

Pachulia (2018) assessed the Corporate Achievement of Silk Net Company with the Impact of Mergers and Acquisitions. In this research, researcher studied the impact of mergers and acquisitions on corporate financial achievement in Georgian company with applying data from financial reports. The research presented the literature review of merger and acquisitions by referring the Georgian company. The paper exhibited and inspected the JSC Silk net's merger and acquisitions strategy, industry choosing and merger direction. The portfolio analysis helped to find out the benefits of mergers and acquisition. The product diversifying was the most suitable strategy for the broadening of business portfolio for JSC Silk net. Moreover, research recommended for the inclusion of financial performance trends, based on return on equity, return on assets, return on sales. The results brought positive financial performance to the company's side as company was merging and consolidating new firms in its portfolio.

Walsh (2018) researched on Merger Policy and Its Impact on Nepalese Bank. The motive of the study was to assess the status of impact, impact on senior staff, customer and employee's motivation. Moreover, identification of the major problem that was raised was the another aspect of finding motive. In the research, published audited account of ten banks and 200 respondents were used to analyze that consisted primary and secondary data. The analysis found that there was positive impact on staff, employees and consumer of bank.

Dhingra (2018) conducted a study on Impact of Merger on Performance Analysis. In the research researcher used back and forth merger data of bank. For the analysis descriptive and exploratory research design was used three years of before and after merger was used. In the research secondary data was anticipated from the banks financial report. For

study t test was used for the analysis of data. Researcher found there was no significant change in the financial performance but shareholders' wealth was increased after the post-merger and suggested to include various factors for the improvement of financial performance, merger only don't improve the performance.

Ombaka & Jagongo (2018) examined Mergers and Acquisitions on Financial Achievement Among Selected Commercial Banks, Kenya. Researcher introduced the recent movement in Kenya in regards of amalgamation and acquisitions. Researcher tried to figure out whether the many mergers related activity in Kenya had significant effect or not. Researcher had main motives to find out operative synergy, differential efficiency, risk diverseness and market capture. Researcher applied descriptive research with inclusion of 9 bank, with 3 amalgamated and 6 acquired banks held the period between 2010 to 2017. In the research 5 years of back and 5 years of forth data was used. The research is accompanied by use of quantitative analysis with multiple regression with the assistance of SPSS 21. The study found the significant influence of the operative synergy, differential efficiency, risk diverseness and market capture over the financial achievement. Research had a positive view on the mergers and acquisitions with the recommendation of the inclusion of hazard analysis and pattern analysis.

Shrestha et al., (2017) examined the Effect of Merger on Financial Achievement in Nepalese Banking and Financial Institutions. Merger and acquisition was new execution for the restructuring. It helped repositioning and rejuvenating the Nepalese BFIs. In this study back and forth the merger data was taken in the analysis, in which 6 BFIs was taken in sample. Also respondent were taken from the bank was 120 respondents. Financial ratios were anticipated for the inspection of the data. T test was taken for the easy analysis of data. In the research Loan quality was degraded and profitability measured by ROA and ROE was significantly declined. Researcher concluded that merger only did not played the role of overcoming the challenges faced by the BFIs in the economy but some other factors also should be analyzed.

Bista (2016) examined the Impact of Mergers and Acquisition on Financial Efficiency of Banks. In the study merger impact on employees and customers were discovered by the used of questionnaires, as well as the influence on shareholders was identified by financial data. The data were taken from the merged bank in 2 years of earlier the merger period and later the merger. As it resulted the financial proficiency after the M&A. But in the study, it had not included the other variables that could have the positive impact on

the efficiency of banks. As this, there was unclear findings, whether the result was contributed by other variables such as human resource i.e. employees' satisfaction.

Banerjee (2015) assessed the Financial Performance Which Are Impacted by the Merger and Acquisitions. And author took the evidence by some selected companies in India. The paper tried so much to overcome some importance of effect of merger. They were in terms of profitability and liquidity position. In the research three years of back and forth merger data was used to inspect the financial achievement. Sample size were taken from seven different industries undergone acquisitions during 2006-2012. The secondary data of three years earlier and later from annual financial statement from 2000-2015 was taken. And wide range of financial ratios analysis was done to assess the profitability and liquidity positions. The analysis was done using statistical tool pair test on accounting ratio by SPSS for the testing of significance of study. The study concluded that of no improvement in financial performance after the merger of acquirer company.

Mayer et al., (2015) researched on Mergers and acquisitions: The Human Factor. In the study willingness of party regarded as the trust. And that was exposed to the action of another party. The action is predicted by expectation by assuming that particular action would be carried out by other. Which is crucial for building trust, regardless of ability to monitor. Furthermore, Graeber found the trust as the willingness of a group, person, individual, organization or entity which were rely on another party's actions in situations that involving opportunism or risk.

2.2.2 Review of Thesis

Banik et al., (2022) conducted a Study of Mergers and Acquisitions in the Indian Banking Sector. The study helped to find out the outcomes of the mergers and acquisitions in terms of customer base, economies of scale, employees perspective and financial aspects of the banks. In this research researcher used survey method for the collection of data by banks employees through questionnaire from the 50 respondent. Male employees were more than the female employees and 18 to 30 age group was considered mostly. Chart analysis was used for the analysis of data and found that mergers and acquisitions were essential for better efficiency of working body from significantly, advantageous for the normal public, impacted on the share of public sectors, helped for the strengthening of weaker banks and diversified risk management, resulted better economies of scale, helped institution for the scale up quickly and gain large number of new employees, improved

financial statement, helped to achieve competitive advantage domestically and internationally, helped to reduce hassle for the public, and it was the way to bring most of the work under the roof. Overall the study showed positive impact from the mergers and acquisitions in the banking sector researcher suggested the mergers and acquisitions for its benefits like economies of scale, combining resources, providing better services and reduced cost.

Masavi (2021) conducted a study on Consequences of Mergers and Acquisition on financial Accomplishment of Commercial Banks in Kenya. The descriptive research and purposive sampling was the main tool that was anticipated to collect the data. Out of 39 commercial banks researcher selected 195 employees for the sampling. Researcher highlighted the competition in the economy and volatile market and merger strategy was the strategies that looked by the organization. Also researcher focused on the consumer base, technical proficiency, strategic matching and assets acquirements and these factors how affected the commercial banks in the kenya. Researcher suggested that the mergers and acquisitions were subject of interest for the managers' and shareholders'. The researcher collected primary data from the employees by questionnaire and emails and secondary data from the banks and central banks website. The collected data were further analyzed by the percentage and mean and inferential statistics by using regression. By analysis of the data researcher found the increased market base, technical proficiency and financial performance. As the study resulted positive outcome by the mergers and acquisitions. Researcher further suggested banks that are facing financial difficulties could have opted for amalgamation. Also researcher indicated that the interest of mergers and acquisitions were not for the managers only but for the shareholders' too. As the increment of the shareholder's wealth maximization was the ultimate goal. Mergers and acquisitions would help banks for the future to sustain and getting higher profit.

Thakur (2021) conducted a study on the Effect of Amalgamation and Acquisitions on Achievement of Public Sector Banks in India. Researcher included 26 public banks. And also 12 private banks in the study. Researcher used CAMELS score rating on the study. Quarterly data of 2015 to 2019 A.D and divided in three years before and after, has been used in the study. In the study researcher deeply investigate the impact on the study. And on the conclusion drawn by researcher was there was positive result on many factors. Some resulted positive and some held the same as previous after the mergers and acquisitions. Thus in the result market sensitivity played the greater role and resulted the

positively changed. Overall performance of the bank was positive, only some factors decreased after merger. And Researcher concluded the merger and acquisition results the good effect at the end.

Boniface (2011) conducted a study on the Influence of Merger and Acquisitions on Financial Attainment of Bank in Kenya. In the research researcher studied on the financial performance of banks in the Kenya, in which mergers occurred from 1999 to 2005. Research used secondary data from the annual report from the bank. Researcher used comparative analysis by using pre and post-merger by using the descriptive research design. The 36 bank came from amalgamation. And researcher used sample as 16 Kenyan bank. Researcher analyzed the data by very easy method and popular method. They were Mean and t test. That helped to interpret and evaluate the result by researcher. Researcher found that there was no improvement after the merger but general increase in profitability, solvency and capital adequacy ratio. Merger alone did not help for the improvement of the firm's profitability, there might be other influencing factors too.

Vyas (2008) conducted a study on the Influence of Merger on Financial Achievement of corporate sectors in India. Author studied on the corporate restructuring, as this helped for the reestablishment of the companies and also achieving competitive advantage and utilizing the new opportunities and coping with the unexpected challenges. Author shared the objectives of the mergers such was diversification, shareholders' wealth maximization, achieving growth and profitability. Author described different forms of corporate restructuring, impact of merger in economy, post-merger performance of acquirer, mergers motives etc. Author also discussed various acts and accounting and legal standards. Researcher used forty acquirer and non-acquirer firms in the study. Research methodology for the study was by using value added metrics. Researcher used financial tools to express the ideas by Return on Net Worth (RONW), Market value added (MVA) and Economic value added (EVA). Along with these, certain ratios were also analyzed. And finally analysis of the merged entity from manufacturing industries was done. At last researcher gave the findings and conclusion by addressing that the merger had less impact on the increase of shareholders' value but other things were improved such was expand capital base, tax efficiency, reduced cost etc.

Table 1

Summary of Empirical Review

Author & Date of Publication	Topic	Objectives	Methodology	Findings
Adhikari et al., (2023)	“The Effects of Mergers and Acquisitions on the Financial Performance of Commercial Banks in Nepal”	To Examine the financial achievement of the commercial banks and to identify the implication for the policy.	In this Research quantitative methodology was used and Primary data was taken and inferential statistics was used for the analysis of data.	The research identified that Profitability ratio had nominal change but leverage ratio had remarkable change.
Chiara Monte et al., (2022)	“Mergers and Acquisitions in the Financial Industry: A Bibliometric Review and Future Research Directions”	To examine the appearing usage of the bibliometric review and evaluate the consolidation process in financial industry throughout the world.	The study used the quantitative and content analysis.	In the finding part by focusing from the period of 1987 to 2021 finding of 174 article where 354 authors were involved and useful for the business finance , economics and management sector.
Richard & Apolinaris (2022)	“Impact of Mergers and Acquisitions on Abnormal Returns and Financial Performance of Banks Listed on the Indonesia Stock Exchange”	To inspect the effect of the M&A with the performance of takeover banks.	The study used event study method by using market model and accounting model.	In the findings insignificant return was found with the help of the financial indicators. After merger performance seemed poor but firm’s size was bigger

Banik et al., (2022)	“ A Study on Merger and Acquisitions in Indian Banking Sector”	To analyze the impact of merger and acquisition that is based on the Indian Banking sector by evaluating economies of scale, customer base.	The study used the survey method for the study and google forms was taken as a tools to collect data and percentage analysis was used.	In the study researcher found that there was positive outcome by the mergers and acquisitions. In the study common public was greatly benefited, helped employee for the sharing knowledge, banks share positively affected, achieved economies of scale, achieve competitive advantage and there improved balance sheet and cash flow statement after merger.
Bajgai, & Pradhan(2021)	“An Assessment of Financial Performance and Service Facility Improvement After Merger and Acquisition of Financial Institutions of Nepal”	To evaluate the impact of merger and acquisition on financial achievement and service standard of financial institutions of Nepal.	This study used a quantitative study so structured survey questionnaire was used to collect the data and statistical analysis was done to analyze the data.	In the study significant difference was achieved. After the merger there was positive result at end.
Bhatta (2021)	“Effect of Bank Merger on the Shareholders Wealth and Post-Merger Situation of Nepalese Banking Industry”	To evaluate mergers and acquisitions strategies usages. And identifying Shareholders’ value.	Descriptive and analytical research design was used. Financial and statistical tools were used.	The study found positive as there was positive change in terms of bank efficiency, capital, financial synergy and shareholder’s value.

Masavi (2021)	“Effect of Merger and Acquisitions on Financial Performance of Commercial Banks in Kenya”	The objective behind the study was to analyze the financial performance of the commercial banks in Kenya by analyzing customer base, strategic realignment, assets acquirement and technical proficiency.	The study used the descriptive research design, purposive sampling used and out of 39 banks 195 employees were selected, primary and secondary data was used for the study. In the study quantitative and inferential statistics were used.	In the study positive financial performance was found in Kenya on the commercial banks due to merges and acquisitions. With increased market base, technical expertise and financial achievement indicated the positive aspect.
Thakur (2021)	“Impact of Mergers and Acquisitions on Performance of Public Sector Banks in India)	The objective behind the study was to analyze the achievement of the commercial banks in financial term.	Quantitative method, secondary data and CAMEL rating was used on the study for the analysis of data.	The result showed overall good performance after the merger only some factors remained the negative and needed for improvement.
Gautam (2020)	“Effect of Bank Merger on the Shareholders Wealth and Post-Merger Situation of Nepalese Banking Industry”	To analyze the efficient performance of the financial industry while subjugating the problems underlying the system	Descriptive and analytical research design was used. Financial and statistical tools were used.	The study found positive changes. The positive changes in market value, profitability and financial status.
Dhakal (2019)	“The impact and Challenges of Merger and Acquisition in	To analyze through questionnaires and impact on	In This research method descriptive research was	M &A helped positively in the study. Financial aspect, employee’s aspect,

	Nepalese Banking and Financial Institution”	shareholders was discovered by analysis of financial data. And four year of total data was taken.	used, which was results based on the survey.	customer aspect and shareholder’s aspect was positively changed.
Stunda (2019)	“The market Impact of Mergers and Acquisitions on Acquiring Firms”	To assess the impact of mergers for the acquiring firms going for the merger and its effect on firm security prices.	This study used statistical data analysis by selecting wide number of firms sampled and year.	The study stipulated that firms in certain industries are likely to be more impacted than firm in other industries on regards to the stock price. The study found mixed result.
Mehrotra & Sahay (2018)	“Systematic Review on Financial Performance of Mergers and Acquisitions in India”	To evaluate the literature which had been already published post-merger financial achievement of acquirers.	Various statistical and financial tools were used. Among them descriptive and analytical research design were used.	This article tried to assist the researchers to understand the issues in M&A and also suggest for the future research.
Pachulia (2018)	“Impact of Mergers and Acquisitions on Corporate Performance: a Case Study of Silknet Company”	To analyze the effect of mergers and acquisitions on financial achievement in Georgian company using data from financial reports	The Mergers and acquisition benefits were derived by portfolio analysis that summed up the product diversification could be the strategy that helped to broaden business portfolio in JSC Sliknet.	This research accompanied financial achievement trends, based on return on equity, return on assets, return on Sales. The results gave the insight of, financial performance positively changed with the company's side as the company was merging and acquiring new firm.

Walsh (2018)	“Impact and Challenges of Merger and Acquisition in Nepalese Banking”	To analyze the effects and challenges of merger and acquisitions.	Financial and statistical tools were used.	The study found noteworthy changes after the merger .The cultural combination , commitment to the M&A process and for the organizational arrangement played noteworthy role.
Dhingra (2018)	“ A Study of Impact of Merger on Performance Analysis of Banks”	To analyze the influence and consequences of mergers and acquisitions on public and private bank. Also to find out the consequence on Shareholders’ wealth	Descriptive and exploratory method was used and secondary data source was used for the data collection, SPSS , excel, t test and ratio analysis was used.	Researcher found that efficiency and performance was not significantly improved but shareholders’ wealth was improved.
Ombaka & Jagongo (2018)	“Mergers And Acquisitions On Financial Performance Among Selected Commercial Banks, Kenya”	To analyze the operative synergy, differential efficiency, risk diverseness and market capture	The research had inclusion of descriptive research with, inclusion of primary and secondary data and regression analysis.	Researcher drawn the conclusion of positive result in terms of operative synergy, differential efficiency, risk diverseness and market capture
Shrestha et al., (2017)	“A Comparative Study of Merger Effect on Financial Performance of Banking and Financial Institution in	To analyze the merger impact and to address the financial performance, address the inefficiency , employee and shareholders’	In This research quantitative method was used. Primary and secondary data , financial ratio , pair t test was used.	The research found that Loan quality was degraded and profitability measurement also adversely affected.

	Nepal”	perception towards the merger.		
Bista (2016)	“Comparative analysis of the Impact of Mergers and Acquisition on Financial Efficiency of Banks”	To analyze the post M&A period was more financially efficient than the pre-M&A period	Descriptive research method was used which implied the results based on the secondary data and the analysis.	The study was found the result of mergers and acquisition in a positive way as it shown positive financial result.
Banerjee (2015)	“Impact of Merger and Acquisitions on Financial Performance: Evidence from Selected Companies in India”	To analyze the effect of merger upon profitability and liquidity position.	Selected seven different industries under gone merger and acquisitions during 2006-2012 were used as sample. With Financial ratios liquidity and profitability status were found.	The analysis found not any significant result. The finding presented no remarkable positive change in financial achievement of acquirer companies later merger.
Mayer et al., (2015)	“Mergers and Acquisitions: The Human Factor”	To analyze the threats during the post-merger integration.	Financial and statistical tools were used.	The Lander and colleagues upheld a positive link between trust between merger and organizational identification among employees.
Boniface (2011)	“Effect of Merger and Acquisition on Financial Performance of Commercial Banks in Kenya”	To analyze the financial performance in terms of synergies, market power, profitability and diverseness.	Comparative analysis was used in the research by use of descriptive research design with the help of secondary data	The result found in research was there was no improvement on the financial performance but general increase of profitability, solvency and capital adequacy.

Vyas (2008)	“An Effect of Merger on Financial Performance of Corporate Sector in India”	To investigate pre-merger and post-merger efficiency by analyzing the motives	In this research method used was value added metrics by inferential statistical and financial tools.	The research found that there was no substantial increment in the shareholders’ value but merger were done for the other motives like tax efficiency, leverage, economies of scale, cost reduction etc.
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2.3 Research Gap

The concept of mergers and acquisitions are new concept in the context of Nepal even though there have been several studies published. There is no long history behind merger and acquisition as it has only some decades’ practice in Nepal. There is few research conducted in the topic Merger and Acquisition in Nepal. This study notes that there is conflicting findings on the effect of merger and acquisition on the financial performance of financial institutions in Nepal. From the empirical studies, findings by Banik et al., (2022), Bajgai & Pradhan (2021), Bhatta(2021), Masavi (2021), Gautam(2020), Dhakal (2019), Pachulia(2018), Walsh (2018), Ombaka & Jagongo (2018), Bista(2016) and Mayer et al., (2015) stated that financial performance was positively improved after Merger and Acquisition of company whereas findings by Adhikari et al., (2023), Thakur (2022), Stunda (2019), Dhingra (2018), Boniface (2011) and Vyas (2008) had mixed results on financial performance after merger and acquisition but study conducted by Richard & Apolinaris (2022), Shrestha et al., (2017) and Banerjee (2015) found no any significance on financial performance as the caused by merger and acquisition.

This study thus seeks to fill this gap by investigating the effect of merger and acquisition on the financial performance of banks and financial institutions in Nepal. The findings would help to contribute to the depth understanding of the impact of mergers and acquisitions on financial performance. Moreover, it helps to minimize the conflicting results found from the topic of study. Additionally, it helps to identify the impact of the mergers and acquisitions on the potential stakeholders such as customers, employees, shareholders and many more due to the variation in the financial performance.

CHAPTER-III

RESEARCH METHODOLOGY

The research methodology is the solving of the problems in the very systematic manner. It can be described as overall process and steps that are used in the sequentially for the study of problems and identification of the solution. Thus it is the process of organized working of the problem. The collection, analysis, interpretation of the different data, figures and facts helps to arriving to the solution of the problems. It includes the different dependent, independent data, types of research design, population and sample, sources of data, data collection procedure, data collection tools and techniques (statistical and financial tools, software packages for the data analysis).

3.1 Research Design

In the study descriptive and casual-comparative research design is adopted with secondary and quantitative data methodologies. A descriptive research approach involves in using information from other studies and analyses. The measurement and analysis of variables are carried out in the research. Casual comparative research is also known as the explanatory research. Which is used to identify the cause-and-effect relationship between variables and provides concrete results that can help to derive the answer of research problems. The casual comparative research design is used in this research with the help of secondary data by adopting back and forth of mergers and acquisition. And for the quantitative methodologies different types of financial pointers are used in this study as we can further measure the financial achievement for the merged financial entities. The annual financial and accounting data from the respective financial institutions are used for the examination of impacts of mergers and acquisitions with their performance for sample banks. Also, data has been searched and collected from NRB website too. To find the impact of mergers on banks before and after merge data are used and analyzed.

3.2 Population, Sample and Sampling Design

Bank and financial institution licensed by Nepal Rastra Bank to carry financial transactions comprise population of this study. Secondary data are collected from the merged bank with convenience sampling. Among Twenty- five commercial banks (2079-09-23), out of it 20 banks come through the merger process. In this research four banks have been selected for sampling purpose which is described as below. The reason behind

selecting the NIC Asia Bank Limited, Global IME Bank Limited, Siddhartha Bank Limited and Prabhu Bank Limited is to know the effect of merger and acquisition on financial achievement of selected commercial banks. Among the total commercial banks only four commercial banks were selected for the study. Recently merged companies were selected for the study i.e., NIC ASIA Bank Ltd., Global IME Bank Ltd., Siddhartha Bank Ltd., and Prabhu Bank Ltd. These companies were merged and accruing their competitors through giving swap ratio. Sampling design involves the definition of population, sampling framework determination and sampling procedure or method. The study uses non probability sampling design. The study required specific requirement of merged bank thus the sampling method is purposive sampling. Also, with the convenience, search of collection of data is done. Thus, the sampling method is convenience sampling. It is also known as the availability sampling. For the particular study out of population conveniently available samples were used as well as the related study material such as articles were also conveniently searched.

3.3 Nature and Sources of Data

This study is based on secondary data. The secondary data collected from a wide array of research papers, Journals, Magazines, Books, Websites and banks database etc. The quantitative financial data were extracted from the annual reports of the merged banks. For the proper knowledge on the subject and calculation several books, journals, papers, articles, sites were studied.

3.4 Data Collection Procedure and Instrument

In this study, the data was collected by various procedure. The observation and document review from the annual report of the sampled commercial banks was used mostly. Collected data were analyzed through the statistical and financial tools and results were elaborated.

Observation and online web search as an instrument is used for the secondary data collection which are related to the return on assets, market price per share, non-performing loan, earning per share, return on equity, credit to deposit ratio, net profit margin and capital adequacy ratio etc. The data were also collected from the bank supervision report documents from the Central Bank of Nepal. The time series data has

been collected in the research that covers five years of before and after merger data. The event model is outlined below.

Step 1: Event of interest identification

The event of interest is the impact of mergers and acquisitions on the financial performance of commercial banks in Nepal. The researcher analyzed the mergers and acquisitions that took place from year 2012 to 2023.

Step 2: Definition of the event window

The event window was five years before the merger or acquisition date and five years after mergers or acquisition date.

Step 3: Analyzing financial performance during the event period

The researcher first computed the financial performance (ROA, MPS, NPL, EPS, ROE, CDR, NPM and CAR) for the five-year period before the event, then computed the financial performance for the five-year period after the event.

3.5 Methods of Analysis

The Research uses quantitative method of data analysis. Descriptive and inferential method is adopted in the study. Impact of mergers and acquisitions can be analyzed in terms of financial performance of selected banks. The before and after financial performance can be derived by calculating financial ratios such as ROA, MPS, NPL, EPS, ROE, CDR, NPM and CAR. The financial status can be measured through the various financial parameters. The parameter is found from financial statement and financial disclosure. Some of the financial variables, stated below have been employed to analyze market capitalization, return on assets, market price of share, non-performing loan to total loan ratio, earnings per share, return on equity, credit deposit ratio, net profit margin, capital adequacy ratio etc. Data are measured in the numeric and in ratio scale. The most well-known Financial tools are ratio analysis and financial statement analysis. Statistical tools are the descriptive statistics such as mean, standard deviation etc. and inferential statistics such as correlation and t-test etc. There are also software packages like excel, SPSS which are useful in interpreting the results for large sample size.

3.5.1 Descriptive Statistics

Descriptive analysis is the sorting of the data systematically, by which the precise ideas can be generated. Precise summarization of the data helps to understand the data structure and pattern. The orientation of the data can be found with the help of the descriptive data analysis. Descriptive statistics includes the analysis of the major data which are included in the study. The major data can be the variables, its measuring unit, number of the observation, average of the variables, standard deviation, minimum value among the sample and maximum value among the sample etc. The brief ideas can be drawn out of the descriptive statistics that can help the researcher for the easy analysis of the data and to find out the average result pattern that is derived in the study. Thus the summarization of the whole study can be outlined by use of the descriptive statistics. It assists to yield the summarization of the data sample out of the chosen population. The main motive of the descriptive statistics is to provide the zest summary of the data set. Thus it is useful for the summarization of the population in the useful precise figure.

3.5.2 Correlation Coefficient Analysis

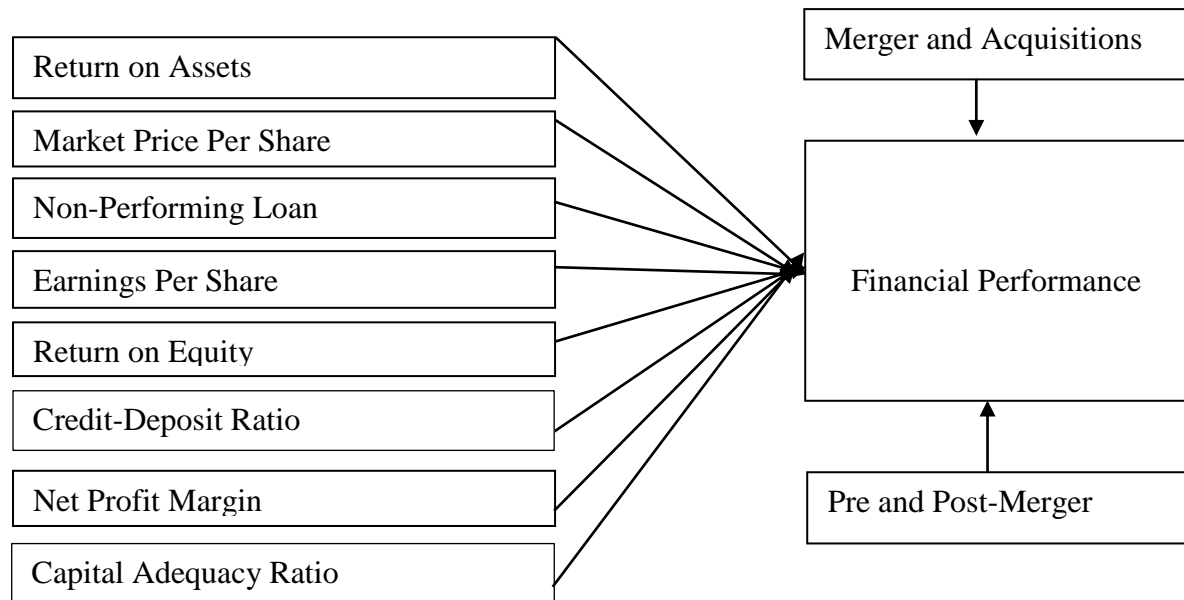
Correlation is a statistical tool that measures the degree and direction of relationship between the variables. It always lies between ± 1 . It is a relative measure. Correlation is widely used for the data analysis in the world, as it finds the correlation between variables which are easy to understand. Correlation analysis is a method of determining whether two sets of data are related in a manner such that they increase together. Correlation coefficient analysis measures the positive or negative relationship between the variables. If the p value in the correlation is less than 0.05 in that case the relationship between the variables are significant in a positive or negative way. But if the relationship between the variables are further than 0.05 in that case the correlation between the variables are not significant. Usually significant variables impact on the result.

3.5.3 Paired Sample T-Test Analysis

The paired sample t-test methods anticipate the comparison of the averages of the variables in two panels for the single groups. The model identifies the differences of the average values in the before and after case and checks if the average dissimilarities from the zero or not. It is the statistical tools which is employed for the comparisons of two variables averages. If there are the changes, there does not come zero and comes the positive or negative increment. It is the statistical evaluation of analyzing the uniqueness between two groups of samples. It is also renowned by the depended sample t-test as it

determines average value of two dependent groups distinguished significantly from each other or not. Usually t-test is employed in the study if the study has same group or sample are collected in the two state of the time. The samples are computed in the pairs which are repeated and matched in the corresponding parallel data.

3.6 Research Framework and Definition of Variables



Source: (Shrestha et al.,2017)

Figure 1: Research Framework

3.6.1 Definitions of Variables

There are many variables in the study. They are Return on Assets(ROA), Market price per share(MPS), Non-performing loan to total loan(NPL), Earnings per share(EPS), Return on equity(ROE), Credit-deposit ratio(CDR), Net profit margin(NPM) and Capital Adequacy Ratio(CAR). They can be described as below:

a) Return on Assets

Firm's profitability can be measured by the understanding and measured in terms of the relationship between the net profits and assets. It measures profitability compared to its assets or the soundness of management to utilize the prevailing assets properly and generating profits out of it. If the Return on assets is in increasing, it is a sign of financial improvement.

$$\text{Return on Assets} = \frac{\text{Net Profit After Tax}}{\text{Total Assets}}$$

b) Market Price Per Share

Market price per share can be defined as the current price of single unit of share which are traded in the market place such as stock exchange. Market price per share can be changing continuously through the day up to the close of market, which is basically fluctuate on the basis of demand and supply of stock. Usually similar market price of the share is regarded as the good share in the share market.

$$\text{Market Price Per Share} = \frac{\text{Total Market Value}}{\text{No of Share Outstanding}}$$

c) Non-Performing Loan

A Non-performing loan (NPL) can be described as such loan that banks have provided it to the borrower, but borrower do not pay monthly principle and interest amount for up to specified period of time. If borrowers are not able for the repayment of loan, then such loan is non-performing loan. Similarly, the loan paid by the borrower continuously is good performing loan. Usually bank should aiming for the reduction of non-performing loan. The ratio is providing the bad loans of bank in a percentage.

$$\text{Non-Performing Loan} = \frac{\text{Total Non Performing Loan}}{\text{Total Loan}}$$

d) Earnings Per Share

Earnings per share (EPS) is the calculated part of gains of individual stock. It is the total earnings available to common stock holder on per share basis. Earnings per share usually helps to investor to understand the share earnings by per share basis. It helps to understand the earning power of the share in the simple manner.

$$\text{Earnings Per Share} = \frac{\text{Total Earning Available To Common Stockholder}}{\text{No of Common Stock Outstanding}}$$

e) Return on Equity

Return on equity can be calculate by the division of net income of the company over the total shareholder's equity. It shows the performance of the company by analyzing the return it gets over the equity used. Return expected by the equity shareholder and actual return can be the good indicator to understand and evaluate the firm's performance.

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Shareholder's Equity}}$$

f) Credit-Deposit Ratio

The Credit deposit ratio is the financial indicator which shows the part of the deposit collected by bank that is utilized as a credit. In other words, bank has raised the deposit collection from the savers and it further deployed as the loan to the borrower. Usually 70% or above is regarded as the good indicator where thereby company is able to earn from the interest income from the loan it has distributed that helps to suppress the other expenses of the banks.

$$\text{Credit-Deposit Ratio} = \frac{\text{Total Loans}}{\text{Total Deposits}}$$

g) Net Profit Margin

The Net profit margin is the financial indicator which assists to examine the profit earned over its revenue. In other words, how much net profit is acquired over the revenue bank has gained. It can be measured in the percentage. Net profit margin is crucial indicator for analyzing the performance of any firms. It is an easy and helpful indicator to understand the performance of the organization. The increment of profit gives us the ideas of the positive indication of the firm's achievement.

$$\text{Net Profit Margin} = \frac{\text{Net Profit}}{\text{Total income}}$$

h) Capital Adequacy Ratio

The capital adequacy ratio can be described as the necessary capital requirement for the functioning of the banks and financial institutions. The capital adequacy ratio depicts a bank's available capital as a percentage of its risk-weighted exposures. The main reason of capital adequacy ratio is to ensure safety of depositors and enhance the stability and efficiency of the financial system. It is the summation of the core capital and supplementary capital.

$$\text{Capital Adequacy Ratio} = \text{Core Capital} + \text{Supplementary Capital}$$

CHAPTER-IV

RESULTS AND DISCUSSION

This chapter includes data presentation and analysis. The data and information were gathered from the sample banks. The processed data are presented and analyzed. When the data are collected then further analysis is done with the help of various data collection tools and techniques. Results found from the analysis are systematically presented and carefully interpreted or explained in the following sections.

4.1 Results

The study was conducted with the inclusions of sample banks out of the total 25 populations. The sample includes the Global IME Bank, Prabhu Bank, NIC Asia and Siddhartha Bank. Total Four number of samples were taken from the total population of the bank. Convenient sampling techniques were used and the sample was taken as per the availability of data. Descriptive and explanatory research design has been used on the study. For further analysis of data, financial data from the respective bank's annual report is used. Secondary data collected from research papers, web, books, journal paper, annual report helped to extract data for the research. In the study descriptive statistics, correlation and paired sample t-test were used for the analysis of data and for this excel and SPSS 25 software version were used.

Data Presentation and Analysis of Banks

Ratio analysis is a good tool to analyze and find out the profitability, market value, efficiency, financial performance in terms of figures. It is the study of quantitative relation with the two variables. With the help of using tools such a ratio analysis there will be easy to analyze and interpret the financial position of the company. This study uses the various ratio to find out its efficiency and performance. In this research, secondary data has been anticipated. Data are gathered from the annual report of sample banks. The variable of the merged company before and after the merger is analyzed carefully. The impact or the effect of merger activity is analyzed and have a proper look for the shareholder with the help of various financial indicators. These financial indicators are important tools for shareholders to analyze the bank for the future reinvestment purpose. Financial ratios are the useful indicator for the measurement of the firm's achievement and financial goodness. Financial indicators such as ratios are derived from the financial statements (Balance Sheet, P/L A/C and Cash Flow Statement) of the

companies. Ratios analysis helps to convert the major financial terms into the ratio and these ratio helps to understand the financial position of that organization in a simple and easy manner.

Analysis Plan

The MS Excel and statistical package for social science (SPSS) software were used for the variety of analysis. After collecting and sorting of data, it was used to find out the result by using SPSS software. In this research wide range of statistical tests were carried out so the proper analysis of data can be done. Such analysis of data can be found by using frequency analysis, percentage analysis, tabulation and diagram analysis, cross tabulation analysis, multiple regression, independent sample t-test, paired t-test, a-nova test, and correlation analysis etc. as per the best suitable techniques for the study.

4.1.1 Return on Assets

Return on assets measures the profitability ratio as the net profit is derived from the efficiently utilization of assets. The ROA can be named as profit-to-assets ratio. ROA measures the powerful and efficient management of the assets for the better usage and generating the profits with the available assets. Higher ROA results the better utilization of assets and provides good financial condition. The return on total assets is summarized as follows:

Table 2

Return on Assets of Sample Banks

Bank	Year	GBIME	PRVU	NICA	SBL
Pre-Merger	2013/14	1.62	-1.44	1.71	1.74
	2014/15	1.39	2.19	1.21	1.51
	2015/16	1.58	1.64	1.51	1.69
	2016/17	1.75	1.76	1.64	1.53
	2017/18	1.67	0.86	0.97	1.59
Post-Merger	2018/19	1.82	1.29	1.56	1.49
	2019/20	1.06	0.71	1.32	1.26
	2020/21	1.20	0.8	1.09	1.25
	2021/22	1.38	0.82	1.20	1.10
	2022/23	1.30	0.08	1.23	1.11

Source: Appendix-I

Table 2 shows the average ROA for all samples for the given period of study i.e., 2013/14 to 2022/23. The highest ROA of GBIME, PRVU, NICA, SBL are 1.82, 2.19, 1.71, 1.74%, while lowest ROA is 1.06, -1.44, 0.97, 1.10% respectively. ROA 2022/23 of GBIME, PRVU, NICA, SBL are 1.30, 0.08, 1.23 and 1.11% respectively. ROA can be observed as in the declining tendency.

4.1.2 Market Price Per Share

Market price is the current price of the share that are trading on the market. MPS is the price at which shareholder can trade stock in current stock market. Similar MPS among the banks are preferred.

Table 3

Market Price Per Share of Sample Banks

Bank	Year	GBIME	PRVU	NICA	SBL
Pre-Merger	2013/14	640	207	970	810
	2014/15	479	348	617	678
	2015/16	515	415	798	869
	2016/17	388	406	445	485
	2017/18	290	187	316	300
Post-Merger	2018/19	293	266	448	318
	2019/20	239	221	553	296
	2020/21	441	457	994	504
	2021/22	251	207	696	303
	2022/23	186	160	794	253

Source: Appendix-I

Above table 3 shows that the market price of GBIME, PRVU, NICA and SBL respectively from the FY 2013/14 to 2022/23. Ten years' data depict the decline tendency of MPS of all banks. The highest MPS of GBIME is 640 in 2013/2014, PRVU is 415 in 2015/16, NICA is 994 in 2013/2014, SBL is 869 in 2015/2016. The increase in the price is good for the shareholder as they can trade the share at higher rate. The MPS seems to be fluctuating each year trend. MPS for 2022/23 for GBIME, PRVU, NICA and SBL are Rs 186, 160, 794 and 253 respectively.

4.1.3 Non-Performing Loan to Total Loan Ratio

Bank's non-performing loan to total loan are percentage of loan that are not being paid by the borrower for the specific period of time. Increasing the NPL to total loan shows the risk on assets whereas lower ratio shows the minimum rate of getting to default.

Table 4

Non-Performing Loan to Total Loan Ratio of Sample Banks

Bank	Year	GBIME	PRVU	NICA	SBL
Pre-Merger	2013/14	2.55	24.29	2.33	2.75
	2014/15	2.23	7.33	2.07	1.8
	2015/16	1.89	8.83	0.76	1.47
	2016/17	1.6	4.55	0.36	1.3
	2017/18	0.77	3.98	0.06	1.09
Post-Merger	2018/19	0.55	3.76	0.46	0.75
	2019/20	1.74	3.15	0.75	1.38
	2020/21	1.41	1.68	0.5	1.00
	2021/22	1.28	1.86	0.53	1.07
	2022/23	3.15	4.98	0.88	2.01

Source: Appendix-I

Above table 4 shows NPL to total loan of four sampled banks seems to be decreasing in post-merger phase. It is the good sign for the banking industry that which showed financial significance. In the initial phase of merger, NPL to total loan was in increasing trend and that may be the outcome of merger of banks as they have shared the liabilities as well. But in later, the NPL is in the decreasing trends which indicates the good performance for the banking industry. During the post-merger period, NPL to TL is declining after merger. GBIME, PRVU, NICA and SBL are 2022/23, 3.15, 4.98, 0.88 and 2.01% respectively.

4.1.4 Earnings Per Share

Earnings per share is the net earning that can be calculated with the dividing total number of common stock holder. Out of the net earnings, when a part is retained, balance can be paid as the dividend to the common stockholder. In other word, EPS is efficiency

estimation of stock on the basis of its revenue. Analyst and investor can generalize the performance of firm with the earning capacity of each share.

Table 5

Earnings Per Share of Sample Banks

Bank	Year	GBIME	PRVU	NICA	SBL
Pre-Merger	2013/14	19.57	-15.24	35.98	38.63
	2014/15	15.58	31.73	25.59	37.77
	2015/16	19.33	26.75	28.31	41.53
	2016/17	25.51	27.17	23.06	26.6
	2017/18	23.64	12.58	16.62	26.45
Post-Merger	2018/19	23.47	21.03	34.22	23.07
	2019/20	17.99	11.58	31.89	19.55
	2020/21	19.25	13.54	28.18	26.04
	2021/22	20.84	14.97	36.45	20.60
	2022/23	22.06	1.19	38.44	22.48

Source: Appendix-I

Table 5 show that the NICA and SBL seems leading in earning per share. The highest earning per share of NIC ASIA is 38.44 in 2022/23 per share, thereafter SBL 41.53 in 2015/2016. GBIME, NICA and SBL have positive EPS continuously in the period of study. PRVU has the lowest EPS 1.19 in 2022/23, In 2022/23 EPS of GBIME, PRVU, NICA and SBL are Rs. 22.06, 1.19, 38.44 and 22.48 respectively.

4.1.5 Return on Equity

Return on equity is the expressive calculation in which how much income is generated with respective to the use of shareholders Equity. Usually the higher return on equity is preferred as it is the sign of better utilization of shareholder's equity. Security analyst uses this ratio for assessing a firm's performance as expected by the shareholders.

Table 6

Return on Equity of Sample Banks

Bank	Year	GBIME	PRVU	NICA	SBL
Pre-	2013/14	16	-26.88	15.93	23.35
Merger	2014/15	13.11	27.57	13.05	20.48
	2015/16	15.88	17	16.50	14.62
	2016/17	18	19.29	16.84	14.89
	2017/18	15.48	7.69	12.09	15.34
	2018/19	18.47	12.45	22.73	15.71
Post-Merger	2019/20	12.88	7.76	19.26	13.81
	2020/21	13.53	10.06	17.09	15.68
	2021/22	13.93	9.93	18.43	13.82
	2022/23	14.19	0.89	16.39	13.5

Source: Appendix-I

Table 6 shows return on equity during the study period. There is a highest ROE from GBIME is 16 in 2013/14, PRVU is 27.57 in 2014/15, NICA is 22.73 in 2018/19 and SBL is 23.35 in 2013/2014. There can be seen mixed result of increasing and decreasing trend. ROE of GBIME, PRVU, NICA and SBL are 14.19, 0.89, 16.39 and 13.5% respectively on 2022/23.

4.1.6 Credit-Deposit Ratio

It can be expressed as the amount of fund collected by bank and deployed as the loan to the borrower. It is the calculative figure of the amount of the credit deployed over the amount of deposit collected in the bank. Higher the credit deposit ratio the better the performance of the banks.

Table 7

Credit-Deposit Ratio of Sample Banks

Bank	Year	GBIME	PRVU	NICA	SBL
Pre-	2013/14	82.27	69.23	82.93	79.02
Merger	2014/15	83.47	70.43	81.03	83.04
	2015/16	81.47	79.11	85.62	87.02
	2016/17	79.30	76.19	83.70	88.40
	2017/18	84.70	81.04	86.30	86.08
	2018/19	91.62	87.94	84.55	89.65

Merger	2019/20	88.25	78.26	85.75	89.04
	2020/21	85.59	83.95	87.58	90.6
	2021/22	94.99	81.38	89.85	96.08
	2022/23	85.21	81	86.17	84.94

Source: Appendix-I

Table 7 shows the credit to deposit ratio over the period from 2013/14 to 2022/23 for the given sample bank. The highest CDR of GIME is 94.99 in the year 2021/22, PRVU is 87.94 in year 2018/2019, NICA is 89.85 in year 2021/22, SBL is 96.08 in 2021/22. It can be seen that the ratio is in the increasing trend which shows the positive aspect. Credit deposit ratio for 2022/23 of GBIME, PRVU, NICA and SBL are 85.21, 81, 86.17 and 84.94 %respectively.

4.1.7 Net Profit Margin

Net profit margin can be explained as the net profit earned by the company with respect to the total earning over the period of the time. It can be calculated by net profit dividing with the total earnings. It is the good ratio to analyze the financial ratio in the simple way.

Table 8

Net Profit Margin of Sample Banks

Bank	Year	GBIME	PRVU	NICA	SBL
Pre-	2013/14	41.05	-33.23	37.14	19.72
Merger	2014/15	30.32	53.79	32.36	19.83
	2015/16	35.03	44.26	40.83	25.42
	2016/17	43.41	47.78	42.91	18.61
	2017/18	41.24	25.69	24.91	16.70
Post-	2018/19	40.72	31.77	31.80	15.49
Merger	2019/20	28.44	20.11	28	12.48
	2020/21	34.85	11.70	29	15.77
	2021/22	38.03	10.06	30.90	12.53
	2022/23	33.71	0.87	29.58	10.59

Source: Appendix-I

Table 8 show the net profit margin over the period from 2013/2014 to 2022/23 for the given sample bank. The highest NPM of the GBIME is 43.41 in 2016/2017, PRVU is 53.79 in 2014/15, NICA is 42.91 in 2016/17, and SBL is 25.42 in 2015/16. The net profit

margin of 2022/2023 of GBIME, PRVU, NICA and SBL are 33.71, 0.87, 29.58 and 10.59 % respectively.

4.1.8 Capital Adequacy Ratio

Capital adequacy ratio can be explained as a bank's available capital as a percentage of its risk-weighted exposures. The main consideration to analysis of capital adequacy ratio is to provide safety of depositors and enhance the stability and efficiency of the financial system. It is the summation of the core capital and supplementary capital.

Table 9

Capital Adequacy Ratio of Sample Banks

Bank	Year	GBIME	PRVU	NICA	SBL
Pre-Merger	2013/14	12.38	8.68	14.05	11.39
	2014/15	12.69	10.61	12.49	11.10
	2015/16	12.35	12.29	12.44	11.25
	2016/17	11.37	11.18	13.83	12.74
	2017/18	11.47	11.86	12.24	12.12
Post-Merger	2018/19	12.31	11.16	13.32	12.70
	2019/20	12.48	11.18	13.50	13.17
	2020/21	13.20	13.08	12.47	13.36
	2021/22	12.67	12.86	13.38	13.00
	2022/23	13.34	11.87	13.36	12.47

Source: Appendix-I

Table 9 show the capital adequacy ratio over the period from 2013/2014 to 2022/23 for the given sample bank. The highest CAR of the GBIME is 13.34 in 2022/2023, PRVU is 13.08 in 2020/21, NICA is 14.05 in 2013/14, and SBL is 13.36 in 2020/21. The capital adequacy ratio of 2022/2023 of GBIME, PRVU, NICA and SBL are 13.34, 11.87, 13.36 and 12.47 % respectively.

Table 10

Average Return on Assets of Sample Banks

Period	Before Merger	Period	After Merger
2013/14	0.91	2018/19	1.54
2014/15	1.58	2019/20	1.09
2015/16	1.61	2020/21	1.09
2016/17	1.67	2021/22	1.13
2017/18	1.27	2022/23	0.93
Average	1.41	Average	1.15

Source: Appendix-II

Above table 10 shows the average ROA. ROA is derived by the net profit out of the total assets of bank thus the figures reflected above have shown fluctuation. The return on assets is used to analyze a company's ability to generate profits by utilization of its assets. When assessing a business financials, it is important to know how successful it is at turning what it already has in to additional profits for owners and shareholder. Above table shows The aggregated ROA average of sample banks of before and after merger is presented and found declined, it is from 1.41% to 1.15% from before merger to after merger. Also Aggregate ROA for the period is 1.28% which is impressive.

Table 11

Average Market Price Per Share of Sample Banks

Period	Before Merger	Period	After Merger
2013/14	656.75	2018/19	331.25
2014/15	530.50	2019/20	327.25
2015/16	649.25	2020/21	599
2016/17	431	2021/22	364.25
2017/18	273.25	2022/23	348.25
Average	508.15	Average	394.00

Source: Appendix-II

Table 11 shows The market price per share. It is the current share price that are trading in the stock market recently. It's a result of market forces, when price of stock is determined by willingness of buyer and willingness of seller. The aggregated MPS average of sample banks of before and after merger is presented and found it is decline from Rs 508.15 to

394.00 from before merger to after merger which is in increasing trend. Also the average MPS for the period is Rs 451.07 which is not bad.

Table 12

Average Non-Performing Loan to Total Loan of Sample Banks

Period	Before Merger	Period	After Merger
2013/14	7.98	2018/19	1.38
2014/15	3.36	2019/20	1.76
2015/16	3.24	2020/21	1.15
2016/17	1.95	2021/22	1.19
2017/18	1.48	2022/23	2.76
Average	3.60	Average	1.64

Source: Appendix-II

Table 12 shows average of NPL to total loan of all sampled banks are in the decreasing trends in post-merger phase. It is the good sign for the banking industry of getting bad loan. In the banking industry. Commercial loans can be considered as the non-performing loan as borrower is not paying the loan from past 90days. The aggregated NPL to TL average of sample banks of before and after merger is presented and found it is decline from 3.6% to 1.64% from before merger to after merger. Also average NPL to TL for the period is 2.62% which is satisfactory.

Table 13

Average Earnings Per Share of Sample Banks

Period	Before Merger	Period	After Merger
2013/14	19.74	2018/19	25.45
2014/15	27.67	2019/20	20.25
2015/16	28.98	2020/21	21.75
2016/17	25.59	2021/22	23.22
2017/18	19.82	2022/23	21.04
Average	24.36	Average	22.34

Source: Appendix-II

Table 13 shows the average earnings per share is the earnings divided by the number of common stock outstanding for one-year period. If a company has higher earnings per share it can distribute the dividend to the shareholders and can also retain for the future investment. The aggregated EPS average of sample banks of before and after merger is presented and found it is slightly decline from Rs. 24.36 to 22.34 from before merger to after merger. Also average EPS for the period is Rs 23.35.

Table 14

Average Return on Equity of Sample Banks

Period	Before Merger	Period	After Merger
2013/14	7.10	2018/19	17.34
2014/15	18.55	2019/20	13.43
2015/16	16	2020/21	14.09
2016/17	17.26	2021/22	14.03
2017/18	12.65	2022/23	11.24
Average	14.31	Average	14.03

Source: Appendix -II

Table 14 shows the average ROE. The higher return on equity says that the shareholder's equity is efficiently utilized and yield the positive return. The higher return on equity is preferred. The aggregated return on equity of sample banks of before and after merger is presented and found it is slightly decline from 14.31 to 14.03% from before merger to after merger. Also average ROE for the period is 14.17% which is satisfactory.

Table 15

Average Credit-Deposit Ratio of Sample Banks

Period	Before Merger	Period	After Merger
2012/13	78.36	2017/18	88.44
2013/14	79.49	2018/19	85.33
2014/15	83.31	2019/21	86.93
2015/16	81.90	2021/22	90.58
2016/17	84.53	2022/23	84.33
Average	81.52	Average	87.12

Source: Appendix-II

Table 15 shows average CDR. The higher credit to deposit ratio is generally preferred. In the above table it can be clearly seen that the banks are strong enough to convert its deposit in the loan to the borrower. The aggregated credit to deposit ratio of average of sample banks of before and after merger is presented and found it is inclined from 81.52 to 87.12% from before merger to after merger. The combined average ratio for the whole period is 84.32%.

Table 16

Average Net Profit Margin of Sample Banks

Period	Before Merger	Period	After Merger
2013/14	16.17	2018/19	29.95
2014/15	34.08	2019/20	22.26
2015/16	36.39	2020/21	22.83
2016/17	38.18	2021/22	22.88
2017/18	27.14	2022/23	18.69
Average	30.39	Average	23.32

Source: Appendix-II

Table 16 Shows average net profit margin. Net profit margin is the good indicator to identify the firm's performance in simple manner. The higher net profit margin is better. The aggregated net profit margin average of sample banks of before and after merger is presented and found it is decline from 30.39 to 23.32% from before merger to after merger. Also average net profit margin for the period is 26.85%.

Table 17

Average Capital Adequacy Ratio of Sample Banks

Period	Before Merger	Period	After Merger
2013/14	11.63	2018/19	12.37
2014/15	11.72	2019/20	12.58
2015/16	12.08	2020/21	13.03
2016/17	12.28	2021/22	12.98
2017/18	11.92	2022/23	12.76
Average	11.93	Average	12.74

Source: Appendix-II

Table 17 Shows average capital adequacy ratio. The aggregated capital adequacy ratio average of sample banks of before and after merger is presented and found it is inclined from 11.93 to 12.74% from before merger to after merger. Also average net profit margin for the period is 12.34 %.

4.1.9 Descriptive Statistics

In this analysis, description of the precise data are summarized. Minimum, maximum value, number of data, number of variables, average mean, average standard deviation of data are analyzed. With the summary below, we can understand the descriptive statistics.

Table18

Descriptive Statistics for the Pre-Merger and Post-Merger Period

	Pre- Merger					Post-Merger			
	N	Minimum	Maximum	Mean	Std. Deviation	Minimum	Maximum	Mean	Std. Deviation
ROA	20	-1.44	2.19	1.41	0.73	0.08	1.82	1.15	0.36
MPS	20	187.00	970.00	508.15	225.13	160.00	994.00	394.00	221.86
NPL	20	0.06	24.29	3.60	5.35	0.46	4.98	1.64	1.23
EPS	20	-15.24	41.53	24.36	12.15	1.19	38.44	22.34	8.82
ROE	20	-26.88	27.57	14.31	10.54	0.89	22.73	14.03	4.65
CDR	20	69.23	88.40	81.52	5.03	78.26	96.08	87.12	4.43
NPM	20	-33.23	53.79	30.39	18.43	0.87	40.72	23.32	11.29
CAR	20	8.68	14.05	11.93	1.16	11.16	13.50	12.74	0.69
Valid N (list wise)	20								

Source: Appendix-III

In the above table no 18, descriptive statistics of before merger and after merger of the sample banks are shown. In this table we can see average mean for the before and after merger for ROA, MPS, NPL, EPS, ROE and NPM are decreased except CDR and CAR but not gone in negative, also average standard deviation for the before and after merger for ROA, MPS, NPL, EPS, ROE, CDR. NPM and CAR are decreased too, that means return decreased then its risk also decreased. Average means for before and after the merger from 1.41 to 1.15%, Rs. 508.15 to 394, 3.6 to 1.64 %, Rs. 24.36 to 22.34, 14.31 to 14.03%, 81.52 to 87.12%, 30.39 to 23.32% and 11.93 to 12.74% for ROA, MPS, NPL, EPS, ROE, CDR, NPM and CAR respectively. Also average SD for the before and after the merger are decreased too that are 0.73 to 0.36, 225.13 to 221.86, 5.35 to 1.23, 12.15 to 8.82, 10.54 to 4.65, 5.03 to 4.43, 18.43 to 11.29, 1.16 to 0.69 for ROA, MPS, NPL, EPS, ROE, CDR, NPM and CAR respectively.

Table19

Combine Descriptive Statistics for the Period

Variables	N	Minimum	Maximum	Mean	Std. Deviation
ROA	40.00	-1.44	2.19	1.28	0.58
MPS	40.00	160.00	994.00	451.08	228.06
NPL	40.00	0.06	24.29	2.62	3.96
EPS	40.00	-15.24	41.53	23.35	10.53
ROE	40.00	-26.88	27.57	14.17	8.04
CDR	40.00	69.23	96.08	84.32	5.47
NPM	40.00	-33.23	53.79	26.85	15.50
CAR	40.00	8.68	14.05	12.34	1.03

Source: Appendix-III

The above table 19 shows the descriptive statistics of the variables as combined for the total period. The total numbers of sample are 40. ROA has minimum of -1.44 value to maximum of 2.19%. MPS has minimum of Rs. 160 to maximum 994, NPL has minimum of 0.06% to 24.29 of maximum value, EPS has Rs. -15.24 minimum value to 41.53 maximum value, ROE has minimum of -26.88 to 27.57% maximum value, CDR has 69.23 minimum value to 96.08% maximum value, NPM has minimum of -33.23 to 53.79 And CAR has minimum of 8.68 to 14.05. Average Mean for the ROA, MPS, NPL, EPS, ROE, CDR, NPM and CAR are 1.28%, Rs. 451.08, 2.62%, Rs. 23.35, 14.17%, 84.32%, 26.85% and 12.34%. Standard deviation for same are 0.58, 228.06, 3.96, 10.53, 8.04, 5.47 ,15.50 and 1.03. With the above table and by comparing with the post-merger results we can see that all variables are averagely satisfactory than the return from the post-merger but CDR and CAR is better in the after merger phase. Other variables are good in the pre-merger period.

Table 20

Comparative Pre-Post-Merger Performance Analysis of Global IME Bank

Variable	Pre-Merger Mean	Post-Merger Mean	% Change
ROA	1.60	1.35	-15.61
MPS	462.40	282.00	-39.01
NPL	1.81	1.63	-10.07
EPS	20.73	20.72	-0.02
ROE	15.69	14.60	-6.97
CDR	82.24	89.13	8.38
NPM	38.21	35.15	-8.01
CAR	12.05	12.80	6.21

Source: Appendix-III

Above table 20 shows the before and after financial achievement of Global IME bank in which the post-performance of the bank is seen in the decreasing trend. ROA, MPS, NPL ROE decreased drastically while EPS is slightly decreased and CDR and CAR is increased in 8.38% and 6.21%. Merging of Bank with finance seem not fruitful as expected for the bank.

Table 21

Comparative Pre-Post-Merger Performance Analysis of Prabhu Bank

Variable	Pre-Merger Mean	Post-Merger Mean	% Change
ROA	1.00	0.74	-26.15
MPS	312.60	262.20	-16.12
NPL	9.80	3.09	-68.50
EPS	16.60	12.46	-24.92
ROE	8.93	8.22	-8.01
CDR	75.20	82.51	9.72
NPM	27.66	14.90	-46.12
CAR	10.92	12.03	10.12

Source: Appendix-III

In the above table no 21 shows the financial achievement of Prabhu Bank. The post-merger performance is seen in the decreasing trend. Only CDR and CAR is increased in 9.72% and 10.12%. The overall performance is decrease. Merging with the Banks and Development Bank didn't give expected result.

Table 22

Comparative Pre-Post-Merger Performance Analysis of NIC Asia Bank

Variable	Pre-Merger Mean	Post-Merger Mean	% Change
ROA	1.41	1.28	-9.09
MPS	629.20	697.00	10.78
NPL	1.12	0.62	-44.09
EPS	25.91	33.84	30.58
ROE	14.88	18.78	26.19
CDR	83.92	86.78	3.41
NPM	35.63	29.86	-16.21
CAR	13.01	13.21	1.51

Source: Appendix-III

Above Table 22 shows the financial achievement of NICAsia Bank. NIC Asia has mix achievement after the merger only ROA, NPL and NPM is declined. Other variables are increased like MPS, EPS, ROE, CDR and CAR. Merging with strong bank resulted the overall fruitful result.

Table 23

Comparative Pre-Post-Merger Performance Analysis of Siddhartha Bank

Variable	Pre-Merger Mean	Post-Merger Mean	% Change
ROA	1.61	1.24	-22.95
MPS	628.40	334.80	-46.72
NPL	1.68	1.24	-26.16
EPS	34.20	22.35	-34.65
ROE	17.74	14.50	-18.22
CDR	84.71	90.06	6.32
NPM	20.06	13.37	-33.33
CAR	11.72	12.94	10.41

Source: Appendix-III

Above table no 23 shows the after merger performance of Siddhartha Bank limited. That shows the decreased performance of the bank like prabhu bank. All the financial indicator is decreased after the merger. Only CDR and CAR is increased on 6.32% and 10.41%

respectively. Merging of Bank with the Development Bank was not seem that effective with the result.

4.1.10 Correlation Analysis

In this analysis part we calculate correlation. The correlation analysis is one of the inferential statistics, which is used to estimate the correlations between variable. The variables are ROA, MPS, NPL, EPS, ROE, CDR, NPM and CAR. we employed correlation method to analyze the correlation for the variables for the before the merger process and same for the after the merger process. The relationship among the variables may vary with the change in the merger process, by analysis of the such change can be helpful for the analyst. Also for the comparisons in the average, in other word the relationship among the variables also can be identified with the analysis of regression model using the all variables data for the total period. In such analysis averagely which variables are correlated with other variables can be identified and averagely what variables plays the significant roles for the financial performance of the banks.

Table 24

Correlation Metric for the Pre-Merger and Post-Merger Period

			Correlations							
			ROA	MPS	NPL	EPS	ROE	CDR	NPM	CDR
Pre-Merger	ROA	Pearson Correlation	1							
		Sig. (2-tailed)								
	MPS	Pearson Correlation	0.378	1						
		Sig. (2-tailed)	0.101							
	NPL	Pearson Correlation	-.783**	-0.360	1					
		Sig. (2-tailed)	0.000	0.119						
	EPS	Pearson Correlation	.852**	.657**	-.677**	1				
		Sig. (2-tailed)	0.000	0.002	0.001					
	ROE	Pearson Correlation	.975**	0.363	-.775**	.857**	1			
		Sig. (2-tailed)	0.000	0.115	0.000	0.000				
CDR	Pearson Correlation	0.376	0.331	-.777**	0.397	0.325	1			
	Sig. (2-tailed)	0.102	0.154	0.000	0.083	0.162				
NPM	Pearson Correlation	.861**	0.181	-.630**	.582**	.830**	0.172	1		
	Sig. (2-tailed)	0.000	0.444	0.003	0.007	0.000	0.467			
CDR	Pearson Correlation	.530*	0.377	-.698**	0.38	.477**	.656**	0.522*	1	
	Sig. (2-tailed)	0.016	0.101	0.001	0.098	0.034	0.002	0.018		
Post-	ROA	Pearson Correlation	1							

Merger		Sig. (2-tailed)							
MPS	Pearson Correlation	0.182	1						
	Sig. (2-tailed)	0.441							
NPL	Pearson Correlation	-.677**	-.587**	1					
	Sig. (2-tailed)	0.001	0.007						
EPS	Pearson Correlation	.691**	.689**	-.733**	1				
	Sig. (2-tailed)	0.001	0.001	0.000					
ROE	Pearson Correlation	.872**	.517*	-.828**	.902**	1			
	Sig. (2-tailed)	0.000	0.020	0.000	0.000				
CDR	Pearson Correlation	.583**	0.116	-.513*	0.354	.458*	1		
	Sig. (2-tailed)	0.007	0.627	0.021	0.125	0.042			
NPM	Pearson Correlation	.685**	0.278	-0.356	.547*	.619**	0.317	1	
	Sig. (2-tailed)	0.001	0.236	0.123	0.013	0.004	0.173		
CDR	Pearson Correlation	0.342	0.39	-.634**	.557*	.547*	0.27	0.098	1
	Sig. (2-tailed)	0.14	0.089	0.003	0.011	0.013	0.25	0.38	

** . Correlation is significant at the 0.01 level (2-tailed).
* . Correlation is significant at the 0.05 level (2-tailed).

Source: Appendix-III

In the above table 24 shows the correlation Between variables. In the above correlation matrix, for before merger period the correlation of MPS, NPL, EPS, ROE, CDR, NPM and CDR with ROA has positive relation except NPL. Significant relation with ROA and NPL negative relation, ROA with EPS, ROA with ROE, ROA with NPM and ROA with CAR. Relation of MPS to other variables are positive except NPL. Significant relation MPS is with EPS only. NPL has significant negative relation with ROE, CDR, NPM and CAR. EPS has the significant correlation with ROE and NPM. ROE has significant relation with NPM and CAR, CDR has significant relation with CAR and NPM has significant correlation with CAR all in positive manner.

While observing the after merger period the correlation of ROA, MPS, NPL, EPS, ROE, CDR, NPM and CAR, all are positively correlated except with NPL. Significant correlation with the variables are ROA and NPL negative, ROA and EPS, , ROA and ROE, ROA and CDR, ROA and NPM, MPS and NPL negative, MPS and EPS, MPS and ROE, NPL with EPS negative, NPL with ROE negative, NPL with CDR negative, NPL with CAR negative, EPS with ROE, EPS with NPM, EPS with CAR, ROE with CDR, NPM, CAR. After merger too the relationship between the variables are positive except with NPL.

Table 25

Combine Correlation Metric for the Period

		ROA	MPS	NPL	EPS	ROE	CDR	NPM	CAR
ROA	Pearson Correlation	1.000							
	Sig. (2-tailed)								
MPS	Pearson Correlation	.337*	1.000						
	Sig. (2-tailed)	0.034							
NPL	Pearson Correlation	-.654**	-0.257	1.000					
	Sig. (2-tailed)	0.000	0.110						
EPS	Pearson Correlation	.796**	.663**	-.583**	1.000				
	Sig. (2-tailed)	0.000	0.000	0.000					
ROE	Pearson Correlation	.936**	.375*	-.737**	.846**	1.000			
	Sig. (2-tailed)	0.000	0.017	0.000	0.000				
CDR	Pearson Correlation	0.240	0.059	-.663**	0.272	0.286	1.000		
	Sig. (2-tailed)	0.136	0.716	0.000	0.090	0.074			
NPM	Pearson Correlation	.826**	0.258	-.475**	.574**	.761**	0.063	1.000	
	Sig. (2-tailed)	0.000	0.108	0.002	0.000	0.000	0.698		
CAR	Pearson Correlation	.345*	0.227	-.683**	.355*	.439**	.611**	0.27	1
	Sig. (2-tailed)	0.029	0.16	0.00	0.025	0.00	0.00	0.092	

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Source: Appendix-III

Table 25 shows that the relationships among the study variables depicted in the model have tested using correlation with ROA, MPS, NPL, EPS, ROE, CDR, NPM and CAR. All the variable shows the positive correlation except with NPL. Result for the period is same as the After the merger. Major significant correlation between the variables are ROA with MPS, ROA with NPL negative, ROA with EPS, ROA with NPM and ROA with CDR and CAR, MPS with EPS and ROE, NPL with negative correlation of EPS, ROE, CDR, NPM, CAR. EPS with ROE, EPS with ROE, NPM and CDR, ROE with NPM and CAR, CDR with CAR. All showed the positive correlation pattern except the NPL.

4.1.11 Paired Sample T-Test Analysis

Pair sample t test analysis depicts the analysis study of the back and forth the period of the event. It helps to identify the significant changes before and after the event. In this case before and after of the change can be identified using the t test. If there is no change during the period change result is zero but if there is some change occurred during the study of the period, then positive or negative change can be seen in the result. The t test outlines the significates by analysis of the t-test and its p value. If p value is less than the alpha value 5% in that case only there seen the significant impact or change.

Table 26

Paired Sample T-Test of Global IME Bank Before and After Merger

		Paired Differences		Std. Error Mean	95% Confidence Interval of the Difference	t	df	Sig. (2-tailed)		
		Mean	Std. Deviation						Lower	Upper
		Pair 1	ROA.B - ROA.A						0.25	0.25
Pair 2	MPS.B - MPS.A	180.40	112.19	50.17	41.09	319.71	3.60	4.00	0.023*	
Pair 3	NPL.B - NPL.A	0.18	1.59	0.71	-1.79	2.15	0.26	4.00	0.81	
Pair 4	EPS.B - EPS.A	0.00	3.37	1.51	-4.18	4.18	0.00	4.00	0.998	
Pair 5	ROE.B - ROE.A	1.09	2.45	1.09	-1.94	4.13	1.00	4.00	0.374	
Pair 6	CDR.B - CDR.A	-6.89	5.84	2.61	-14.14	0.36	-2.64	4.00	0.058	
Pair 7	NPM.B - NPM.A	3.06	3.26	1.46	-0.99	7.11	2.10	4.00	0.104	
Pair 8	CAR.B - CAR.A	-0.75	0.89	0.40	-1.85	0.36	-1.88	4.00	0.133	

Source: Appendix-III

Above table 26 shows the paired t test of the financial indicators of the Global IME bank. In the comparative pre-merger and post-merger analysis of the bank, it is found that there is a decrement of the ratios after the merger phase for ROA, MPS, NPL, EPS, ROE and NPM. CDR and CAR only increased after the merger. By looking at the significance level of t value at 5% level of significance, decreased performance of MPS has only significantly validated with p value of 0.023. Significant decrease in MPS that is negative difference is found by after the merger for Global IME Bank.

Table 27

Paired Sample T-Test of Prabhu Bank Before and After Merger

		Paired Differences		Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
		Mean	Std. Deviation		Lower	Upper			
		Pair 1	ROA.B - ROA.A		0.26	1.70			
Pair 2	MPS.B - MPS.A	50.40	110.68	49.50	-87.03	187.83	1.02	4.00	0.366
Pair 3	NPL.B - NPL.A	6.71	8.26	3.70	-3.55	16.97	1.82	4.00	0.144
Pair 4	EPS.B - EPS.A	4.14	22.85	10.22	-24.24	32.51	0.41	4.00	0.706
Pair 5	ROE.B - ROE.A	0.72	23.01	10.29	-27.86	29.29	0.07	4.00	0.948
Pair 6	CDR.B - CDR.A	-7.31	6.98	3.12	-15.97	1.36	-2.34	4.00	0.079
Pair 7	NPM.B - NPM.A	12.76	43.72	19.55	-41.53	67.04	0.65	4.00	0.55
Pair 8	CAR.B - CAR.A	-1.11	0.98	0.44	-2.32	0.11	-2.54	4.00	0.064

Source: Appendix-III

Above table 27 shows the paired t test of the financial indicators of the Prabhu bank. In the comparative pre-merger and post-merger analysis of the bank, it is found that the decline of ROA, MPS, NPL, EPS, ROE and NPM. CDR and CAR only increased after the merger. By looking at the significance level of t value at 5% level of significance,

none of the financial indicator is significantly validated. Statistically no difference in financial indicators is found after merger for Prabhu Bank.

Table 28

Paired Sample T-Test of NIC Asia Bank Before and After Merger

		Paired Differences			t	df	Sig. (2-tailed)		
		Mean	Std. Deviation	Std. Error Mean					
					95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	ROA.B - ROA.A	0.13	0.31	0.14	-0.26	0.52	0.92	4.00	0.411
Pair 2	MPS.B - MPS.A	-67.80	381.93	170.81	-542.03	406.43	-0.40	4.00	0.712
Pair 3	NPL.B - NPL.A	0.49	1.10	0.49	-0.87	1.85	1.01	4.00	0.372
Pair 4	EPS.B - EPS.A	-7.92	9.80	4.38	-20.09	4.25	-1.81	4.00	0.145
Pair 5	ROE.B - ROE.A	-3.90	2.75	1.23	-7.31	-0.49	-3.17	4.00	0.034*
Pair 6	CDR.B - CDR.A	-2.86	2.53	1.13	-6.00	0.28	-2.53	4.00	0.064
Pair 7	NPM.B - NPM.A	5.77	6.83	3.06	-2.71	14.26	1.89	4.00	0.132
Pair 8	CAR.B - CAR.A	-0.20	0.84	0.38	-1.24	0.85	-0.52	4.00	0.629

Source: Appendix-III

Above table 28 shows the paired t test of the financial indicators of the NIC Asia bank. In the comparison back and forth of merger study of the bank, it is found that ROA, NPL and NPM are decreased after the merger. MPS, EPS, ROE, CDR and CAR increased after the merger. By looking at the significance level of t value at 5% level of significance, improved ROE is significantly validated with the p value of 0.034. Statistically increased ROE is statistically validated as the impact of merger and acquisition. Significant positive variation is found on the ROE after the merger for NIC Asia Bank.

Table 29

Paired Sample T-Test of Siddhartha Bank Before and After Merger

		Paired Differences			t	df	Sig. (2-tailed)		
		Mean	Std. Deviation	Std. Error Mean					
					95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	ROA.B - ROA.A	0.37	0.11	0.05	0.23	0.51	7.45	4.00	0.002*
Pair 2	MPS.B - MPS.A	293.60	177.16	79.23	73.63	513.57	3.71	4.00	0.021*
Pair 3	NPL.B - NPL.A	0.44	1.04	0.47	-0.85	1.73	0.95	4.00	0.398
Pair 4	EPS.B - EPS.A	11.85	6.40	2.86	3.90	19.80	4.14	4.00	0.014*
Pair 5	ROE.B - ROE.A	3.23	3.75	1.68	-1.43	7.89	1.93	4.00	0.126
Pair 6	CDR.B - CDR.A	-5.35	4.44	1.99	-10.87	0.17	-2.69	4.00	0.055
Pair 7	NPM.B - NPM.A	6.68	2.00	0.89	4.20	9.16	7.48	4.00	0.002*
Pair 8	CAR.B - CAR.A	-1.22	0.89	0.40	-2.33	-0.11	-3.05	4.00	0.038*

Source: Appendix-III

Above table 29 shows the paired t test of the financial indicators of the Siddhartha bank. In the comparative pre-merger and post-merger analysis of the bank, it is found that ROA, MPS, NPL, EPS, ROE and NPM are decreased after the merger. Only CDR and CAR increased after the merger. By looking at the significance level of t value at 5% level of significance, deteriorated ROA, MPS, EPS and NPM is significantly validated with the p value of ROA 0.002, MPS 0.021, EPS 0.014 and NPM 0.002. Statistically decreased performance of ROA, MPS, EPS and NPM is validated as the impact of merger and acquisition. And Increased CAR is also validated with p value of CAR 0.002. Significant positive and negative variation is found on the ROE after the merger for Siddhartha Bank.

Table 30

Paired Sample T-Test of Sample Commercial Banks Before and After Merger

		Paired Differences		Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
		Mean	Std. Deviation		Lower	Upper			
Pair 1	ROA.B - ROA.A	0.25	0.50	0.22	-0.37	0.87	1.13	4.00	0.322
Pair 2	MPS.B - MPS.A	114.15	153.88	68.82	-76.92	305.22	1.66	4.00	0.173
Pair 3	NPL.B - NPL.A	1.95	2.90	1.30	-1.65	5.55	1.51	4.00	0.206
Pair 4	EPS.B - EPS.A	2.02	5.63	2.52	-4.97	9.01	0.80	4.00	0.468
Pair 5	ROE.B - ROE.A	0.29	6.06	2.71	-7.23	7.81	0.11	4.00	0.921
Pair 6	CDR.B - CDR.A	-5.60	4.10	1.83	-10.69	-0.52	-3.06	4.00	0.038*
Pair 7	NPM.B - NPM.A	7.07	11.93	5.33	-7.74	21.88	1.33	4.00	0.256
Pair 8	CAR.B - CAR.A	-0.82	0.10	0.04	-0.94	-0.69	-18.37	4.00	0.000*

Source: Appendix-III

Above table 30 shows the paired t test of the financial indicators of the Sample bank for the pre-merger and post-merger period. By observing the average returns of sample bank there is increased and decreased result is found. Average ROA is decreased from 1.41 to 1.15%, average MPS is decreased from Rs. 508.15 to 394, average NPL is decreased from 3.60 to 1.64%, average EPS is decreased from Rs. 24.36 to 22.34, average ROE is decreased from 14.31 to 14.03%, average CDR is increased from 81.52 to 87.12 %, average NPM is decreased from 30.39 to 23.32 % and average CAR is increased from 11.93 to 12.74%. Sample banks have mixed influence in the post-merger phase. But statistically increased CDR and CAR has only validated as the p value of CDR is 0.038 and CAR is 0.000 which is less than 5% alpha level. Thus statistically positive difference or increase in CDR and CAR is found after the merger.

4.1.12 Summary of Hypothesis

Hypothesis testing is the process of determining probability with the statistics and finding that the given hypothesis is true or not. Convenient sample from the population is tested using the inferential testing. If sample data are not consistent in regard to statistical hypothesis, in that case hypothesis is rejected. The given alternative hypothesis is tested with the paired t-test analysis using probability by the table 24 using p value.

H1: There is a significant difference in bank's Return on Assets(ROA) between pre-post-merger and acquisition. Above table 24 shows the p value of ROA is 0.322 before and after merger in paired t test analysis and p value is greater than the statistical value 0.05, thus alternative hypothesis is rejected at 5% significance. There is no significant difference is found on ROA due to merger and acquisition for selected banks.

H2: There is a significant difference in bank's Market Price Per Share(MPS) between pre-post-merger and acquisition. Above table 24 shows the p value of MPS is 0.173 before and after merger in paired t test analysis and p value is greater than the statistical value 0.05, thus alternative hypothesis is rejected at 5% significance. There is no significant difference is found on MPS due to merger and acquisition for selected banks.

H3: There is a significant difference in bank's Total Non-Performing Loan(NPL) between pre-post-merger and acquisition. Above table 24 shows the p value of NPL is 0.206 before and after merger in paired t test analysis and p value is greater than the statistical value 0.05, thus alternative hypothesis is rejected at 5% significance. There is no significant difference is found on NPL due to merger and acquisition for selected banks.

H4: There is a significant difference in bank's Earnings Per Share(EPS) between pre-post-merger and acquisition. Above table 24 shows the p value of EPS is 0.468 before and after merger in paired t test analysis and p value is greater than the statistical value 0.05, thus alternative hypothesis is rejected at 5% significance. There is no significant difference is found on EPS due to merger and acquisition for selected banks.

H5: There is a significant difference in bank's Return on Equity(ROE) between pre-post-merger and acquisition. Above table 24 shows the p value of ROE is 0.921 before and after merger in paired t test analysis and p value is more than the statistical value

0.05, thus alternative hypothesis is rejected at 5% significance. There is no significant difference is found on ROE due to merger and acquisition for selected banks.

H6: There is a significant difference in Credit-Deposit Ratio(CDR) between pre-post-merger and acquisition. Above table 24 shows the p value of CDR is 0.038 before and after merger in paired t test analysis and p value is less than the statistical value 0.05, thus alternative hypothesis is accepted at 5% significance. There is significant difference is found on CDR due to merger and acquisition for selected banks.

H7: There is a significant difference in Net Profit Margin(NPM) between pre-post-merger and acquisition. Above table 24 shows the p value of NPM is 0.256 before and after merger in paired t test analysis and p value is more than the statistical value 0.05, thus alternative hypothesis is rejected at 5% significance. There is no significant difference is found on NPM due to merger and acquisition for selected banks.

H8: There is a significant difference in Capital Adequacy Ratio(CAR) between pre-post-merger and acquisition. Above table 24 shows the p value of CAR is 0.000 before and after merger in paired t test analysis and p value is less than the statistical value 0.05, thus alternative hypothesis is accepted at 5% significance. There is significant difference is found on CAR due to merger and acquisition for selected banks.

4.2 Major Findings

Above study helps to understand the significant fluctuations in the financial market. Through the liberalization policy of the government there was significant growth of the BFIs in the Nepalese Market that lead to the unfair practices and cutthroat competition among the financial institutions. In the above data presentation and analysis many findings can be outlined. Which can be described as below.

- There was an increasing and decreasing trends of the financial indicators among the sample banks in the sample period. Fluctuation of the financial indicators can be seen in the past ten years' data.
- Average Return on assets of the sample banks is decreased from 1.41 to 1.15% which shows banks are not able to utilize its assets to acquire the desired return as expected after the merger. Combine average Return on assets for the period is 1.28%.

- Average Market price per share of the sample banks is decreased massively from the Rs. 508.15 to Rs 394 that shows the decreased value of the share in the market after the merger. Combine average Market price per share for the period is Rs 451.08.
- Average Non performing loan to total loan ratio is decreased from 3.6 to 1.64% that indicates the positive performance in the management of bad loan after the merger. Combine average Non-performing loan to total loan ratio for the period is 2.62%.
- Average Earnings per share of sample banks is slightly decreased from Rs. 24.36 to Rs 22.34, that shows the banks are able to managing its earnings of share after the merger though it is in the slightly decreasing trends. Combine average Earnings per share for the period is Rs. 23.35.
- Average Return on equity of sample banks is slightly decreased from 14.31 to 14.03% that shows the equity holders are getting same return after merger too. Combine average Return on equity is 14.17%.
- Average Credit-deposit ratio of sample banks is increased from 81.52 to 87.42% that shows the banks are performing good in terms of converting deposits to the loans to the customers after the merger. Combine average Credit-deposit ratio for the period is 84.32%
- Average Net profit margin is decreased from 30.39 to 23.32% that shows the banks are getting lower profit out of the total income, but they are able to earn the profit above 20% after the merger. Combine average Net profit margin for the period is 26.85%.
- Average CAR is increased from 11.93 to 12.74% that shows which shows the increment of financial strength of sample banks It helped to boost the captivating financial risk and economic risk. Banks are able to maintain the average of 10% for the CAR. Combine average for the capital adequacy ratio is 12.34%.
- After the t-test only CDR and CAR resulted as the significant. That mean merger and acquisition impact positively for the increment of the two financial indicator.

4.3 Discussion

Bank is the most important organization in the nation, it can be taken as the major organ of the nation. The healthy and strong financial position of the bank is very crucial for the

sustainable development of the bank, as it hampers in many ways for the smooth running of the economy. From the daily worker to businessmen and entrepreneur they all are associated with the proper functioning of the bank. Businessmen takes the loans and mobilizes the business, entrepreneur's startup the new ideas and invest funds in the projects. In the economy money circulation is very much important, bank thus helps for the circulating money from the savers and provides to the borrowers. Bank is also involving in the social responsibility program too that is helping in the community too. As a regulatory body of the financial institutions NRB is aiming to making the healthy economy by merging the financial institutions as a strong, big and efficient institutions.

The relevant motive of the study is to outline the influences of merger and acquisition on the financial performance of the Nepalese commercial bank. For the study, data has been collected from the annual financial report of four commercial banks which undergone a merger and acquisitions previously. Data from the pre-merger period and post-merger period is taken from 2013/2014 to 2017/2018 and 2018/19 to 2022/2023. Total number of observation is 40. The impact of merger is measured by analysis of ROA, MPS, NPL, EPS, ROE, CDR, NPM and CAR by observing the significant change back and forth the merger that is done using paired t-test.

After merger average ROA, MPS, EPS and NPM has decreased, only decreased NPL, increased CDR and increased CAR has showed the positive result. Combined average for the period for the year also showed the same result, but it showed satisfactory level in which NPL, CDR and CRR only performed positively other variable performed only averagely. When seeing the trends in the ten-year data with the mixed results of increasing and decreasing Return is not fully accumulated by utilizing its assets. After merger profitability positions as ROA, ROE and NPM decreased, shareholders' value position as MPS and EPS also decreased, assets quality position as NPL improved and capital adequacy position also improved by increased CDR and CAR. On the individual bank analysis GBIME has degraded its performance after the merger, Prabhu bank has also degraded its performance, NICA has improved the overall performance, and Siddhartha bank has also degraded the performance. The study gave a result of CDR and CAR had significant difference due to merger and acquisitions. That showed the mixed result after the merger and acquisition.

Overall previous study found mixed results, positive result and small significance result.

The study tries to broaden the area by increase the sample by taking the several number of firms and several year data. This particular study supports the findings of the author Adhikari et al., (2023) that has mixed results some are positive and some negative. Also This particular study supports the findings of Bhatta et al., (2023) as the profitability ratio has not significantly change. But Leverage ratio has increased and shareholders' wealth has no any significant impact. This particular study supports the study of Thakur (2022) as it has mix result. This particular study supports the study of Dhingra (2018) with mixed result. This particular study supports the findings of Stunda (2019) ,as it also shows mixed positive results but not negative. This study also supports study of Boniface (2018) with the mixed result. This study also supports result of Vyas (2008) with the mixed results after the merger.

CHAPTER-V

SUMMARY AND CONCLUSION

5.1 Summary

Mergers and Acquisitions is mostly used in the business world which helps for restructuring and strengthening of entities. Mergers and acquisitions helps to achieve competitiveness, profitability and long term sustainability, ascertaining capital base etc. The chapter presents summary of conclusion and implication of the study. The impact of amalgamations and accretions of commercial banks in Nepal has been appropriately identified. The main objectives of the study are to summarize, analyze and interpretation of the data and finding the results. From the analysis of before and after merger result was satisfactory. For the attainment of results descriptive and casual comparative research design has been used. For Research Methodology observation and web search is used for the collection of the data. Secondary data has been taken from the banks financial annual report. And the research finding is based on the quantitative data from the financial determinants.

Data are collected from the Annual report from the sample bank and from the NRB websites. For the sample taken from the population from the total banks, convenient sampling method is used and secondary data has been collected by the searching in the web, internet, studying various articles of previous works. In the study secondary data is used. For the processing and interpretation of the data by financial tools like ratios analysis and financial statements analysis and statistical tools are used such as descriptive analysis, correlation analysis and paired t-test analysis of the before merger and after merger and along with combined study for the ten years of data is taken and average descriptive statistics correlation and t-test has been found for individual banks during the event of merger and acquisitions and combined averages of the pre and post-merger and acquisitions are also analyzed with the use of the t-test in the study. For that data are analyzed through word, excel and SPSS 25.

Descriptive statistical tools such as mean is used for the analysis of data by presenting them into the table and analyzed the impact with pre-merger, post-merger and combine data of average is used. In inferential statistics correlation for the validity of data and paired t-test is used for the reliability of data. Which also analyzed through the SPSS. For

the analysis of data 5 years of pre-merger and post-merger data are taken and analyzed with the help of financial indicators ROA, MPS, NPL, EPS, ROE, CDR, NPM and CAR is used for the measurement of financial performance. After the correlation analysis correlations between the variables found the same, that shows the almost same level of correlation after the merger too. In the paired t-test ROA has p value of 0.322, MPS has p value of 0.173, NPL has p value of 0.206, EPS has p value of 0.468, ROE has p value of 0.921, CDR has p value of 0.038, NPM has p value of 0.256 and CAR has p value of 0.000. Only CDR and CAR is statistically significant as it has the less p value than alpha 0.05.

Some the financial determinant showed the positive result and some showed the average result. With the analysis positive aspect of managing bad loan helped bank to go from bankruptcy. Thus various risks are under the control such as economic risk, market risk etc. Positive aspect on the credit to total deposit ratio shows the banks are performing well in the converting deposit into the loan to the borrowers. And positive capital adequacy ratio helps to observe the potential market and economic risk association and also maintains the overall safety of the deposits of the depositors. Others financial indicators remained not impressive only hold to the average position.

5.2 Conclusion

The main motive of the study is find out the effect of merger and acquisitions on financial achievement of the Nepalese commercial bank. The other objectives are the possible financial planning for the strengthening of the financial status of the banks, achieving the sound and efficient practice by analyzing the result.

The impact of merger and acquisitions is the key subject for the many analyst and bankers as well as NRB for the future policy making and aligning its merger bylaw. This research also supports the previous studies that were carried out on the similar topics and also offers new understanding and implications for the future researchers and policy makers. But there are many limitations too, that should also be acknowledge here because other factors hampered too, as imagined results may not be availed.

By the use of descriptive statistics, it is found that after the merger ROA, MPS, NPL, EPS, ROE and NPM has decreased averagely but CDR and CAR has increased. CDR and CAR brought the positive result, same with the combined average of the data, but

satisfactory results of the variables. Correlation analysis shows the overall positive correlation between the variables except for the non-performing loan, as the non-performing loan has inverse relation.

In a nutshell, it can be concluded that after the merger there has not been a significant difference found for the change on the financial performance of Nepalese commercial bank. Some banks have the positive results in some years and after some years it has declined with the mixed and average results. It can be suggested that with the merger and acquisitions there are challenges too. NIC Asia only gave the good result than other banks after the merger. Nepal Rastra bank has been practicing merger for the past few years as per the policy of reducing banks and financial institutions. As of today there are 20 commercial banks operating in Nepal (Mid Jan 2024) which NRB aiming to reducing to 15. At present Kumari bank has merged with NCC bank. Sunrise Bank with Laxmi Bank, Nepal Investment Bank with Mega Bank and so will be merged with various banks, development bank and finance companies. Not getting expected result may be with the other factors too such as political, legal, market risk, covid etc. But apart from that various things are to be solved for the efficient functioning of the banks and having expected positive results. Even though the work of NRB for boosting BFIs in terms of financial strengthening, knowledge acquirement, synergy, better corporate governance, better competitiveness, bank should focus on the various aspects too that helps them for getting strength in financial performance. For now, we can see that there is no anticipated result is found as expected. NRB should pressurize the BFIS to find the best suitable entities rather than merging with the small and weaker financial entities, in such case the result would be significant.

The research has also cover up some other important human insight in mergers and acquisitions and has given some suggestion to managing and utilizing the human resource responses as well.

5.3 Implications

With the study from past, there are significantly positive results has been found for the merger and acquisition in Nepal. Moreover, the overgrowth of the BFI's in the past congested the financial market and result the malpractice, unhealthy competition, not aligning with the corporate governance and moreover having the more operating expenses. Due to fragile financial position of the financial institution in the past which led

the unavailability of funds for the investment in the big projects and possible financial solvency detected by NRB, it had formulated force merger bylaw and prompted for the finding suitable partner for the mergers of the financial institutions, that will help them for the strengthening the financial position and leading in the market.

5.3.1 General Implications

The research has several practical implications which is found by conducting research. This research helps to suggest on the impact of merger and acquisitions of the banks which are beneficial for the practice.

- It is found that M&A is very effective tools that helps for the minimizing the BFIs and maintaining the optimal number in the market so there can be efficient practice, healthy competitions and healthy economy that helps for the improving the economic power of the nations as a whole.
- After the merger NPL has significant positive impact that means banks are improving on distribution of the bad loan. Merger procedure helped in this regards for the Banks.
- Increase in credit to deposit ratio implied bank has properly used the synergy from merger and uses shared ideas and skills for the converting deposits into loan for the customer. And increased capital adequacy ratio implied that bank can cover the possible market risk and financial risk also provides the safety of the depositors deposits amount.
- Decreased profitability ratio and shareholder's wealth ratio indicated that banks should build up efficient management and aimed for the proper utilization of resources and assets so the profitability will be increased in the future and shareholders' too get benefited from this.
- For the sustainable development and running of the BFIs the merger and acquisitions can be a good tool.
- It is necessary to utilize the positive aspect of the merger and acquisition. Management should focus on the maintaining good corporate governance, increasing paid up capital, maintaining interactive approach, and accepting change so the existence of firm is maintained for the long-term after the merger and acquisitions. Also employees are new within the organization and proper introduction, socialization and training programs are fruitful for the organization and results the positive impact after the merger process.

- The NRB should frequently carry out evaluation to understand the position and performance of a bank. Thus the identification of financial status of banks helps NRB to formulate or update the existing merger bylaw policies. In the banking sectors study of such factors which affects the merger and acquisition is not taken as a prime study which need to carry out the most.
- Research on post-merger performance of banking sectors in Nepal has been conducted by several researchers, this study helps to understand the merger impact by analyzing previous literatures and creating the strong base for the identification of factors leading to merger and acquisition.
- There can be seen several financial indicators were decreased after the merger and some increased too. Banks and financial institutions should be aware that the financial performance is not as expected but they remained on the satisfactory level. Thus NRB and BFIs should make a plan for the improvement of the banking practices in Nepal that helps to serve the consumer, customer and as a nation as a whole that simultaneously helps for the improving financial performance over the years. Also central bank should properly identify the best banks for the merger and forced them to merged rather than recommending them for finding suitable partner.
- There can be seen that due to decreased financial performance after the merger we can understand that it has affected to several concerned parties such as employees, customer, shareholders and financial market. Thus the positive improvement is necessary by making the BFIs efficient with the practice of healthy competition.
- It can be understanding that various factors such as providing better service, providing cost efficiency, diversification, creating market base, better branding, fulfilling capital requirements for funding on the big project are concerned for going on the merger and acquisition and making the strong position in the market in case of Nepalese banking sector.
- It is recommended that human resource department can raise the awareness program to seize the new opportunities and potentials that can be grabbed. New company as an acquirer have several opportunities that helps employee to work in the better company to work. The combine knowledge of the employees within the organization helps them to grow and have a productive result and company also able to feel that they are also striving for the best.

- It is recommended that employees should be prepared for the accepting change for the new environment, preparing future contingent plan, preparing transition management and employees development program as such training, coaching, orientation etc. that helps for the employees to perform well and they also involved in the management.
- Creating the employees reward program by incentives and bonus makes the employees to better perform and lead the positive change.
- Institutions with lower capital base and bad financial performance help to recover its entity rather to be bankrupt in the long run. Finding suitable partner and merging will be the best decisions for them.
- Management should opt out for the flexible processes and procedure to cope up with the need of the merger.
- There are several other factors such as political instability, covid 19, market risk, brain draining etc. also impacted on the performance of banks, that should be taken as the major challenges and urge for the minimizing such factors that helps the strengthening the performance of the banks and as a nation as a whole.

5.3.2 Implications for Future Studies

The research has also some future implications too. If the research would be conducted on the similar topics in future, then this research work would be as the reference for the researcher. This research would also be the important study that would help for the future research direction. This research also helps for the academician and policy maker too for as it helped for the better understanding of merger and acquisition.

The future implication of the research can be on the development and formulation of future policies for the BFIs and NRB. Researcher recommends future researcher for the inclusion of more merged banks and more years for the analysis of data that would help for the preciseness and accurateness of the research. Moreover, several techniques and methods can be used for the precise and accurate research with minimizing limitations and errors. Researcher can include several other factors too that would help to get the accurate and relevant result.

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APPENDICES

APPENDIX-I

Pre-Merger and Post-Merger Period Financial Indicators of Sample Banks From Annual Report Between 2013/14 to 2022/2023

FY	NOB	ROA(%)	MPS(RS)	NPL(%)	EPS(RS)	ROE(%)	CDR(%)	NPM(%)	CAR(%)
2013.14	GBIME	1.62	640.00	2.55	19.57	16.00	82.27	41.05	12.38
2014.15	GBIME	1.39	479.00	2.23	15.58	13.11	83.47	30.32	12.69
2015.16	GBIME	1.58	515.00	1.89	19.33	15.88	81.47	35.03	12.35
2016.17	GBIME	1.75	388.00	1.60	25.51	18.00	79.30	43.41	11.37
2017.18	GBIME	1.67	290.00	0.77	23.64	15.48	84.70	41.24	11.47
2013.14	PRVU	-1.44	207.00	24.29	-15.24	-26.88	69.23	-33.23	8.68
2014.15	PRVU	2.19	348.00	7.33	31.73	27.57	70.43	53.79	10.61
2015.16	PRVU	1.64	415.00	8.83	26.75	17.00	79.11	44.26	12.29
2016.17	PRVU	1.76	406.00	4.55	27.17	19.29	76.19	47.78	11.18
2017.18	PRVU	0.86	187.00	3.98	12.58	7.69	81.04	25.69	11.86
2013.14	NICA	1.71	970.00	2.33	35.98	15.93	82.93	37.14	14.05
2014.15	NICA	1.21	617.00	2.07	25.59	13.05	81.03	32.36	12.49
2015.16	NICA	1.51	798.00	0.76	28.31	16.50	85.62	40.83	12.44
2016.17	NICA	1.64	445.00	0.36	23.06	16.84	83.70	42.91	13.83
2017.18	NICA	0.97	316.00	0.06	16.62	12.09	86.30	24.91	12.24
2013.14	SBL	1.74	810.00	2.75	38.63	23.35	79.02	19.72	11.39
2014.15	SBL	1.51	678.00	1.80	37.77	20.48	83.04	19.83	11.10
2015.16	SBL	1.69	869.00	1.47	41.53	14.62	87.02	25.42	11.25
2016.17	SBL	1.53	485.00	1.30	26.60	14.89	88.40	18.61	12.74
2017.18	SBL	1.59	300.00	1.09	26.45	15.34	86.08	16.70	12.12

FY	NOB	ROA(%)	MPS(RS)	NPL(%)	EPS(RS)	ROE(%)	CDR(%)	NPM(%)	CAR(%)
2018.19	GBIME	1.82	293.00	0.55	23.47	18.47	91.62	40.72	12.31
2019.2	GBIME	1.06	239.00	1.74	17.99	12.88	88.25	28.44	12.48
2020.21	GBIME	1.20	441.00	1.41	19.25	13.53	85.59	34.85	13.20
2021.22	GBIME	1.38	251.00	1.28	20.84	13.93	94.99	38.03	12.67
2022.23	GBIME	1.30	186.00	3.15	22.06	14.19	85.21	33.71	13.34
2018.19	PRVU	1.29	266.00	3.76	21.03	12.45	87.94	31.77	11.16
2019.2	PRVU	0.71	221.00	3.15	11.58	7.76	78.26	20.11	11.18
2020.21	PRVU	0.80	457.00	1.68	13.54	10.06	83.95	11.70	13.08
2021.22	PRVU	0.82	207.00	1.86	14.97	9.93	81.38	10.06	12.86
2022.23	PRVU	0.08	160.00	4.98	1.19	0.89	81.00	0.87	11.87
2018.19	NICA	1.56	448.00	0.46	34.22	22.73	84.55	31.80	13.32
2019.2	NICA	1.32	553.00	0.75	31.89	19.26	85.75	28.00	13.50
2020.21	NICA	1.09	994.00	0.50	28.18	17.09	87.58	29.00	12.47
2021.22	NICA	1.20	696.00	0.53	36.45	18.43	89.85	30.90	13.38
2022.23	NICA	1.23	794.00	0.88	38.44	16.39	86.17	29.58	13.36
2018.19	SBL	1.49	318.00	0.75	23.07	15.71	89.65	15.49	12.70
2019.2	SBL	1.26	296.00	1.38	19.55	13.81	89.04	12.48	13.17
2020.21	SBL	1.25	504.00	1.00	26.04	15.68	90.60	15.77	13.36
2021.22	SBL	1.10	303.00	1.07	20.60	13.82	96.08	12.53	13.00
2022.23	SBL	1.11	253.00	2.01	22.48	13.50	84.94	10.59	12.47

APPENDIX-II

Average Return of Assets of Sample Banks (%)

Period	Before Merger	Period	After Merger
2013/14	0.91	2018/19	1.54
2014/15	1.58	2019/20	1.09
2015/16	1.61	2020/21	1.09
2016/17	1.67	2021/22	1.13
2017/18	1.27	2022/23	0.93
Average	1.41	Average	1.15

Average Market Price Per Share of Sample Banks (Rs.)

Period	Before Merger	Period	After Merger
2013/14	656.75	2018/19	331.25
2014/15	530.50	2019/20	327.25
2015/16	649.25	2020/21	599
2016/17	431	2021/22	364.25
2017/18	273.25	2022/23	348.25
Average	508.15	Average	394

Average Non-Performing Loan to Total Loan of Sample Banks (%)

Period	Before Merger	Period	After Merger
2013/14	7.98	2018/19	1.38
2014/15	3.36	2019/20	1.76
2015/16	3.24	2020/21	1.15
2016/17	1.95	2021/22	1.19
2017/18	1.48	2022/23	2.76
Average	3.60	Average	1.64

Average Earnings Per Share of Sample Banks (Rs.)

Period	Before Merger	Period	After Merger
2013/14	19.74	2018/19	25.45
2014/15	27.67	2019/20	20.25
2015/16	28.98	2020/21	21.75
2016/17	25.59	2021/22	23.22
2017/18	19.82	2022/23	21.04
Average	24.36	Average	22.34

Average Return on Equity of Sample Banks (%)

Period	Before Merger	Period	After Merger
2013/14	7.10	2018/19	17.34
2014/15	18.55	2019/20	13.43
2015/16	16	2020/21	14.09
2016/17	17.26	2021/22	14.03
2017/18	12.65	2022/23	11.24
Average	14.31	Average	14.03

Average Credit-Deposit Ratios of Sample Banks (%)

Period	Before Merger	Period	After Merger
2012/13	78.36	2017/18	88.44
2013/14	79.49	2018/19	85.33
2014/15	83.31	2019/21	86.93
2015/16	81.90	2021/22	90.58
2016/17	84.53	2022/23	84.33
Average	81.52	Average	87.12

SPSS Results
Combine Descriptive Statistics for the Period

Variables	N	Minimum	Maximum	Mean	Std. Deviation
ROA	40.00	-1.44	2.19	1.28	0.58
MPS	40.00	160.00	994.00	451.08	228.06
NPL	40.00	0.06	24.29	2.62	3.96
EPS	40.00	-15.24	41.53	23.35	10.53
ROE	40.00	-26.88	27.57	14.17	8.04
CDR	40.00	69.23	96.08	84.32	5.47
NPM	40.00	-33.23	53.79	26.85	15.50
CAR	40.00	8.68	14.05	12.34	1.03

Comparative Pre-Merger and Post-Merger Performance Analysis of Global IME Bank

Variable	Pre-Merger Mean	Post-Merger Mean	% Change
ROA	1.60	1.35	-15.61
MPS	462.40	282.00	-39.01
NPL	1.81	1.63	-10.07
EPS	20.73	20.72	-0.02
ROE	15.69	14.60	-6.97
CDR	82.24	89.13	8.38
NPM	38.21	35.15	-8.01
CAR	12.05	12.80	6.21

Comparative Pre-Merger and Post-Merger Performance Analysis of Prabhu Bank

Variable	Pre-Merger Mean	Post-Merger Mean	% Change
ROA	1.00	0.74	-26.15
MPS	312.60	262.20	-16.12
NPL	9.80	3.09	-68.50
EPS	16.60	12.46	-24.92
ROE	8.93	8.22	-8.01
CDR	75.20	82.51	9.72
NPM	27.66	14.90	-46.12
CAR	10.92	12.03	10.12

Comparative Pre-Merger and Post-Merger Performance Analysis of NIC Asia Bank

Variable	Pre-Merger Mean	Post-Merger Mean	% Change
ROA	1.41	1.28	-9.09
MPS	629.20	697.00	10.78
NPL	1.12	0.62	-44.09
EPS	25.91	33.84	30.58
ROE	14.88	18.78	26.19
CDR	83.92	86.78	3.41
NPM	35.63	29.86	-16.21
CAR	13.01	13.21	1.51

Comparative Pre-Merger and Post-Merger Performance Analysis of Siddhartha Bank

Variable	Pre-Merger Mean	Post-Merger Mean	% Change
ROA	1.61	1.24	-22.95
MPS	628.40	334.80	-46.72
NPL	1.68	1.24	-26.16
EPS	34.20	22.35	-34.65
ROE	17.74	14.50	-18.22
CDR	84.71	90.06	6.32
NPM	20.06	13.37	-33.33
CAR	11.72	12.94	10.41

SPSS Results

Combine Correlation Metric for the Period

		ROA	MPS	NPL	EPS	ROE	CDR	NPM	CAR
ROA	Pearson Correlation	1.000							
	Sig. (2-tailed)								
MPS	Pearson Correlation	.337*	1.000						
	Sig. (2-tailed)	0.034							
NPL	Pearson Correlation	-.654**	-0.257	1.000					
	Sig. (2-tailed)	0.000	0.110						
EPS	Pearson Correlation	.796**	.663**	-.583**	1.000				
	Sig. (2-tailed)	0.000	0.000	0.000					
ROE	Pearson Correlation	.936**	.375*	-.737**	.846**	1.000			
	Sig. (2-tailed)	0.000	0.017	0.000	0.000				
CDR	Pearson Correlation	0.240	0.059	-.663**	0.272	0.286	1.000		
	Sig. (2-tailed)	0.136	0.716	0.000	0.090	0.074			
NPM	Pearson Correlation	.826**	0.258	-.475**	.574**	.761**	0.063	1.000	
	Sig. (2-tailed)	0.000	0.108	0.002	0.000	0.000	0.698		
CAR	Pearson Correlation	.345*	0.227	-.683**	.355*	.439**	.611**	0.27	1
	Sig. (2-tailed)	0.029	0.16	0.00	0.025	0.00	0.00	0.092	

** . Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

SPSS Results

Correlation Metric for the Pre-Merger and Post-Merger Period

		Correlations										
		ROA	MPS	NPL	EPS	ROE	CDR	NPM	CDR			
Pre-Merger	ROA	Pearson Correlation	1									
		Sig. (2-tailed)										
	MPS	Pearson Correlation	0.378	1								
		Sig. (2-tailed)	0.101									
	NPL	Pearson Correlation	-.783**	-0.360	1							
		Sig. (2-tailed)	0.000	0.119								
	EPS	Pearson Correlation	.852**	.657**	-.677**	1						
		Sig. (2-tailed)	0.000	0.002	0.001							
	ROE	Pearson Correlation	.975**	0.363	-.775**	.857**	1					
		Sig. (2-tailed)	0.000	0.115	0.000	0.000						
Pre-Merger	CDR	Pearson Correlation	0.376	0.331	-.777**	0.397	0.325	1				
		Sig. (2-tailed)	0.102	0.154	0.000	0.083	0.162					
	NPM	Pearson Correlation	.861**	0.181	-.630**	.582**	.830**	0.172	1			
		Sig. (2-tailed)	0.000	0.444	0.003	0.007	0.000	0.467				
	CDR	Pearson Correlation	.530*	0.377	-.698**	0.38	.477**	.656**	0.522*	1		
		Sig. (2-tailed)	0.016	0.101	0.001	0.098	0.034	0.002	0.018			
	Post-Merger	ROA	Pearson Correlation	1								
			Sig. (2-tailed)									
		MPS	Pearson Correlation	0.182	1							
			Sig. (2-tailed)	0.441								
NPL		Pearson Correlation	-.677**	-.587**	1							
		Sig. (2-tailed)	0.001	0.007								
EPS		Pearson Correlation	.691**	.689**	-.733**	1						
		Sig. (2-tailed)	0.001	0.001	0.000							
ROE		Pearson Correlation	.872**	.517*	-.828**	.902**	1					
		Sig. (2-tailed)	0.000	0.020	0.000	0.000						
Post-Merger	CDR	Pearson Correlation	.583**	0.116	-.513*	0.354	.458*	1				
		Sig. (2-tailed)	0.007	0.627	0.021	0.125	0.042					
	NPM	Pearson Correlation	.685**	0.278	-0.356	.547*	.619**	0.317	1			
		Sig. (2-tailed)	0.001	0.236	0.123	0.013	0.004	0.173				
	CDR	Pearson Correlation	0.342	0.39	-.634**	.557*	.547*	0.27	0.098	1		
		Sig. (2-tailed)	0.14	0.089	0.003	0.011	0.013	0.25	0.38			
	**.											
	Correlation is significant at the 0.01 level (2-tailed).											
	*.											
	Correlation is significant at the 0.05 level (2-tailed).											

SPSS Results
Paired Sample T-Test of Global IME Bank Before and After Merger

		Paired Differences		Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
		Mean	Std. Deviation		Lower	Upper			
Pair 1	ROA.B - ROA.A	0.25	0.25	0.11	-0.06	0.56	2.22	4.00	0.091
Pair 2	MPS.B - MPS.A	180.40	112.19	50.17	41.09	319.71	3.60	4.00	0.023
Pair 3	NPL.B - NPL.A	0.18	1.59	0.71	-1.79	2.15	0.26	4.00	0.81
Pair 4	EPS.B - EPS.A	0.00	3.37	1.51	-4.18	4.18	0.00	4.00	0.998
Pair 5	ROE.B - ROE.A	1.09	2.45	1.09	-1.94	4.13	1.00	4.00	0.374
Pair 6	CDR.B - CDR.A	-6.89	5.84	2.61	-14.14	0.36	-2.64	4.00	0.058
Pair 7	NPM.B - NPM.A	3.06	3.26	1.46	-0.99	7.11	2.10	4.00	0.104
Pair 8	CAR.B - CAR.A	-0.75	0.89	0.40	-1.85	0.36	-1.88	4.00	0.133

SPSS Results
Paired Sample T-Test of Prabhu Bank Before and After Merger

		Paired Differences		Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
		Mean	Std. Deviation		Lower	Upper			
Pair 1	ROA.B - ROA.A	0.26	1.70	0.76	-1.84	2.37	0.35	4.00	0.747
Pair 2	MPS.B - MPS.A	50.40	110.68	49.50	-87.03	187.83	1.02	4.00	0.366
Pair 3	NPL.B - NPL.A	6.71	8.26	3.70	-3.55	16.97	1.82	4.00	0.144
Pair 4	EPS.B - EPS.A	4.14	22.85	10.22	-24.24	32.51	0.41	4.00	0.706
Pair 5	ROE.B - ROE.A	0.72	23.01	10.29	-27.86	29.29	0.07	4.00	0.948
Pair 6	CDR.B - CDR.A	-7.31	6.98	3.12	-15.97	1.36	-2.34	4.00	0.079
Pair 7	NPM.B - NPM.A	12.76	43.72	19.55	-41.53	67.04	0.65	4.00	0.55
Pair 8	CAR.B - CAR.A	-1.11	0.98	0.44	-2.32	0.11	-2.54	4.00	0.064

SPSS Results
Paired Sample T-Test of NIC Asia Bank Before and After Merger

		Paired Differences		Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
		Mean	Std. Deviation		Lower	Upper			
Pair 1	ROA.B - ROA.A	0.13	0.31	0.14	-0.26	0.52	0.92	4.00	0.411
Pair 2	MPS.B - MPS.A	-67.80	381.93	170.81	542.03	406.43	-0.40	4.00	0.712
Pair 3	NPL.B - NPL.A	0.49	1.10	0.49	-0.87	1.85	1.01	4.00	0.372
Pair 4	EPS.B - EPS.A	-7.92	9.80	4.38	-20.09	4.25	-1.81	4.00	0.145
Pair 5	ROE.B - ROE.A	-3.90	2.75	1.23	-7.31	-0.49	-3.17	4.00	0.034
Pair 6	CDR.B - CDR.A	-2.86	2.53	1.13	-6.00	0.28	-2.53	4.00	0.064
Pair 7	NPM.B - NPM.A	5.77	6.83	3.06	-2.71	14.26	1.89	4.00	0.132
Pair 8	CAR.B - CAR.A	-0.20	0.84	0.38	-1.24	0.85	-0.52	4.00	0.629

SPSS Results
Paired Sample T-Test of Siddhartha Bank Before and After Merger

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	ROA.B - ROA.A	0.37	0.11	0.05	0.23	0.51	7.45	4.00	0.002
Pair 2	MPS.B - MPS.A	293.60	177.16	79.23	73.63	513.57	3.71	4.00	0.021
Pair 3	NPL.B - NPL.A	0.44	1.04	0.47	-0.85	1.73	0.95	4.00	0.398
Pair 4	EPS.B - EPS.A	11.85	6.40	2.86	3.90	19.80	4.14	4.00	0.014
Pair 5	ROE.B - ROE.A	3.23	3.75	1.68	-1.43	7.89	1.93	4.00	0.126
Pair 6	CDR.B - CDR.A	-5.35	4.44	1.99	-10.87	0.17	- 2.69	4.00	0.055
Pair 7	NPM.B - NPM.A	6.68	2.00	0.89	4.20	9.16	7.48	4.00	0.002
Pair 8	CAR.B - CAR.A	-1.22	0.89	0.40	-2.33	-0.11	- 3.05	4.00	0.038

SPSS Results
Paired Sample T-Test of Sample Commercial Banks Before and After Merger

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	ROA.B - ROA.A	0.25	0.50	0.22	-0.37	0.87	1.13	4.00	0.322
Pair 2	MPS.B - MPS.A	114.15	153.88	68.82	-76.92	305.22	1.66	4.00	0.173
Pair 3	NPL.B - NPL.A	1.95	2.90	1.30	-1.65	5.55	1.51	4.00	0.206
Pair 4	EPS.B - EPS.A	2.02	5.63	2.52	-4.97	9.01	0.80	4.00	0.468
Pair 5	ROE.B - ROE.A	0.29	6.06	2.71	-7.23	7.81	0.11	4.00	0.921
Pair 6	CDR.B - CDR.A	-5.60	4.10	1.83	-10.69	-0.52	-3.06	4.00	0.038
Pair 7	NPM.B - NPM.A	7.07	11.93	5.33	-7.74	21.88	1.33	4.00	0.256
Pair 8	CAR.B - CAR.A	-0.82	0.10	0.04	-0.94	-0.69	-18.37	4.00	0.000

Thank You!

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ABSTRACT Mergers and Acquisitions plays crucial roles as a financial tool which helps companies to grow rapidly and providing the good return to the owners and investors simultaneously. A merger is the combination of the similar firms and becoming one as the distinct entity, whereas in acquisition, acquirer entity acquires another entity and run under the acquired entity. A merger and acquisitions has been taken as an important tool to control the unnatural growth of BFIs by central bank of Nepal. The terms merger and consolidation uses synonymously but they have different legal meaning. The objectives of the study are to analyze the current financial situation,

to examine the relation of merger and acquisition on return on assets of sample bank, to examine the

relation between return on assets with market price per share, non-performing loan, earnings per share, return on equity, credit-deposit ratio and net profit margin of sample bank. In this research

descriptive and causal comparative research design is used. Descriptive research design used to identify the level or position of merger and acquisitions